Safra

Tradição Secular de Segurança

Banco Safra S.A.

IFRS Consolidated Financial Statements
Year Ended December 31, 2019
Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

MANAGEMENT REPORT

NOTES TO THE FINANCIAL STATEMENTS

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 December 31, 2019 and 2018, prepared according to the International Financial Reporting Standards (IFRS).

ECONOMIC SCENARIO

The pace of economic recovery gained a little more traction in the second half of 2019. The latest GDP released is for the 3Q19, and shows an increase by 0.6% (considering the change in the quarter already unseasoned), equivalent to a growth rate of 2.5% in annualized terms. The expansion in activities particularly reflected stronger private demand. Household consumption continued to show acceleration in the 3Q19, and the civil construction industry delivered a positive performance again, which translated into a new increase in investments.

In the 4Q19, the GDP grew 0.5% in margin, discounting the seasonal effects, 2.0% in annualized terms. The result reaped the benefits from measure that allowed the early withdrawal of a portion of the account balance of the Government Severance Indemnity Fund for Employees (FGTS), even though the effect it produced was below expectations.

During 2019, the labor market continued to show a gradual improvement, with unemployment rate at 11.6% at the end of 2019 (in unseasoned series), down by 0.6% as compared to the end of 2018.

Meanwhile, the credit stock posted a 6.5% growth in 2019, propelled by the good performance of non-earmarked loan, particularly targeted at individuals. In relation to capital markets, the growth in fixed-income security offerings in the Brazilian market is worthy of note, an expansion of 11% between 2018 and 2019, reaching R$ 245 billion.

Inflation kept down during 2019, although it had a marginal acceleration in the last couple of months of the year, feeling the shock of the meat supply caused by the significant increase in demand from China, after that country faced an African swine fever epidemic. As a result, IPCA stood at 4.31% in the end of 2019, close to the midpoint of the inflation target set by the Central Bank of Brazil (4.25%). We stress that the inflation components, which denote the structural price performance, remained at a very favorable level, with the average of such measures ending the year at 3.1%.

In this scenario of gradual recovery of economic activity and inflation consistently below the midpoint of the target, the Central Bank of Brazil decreased the country's base rate (Selic) to 4.50%, the lowest rate in history (from 6.50% in the end of 2018).

In relation to tax, the consolidated public sector posted a primary deficit of 0.9% of GDP in 2019, equivalent to R$ 61.9 billion. The significant repayments of BNDES debt to Treasury, the proceeds from auctions for pre-salt exploitation, the privatizations, and the lower interest rate level ensured a 0.8 percentage point drop in the gross debt to GDP ratio, which ended 2019 at 75.8% of GDP.

Real showed a trend toward devaluation over 2019, and after beginning the year at R$ 3.87/US$, ended 2019 at R$ 4.03/US$. In this scenario, the Central Bank met the demand for dollars and performed joint auctions, offering US$ 33.4 billion in spot currency concomitantly with reverse currency swap contracts, thus reducing the stock of foreign exchange swaps to US$ 35.6 billion.

At the same time, the country's external accounts continued to show a sustainable position, with deficit in current transactions of US$ 50.8 billion in 2019 (or 2.8% of GDP), broadly financed by the inflow of US$ 78.6 billion in Foreign Direct Investments (FDI) (4.3% of GDP), the highest level since 2014. The currency flow, on the other hand, ended the year with an outflow of US$ 44.8 billion.

Finally, the most relevant development in the second half of 2019 was the completion and approval of the social security reform, one of the main goals of the government's agenda. In November, the reform was ratified and the government estimates savings of around R$ 800 billion in the next ten years.

The international scenario continued to be challenging in most of the year, for fears of slowdown in the global growth and the US-China trade wars. In this environment, there was an inflection in the monetary policy in the US and the Euro Zone, with a cycle of interest rate cuts in both regions. This scenario provided support to risky assets, and the S&P index was up by 28.9% in 2019.

As an event subsequent to the base date of these financial statements, we highlight the Coronavirus outbreak that has spread to almost all countries in the world, which will have a strong negative impact on global and Brazilian growth. In this scenario, the inflation rate will remain low and the Selic should suffer further cuts. Stimulus measures are being announced and should lead to a deterioration of public accounts in 2020.

PERFORMANCE

Key Indicators

Banco Safra's key indicators for the periods ended December 31, 2019 and 2018, in accordance with the IFRS, are shown in the table below:

Profitability - R$ million (unless otherwise stated)	2019	2018	2019/ 2018 (%)
Consolidated Net Income Attributable to Owners of the Parent	2,188	2,200	*(0.5%)*
Equity of Owners of the Parent	12,416	12,343	*0.6%*
Return on Average Equity - Annualized (%)	*17.7%*	*19.5%*	
Return on Average Assets - Annualized (%)	*1.2 %*	*1.3%*	
Statement of Financial Position - In millions of reais (unless otherwise stated)			
Total Assets	192,142	183,003	*5.0%*
Liquidity	22,902	27,705	*(17.3%)*
Expanded Credit Portfolio	111,070	106,909	*3.9%*
Credit portfolio	93,796	86,380	*8.6%*
Guarantees and Sureties	17,273	20,529	*(15.9%)*
Non-performing Loans (over 90 days)	*0.6%*	*0.5%*	
Funding Net of Compulsory	108,620	103,939	*4.5%*
Companies	84,264	79,028	6.6%
Individuals	24,356	24,911	(2.2%)
Raised and Managed Assets	241,927	233,139	*3.8%*
Funds Raised and Managed	212,565	197,724	7.5%
Repurchase Agreements, Foreign Exchange and Collection of Taxes	29,362	35,415	(17.1%)
Material Data			
Conglomerate employees (individuals)	9,190	8,070	
Number of Branches and Points of Services in the Country (units)	132	132	

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, exceeding the mark of 2.0 million customers.

For better analysis, we present below the statement of income reclassified for the foreign exchange variation effects of investments abroad, according to Note 21.c.III. (2) and the non-recurring income earned in the year 2019 in the amount of R$ 26 million in expenses.

The non-recurring income is represented by the expenses for recognition of provision for contingencies net of tax effects and the income related to the recognition as at December 31, 2019 of the effect of the remeasurement of deferred tax assets, arising from the increase in the CSLL rate from 15% to 20%, as established by the Constitutional Amendment 103/2019, which gave rise to an increase in deferred tax assets of R$ 228 million.

Reclassified Statement of Income (R$ million)	2019	2018
Gross Interest Margin	6,213	4,894
Losses and Adjustments to Recoverable Amount (Net) for Credit Risk	(777)	36
Net Interest Margin after Impairment Loss of Financial Assets	**5,435**	**4,930**
Other Operating Revenue	2,227	2,130
Tax Expenses of Operations	(574)	(523)
Net Profit from Operations	**7,088**	**6,537**
Other Operating Income (Expenses)	(4,101)	(3,316)
Profit Before Taxes	**2,987**	**3,221**
Income tax and social contribution	(800)	(1,021)
Consolidated Profit for the Periods Attributable to Owners of the Parent	**2,188**	**2,200**

Highlights of the period

In the end of 2019, Banco Safra's net income amounted to R$ 2.2 billion, resulting in an annualized profitability of 17.7%. Total assets amounted to R$ 192.1 billion as at December 31, 2019 and equity reached R$ 12.4 billion. With growth of 3.9% in its expanded credit portfolio, and 4.5% in funding net of compulsory, it ended the year with a solid liquidity position amounting to R$ 22.9 billion and Basel ratio at 13.9%.

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

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, and providing new experiences of interactivity and smart consumption, the Bank has invested to bring to the channel several self-service solutions. These solutions range 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. The institution provides access to a complete range of products and services in a very agile and 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 retail business customers, 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.

· Digital Individual Customers and TopAdvisor– For individuals, the goal is to attract accountholders who have potential for investment. It has been pursued by offering products to customers who open digital accounts as well as to those prospected by our relationship managers and Private Bankers. To strengthen the positioning of experts in this segment, in the second half of 2019 Safra launched its first institutional campaign focused on investment, displayed on radio, TV, newspapers, magazines and websites. The Bank is also deploying its sales force through the TopAdvisor training program, aimed at building the capacity of talents with our traditional service quality and always focused on long-term relationship.

· Investment Bank – Increase the team in the Investment Banking segment, which uses the Safra Group's experience to support the strategic operations targeted at medium-sized and large companies. Operating in the markets of Merger & Acquisitions (M&A), IPO, stock and debt instrument offerings, Safra's Investment Banking is on the path to consolidate its position among the market leaders, by always carefully choosing partners and making secure structuring of transactions.

In 2019, for the third consecutive time, Banco Safra was the leader in the Banks category (Wholesale and Business), in the Estadão Finanças Mais' yearbook. It was also awarded in the categories of Life Insurance & Pension (ranked second) and Property Insurance (ranked fifth). In the 2019 edition of the Valor/FGV Pension Guide, we were awarded the "Best Manager of Multimarket Pension Fund".

Assets, Liabilities and Investment Management

- **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 December 31, 2019 totaled R$ 22.9 billion, equivalent to 1.9 times equity, and were as follows:

	R$ million **Dec-19**
Cash and cash equivalents	5,350
Own portfolio - unrestricted government securities	14,738
Corporate securities issued by financial institutions with daily liquidity	1,310
Open market investments (own portfolio) and interbank deposits, with maximum term of 90 days, with daily liquidity	1,525
(-) Collection and receipt of taxes and similar	(21)
Total	**22,902**

- **Credit portfolio**

The expanded credit portfolio, which includes guarantees, sureties and other instruments with credit risk, totaled R$ 111.1 billion as at December 31, 2019, up by 3.9% on the portfolio as at December 31, 2018.

The payroll linked loans and vehicle financing businesses presented a 30.3% portfolio growth in relation to December 31, 2018, maintaining the delinquency 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, without compromising safety, and the building of relationship with customers and points-of-sales.

In December 2019 the expanded credit to businesses reached R$ 84.0 billion, of which we highlight the expansion of 18.4% in the segments of businesses with annual revenue from R$ 1 million to R$ 500 million. In companies of larger size, we noted a growth in transactions with fixed-income securities in the local (debentures, promissory notes and similar) and international (Eurobonds) markets, which portfolio reached R$ 14.0 billion as at December 31, 2019.

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 should be highlighted the robust credit quality indicators in the end of December 2019, which ratified the Bank's efficient risk management framework.

The non-performing ratio (transactions over 90 days past due) stood at 0.6% of the expanded credit portfolio, 0.1% being related to businesses and 1.7% to individuals.

- **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 net worth and Private Banking individual and business customers.

Also in the high net worth 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.

Raised and managed assets reached R$ 241.9 billion as at December 31, 2019. Of this amount, R$ 92.6 billion refers to investment funds. Still in this context, funding from customers totaled R$ 94.8 billion in the end of December 2019.

It is also worthy of note the Group'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**

Consolidated equity reached R$ 12.4 billion as at December 31, 2019, and capital ratio stood at comfortable levels, as shown in the table below.

In millions of reais – R$

	Dec-19	Dec-18
Regulatory Capital (PR)	**16,810**	**15,774**
Tier I	**12,950**	**12,779**
Core Capital	11,726	11,617
Additional	1,223	1,162
Tier II	**3,860**	**2,995**
RWA	**120,543**	**109,294**
Credit Risk	106,258	99,237
Market Risk	6,876	2,304
Operational Risk (POPR)	7,408	7,754
Basel Ratio [PR*100/RWA]	***13.9%***	***14.4%***
Tier I	*10.7%*	*11.7%*
Core Capital	*9.7%*	*10.6%*
Tier II	*3.2%*	*2.7%*
Risk of change in interest rates in instruments classified in the banking portfolio (IRRBB) (*)	**415**	**178**
Countercyclical buffer (ACP)	**3,014**	**2,049**
Capital margin (PR-RWAxF-IRRBB-ACP)	**3,738**	**4,120**

(*) In Dec-18 refers to RBAN.

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	Positive
Latest report	August 2019	December 2019

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 Safra's risk management practices is presented. The Bank's website (www.safra.com.br) features information on the risk and capital management frameworks, established by BACEN Circular 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, which 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, and also an integrated risk management unit, besides, the appointment of the Chief Risk Officer (CRO) was formalized, which reports to the Superior Risk Committee and the Board of Directors. Safra's risk management framework also includes a formal Risk Appetite Statement (RAS) that 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 and the Superior Risk Committee and approved by the Board of Directors.

Banco Safra annually undertakes the Internal Capital Adequacy Assessment Process (ICAAP). This process, regulated by the Central Bank of Brazil, 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 Central Bank of Brazil. The objective 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.

GOVERNANCE

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

The Board of Directors is the most senior governing body that manages the businesses of Banco Safra by joint resolutions, responsible for setting out corporate guidelines, challenges and objectives, besides monitoring and evaluating its results. The Board of Directors is formed by a minimum of three (3) and a maximum of 11 (eleven) members, elected at the Shareholders' Meeting, for a two-year term of office, reelection being possible.

The Advisory Committee 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. The Board of Directors is responsible for electing the members to the Advisory Committee, which will have a maximum of ten (10) members.

Banco Safra S.A has statutory committees, which perform their activities based on the provisions of their internal rules and the bylaws. Pursuant to the CMN Resolution 4,557/2017 the Superior Risk Committee is formed by a minimum of three members and a maximum of ten members, and it is aimed at assisting the Board of Directors in the performance of its attributions related to the integrated risk and capital management.

The Audit Committee is a statutory body that reports to the Board of Directors and operate pursuant to the provisions of the National Monetary Council (CMN) Resolution 3,198, of May 25, 2004, and the SUSEP Resolution 321, of July 15, 2015, aimed at following up and strengthening the internal and external audit activities. The Audit Committee is formed by a minimum of three and a maximum of six members, of which at least three are executive officers of the Company.

The Corporate Governance Committee is aimed at contributing towards the improvement in Safra Conglomerate's management 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 Risks, Ombuds Office, Regulatory Compliance, Internal Controls, Compliance and Legal.

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 three and a maximum of five members, with two-year term of office, and operates as a sole organizational component in the Safra Financial Conglomerate, of which it is the leading institution.

Besides the structure of Statutory Committees, Banco Safra S.A. has delegated committees that provide support to the institution's operations, of which we highlight those of Capital Management, Finance and Treasury, and Large Risks, 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 2019, Safra had 9,190 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$ 2.6 billion in 2019, the social benefits provided to employees and their dependents having reached R$ 217 million.

COMPARATIVE INFORMATION BETWEEN THE BRGAAP AND IFRS

We present below the comparative information between our Consolidated Statement of Financial Position and Profit or Loss prepared in accordance with the applicable standards of the BRGAAP and IFRS for the year ended December 31, 2019. The Financial Statements presented according to the BRGAAP have already been converted into the IFRS presentation format.

The changes/adjustments in assets, liabilities and profit or loss are substantially represented by the difference in criteria for determining the Allowance for Credit Risk and the corresponding Deferred Tax Assets, due to the difference between the concept of expected loss of IFRS 9 and the provisioning methodology established by BACEN, including the additional allowance, and not because of the non-recognition of the Deferred Tax Assets on Additional Allowance under the BRGAAP. In addition, we have adopted in 2019 the IFRS 16, Leases, basically with effect on the recognition of assets and liabilities, not materially affecting profit or loss.

In millions of reais – R$

	December 2019		
	BRGAAP	Adjustments	IFRS
ASSETS			
Cash, Interbank investments and Central Bank compulsory deposits	20,373	-	20,373
Financial assets and Derivative financial instruments	23,174	2	23,176
Investments linked to open market operations – Government securities	28,473	-	28,473
Funds guaranteeing technical reserves of insurance and private pension operations	18,571	-	18,571
Credit portfolio	90,669	185	90,854
Gross amount	93,796	-	93,796
Loss on recoverable amount	(3,128)	185	(2,943)
Other financial assets	5,665	-	5,665
Tax assets	2,838	542	3,380
Other assets	428	(2)	426
Property and equipment, intangible assets and lease	776	449	1,225
TOTAL ASSETS	**190,966**	**1,176**	**192,142**
LIABILITIES			
Financial liabilities at amortized cost and fair value at initial recognition	119,981	-	119,981
Derivative financial instruments	1,706	-	1,706
Open market funding – Government securities	28,209	-	28,209
Insurance and private pension operations	18,571	-	18,571
Other financial liabilities	6,409	644	7,053
Provision for contingent liabilities	1,884	-	1,884
Tax liabilities	1,285	-	1,285
Other liabilities	1,035	-	1,035
EQUITY (Reconciliation)	11,884	532	12,416
TOTAL LIABILITIES AND EQUITY	**190,966**	**1,176**	**192,142**

In millions of reais – R$

	Accum. Jan – Dec 2019		
	BR GAAP	Adjustments	IFRS
NET INTEREST INCOME	6,064	(35)	6,029
DIVIDEND INCOME	12	-	12
FINANCIAL INSTRUMENTS, NET [1]	72	(5)	68
GROSS INTEREST MARGIN	**6,148**	**(40)**	**6,108**
LOSSES ON RECOVERABLE AMOUNT (NET) FOR CREDIT RISK	(778)	0	(777)
NET INTEREST MARGIN AFTER IMPAIRMENT LOSS OF FINANCIAL ASSETS	**5,370**	**(39)**	**5,331**
OTHER OPERATING REVENUE	2,227	-	2,227
Revenue from fees and commissions	1,948	-	1,948
Insurance and private pension operations	279	-	279
TAX EXPENSES OF OPERATIONS	(563)	-	(563)
GROSS PROFIT FROM OPERATIONS	**7,034**	**(39)**	**6,995**
OTHER OPERATING INCOME (EXPENSES)	(4,446)	9	(4,437)
Personnel expenses	(2,899)	-	(2,899)
Administrative expenses	(1,142)	9	(1,133)
Other operating income (expenses)	(405)	-	(405)
PROFIT BEFORE TAXES	**2,588**	**(30)**	**2,558**
Income tax and social contribution	(377)	7	(371)
CONSOLIDATED PROFIT FOR THE PERIOD	**2,211**	**(24)**	**2,188**

The Financial Statements under the BRGAAP have been posted on our website www.safra.com.br on February 6, 2020.

ACKNOWLEDGEMENTS

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, March 27, 2020.

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

	Notes	12.31.2019	12.31.2018
Cash	3(a) e 5	1,312,970	699,893
Interbank investments and Central Bank compulsory deposits	6	19,059,650	25,783,452
Financial assets		23,175,896	16,073,415
Marketable securities	8(a-I(1))	21,432,590	15,265,997
At fair value through profit or loss		21,194,565	14,327,789
Designated at fair value at initial recognition		238,025	938,208
Derivative financial instruments	8(b-I(1))	1,743,306	807,418
Investments linked to open market operations - Government securities	7(a)	28,472,607	34,682,102
Funds guaranteeing technical reserves for insurance and private pension	12(a-I)	18,570,933	14,922,255
Credit operations	9(a-I)	90,853,738	83,852,295
At amortized cost		39,404,140	39,239,344
At fair value on initial recognition		51,449,598	44,612,951
Other financial assets	13	5,665,064	3,203,972
Tax assets	17(b-I)	3,379,936	2,921,825
Current		202,165	215,957
Deferred		3,177,771	2,705,868
Other assets	15(a)	426,009	345,346
Property and equipment, intagible and rents assets	18	1,225,022	518,423
TOTAL ASSETS		**192,141,825**	**183,002,978**

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

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

	Notes	12.31.2019	12.31.2018
Financial liabilities	10(a-I)	119,981,416	112,237,911
At amortized cost		103,803,880	96,730,155
At fair value on initial recognition		16,177,536	15,507,756
Derivative financial instruments	8(b-I(1))	1,705,766	765,680
Open market funding - Government securities	7(b)	28,208,651	35,084,272
Insurance and private pension operations	12(c)	18,570,831	14,921,952
Other financial liabilities	13	7,053,371	3,977,213
Provision for contingent liabilities	16(b) e (c)	1,884,481	1,623,137
Tax liabilities	17(b-I)	1,285,394	1,349,156
Current		1,143,424	1,105,568
Deferred		141,970	243,588
Other liabilities	15(b)	1,035,425	700,168
Equity attributable to owners of the parent	19	12,416,490	12,343,489
TOTAL LIABILITIES AND EQUITY		**192,141,825**	**183,002,978**

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

BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED DECEMBER 31
ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED

	Notes	2019	2018
NET INTEREST INCOME		6,028,946	5,067,734
Interest income	14(a)	15,928,921	14,365,646
Interest expenses	14(b)	(9,899,975)	(9,297,912)
DIVIDEND INCOME		11,951	15,905
FINANCIAL INSTRUMENTS, NET	14(c) e 21(c-III(2))	67,536	(569,528)
GROSS INTEREST MARGIN		**6,108,433**	**4,514,111**
NET LOSSES WITH CREDIT RISK		(777,406)	36,047
Impairment losses and adjustments for credit risk	3(c) e 9(a-III)	(977,991)	(710,082)
Recovery of credits	9(d)	200,585	746,129
NET INTEREST MARGIN AFTER IMPAIRMENT OF FINANCIAL ASSETS		**5,331,027**	**4,550,158**
OTHER OPERATING RESULTS		2,226,597	2,129,966
Fees and commissions	14(d)	1,947,731	1,875,354
Insurance and private pension operations	14(e)	278,866	254,612
TAX EXPENSES OF OPERATIONS	3(m), 17(a-II) e 21(c-III(2))	(562,569)	(485,589)
GROSS PROFIT		**6,995,055**	**6,194,535**
OTHER OPERATING INCOME (EXPENSES)		(4,436,747)	(3,316,238)
Personnel expenses	15(c)	(2,898,589)	(2,331,666)
Administrative expenses	15(d)	(1,133,168)	(725,962)
Other operating income (expenses)	16(c)	(404,990)	(258,610)
PROFIT BEFORE TAXES		**2,558,308**	**2,878,297**
Income tax and social contribution	3(m), 17(a-I) e 21(c-III(2))	(370,701)	(678,654)
Current		(975,096)	(781,086)
Deferred		604,395	102,432
CONSOLIDATED NET PROFIT FOR THE PERIODS ATTRIBUTABLE TO OWNERS OF THE PARENT		**2,187,607**	**2,199,643**
Basic and diluted earnings attributable to the owners of the parent per share, in R$	3(n)	**142.98**	**143.76**
Net profit		2,187,607	2,199,643
Other comprehensive income		-	-
Consolidated comprehensive income for the periods attributable to owners of the parent		**2,187,607**	**2,199,643**
Consolidated comprehensive income - Basic and diluted earnings attributable to the owners of the parent per share, in R$	3(n)	**142.98**	**143.76**

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 DECEMBER 31 - NOTE 19
ALL AMOUNTS IN THOUSANDS OF REAIS

	Capital	Revenue reserves		Retained earnings	Equity attributable to owners of the parent
		Realized	Unrealized		
At January 1, 2018	**8,652,392**	**1,086,001**	**504,377**	**-**	**10,242,770**
Repurchase of treasury shares	-	(722)	-	-	(722)
Capital increase	774,296	(774,296)	-	-	-
Legal reserve	180,642	(180,642)	-	-	-
Special reserve	593,654	(593,654)	-	-	-
Net profit for the period	-	-	-	2,199,643	2,199,643
Allocation:					
Legal reserve	-	107,288	-	(107,288)	-
Special reserve	-	650,914	-	(650,914)	-
Unrealized revenue reserves	-	-	53,885	(53,885)	-
Capital increase	1,289,354	-	-	(1,387,556)	(98,202)
Interest on own capital	556,481	-	-	(654,683)	(98,202)
Dividends	732,873	-	-	(732,873)	-
At December 31, 2018	**10,716,042**	**1,069,185**	**558,262**	**-**	**12,343,489**
Capital increase	757,479	(757,479)	-	-	-
Legal reserve	107,288	(107,288)	-	-	-
Special reserve	650,191	(650,191)	-	-	-
Net profit for the period	-	-	-	2,187,607	2,187,607
Allocation:					
Legal reserve	-	110,560	-	(110,560)	-
Special reserve	-	282,563	-	(282,563)	-
Unrealized revenue reserves	-	-	(23,594)	23,594	-
Interest on own capital	-	-	-	(729,606)	(729,606)
Dividends	-	(296,528)	-	(1,088,472)	(1,385,000)
At December 31, 2019	**11,473,521**	**408,301**	**534,668**	**-**	**12,416,490**

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

BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")
STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED DECEMBER 31- NOTES 3(a) and 5
ALL AMOUNTS IN THOUSANDS OF REAIS

	NOTES	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
CONSOLIDATED PROFIT FOR ADJUSTED PERIODS		2,939,876	2,517,931
Consolidated net profit for the periods		2,187,607	2,199,643
Adjustments in the consolidated net profit for the periods:			
Depreciation, amortization and impairment	18(b)	276,746	91,289
Impairment losses and adjustments for credit risk	9(a-III)	341,428	102,944
Foreign exchange gains and losses on cash and cash equivalents		(16,991)	94,721
Provision for contingent liabilities	16(c)	294,799	193,569
Fair value adjustment - unrealized result	8(c)	179,284	27,445
Expenses of financing liabilities	10(b-II)	371,428	318,818
Complementary Coverage Reserve (PCC) and Reserve for related expenses (PDR) – Net	12(d-II)	5,652	5,872
Lease payments net of interest	13(c)	(98,584)	-
Income tax expenses on current and deferred income	17(a-I)	370,701	678,654
Taxes paid		(972,194)	(1,195,024)
Current		(881,841)	(1,081,008)
Tax and social security contingent liabilities and legal obligations	16(c)	(34,502)	(68,746)
Special Tax Regularization Program - PERT	17(b-I)	(55,851)	(45,270)
CHANGES IN OPERATING ASSETS AND LIABILITIES		996,731	(3,465,872)
NET INVESTMENTS		(3,658,366)	(20,156,624)
In short-term investments		10,227,702	(10,224,057)
In open market investments and funding - Government securities (assets/liabilities)		(942,089)	410,589
In financial assets		(5,906,657)	7,816,578
In derivative financial instruments (assets and liabilities)		173,844	144,731
In credit operations		(7,465,933)	(18,206,313)
In other financial assets and liabilities		254,767	(98,152)
NET FUNDING		4,212,318	15,444,783
In deposits and Central Bank compulsory deposits		5,122,515	16,159,312
In borrowing and onlending		(904,746)	(706,662)
In insurance and private pension operations		(5,451)	(7,867)
Funds guaranteeing technical reserves for insurance and private pension operations (assets)		(3,648,678)	(2,619,850)
Insurance and private pension operations (liabilities)		3,643,227	2,611,983
NET OTHER RECEIVABLES AND LIABILITIES		442,779	1,245,969
In foreign exchange gains and losses financing activities		146,139	692,896
In other		296,640	553,073
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		3,936,607	(947,941)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(812)	-
Acquisition of property and equipment in use	18(b)	(353,437)	(177,109)
Disposal of property and equipment in use	18(b)	9,527	3,076
Investment in intangible assets	18(b)	(68,435)	(49,750)
Disposal of intangible assets	18(b)	163	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(412,994)	(223,783)
CASH FLOW FROM FINANCING ACTIVITIES			
Third-party funds		(371,216)	2,677,358
Funding	10(b-II)	1,173,173	3,052,630
Liabilities for marketable securities abroad		87,333	1,699,952
Subordinated debt		1,085,840	1,352,678
Redemptions	10(b-II)	(1,544,389)	(375,272)
Liabilities for marketable securities abroad		(608,387)	(341,480)
Subordinated debt		(936,002)	(33,792)
Own funds - Dividends and Interest on capital		(2,114,606)	(98,202)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(2,485,822)	2,579,156
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,037,791	1,407,432
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIODS		**4,295,467**	**2,982,756**
Foreign exchange gains/losses on cash and cash equivalents		16,991	(94,721)
Cash and cash equivalents at the end of the periods	5	5,350,249	4,295,467
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,037,791**	**1,407,432**

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 CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH THE IFRS AS AT DECEMBER 31, 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", or "Bank"), headquartered at Avenida Paulista, 2100, São Paulo - SP, Brazil, are engaged in asset, liability and accessory operations inherent in the related authorized portfolios (commercial, including foreign exchange, real estate loans, credit, financing and investment, and lease), and complementary activities among which are operations of insurance, private pension, brokerage and distribution of securities, management of investment funds, managed portfolios, and in the payment institution market through the Safrapay trademark, in accordance with current legislation and regulations.

2 PRESENTATION OF THE FINANCIAL STATEMENTS

a) Basis of preparation

The consolidated financial statements of Banco Safra S.A. as at December 31, 2019 approved by the Board of Directors on March 27, 2019 have been prepared and are being presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and show information for the year ended December 31, 2017.

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 foreign exchange gains or losses on investments abroad and the operations in foreign currency are shown in the line item "Financial instruments, net", together with the foreign exchange gains or losses on derivatives which provide their hedge, for better presentation of the effective coverage of foreign exchange exposure.
- The income from operations is presented net of its direct costs. Such costs are substantially represented by the recovery, origination and maintenance of operations.
- The 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
- The income from provided guarantees and guarantees and sureties started to be shown together with income from the credit portfolio; they used to be stated in the line item "Revenue from service, bank fees and foreign exchange transactions".

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 or net income for the periods ended December 31, 2019 and December 31, 2018.

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.

These consolidated financial statements have been prepared considering the historical cost as basis of value, and adjusted to reflect the fair value of certain financial assets and liabilities (including derivatives and items designated at fair value at initial recognition), in equity or profit or loss, according to their classification.

Their preparation requires the use of certain accounting estimates by Management. The areas involving judgment or the use of estimates, relevant to these consolidated financial statements, are shown in Note 4 - "Critical accounting estimates and judgments".

b) Main amendments and new pronouncements issued by the IASB

I - New standards effective beginning on January 1, 2019

IFRS 16 – Leases

In January 2019, IFRS 6 – Leases came into effect, replacing IAS 17 – Leases and related interpretations. IFRS 16 applies a single model for the Lessee, which consists of making the accounting record of those contracts that have material amounts and with lease term above 12 months, at the present value of the leased asset and corresponding liability, recognizing the interest and depreciation expense in separate lines in profit or loss. IFRS 16 is applicable to annual periods beginning on or after January 1, 2019. In the initial application, Banco Safra adopted the modified retrospective approach of transition, and showed the impacts on these financial statements – Notes 3(g), 13(c) and 18(b), with the following criteria:

- Single discount rate to similar contracts;
- Lease liability and right-of-use asset at present value of remaining payments;
- Revision of contracts and lease terms.

II - Applicable in future periods

(1) IFRS 17 – Insurance contracts – Issued in May 2017

It establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts, applicable to the years beginning on or after January 1, 2021.

The standard establishes different approaches to be adopted for the treatment of insurance contracts, depending on the fulfillment of specific eligibility criteria:

- Simplified model: applicable to short-term contracts (up to 12 months) and low change in cash flows;
- Variable fee model: applicable to contracts with share of the profit of investments; and
- Standard model: applicable to all contracts.

Safra will evaluate the possible impacts arising from the adoption of this standard by the date it comes into effect.

(2) Amendment to IFRS 4 – Insurance contracts

It allows that certain entities that issue insurance contracts adopt IFRS 9 together with IFRS 17, that is, from January 1, 2021, or transfer the effects of the adoption of IFRS 9 to Other comprehensive income until IFRS 17 comes into effect. Safra adopted IFRS 9 when it came into effect, accordingly, it will not use the above options.

c) Basis of consolidation

The consolidated entities are those that Safra exerts control over the investee. Control is defined as: a) power over the investees; b) exposure to the risks and variable returns provided by the investment in the investee; and 3) ability to use the power over the investee to influence the return provided by it.

Subsidiaries are fully consolidated from the date on which control is gained by Safra and de-consolidated from the date that control ceases.

Intercompany transactions, as well as balances and unrealized gains and losses on these transactions were eliminated in the consolidation. The accounting policies of subsidiaries have been adjusted to ensure consistency with the accounting policies adopted by Banco Safra S.A. - parent entity.

The exclusive investment funds were consolidated, including those linked to PGBL and VGBL. In the consolidation process, the securities and investments comprising these fund portfolios were classified by transaction type and were distributed by security type into the same categories to which they were originally allocated. Safra presents each of such categories of securities and investments segregated into those linked and not linked to technical reserves of PGBL and VGBL. Non-controlling interests (redeemable quotas) are presented in the statement of financial position in "Other financial liabilities" – Note 13.

The entities based overseas, basically represented by the Cayman and Luxembourg branches, 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 the corresponding reporting date and are presented below:

	Assets	Liabilities	Equity	Net Income
Total at 12.31.2019	21,136,058	18,055,548	3,080,510	375,466
Total at 12.31.2018	22,057,197	18,664,408	3,392,789	239,204

The main entities comprising the consolidation and the related ownership interests as at 12.31.2019 and 12.31.2018 are shown below:

Ownership interests (%)	12.31.2019	12.31.2018
Banco J. Safra S.A.	100.00	100.00
Safra Leasing S.A. – Arrendamento Mercantil	100.00	100.00
Banco Safra (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" – Note 15(b).

d) Foreign currency translation

I. Functional and presentation currency

The items included in the individual financial statements of subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Brazilian reais (R$), which is the functional and presentation currency of Banco Safra S.A. and its Subsidiaries.

II. Transactions in foreign currency

The transactions in foreign currency are accounted for, at their initial recognition, in the transaction's currency, applying the spot foreign exchange rate between the functional currency and the foreign currency at the transaction date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currency into the functional currency using year-end foreign exchange rates are recognized as gain or loss in the consolidated statement of profit or loss.

Changes in the fair value of marketable securities denominated in foreign currency classified as fair value through other comprehensive income are separated from foreign exchange gains or losses and other changes in the carrying amount of the security. Foreign exchange gains or losses are recognized in profit or loss in the accounts "Interest income" and "Interest expenses" and fair value adjustments are recognized in equity, in the account "Carrying value adjustments".

Foreign exchange gains and losses on financial assets and liabilities classified as fair value through profit or loss are recognized as part of the Financial instruments, net.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting practices adopted in the preparation of the financial statements are described below:

a) Cash Flow

I- Cash and cash equivalents: represented by cash and deposits with financial institutions, included in the account "Cash", and open market investments, interbank deposits and investments in foreign currencies falling due in 90 days or less, in the account "Interbank investments" with an immaterial risk of change in fair value. 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 IAS 7 - Statement of cash flows, 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 financial institutions;
- Investing activities are those related to the buying and selling of long-term assets and other investments not included in cash equivalents, such as investments in marketable securities at fair value through other comprehensive income and amortized cost; 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.

b) Financial assets and liabilities and derivative financial instruments

I. Classification

With the adoption of IFRS 9, beginning on 1.1.2018, Safra started to classify its financial assets in the following measurement categories:

- Amortized cost or Designated at fair value at initial recognition;
- Fair value through other comprehensive income; and
- Fair value through profit or loss.

The classification in each measurement category depends on the evaluation of each financial asset's business model, as well as the characteristics of its contractual cash flows (SPPI test).

To determine the business model, Safra evaluates the strategy for obtaining financial results, that is, by i) collection of cash flows from principal and interests, ii) selling, or iii) both. For this purpose, it considers, among others, the following evidences:

- How the performance of the business model (and the financial assets held in such business model) is evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held in such business model) and the way in which those risks are managed;

The evaluation of the cash flow characteristics is made by performing the Solely Payment of Principal and Interest (SPPI) test. In order to meet the SPPI criteria, the cash flows shall solely comprise the consideration for the time value of money and credit risk. If the contractual characteristics embed exposure to cash flow volatility risk, the financial asset fails the SPPI test. The test is performed through the evaluation of the characteristics of the contracts entered into with customers, both standard and tailor-made ones, including those transactions that were not designated at fair value at initial recognition.

The financial assets comprising portfolios whose business model is obtain result by collecting cash flows from principal and interests, and that meet the SPPI criteria, are classified into the measurement category of amortized cost, except if designated at fair value at initial recognition.

The financial assets comprising portfolios whose business model is obtain result by selling or collecting cash flows from principal and interests, and that meet the SPPI criteria, are classified into the measurement category of fair value through other comprehensive income.

The portfolios that do not fit into the classification category at amortized cost or at fair value through other comprehensive income, and/or do not meet the SPPI criteria are classified in the category of measurement at fair value through profit or loss.

Safra made the irrevocably election, applicable to financial assets and liabilities, of measurement at fair value at initial recognition, notably for operations of credit and funding indexed to fixed rates, hedged by derivatives, when such designation results in information more significant to the entity, because:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- The groups of financial assets and liabilities are managed, and their performances are assessed based on fair values, according to a documented risk management or investment strategy, and the information on the group is internally provided to the key management personnel.

The equity instruments of the Bank's active portfolio are measured at fair value through profit or loss. Safra did not make the irrevocable election, applicable to equity instruments, of measurement at fair value through other comprehensive income.

II. Measurement

The measurement of financial assets and liabilities depends on the measurement category in which they were classified, as follows:

- Amortized cost: the financial assets and liabilities in this category are initially recognized at their fair values, plus transaction costs. Subsequently, they are measured at amortized cost, plus the adjustments made using the effective interest rate. The gains on the financial assets of this category are recognized in the line item "Interest income", whereas the interest expenses of financial liabilities are recognized in the line item "Interest expenses", over the period of the respective contract.
- At fair value through other comprehensive income: the financial assets in this category are initially recognized by their fair values, the respective transaction costs being recognized as expense. Subsequently they are measured at fair value, the gains or losses arising from change in fair value being directly recognized in a specific line item of equity called "Carrying value adjustment", until the financial asset is derecognized. When derecognizing the asset, the accumulated gains or losses in the specific line item of equity are transferred to profit or loss for the period. The interests on the financial assets classified in this category are recognized in profit or loss for the year in the line item "Interest income". The interests on such financial assets are calculated by using the effective interest rate method.
- At fair value through profit or loss and designated at fair value at initial recognition: are initially recognized by their fair values, the respective transaction costs being recognized as expense. The gains or losses arising from the changes in the fair values of such financial assets and liabilities are presented in the consolidated statement of profit or loss in the line item "Net interest income", in the period they were earned.

III. Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial asset or liability (or, if appropriate, a shorter period) until reaching the carrying amount of the financial asset or liability. The effective interest rate is established at the initial recognition of the financial asset or liability. The calculation of the effective interest rate includes all commissions, transaction costs, discounts or premiums that are integral part of the effective interest rate. Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Income from operations are presented net of its direct cost.

IV. Derivative financial instruments

Derivatives are classified in the measurement category of fair value through profit or loss. They are considered assets when the fair value is positive and liabilities if it is negative. Derivatives can be used for hedging purposes or not.

Safra basically purchases derivatives for hedge, designating as derivative instrument of hedge accounting or not, depending on the need. In this sense, in the cases in which hedged items are classified as measured at fair value through profit or loss or designated at fair value at initial recognition, the results of the hedging strategy are naturally reflected in the consolidated statement of profit or loss.

On contrary, it is necessary to designate a hedge accounting relationship, where the following conditions shall be met:

(i) high correlation regarding the changes in the fair value of the derivative with the fair value of the hedged item, both at the inception and over the life of the contract; and

(ii) effectiveness in reducing the risk associated with the exposure to be hedged.

V. Derecognition of financial instruments

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, and such transfer is qualifies for derecognition according to the requirements of the IFRS 9. When the risks and rewards are neither substantially transferred nor retained, Safra evaluates the control of the instrument, to determine whether the continuing involvement related to any retained control does not impede the derecognition.

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 credit operations.

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

VI. Modification of business model

The reclassification of financial assets is required if, and only if, the objective of the entity's business model for managing such assets change. Changing how financial assets start to be managed in a business model results in the classification of the newly purchased assets in another business model, without reclassification of the existing portfolio.

VII. Presentation of financial instruments at net amounts between assets and liabilities

A financial asset can only be offset against a financial liability and reported at its net amount in the statement of financial position if Safra has a legal right or obligation to offset the recognized amounts and can do it on a net basis, realizing an asset and settling a liability simultaneously.

c) Allowance for impairment loss

Safra measures the allowance for impairment loss, based on the expected loss model, for the following financial instruments:

- Financial assets measured at amortized cost;
- Financial assets designated at fair value at initial recognition;
- Credit commitments; and
- Financial guarantees provided.

The methodology for determining the allowance for impairment loss is periodically reviewed, and calculated based on the multiplication of the following factors:

- Exposure at Default (EAD): amount exposed to credit risk;
- Probability of Default (PD): probability of the counterparty not meeting its contractual payment obligations; and
- Loss Given Default (LGD): percentage of the exposure that is not expected to be recovered in the event of default.

Safra uses a credit risk rating model that assesses the risk of insolvency and default of counterparties, the methodologies and rules of which are defined in our internal rules and policies. The main purpose of this credit risk rating model is to rate the likelihood of a customer to default, called Probability of Default (PD), by using objective factors that combine the economic and financial information on the customer and its economic group with the accessory guarantees offered for the operations:

- Significant financial difficulty of the issuer or debtor;
- High probability of bankruptcy or composition with creditors or financial reorganization;
- Breach of contract, such as a default or arrears in interest or principal payments;
- Debt renegotiation; and
- The disappearance of an active market.

The PD is set for each business segment established by Safra, which segregation is mainly based on customer size, so that customers with similar behavior and PD are grouped.

The weighting of objective factors plus the analysis of the coverage percentage of accessory guarantees leads to the costumer rating in a scale from 1 to 9. This allows the grouping of customers with similar credit risks and classification into one of the following stages:

- Stage 1: comprises the financial instruments that have not shown significant increase in credit risk since initial recognition, or that showed a low credit risk at the reporting date of the financial statement. It requires the recognition of an allowance related to the expected credit losses resulting from default events that are possible within 12 months after the reporting date (12-month expected credit losses).
- Stage 2: comprises the financial assets that have shown significant increase in credit risk since initial recognition, but that did not show objective evidence of impairment. It requires the recognition of an allowance at the amount of the expected credit losses considering default events that are possible over the expected lifetime of the transaction.
- Stage 3: comprises the financial assets that show objective evidence of impairment. It requires the recognition of an allowance at the amount of the expected credit losses considering default events that are possible over the expected lifetime of the transaction.

In addition to the above-described internal policies and rules, used for calculating the necessary allowance requirements, the recognition of the allowance for impairment also takes into consideration many other factors established by Safra, as follows:

- Current economic environment and its trends;
- Analysis of economic sectors;
- Cyclical factors that result in historical losses;
- Concentration of recent losses;
- Regional factors that affected specific economic sectors; and
- Historical loss experience in other circumstances known at the time of the portfolio assessment.

Finally, in addition to the methodology for calculating the allowance for impairment (EAD x PD x LGD), Safra takes into consideration any other factor that may not be reached by such methodology, applying such factor to the individual transaction level.

An asset or group of financial assets is impaired and impairment loss is incurred if:

- There is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event");
- Such loss event (or events) effectively impact the estimated future cash flows of the operation;
- The loss can be reliably estimated.

The expected credit losses are provisioned, as contra-entry to the line item " Losses and adjustments to recoverable amount for credit risk", in the consolidated statement of profit or loss.

The real estate assets received as guarantee in connection with transactions exposed to credit risk do not affect the LGD, as Safra's experience demonstrate that the effective credit recovery by selling the asset occurs after the time horizon considered in the internal provisioning model, which considers the recoveries occurred in up to 36 months – Note 3(d).

d) Derecognition of financial instruments subject to credit risk

When a loan is considered uncollectible, it is written off against the related allowance for impairment loss. Such loans are written off after all the

necessary procedures have been taken and the amount of the loss has been determined.

If, in a subsequent period, the amount of the loss decreases and is objectively related to an event occurring after the loss recognition (such as an upgrade in the debtor's credit rating), the previously recognized loss is reversed by adjusting the allowance. The amount of the reversal is recognized as "Losses on recoverable amount (net) for credit risk" in the statement of profit or loss.

The assets received in connection with debt consolidation processes, related to credit transactions derecognized in assets, are classified as "Non-current assets held for sale" and fully provisioned, as 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 presented in the statement of financial position net of the full provision, considering that such allowance is shown in the statement of profit or loss in the expense of the derecognition in the loss of the linked credit operation. Any possible proceed is recognized when the asset is sold.

e) Modification of financial assets subject to credit risk

In case the cash flows of the modified financial asset have not substantially changed, the financial instrument is not derecognized, and its gross carrying amount is remeasured, and the resulting difference is recognized in profit or loss. In the cases in which the modification substantially changes the cash flows of the instrument, common in case of financial difficulties of the debtor (debt restructuring), the modified financial instrument is considered a new instrument, the credit risk rating of the debtor remaining unchanged for purposes of measuring the impairment of such financial instruments.

f) Property and equipment and intangible assets

Property and equipment corresponds to property and equipment in use and other property and equipment items in use comprise tangible assets that are necessary to carry out the activities and/or that transfer to Safra the economic rewards, risks and control of such assets. Intangible assets correspond to the rights to intangible assets for maintaining Safra's activities or used for such purpose.

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition or construction of items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will be generated and its cost can be measured reliably. All other repairs and maintenance are recorded in profit or loss as administrative expenses in the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

- Properties in use: 25 years (4% per year);
- Furniture and fixtures, equipment, communication and security systems: 10 years (10% per year);
- Data processing equipment: five years (20% per year).

Intangible assets, substantially represented by software and system development expenditures, have finite useful life and are amortized using the straight-line method over the useful life of the respective asset.

Assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net amount received and the carrying amount, and are recognized in "Other operating income (expenses)" in the consolidated statement of profit or loss.

g) Leases – IFRS 16

The lease contracts that are eligible to recognition in the financial statements shall have the following characteristics: a) have an identifiable asset; b) substantially obtain the economic benefits; c) power to direct the use of the asset.

The measurement of the lease asset and liability is performed at the present value of the lease payments expected to be made over the lease term. The interest rate used in the discount is the incremental borrowing rate. The lease asset also comprises the following: initial direct costs, prepayments, costs for removal, less any incentive received.

In the subsequent measurement, the depreciation is recognized on straight-line basis, over the lease term, and the lease liability is adjusted by the incremental borrowing rate. The lease assets are annually tested for impairment.

The lease assets are substantially represented by Banco Safra's branches.

h) Income

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

Interest income and expenses, which cover all interest-bearing financial instruments, are recognized within "Interest income" and "Interest expenses" in the consolidated statement of profit or loss.

Income and expenses of fees and commissions are recognized when services are rendered.

i) Financial guarantees

Financial guarantees are defined as contracts under which an entity undertakes to make specific payments on behalf of a third party, if the third party does not make the payment, regardless of the several legal forms that they may have, such as guarantees, irrevocable documentary credit issued or confirmed by the entity, among others.

Financial guarantees, regardless of the guarantor or other circumstances, are periodically reviewed to determine the credit risk to which they are exposed and, as the case may be, to consider if a provision is required. The credit risk is determined by applying criteria similar to those established to calculate the impairment losses of financial instruments carried at amortized cost.

Financial guarantees provided are initially recognized at fair value, which corresponds to the present value of the fees, commissions, and interest received and receivable. Subsequently, this obligation is measured at the higher of (i) the amount initially recognized less accumulated amortization, and (ii) the value determined in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, if the occurrence of a loss in relation to a guarantee provided is probable.

j) Insurance operations

I. Insurance contracts

According to the IFRS 4 - Insurance contracts, an insurance contract is a contract under which the entity accepts significant insurance risk from another party by agreeing to compensate the insured if a specified uncertain future event adversely affects the insured, is classified as an insurance contract.

A contract issued that transfers financial risk is considered an investment contract and is recognized and measured according to the accounting policies applicable to financial instruments - IFRS 9.

II. Receivables from insurance and reinsurance operations

- Premiums receivable - refer to inflowing financial resources as receipt of premiums related to insurance, recorded on the policy issue date. Insurance premiums are tested for impairment and adjusted to their recoverable amount when there is indication that the amounts will not be realized by the recorded amounts.
- Reinsurance technical reserves - 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 asset recoveries, since the existence of a contract does not exempt its 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 profit or loss, when incurred. Commissions are deferred and recognized in profit or loss in proportion to the recognition of the revenues from premiums, that is, for the term corresponding to the insurance contract.

III. Technical reserves of insurance and private pension:

The technical reserves of insurance and private pension presented below are recorded based on technical actuarial notes, and correspond to existing insurance contracts:

(i) 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 its 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 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 of indemnities relating to claim reports received through the end of reporting period, 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 end of reporting period. For Life Insurance, 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, the Insurance company uses, to determine such reserve, the percentages provided in a specific rule, in view of the small numerical amount computed in the Insurance company's database; and
- Reserve for related expenses (PDR): recorded to cover 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.

(ii) Private pension plan:

- 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); and

IV. Liability Adequacy Test

In compliance with IFRS 4 - Insurance contracts, Safra runs a Liability Adequacy Test (LAT) every six months. The purpose of such test is to verify if the recognized insurance liabilities are adequate, using current estimates of future cash flows according to their insurance contracts.

The LAT result is the difference between (i) the current estimates of cash flows and (ii) the sum of the carrying amount at the end of reporting period 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.20150-m 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 discounted to present value based on the risk-free term structures of interest rates (ETTJ) defined by SUSEP.

The LAT calculation resulting amount is shown in the "Complementary Coverage Reserve" (PCC).

V. Calculation of 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 contract or invoice, and is recognized in profit or loss over the policy period, by recognizing the unearned premium reserve and deferred acquisition costs.

Ceded reinsurance premiums are deferred and recognized in profit or loss over the coverage period, by recording in the 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.

k) Contingent assets and liabilities, provisions and legal, tax and social security obligations

The recognition, measurement and disclosure of contingent assets and liabilities, and legal obligations are made according to the criteria established in

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, 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 in the notes when it is probable that a gain from these assets will be realized. However, when there is evidence that the realization of the gain from these assets is practically certain, the assets are no longer contingent and begin to be recognized.

II. Provisions and contingent liabilities

A present (legal or constructive) obligation as a result of past events, 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 of a provision not being required but only disclosed in the notes, 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.

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 only 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.

III. Legal obligations (tax and social security)

These refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under litigation is quantified, provisioned and adjusted on a monthly basis.

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

l) Employee benefits

I. Short- and long-term benefits

Short-term benefits are those to be settled in twelve months. The benefits included in this category are salaries, contributions to the National Institute of Social Security, short leaves, profit sharing and non-monetary benefits.

Safra does not have long-term benefits related to employment contract termination other than those established by the category's union. Additionally, Safra has no share-based payment to its employees and key personnel.

II. Termination benefits

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

Safra provides healthcare to its employees, as established by the category's union, as a form of termination benefit.

III. Profit sharing

Safra recognizes a provision for payment and a profit sharing expense (presented in the account "Personnel expenses" in the consolidated statement of profit or loss) based on a calculation that considers the profit after certain adjustments. Safra recognizes a provision when it is contractually required or when there is a past practice that has created a constructive obligation.

m) Taxes

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

Income tax	15.00%
Income tax surcharge	10.00%
Social Contribution – Financial Institutions [1]	15.00% - 20.00%
Social Contribution – Non-financial Institutions	9%
PIS [3]	0.65%
COFINS [2]	4.00%
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 9.1.2015 and 12.31.2018. As of January 1, 2019, the applicable rate changed back to 15%. Banco Safra had not recognized the effect of the temporary rate increase of 5% on the recognition of its deferred tax asset. Later on, the Constitutional Amendment 103, of November 12, 2019, changed the Social Contribution rate applicable to banks from 15% to 20%. The new rate, which will come into effect as of March 1, 2020, will be applicable to any kind of bank, not being extendable to other financial institutions, which will continue to apply the 15% rate. As a result, the entities that shall adopt the new rate will calculate their current taxes at the rate of 20%, as of the aforementioned date. The deferred tax assets that are expected to be realized after March 1, 2020 were recognized by applying the new rate. [2] The 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 consolidated statement of profit or loss, 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 losses and adjustments to recoverable amount for credit risk, and are recognized only when all the requirements for recognition, established by IAS 12 – Income Taxes, are met.

Taxes related to fair value adjustments of financial assets classified at fair value through other comprehensive income are recognized as contra-entry to the respective adjustment in equity, and are subsequently recognized in profit or loss based on the realization of gains and losses on the respective financial assets.

n) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to Safra's stockholders by the weighted average number of outstanding common shares during the year, excluding the average amount of common shares purchased by Safra and held in treasury.

Diluted earnings per share do not differ from basic earnings per share since there are no shares with dilutive effect.

o) Equity

I. Dividends and interest on capital

The distribution of dividends to Safra's stockholders is recognized as a liability in the financial statements at the end of the year based on the bylaws, for the mandatory minimum dividend established therein. Any amount in excess of the mandatory minimum is only provisioned on the date it is approved at the stockholders' meeting. The calculation base of dividends is the result calculated according to the Brazilian standards established by the Central Bank of Brazil.

Interest on capital is treated, for accounting purposes, as dividends and is presented in the consolidated financial statements as a reduction of equity. The related tax benefit is recorded in the consolidated statement of profit or loss.

II. Undistributed profit and realized reserves

The revenue reserve is recognized based on the undistributed profit after all legal allocations, its accumulated balance remaining at the disposal of the stockholders for future resolution at the stockholders' meeting.

The bylaws establish the allocation of profits, at June 30 and December 31 of each year, after the deductions and legal reserves. Five percent (5%) of the profit for the year is allocated to the legal reserve, and such allocation ceases to be mandatory when the reserve reaches 20% of the realized capital or 30% of the total capital and legal reserves.

III. Unrealized revenue reserve

The unrealized revenue reserve comprises the adjustments determined in the preparation of the financial statements under IFRS recognized in profit or loss, in accordance with the IFRS.

p) Managed investment funds

The investment funds managed by Safra, except for the consolidated exclusive funds, are not presented in the statement of financial position since the related assets are owned by third parties and Safra acts only as a management agent. The fees and commissions earned during the year for services rendered to these funds (asset management and custody services) are recognized under "Income from fees and commissions" in the consolidated statement of profit or loss.

q) Operating segments

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, is the Executive Committee, which is also responsible for making Safra's strategic decisions.

Income and expenses directly related to each segment are considered in the assessment of the business segment's performance.

According to the IFRS 8, Safra has the following business segments: (i) Commercial bank; (ii) Consumer financing; (iii) Insurance, Asset management, investment banking and other, and (iv) Corporation.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The consolidated financial statements are influenced by Safra's accounting policies, assumptions, estimates and judgment. The estimates and assumptions that impact the accounting information are consistently applied over the years. Any changes in the determination of accounting estimates are prospectively applied.

The estimates and assumptions used are those that Safra consider the best estimates and assumptions available and are in accordance with the applicable accounting standards. Estimates and judgments are continually evaluated by Safra, based on past experiences, new evidences and other factors, including expectations concerning future events.

a) Losses and adjustments to the recoverable amount for credit risk

The preparation of financial statements requires Safra to make estimates and assumptions that, in its best judgment, affect the amounts of the allowance for losses and adjustments to the recoverable amount for credit risk.

b) Fair value of financial instruments

The financial instruments carried at fair value in the statement of financial position include mainly financial assets and liabilities at fair value through profit or loss, including derivatives, credit operations designated at fair value at initial recognition, other financial assets and liabilities designated at fair value, and financial assets at fair value through other comprehensive income. The financial assets and liabilities at amortized cost, of which the credit operations should be highlighted, have their corresponding fair values disclosed in the notes to the consolidated financial statements – Note 21(d-II).

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 an arm's length transaction conducted between independent participants at the measurement date. There are different levels of data that must be used to measure the fair value of financial instruments: the observable data that reflects quoted prices for identical assets or liabilities in active markets (Level 1), the relevant data that is directly or indirectly observable as similar assets or liabilities (Level 2), relevant identical assets or liabilities in illiquid markets and unobservable market data that reflect Safra's premises 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 for which there is no relevant observable market data, Safra determines the most appropriate model to be adopted, considering all relevant information gathered from its past experience and market knowledge. And, thereafter, the data derivation for evaluation also considers, among others, yield curves, interest rates, volatilities, equity or debt security prices, exchange rates and credit curves. Although it is believed that the valuation methods are appropriate and consistent with those prevailing 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 and/or settlement date – Note 21(a).

Also, to measure the fair value of financial assets and liabilities, the process of pricing financial instruments at fair value considers the credit risk component and the close-out cost of positions. The adjustments made are recognized in the consolidated financial statements.

c) Provision for contingent liabilities

The provision for contingent liabilities is recognized when, based on Safra's and the legal advisors' opinion, the risk of loss in a lawsuit or administrative proceeding is considerable probable, with a probable outflow of resources to settle the obligations and when the amounts involved are reliably measurable. The amount under litigation is quantified, provisioned and adjusted on a monthly basis, if applicable.

The amounts of the possible settlement may differ from those presented based on these estimates; it is worth noting that in some cases there are judicial deposits - Note 16(c).

d) Deferred income tax and social contribution

Deferred tax assets are recognized when there is a strong expectation of using them through the generation of taxable profits, as shown in Note 17(b-III). Such expectation is based on studies that involve Management's judgment as to the projected generation of future profits and other variables.

e) Technical reserves of insurance and private pension

Technical reserves are liabilities arising from Safra's obligations to its insureds and participants. These obligations may have a short duration (property and casualty insurance) or medium or long duration (life insurance and private pension).

The determination of the actuarial liability depends on innumerable uncertainties inherent in the coverage of the insurance and private pension contracts, such as assumptions of persistency, mortality, disability, longevity, morbidity, expenses, loss ratio, severity, conversion into income, redemptions and return on assets.

The estimates of these assumptions are based on Safra's historical experience, benchmarks and the actuary's experience and seek to converge with the best market practices and aim at the continuous review of the actuarial liability. Adjustments resulting from these continuous improvements, when necessary, are recognized in profit or loss for the respective period - Note 12(c).

5 CASH AND CASH EQUIVALENTS

	12.31.2019	12.31.2018
Cash	1,312,970	699,893
In Brazil	287,402	277,598
Abroad	1,025,568	422,295
Interbank investments – Note 6	4,037,279	3,595,574
Open market investments – own portfolio	1,178,471	987,150
Interbank deposits	100,023	400,226
Foreign currency investments	2,758,785	2,208,198
Total	**5,350,249**	**4,295,467**

6 INTERBANK INVESTMENTS AND CENTRAL BANK COMPULSORY DEPOSITS

a) Interbank investments

These substantially refer to short-term investments, classified in the category of financial assets - loans and receivables and measured at amortized cost.

	12.31.2019						12.31.2018
	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	2,371,323	280,063	-	-	-	2,651,386	13,108,107
Interbank deposits [2]	152,259	200,438	1,404,676	127,630	-	1,885,003	2,168,799
Foreign currency investments [1]	2,758,785	402,009	-	-	-	3,160,794	2,208,198
Total as at 12.31.2019	**5,282,367**	**882,510**	**1,404,676**	**127,630**	**-**	**7,697,183**	**17,485,104**
Total as at 12.31.2018	**12,766,767**	**3,284,536**	**-**	**-**	**1,433,801**	**17,485,104**	

[1] Includes transactions with related parties – Note 22(c). Of this amount, R$ (1,923) refers to the fair value of transactions – Note 8(c). [2] Of this amount, R$ 241,777 (R$ 324,742 as at 12.31.2018) refer to operations linked to rural credit.

b) Central Bank compulsory deposits

These are represented by compulsory deposits as shown below:

	12.31.2019	12.31.2018
Interest bearing [1]	10,824,037	8,120,053
Non-interest bearing	410,389	81,425
Abroad	128,041	96,870
Total	**11,362,467**	**8,298,348**

[1] The income arising from interest-bearing compulsory deposits was R$ 485,069 (R$ 320,906 in 2018) – Note 14(a).

7 OPEN MARKET INVESTMENTS AND FUNDING – GOVERNMENT SECURITIES (ASSETS and LIABILITIES)

a) Investments linked to open market funding – Government securities (Assets)

	12.31.2019							12.31.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365	From 1 to 2	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Own portfolio - Subject to repurchase agreements	-	359,889	566,149	-	-	-	926,038	7,735,085
Restricted – Note 8(a-III) [1]	-	359,889	566,149	-	-	-	926,038	7,717,541
Financial Treasury Bills	-	-	449,598	-	-	-	449,598	330,513
National Treasury Bills	-	-	116,551	-	-	-	116,551	2,757,725
National Treasury Notes	-	359,889	-	-	-	-	359,889	4,629,303
Unrestricted – National Treasury Notes – Note 8(e)	-	-	-	-	-	-	-	17,544
Third-party portfolio – open market investments – National Treasury	21,860,710	5,685,859	-	-	-	-	27,546,569	26,947,017
Third-party portfolio	19,113,208	4,833,788	-	-	-	-	23,946,996	21,196,482
Short position	2,747,502	852,071	-	-	-	-	3,599,573	5,750,535
Total as at 12.31.2019	**21,860,710**	**6,045,748**	**566,149**	**-**	**-**	**-**	**28,472,607**	**34,682,102**
Total as at 12.31.2018	**26,949,280**	**1,335,226**	**863,997**	**1,247,511**	**3,055,389**	**1,230,699**	**34,682,102**	

[1] Includes the Fair value adjustment in the amount of R$ 6,151 (R$ 165,816 as at 12.31.2018) – Note 8(d).

b) Open market funding - Government securities (Liabilities)

	12.31.2019			12.31.2018
	Amounts by maturity			
	Up to 90 days	From 91 to 365	Total	Total
Own portfolio – Subject to repurchase agreements	922,446	-	922,446	7,643,597
Restricted – Note 8(a-III) [1]	922,446	-	922,446	7,626,641
Financial Treasury Bills	449,086	-	449,086	329,836
National Treasury Bills	115,543	-	115,543	2,731,331
National Treasury Notes	357,817	-	357,817	4,565,474
Unrestricted – National Treasury Notes	-	-	-	16,956
Third-party portfolio	26,585,035	701,170	27,286,205	27,440,675
Repurchase agreements	23,662,162	-	23,662,162	21,286,265
Obligations related to unrestricted securities [1]	2,922,873	701,170	3,624,043	6,154,410
National Treasury Bills	257,287	-	257,287	2,637,815
National Treasury Notes – Note 8(e)	2,665,586	701,170	3,366,756	3,516,595
Total as at 12.31.2019	**27,507,481**	**701,170**	**28,208,651**	**35,084,272**
Total as at 12.31.2018	**35,084,272**	**-**	**35,084,272**	

[1] Includes the fair value adjustment in the amount of R$ 319,775 (R$ 200,325 as at 12.31.2018) – Note 7(d).

8 FINANCIAL ASSETS AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS and LIABILITIES)

a) Financial assets

I. Marketable securities

(1) Breakdown

	12.31.2019			12.31.2018
	Amortized cost	Adjustment at fair value through	Fair value	Fair value
Securities portfolio	**21,303,036**	**129,654**	**21,432,690**	**15,266,227**
Government securities	**18,913,688**	**128,810**	**19,042,498**	**12,598,184**
National Treasury	18,520,254	131,198	18,651,452	12,381,303
National Treasury Bills	1,395,576	18,329	1,413,905	1,768,715
National Treasury Notes – Note 11	2,129,241	110,920	2,240,161	23,482
Financial Treasury Bills	14,995,437	1,949	14,997,386	10,589,106
US government securities	393,434	(2,388)	391,046	216,881
Corporate securities issued by Financial Institutions	**2,117,948**	**(1,994)**	**2,115,954**	**2,333,539**
Investment fund quotas	102,713	-	102,713	106,171
Bank deposit certificate and other	1,310,188	-	1,310,188	1,249,856
Eurobonds	296,257	(1,994)	294,263	977,512
Designated at fair value at initial recognition – Note 11	239,851	(1,826)	238,025	938,207
Other	56,406	(168)	56,238	39,305
Credit Link Notes	408,790	-	408,790	-
Securities issued by Companies	**271,400**	**2,838**	**274,238**	**334,504**
Shares	166,979	3,049	170,028	190,420
Eurobonds	104,421	(211)	104,210	144,084
Other fair value adjustments – Note 4(b)	**-**	**(100)**	**(100)**	**(230)**
Total	**21,303,036**	**129,554**	**21,432,590**	**15,265,997**

(2) By maturity

	12.31.2019						
		Amounts by maturity					
	Fair value	Up to 90 days	From 91 to 365	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years
Securities portfolio	21,432,690	817,442	445,727	8,039,606	459,789	6,814,994	4,855,132
Government securities	19,042,498	585,922	445,675	6,729,470	459,789	6,196,839	4,624,803
Corporate securities issued by Financial Institutions	2,115,954	212,818	52	1,310,136	-	438,881	154,067
Securities issued by Companies	274,238	18,702	-	-	-	179,274	76,262
Other fair value adjustments – Note 4(b)	(100)	(100)	-	-	-	-	-
Total securities portfolio as at 12.31.2019	**21,432,590**	**817,342**	**445,727**	**8,039,606**	**459,789**	**6,814,994**	**4,855,132**
At fair value through profit or loss	21,194,565	809,606	445,727	8,039,606	459,789	6,658,158	4,781,679
Designated at fair value at initial recognition – Note 11	238,025	7,736	-	-	-	156,836	73,453

	12.31.2018						
		Amounts by maturity					
	Fair value	Up to 90 days	From 91 to 365	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years
Securities portfolio	15,266,227	369,426	1,005,796	491,606	6,609,050	1,556,631	5,233,718
Government securities	12,598,184	263,201	1,005,796	483,703	5,331,687	668,837	4,844,960
Corporate securities issued by Financial Institutions	2,333,539	81,377	-	7,903	1,241,953	613,548	388,758
Securities issued by Companies	334,504	24,848	-	-	35,410	274,246	-
Other fair value adjustments – Note 4(b)	(230)	(230)	-	-	-	-	-
Total securities portfolio as at 12.31.2018	**15,265,997**	**369,196**	**1,005,796**	**491,606**	**6,609,050**	**1,556,631**	**5,233,718**
At fair value through profit or loss	14,327,790	369,196	1,005,796	491,606	6,609,050	1,007,182	4,844,960
Designated at fair value at initial recognition – Note 11	938,207	-	-	-	-	549,449	388,758

(3) By link:

	12.31.2019							12.31.2018
		Linked to:				Accounting classification of securities:		
	Own portfolio	Restricted repurchase agreements and Securities related to unrestricted repurchase agreement – Note 7(b)	Guarantees provided [1]	Central Bank [2]	Total	Fair value	Designated at fair value at initial recognition	Total
Securities portfolio – fair value through profit or loss	17,079,386	-	3,546,157	807,147	21,432,690	21,194,665	238,025	15,266,227
Government securities	14,738,190	-	3,497,161	807,147	19,042,498	19,042,498	-	12,598,184
Corporate securities issued by Financial Institutions	2,066,958	-	48,996	-	2,115,954	1,877,929	238,025	2,333,539
Securities issued by Companies	274,238	-	-	-	274,238	274,238	-	334,504
Other fair value adjustments – Note 4(b)	(100)	-	-	-	(100)	(100)	-	(230)
Total securities portfolio as at 12.31.2019	**17,079,286**	**-**	**3,546,157**	**807,147**	**21,432,590**	**21,194,565**	**238,025**	**15,265,997**
Investments linked to open market funding – Securities – Note 7(a)	-	926,038	-	-	926,038	926,038	-	7,735,085
Other credit risk instruments – Note 9(b)	7,867,335	6,133,427	-	-	14,000,762	5,176,643	8,824,119	14,560,454
Designated at fair value at initial recognition – Note 11	4,525,913	4,298,206	-	-	8,824,119	-	8,824,119	8,768,920
Other	3,341,422	1,835,221	-	-	5,176,643	5,176,643	-	5,791,534
Total as at 12.31.2019	**24,946,621**	**7,059,465**	**3,546,157**	**807,147**	**36,359,390**	**27,297,246**	**9,062,144**	**37,561,536**
Total securities portfolio as at 12.31.2018	**12,603,500**	**-**	**1,900,911**	**761,586**	**15,265,997**	**14,327,790**	**938,207**	
Investments linked to open market funding – Securities – Note 7(a)	-	7,735,085	-	-	7,735,085	7,735,085	-	
Other credit risk instruments – Note 9(b)	9,383,210	5,177,244	-	-	14,560,454	5,791,534	8,768,920	
Designated at fair value at initial recognition – Note 11	5,827,691	2,941,229	-	-	8,768,920	-	8,768,920	
Other	3,555,519	2,236,015	-	-	5,791,534	5,791,534	-	
Total as at 12.31.2018	**21,986,710**	**12,912,329**	**1,900,911**	**761,586**	**37,561,536**	**27,854,409**	**9,707,127**	

[1] Refers to guarantee of derivative financial instrument transactions made in stock exchange in the amount of R$ 2,863,376 (R$ 1,599,483 as at 12.31.2018), realized in the clearing and depository corporation in the amount of R$ 602,287 (R$ 228,897 as at 12.31.2018) and civil and labor appeals in the amount of R$ 80,494 (R$ 72,531 as at 12.31.2018) – Note 16(d-I). [2] It is mainly represented by transactions linked to the funds from savings accounts in the amount of R$ 807,032 (R$ 761,477 as at 12.31.2018).

b) Derivative financial instruments (assets and liabilities)

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

- provide to its costumers fixed income structured products that hedge their assets and liabilities against possible risks, substantially, from currency and interest rate fluctuations, and
- outweigh the risks taken by Safra in the following operations (economic hedges and/or accounting hedge – Note 8(d)):
  - credit operations and funding contracted at fixed rates and other funding – Note 11; and
  - investment abroad - together with interbank transactions for immediate and/or future settlement – Note 13(a), the foreign currency derivatives are employed to minimize the effects on results of exposure to the foreign exchange gains and losses of investments abroad. These derivatives are contracted with a higher value to include their tax effects - "over hedge".

Thus, the notional amounts of the contracts shown below, taken alone, do not reflect the actual risk assumed by Safra.

The interest of fixed-income structured transactions were recognized in the line item "interest expenses", in view of the substance of such transactions. The other income from derivative financial instruments, as well as the foreign exchange gains (losses) on investments abroad and the foreign exchange gains (losses) on interbank transactions for future settlement were recognized in the line item "Financial instruments, net" in the consolidated statement of profit or loss. The tax effects on the "over hedge" of investment abroad are recognized under "Income tax and social contribution" in the consolidated statement of profit or loss.

I. Asset and liability accounts

1) By type of operation

	12.31.2019									12.31.2018
				Amounts by maturity						
Assets	**Amortized cost**	**Fair value adjustment**	**Fair value**	**Up to 90 days**	**From 91 to 365**	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 5**	**Over 5 years**	**Fair value**
Non Deliverable Forward (NDF)	**37,362**	**17,365**	**54,727**	**35,049**	**18,709**	**915**	**54**	**-**	**-**	**37,085**
Option premiums	**647,213**	**8,405**	**655,618**	**441,305**	**84,804**	**125,333**	**3,228**	**948**	**-**	**124,485**
Bovespa Index	70,752	96,818	167,570	30,944	68,339	66,556	1,280	451	-	63,648
Foreign currency	45,780	5,412	51,192	42	1,879	48,353	918	-	-	26,517
Interbank Deposit (DI) index	392,634	(166,282)	226,352	219,246	2,871	3,395	343	497	-	1,650
Shares	138,047	72,457	210,504	191,073	11,715	7,029	687	-	-	32,670
Forward – Sales receivable – Government	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**133,519**
Swap – amounts receivable	**816,294**	**164,011**	**980,305**	**315,663**	**368,174**	**20,150**	**5,075**	**7,992**	**263,251**	**443,783**
Interest rate	108,233	(17,518)	90,715	47,967	12,278	11,427	1,464	2,812	14,767	99,107
Foreign currency	693,936	179,256	873,192	267,696	346,975	2,251	2,606	5,180	248,484	344,676
Other	14,125	2,273	16,398	-	8,921	6,472	1,005	-	-	-
Credit derivatives – CDS	**52,833**	**-**	**52,833**	**46,351**	**6,482**	**-**	**-**	**-**	**-**	**68,735**
Other fair value adjustments – Note 4(b)	**-**	**(177)**	**(177)**	**(177)**	**-**	**-**	**-**	**-**	**-**	**(189)**
Total as at 12.31.2019	**1,553,702**	**189,604**	**1,743,306**	**838,191**	**478,169**	**146,398**	**8,357**	**8,940**	**263,251**	**807,418**
Total as at 12.31.2018	**831,078**	**(23,660)**	**807,418**	**387,933**	**189,495**	**82,014**	**23,416**	**12,715**	**111,845**	

	12.31.2019									12.31.2018
				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)	**(51,238)**	**(22,395)**	**(73,633)**	**(33,171)**	**(34,940)**	**(5,516)**	**(6)**	**-**	**-**	**(34,726)**
Option premiums	**(575,019)**	**63,292**	**(511,727)**	**(260,136)**	**(113,320)**	**(126,326)**	**(7,083)**	**(4,862)**	**-**	**(96,758)**
Bovespa Index	(79,830)	(100,967)	(180,797)	(27,523)	(68,480)	(76,844)	(3,678)	(4,272)	-	(62,943)
Foreign currency	(84,912)	7,439	(77,473)	(11,286)	(25,828)	(38,382)	(1,762)	(215)	-	(20,372)
Interbank Deposit (DI) index	(378,846)	161,247	(217,599)	(214,897)	(1,730)	(132)	(465)	(375)	-	(12,591)
Shares	(31,431)	(4,427)	(35,858)	(6,430)	(17,282)	(10,968)	(1,178)	-	-	(852)
Forward – Sales derivable – Government	**-**	**(10,522)**	**(10,522)**	**(10,522)**	-	-	-	-	-	**(133,519)**
Swap – amounts payable	**(860,109)**	**(206,110)**	**(1,066,219)**	**(371,092)**	**(433,022)**	**(12,764)**	**(25,547)**	**(125,550)**	**(98,244)**	**(432,417)**
Interest rate	(75,463)	(215,850)	(291,313)	(5,232)	(36,739)	(15,203)	(26,497)	(120,949)	(86,693)	(150,561)
Foreign currency	(784,646)	9,740	(774,906)	(365,860)	(396,283)	2,439	950	(4,601)	(11,551)	(281,856)
Credit derivatives – CDS	**(37,044)**	**-**	**(37,044)**	**(15,749)**	**(21,295)**	**-**	**-**	**-**	**-**	**(59,896)**
Other fair value adjustments – Note 4(b)	**-**	**(6,621)**	**(6,621)**	**(6,621)**	**-**	**-**	**-**	**-**	**-**	**(8,364)**
Total as at 12.31.2019	**(1,523,410)**	**(182,356)**	**(1,705,766)**	**(697,291)**	**(602,577)**	**(144,606)**	**(32,636)**	**(130,412)**	**(98,244)**	**(765,680)**
Total as at 12.31.2018	**(816,483)**	**50,803**	**(765,680)**	**(336,421)**	**(202,620)**	**(93,358)**	**(30,153)**	**(4,117)**	**(99,011)**	

2) By counterparty at fair value

	Assets		**Liabilities**	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Financial institutions	1,032,484	359,026	(926,748)	(312,306)
B3	-	53,499	(10,522)	(25,469)
Legal entities	603,306	170,375	(523,747)	(231,444)
Individuals	107,693	224,707	(238,128)	(188,097)
Credit risk – Note 4(b) and other fair value adjustments – Note 4(b)	(177)	(189)	(6,621)	(8,364)
Total	**1,743,306**	**807,418**	**(1,705,766)**	**(765,680)**

II. Breakdown by notional amount:

1) By type of operation

	12.31.2019							12.31.2018
	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)	**2,051,827**	**2,248,018**	**202,051**	**4,440**	**-**	**-**	**4,506,336**	**2,017,608**
Long position	1,678,480	1,552,255	199,024	4,440	-	-	3,434,199	1,711,984
Short position	373,347	695,763	3,027	-	-	-	1,072,137	305,624
Options	**165,143,832**	**22,978,707**	**70,761,296**	**335,413**	**72,403**	**-**	**259,291,651**	**11,907,557**
Long position	86,444,698	11,696,102	35,529,274	5,058	2,370	-	133,677,502	5,643,582
Shares	812,936	204,575	50,229	-	-	-	1,067,740	172,781
Interbank Deposit (DI) index	75,703,197	11,132,725	34,292,000	-	-	-	121,127,922	2,600,782
Bovespa Index	9,549,613	212,707	147,360	5,058	2,370	-	9,917,108	426,988
Foreign currency	378,952	146,095	1,039,685	-	-	-	1,564,732	2,443,031
Short position	78,699,134	11,282,605	35,232,022	330,355	70,033	-	125,614,149	6,263,975
Shares	732,806	-	-	-	-	-	732,806	172,781
Interbank Deposit (DI) index	77,432,477	11,141,293	34,051,450	327,500	68,000	-	123,020,720	4,533,598
Bovespa Index	251,359	87,770	123,105	-	-	-	462,234	127,669
Foreign currency	282,492	53,542	1,057,467	2,855	2,033	-	1,398,389	1,429,927
Forward – obligations for sales deliverable – foreign currency	**4,159,481**	**4,210,066**	**-**	**-**	**-**	**-**	**8,369,547**	**149,891**
Swap								
Assets	22,559,776	21,689,969	1,089,429	201,060	908,263	2,335,214	48,783,711	32,254,344
Interest rate	494,024	1,839,530	968,990	170,264	539,307	653,644	4,665,759	3,706,425
Foreign currency	22,065,752	19,686,603	45,332	23,604	368,956	1,681,570	43,871,817	28,544,432
Other	-	163,836	75,107	7,192	-	-	246,135	3,487
Liabilities	22,559,776	21,689,969	1,089,429	201,060	908,263	2,335,214	48,783,711	32,254,344
Interest rate	392,352	1,587,450	905,930	183,160	566,676	2,101,549	5,737,117	4,569,124
Foreign currency	22,167,424	20,102,519	183,499	17,900	341,587	233,665	43,046,594	27,685,220
Futures	**67,504,938**	**40,443,348**	**10,820,401**	**6,160,641**	**4,524,489**	**2,324,652**	**131,778,469**	**78,857,305**
Long position	45,857,483	260,871	-	-	3,158,696	741,203	50,018,253	8,695,173
Interest rate	-	103,809	-	-	2,492,347	640,537	3,236,693	5,992,971
Currency coupon	23,871,025	157,062	-	-	666,349	100,666	24,795,102	2,041,774
Foreign currency	21,063,480	-	-	-	-	-	21,063,480	296,611
Bovespa Index	922,978	-	-	-	-	-	922,978	363,817
Short position	21,647,455	40,182,477	10,820,401	6,160,641	1,365,793	1,583,449	81,760,216	70,162,132
Interest rate	21,578,110	25,047,153	10,076,006	3,782,352	663,380	-	61,147,001	44,604,581
Currency coupon	-	9,058,611	505,376	2,140,240	681,823	1,559,733	13,945,783	16,129,751
Foreign currency	45,718	6,076,713	239,019	238,049	20,590	23,716	6,643,805	9,301,954
Bovespa Index	23,627	-	-	-	-	-	23,627	125,846
Credit derivatives – CDS – Note 8(b-III)	**2,088,001**	**4,434**	**-**	**-**	-	**-**	**2,092,435**	**2,150,420**
Structured funding – Note 10(a)	**2,744,347**	**18,437,826**	**2,223,712**	**590,069**	**615,207**	**19,402**	**24,630,563**	**7,928,319**
Options	2,220,058	17,292,110	2,195,136	259,072	58,784	-	22,025,160	5,282,758
Long position - Interbank Deposit (DI) index	103,177	371,520	726,584	223,947	35,698	-	1,460,926	-
Short position	2,116,881	16,920,590	1,468,552	35,125	23,086	-	20,564,234	5,282,758
Shares	85,625	385,914	135,784	6,567	-	-	613,890	-
Bovespa Index	30,285	246,081	253,268	18,699	23,086	-	571,419	2,344,747
Foreign currency	2,000,971	16,288,595	1,079,500	9,859	-	-	19,378,925	2,938,011
Swap - Assets/Liabilities – Interest rate	-	11,199	28,576	330,997	556,423	19,402	946,597	547,470
Credit derivatives – CDS – Transferred risk – Note 8(b-III)	524,289	1,134,517	-	-	-	-	1,658,806	2,098,091
TOTAL as at 12.31.2019	**266,252,202**	**110,012,368**	**85,096,889**	**7,291,623**	**6,120,362**	**4,679,268**	**479,452,712**	**135,265,444**
TOTAL as at 12.31.2018	**49,870,006**	**48,578,431**	**16,410,899**	**9,374,402**	**5,555,611**	**5,476,095**	**135,265,444**	

(2) Trading locations by counterparties

Trading locations	12.31.2019					12.31.2018
	B3	Financial institutions	Legal entities	Individuals	Total notional amount	Total notional amount
B3	138,802,487	58,481,509	274,214,071	4,203,404	475,701,471	131,016,933
Over the counter – abroad	-	3,751,241	-	-	3,751,241	4,248,511
Total as at 12.31.2019	**138,802,487**	**62,232,750**	**274,214,071**	**4,203,404**	**479,452,712**	**135,265,444**
Total as at 12.31.2018	**82,445,554**	**34,460,743**	**14,709,220**	**3,649,927**	**135,265,444**	

III. Credit derivatives

Banco Safra uses derivative financial instruments of credit in order to offer its customers, through issuance of Structured CD – Note 10 (a-IV) and (b), opportunities to diversify their investment portfolios.

Banco Safra has the following positions in credit derivatives, shown at their notional amount:

	12.31.2019	12.31.2018
Credit swap whose underlying assets – Marketable securities (1)		
Received risks	2,092,435	2,150,420
Transferred risks	(1,658,806)	(2,098,091)
Total, net of received/(transferred) exposure	**433,629**	**52,329**

(1) The transferred and received risks refer to the same issuers.

During the period, there was a credit event in a transaction with notional amount of R$ 2,179. Safra did not incur any loss, as the risk was transferred through credit swap embedded in a structured CD, which is the guarantee of the transaction.

There was no material effect on the calculation of the minimum capital requirements as at 12.31.2019, according to the CMN Resolution 4,193/2013.

c) Development of financial assets and liabilities designated at fair value through profit or loss:

	01.01 to 12.31.2019			
	Opening balance	Foreign exchange gains or losses	Gain or loss	Closing balance
Interbank investments - Foreign currency investments – Note 5	-	-	(1,923)	(1,923)
Government securities and Obligations related to unrestricted securities	2,971	(67)	(187,549)	(184,645)
Securities portfolio	203,296	(67)	(68,099)	135,130
Marketable securities – Note 8(a-I)	37,480	(67)	91,566	128,979
Investments linked to open market funding – Government securities – Note 7(a)	165,816	-	(159,665)	6,151
Obligations related to unrestricted securities – Note 7(b)	(200,325)	-	(119,450)	(319,775)
Securities issued by Financial institutions	457		(625)	(168)
Securities issued by Companies	6,498	-	(3,929)	2,569
Derivative financial instruments (assets and liabilities) – Note 14(e)	27,143	(722)	(19,173)	7,248
Assets/Liabilities designated at fair value – Note 11 and 14(d)	334,375	9,850	33,915	378,140
Fixed income portfolio	114,488	-	(45,182)	69,306
Repurchase agreements – fixed rate	5,152	-	3,151	8,303
IPCA portfolio	92,907	-	181,254	274,161
Eurobonds	50,096	7,445	22,328	79,869
Marketable securities – Note 8(a)	11,325	545	(13,696)	(1,826)
Credit portfolio – Other credit risk instruments – Note 9(b)	38,771	6,900	36,024	81,695
Funding – Note 10(a)	16,073	1,747	(70,644)	(52,824)
Subordinated debt	55,659	658	(56,992)	(675)
Total as at 12.31.2019	**371,444**	**9,061**	**(179,284)**	**201,221**
Total as at 12.31.2018	**384,126**	**14,763**	**(27,445)**	**371,444**
Government securities and Obligations related to unrestricted securities	158,007	(171)	(154,865)	2,971
Securities issued by Financial institutions	7	-	450	457
Securities issued by Companies	4,417	-	2,081	6,498
Derivative financial instruments (assets and liabilities) – Note 14(e)	(15,578)	1,351	41,370	27,143
Assets/Liabilities designated at fair value – Note 11 and 14(d)	237,273	13,583	83,519	334,375

9 CREDIT PORTFOLIO

a) Expanded credit portfolio and losses on recoverable amount for credit risk

I. Breakdown of the expanded credit portfolio

	12.31.2019					12.31.2018				
	Amortized cost	Fair value adjustment	Amortized cost and Fair value	Losses on recoverable amount	Total	Amortized cost	Fair value adjustment	Amortized cost and Fair value	Losses on recoverable amount	Total
Expanded credit portfolio	**109,899,634**	**1,170,174**	**111,069,808**	**(3,240,273)**	**107,829,535**	**106,313,992**	**594,517**	**106,908,509**	**(2,897,040)**	**104,011,469**
Credit portfolio - Note 9(b)	92,626,217	1,170,174	93,796,391	(2,942,653)	90,853,738	85,785,467	594,517	86,379,984	(2,527,689)	83,852,295
At amortized cost	40,243,399	-	40,243,399	(839,259)	39,404,140	40,357,221	-	40,357,221	(1,117,877)	39,239,344
At fair value at initial recognition – Note 11	52,382,818	1,170,174	53,552,992	(2,103,394)	51,449,598	45,428,246	594,517	46,022,763	(1,409,812)	44,612,951
Guarantees and sureties – Note 9(e)	17,273,417	-	17,273,417	(297,620)	16,975,797	20,528,525	-	20,528,525	(369,351)	20,159,174

II. Change in the expanded credit portfolio

	01.01. to 12.31.2019			
	Opening balance	Changes	Write-offs of loss	Closing balance
Credit portfolio	86,379,984	8,052,970	(636,563)	93,796,391
At amortized cost	40,357,221	17,210	(131,032)	40,243,399
At fair value at initial recognition	46,022,763	8,035,760	(505,531)	53,552,992
Guarantees and sureties	20,528,525	(3,255,108)	-	17,273,417
Expanded Credit Portfolio as at 12.31.2019	**106,908,509**	**4,797,862**	**(636,563)**	**111,069,808**
Expanded Credit Portfolio as at 12.31.2018	**87,284,684**	**20,230,963**	**(607,138)**	**106,908,509**

III. Changes in losses on recoverable amount for credit risk

	01.01 to 12.31.2019				
	Opening balance	Foreign exchange gains and losses	Recognition/ (Reversal)	Write-offs of loss	Closing balance
Expanded credit portfolio – Note 9(c)	(2,897,040)	(349)	(979,447)	636,563	(3,240,273)
Credit portfolio – Note 9(b)	(2,527,689)	(349)	(1,051,178)	636,563	(2,942,653)
At amortized cost	(1,117,877)	(349)	147,935	131,032	(839,259)
At fair value at initial recognition	(1,409,812)	-	(1,199,113)	505,531	(2,103,394)
Guarantees and sureties – Note 9(e)	(369,351)	-	71,731	-	(297,620)
Credit limits – Note 9(e)	(27,481)	-	(21,213)	-	(48,694)
Other financial assets – Note 21(a-IV)	(39,373)	-	22,669	-	(16,704)
Total losses on recoverable amount as at 12.31.2019	**(2,963,894)**	**(349)**	**(977,991)**	**636,563**	**(3,305,671)**
Total losses on recoverable amount as at 12.31.2018	**(2,859,257)**	**(1,693)**	**(710,082)**	**607,138**	**(2,963,894)**

b) Credit portfolio and losses on recoverable amount for credit risk by product

I – Breakdown

	12.31.2019			12.31.2018		
		Designated at			Designated at	
	Amortized cost	Fair value – Note 11	Total	Amortized cost	Fair value – Note 11	Total
Credit operations	**35,066,756**	**44,728,873**	**79,795,629**	**34,565,687**	**37,253,843**	**71,819,530**
Operations with companies	34,452,406	18,743,450	53,195,856	34,025,881	16,906,615	50,932,496
Borrowings, financing and discounted receivables	10,317,107	18,256,092	28,573,199	9,407,463	16,530,721	25,938,184
Foreign trade	17,876,636	-	17,876,636	18,284,771	-	18,284,771
Directed credit – Rural and agroindustrial financing	2,778,903	-	2,778,903	2,533,756	-	2,533,756
Onlending	2,910,633	-	2,910,633	3,313,893	-	3,313,893
Lease [1]	553,287	482,789	1,036,076	485,998	356,339	842,337
Other credits	15,840	4,569	20,409	-	19,555	19,555
Consumer loan and finance operations	614,350	25,985,423	26,599,773	539,806	20,347,228	20,887,034
Payroll advance loan	-	8,974,310	8,974,310	-	8,420,472	8,420,472
Direct consumer credit	-	15,545,934	15,545,934	-	10,676,071	10,676,071
Personal credit	614,350	1,465,179	2,079,529	539,806	1,250,685	1,790,491
Other credit risk instruments	**5,176,643**	**8,824,119**	**14,000,762**	**5,791,534**	**8,768,920**	**14,560,454**
Eurobonds	-	2,643,721	2,643,721	-	4,066,609	4,066,609
Debentures	2,200,585	5,727,606	7,928,191	3,198,366	4,702,311	7,900,677
Promissory notes	1,535,572	115,076	1,650,648	1,390,040	-	1,390,040
Certificates of agribusiness receivables, rural certificate and other	1,440,486	337,716	1,778,202	1,203,128	-	1,203,128
Total credit portfolio	**40,243,399**	**53,552,992**	**93,796,391**	**40,357,221**	**46,022,763**	**86,379,984**
Credit operations	(811,998)	(2,066,929)	(2,878,927)	(1,058,002)	(1,335,367)	(2,393,369)
Other credit risk instruments	(27,261)	(36,465)	(63,726)	(59,875)	(74,445)	(134,320)
Total losses of credit portfolio	**(839,259)**	**(2,103,394)**	**(2,942,653)**	**(1,117,877)**	**(1,409,812)**	**(2,527,689)**

II – Changes in loss on recoverable amount for credit risk

	01.01. to 12.31.2019				
	Opening balance	Foreign exchange gains and losses	Recognition/ (Reversal)	Write-offs of loss	Closing balance
Credit operations	(2,393,369)	(349)	(1,111,296)	626,087	(2,878,927)
Operations with companies	(1,583,052)	(349)	(126,826)	285,730	(1,424,497)
Borrowings, financing and discounted receivables	(1,112,426)	-	(228,809)	230,885	(1,110,350)
Foreign trade	(279,484)	(349)	98,093	8,534	(173,206)
Directed credit – Rural and agroindustrial financing	(76,220)	-	19,548	1,668	(55,004)
Onlending	(71,883)	-	22,294	3,778	(45,811)
Lease [1]	(23,484)	-	(1,523)	5,290	(19,717)
Other credits	(19,555)	-	(36,429)	35,575	(20,409)
Consumer loan and finance operations	(810,317)	-	(984,470)	340,357	(1,454,430)
Other credit risk instruments	(134,320)	-	60,118	10,476	(63,726)
Total losses on recoverable amount as at 12.31.2019	**(2,527,689)**	**(349)**	**(1,051,178)**	**636,563**	**(2,942,653)**
Total losses on recoverable amount as at 12.31.2018	**(2,420,859)**	**(1,693)**	**(712,275)**	**607,138**	**(2,527,689)**

[1] Represented by minimum future receipts in the amount of R$ 1,159,175, of which R$ 112,412 in current and R$ 1,046,763 in non-current (R$ 912,969 as at 12.31.2018, of which R$ 93,661 in current and R$ 819,308 in non-current) and lease receivable in the amount of R$ (123,099), of which R$ (2,324) in current and R$ (120,775) in non-current (R$ (70,632) as at 12.31.2018, of which R$ (3,754) in current and R$ (66,878) in non-current).

III – Breakdown by maturity

	12.31.2019			12.31.2018		
	Amortized cost	At fair value – Note 11	Total	Amortized cost	At fair value – Note 11	Total
Transactions falling due and 90 days past due or less:	40,214,079	53,036,474	93,250,553	40,305,017	45,731,552	86,036,569
Installments 90 days past due or less	68,056	338,044	406,100	34,725	349,725	384,450
From 01 to 14 days	24,590	220,705	245,295	18,736	290,360	309,096
From 15 to 30 days	28,715	48,330	77,045	3,344	16,806	20,150
From 31 to 60 days	10,252	45,792	56,044	10,874	22,338	33,212
From 61 to 90 days	4,499	23,217	27,716	1,771	20,221	21,992
Falling due installments	40,146,023	52,698,430	92,844,453	40,270,292	45,381,827	85,652,119
From 01 to 30 days	2,861,966	6,185,485	9,047,451	3,919,597	7,383,046	11,302,643
From 31 to 60 days	2,729,188	5,363,124	8,092,312	3,555,973	3,277,967	6,833,940
From 61 to 90 days	2,226,287	2,473,914	4,700,201	2,407,429	2,138,714	4,546,143
From 91 to 180 days	5,311,347	6,384,318	11,695,665	5,999,441	5,198,959	11,198,400
From 181 to 365 days	6,623,685	6,978,670	13,602,355	5,440,795	5,120,330	10,561,125
From 1 to 2 years	7,213,895	8,520,698	15,734,593	5,964,290	7,050,656	13,014,946
From 2 to 3 years	4,007,861	5,411,407	9,419,268	4,965,062	3,878,698	8,843,760
From 3 to 5 years	4,843,615	5,975,526	10,819,141	4,613,854	3,793,598	8,407,452
Over 5 years	4,328,179	5,405,288	9,733,467	3,403,851	7,539,859	10,943,710
Transactions over 90 days past due:	29,320	516,518	545,838	52,204	291,211	343,415
From 91 to 180 days	28,015	282,999	311,014	27,450	159,381	186,831
From 181 to 365 days	1,305	233,519	234,824	24,754	131,830	156,584
TOTAL	**40,243,399**	**53,552,992**	**93,796,391**	**40,357,221**	**46,022,763**	**86,379,984**

c) Expanded credit portfolio and loss on recoverable amount for credit risk by risk stages – Note 3(c)

I – Breakdown

	12.31.2019					12.31.2018				
	Credit portfolio					Credit portfolio				
	Amortized cost	Fair value – Note 11	Total	Guarantees and sureties – Note 9(e)	Expanded credit portfolio	Amortized cost	Fair value – Note 11	Total	Guarantees and sureties – Note 9(e)	Expanded credit portfolio
Credit portfolio	**40,243,399**	**53,552,992**	**93,796,391**	**17,273,417**	**111,069,808**	**40,357,221**	**46,022,763**	**86,379,984**	**20,528,525**	**106,908,509**
Stage 1	39,212,915	48,283,520	87,496,435	17,110,185	104,606,620	39,068,246	42,596,857	81,665,103	20,344,848	102,009,951
Stage 2	555,667	4,298,815	4,854,482	21,200	4,875,682	784,970	2,800,429	3,585,399	32,315	3,617,714
Stage 3	474,817	970,657	1,445,474	142,032	1,587,506	504,005	625,477	1,129,482	151,362	1,280,844
Losses on recoverable	**(839,259)**	**(2,103,394)**	**(2,942,653)**	**(297,620)**	**(3,240,273)**	**(1,117,877)**	**(1,409,812)**	**(2,527,689)**	**(369,351)**	**(2,897,040)**
Stage 1	(309,522)	(518,612)	(828,134)	(156,750)	(984,884)	(434,364)	(445,879)	(880,243)	(213,328)	(1,093,571)
Stage 2	(115,096)	(726,811)	(841,907)	(6,370)	(848,277)	(191,084)	(398,331)	(589,415)	(7,332)	(596,747)
Stage 3	(414,641)	(857,971)	(1,272,612)	(134,500)	(1,407,112)	(492,429)	(565,602)	(1,058,031)	(148,691)	(1,206,722)
Total	**39,404,140**	**51,449,598**	**90,853,738**	**16,975,797**	**107,829,535**	**39,239,344**	**44,612,951**	**83,852,295**	**20,159,174**	**104,011,469**

II – Changes

(1) Expanded credit portfolio

	01.01. to 12.31.2019							
				Risk stage transfers				
	Opening balance	Changes	Write-offs of loss	1	2	3	Total	Closing balance
Credit operations	67,115,124	7,241,894	-	-	(366,404)	(494,941)	(861,345)	73,495,673
Other credit risk instruments – Note 9(b)	14,549,979	(549,217)	-	-	-	-	-	14,000,762
Total credit portfolio	**81,665,103**	**6,692,677**	**-**	**-**	**(366,404)**	**(494,941)**	**(861,345)**	**87,496,435**
Guarantees and sureties	20,344,848	(3,232,146)	-	-	(2,517)	-	(2,517)	17,110,185
Total stage 1	**102,009,951**	**3,460,531**	**-**	**-**	**(368,921)**	**(494,941)**	**(863,862)**	**104,606,620**
Credit operations	3,585,399	1,133,036	-	366,404	-	(230,357)	136,047	4,854,482
Guarantees and sureties	32,315	(7,550)	-	2,517	-	(6,082)	(3,565)	21,200
Total stage 2	**3,617,714**	**1,125,486**	**-**	**368,921**	**-**	**(236,439)**	**132,482**	**4,875,682**
Credit operations	1,119,006	227,257	(626,087)	494,941	230,357	-	725,298	1,445,474
Other credit risk instruments – Note 9(b)	10,476	-	(10,476)	-	-	-	-	-
Total credit portfolio	**1,129,482**	**227,257**	**(636,563)**	**494,941**	**230,357**	**-**	**725,298**	**1,445,474**
Guarantees and sureties	151,362	(15,412)	-	-	6,082	-	6,082	142,032
Total stage 3	**1,280,844**	**211,845**	**(636,563)**	**494,941**	**236,439**	**-**	**731,380**	**1,587,506**
Expanded credit portfolio as at 12.31.2019	**106,908,509**	**4,797,862**	**(636,563)**	**863,862**	**(132,482)**	**(731,380)**	**-**	**111,069,808**
Expanded credit portfolio as at 12.31.2018	**87,284,684**	**20,230,963**	**(607,138)**	**521,188**	**(46,649)**	**(474,539)**	**-**	**106,908,509**

(2) Losses on recoverable amount for credit risk

	01.01. to 12.31.2019								
					Risk stage transfers				
	Opening balance	Foreign exchange gains and losses abroad	Recognition /(Reversal)	Write-offs of loss	1	2	3	Total	Closing balance
Credit operations	(756,399)	(349)	(6,144)	-	-	(6,070)	4,554	(1,516)	(764,408)
Other credit risk instruments – Note 9(b)	(123,844)	-	60,118	-	-	-	-	-	(63,726)
Total losses of credit portfolio	**(880,243)**	**(349)**	**53,974**	**-**	**-**	**(6,070)**	**4,554**	**(1,516)**	**(828,134)**
Guarantees and sureties	(213,328)	-	56,894	-	-	(316)	-	(316)	(156,750)
Total loss of stage 1	**(1,093,571)**	**(349)**	**110,868**	**-**	**-**	**(6,386)**	**4,554**	**(1,832)**	**(984,884)**
Credit operations	(589,415)	-	(300,106)	-	6,070	-	41,544	47,614	(841,907)
Guarantees and sureties	(7,332)	-	(1,719)	-	316	-	2,365	2,681	(6,370)
Total loss of stage 2	**(596,747)**	-	**(301,825)**	**-**	**6,386**	-	**43,909**	**50,295**	**(848,277)**
Credit operations	(1,047,555)	-	(805,046)	626,087	(4,554)	(41,544)	-	(46,098)	(1,272,612)
Other credit risk instruments – Note 9(b)	(10,476)	-	-	10,476	-	-	-	-	-
Total losses of credit portfolio	**(1,058,031)**	-	**(805,046)**	**636,563**	**(4,554)**	**(41,544)**	**-**	**(46,098)**	**(1,272,612)**
Guarantees and sureties	(148,691)	-	16,556	-	-	(2,365)	-	(2,365)	(134,500)
Total loss of stage 3	**(1,206,722)**	-	**(788,490)**	**636,563**	**(4,554)**	**(43,909)**	**-**	**(48,463)**	**(1,407,112)**
Total losses on recoverable amount as at 12.31.2019	**(2,897,040)**	**(349)**	**(979,447)**	**636,563**	**1,832**	**(50,295)**	**48,463**	**-**	**(3,240,273)**
Total losses on recoverable amount as at 12.31.2018	**(2,789,391)**	**(1,693)**	**(713,094)**	**607,138**	**23,239**	**(65,166)**	**41,927**	**-**	**(2,897,040)**

d) Renegotiated transactions and credit recoveries

	12.31.2019			12.31.2018
	Amortized cost	**At fair value**	**Total**	**Total**
Transactions falling due and 90 days past due or less:	236,180	151,684	387,864	461,535
Installments 90 days past due or less	2,532	8,201	10,733	7,165
Falling due installments	233,648	143,483	377,131	454,370
From 01 to 90 days	17,592	22,941	40,533	58,981
From 91 to 365 days	50,815	51,564	102,379	149,368
Over 365 days	165,241	68,978	234,219	246,021
Transactions over 90 days past due:	-	3,767	3,767	2,002
From 91 to 180 days	-	3,639	3,639	1,621
From 181 to 365 days	-	128	128	381
TOTAL as at 12.31.2019 (1)	**236,180**	**155,451**	**391,631**	**463,537**
TOTAL as at 12.31.2018 (1)	**264,467**	**199,070**	**463,537**	

(1) The total balance of renegotiated transactions is fully provisioned, and is composed of R$ 6,943 (R$ 9,519 as at 12.31.2018) in risk stage 1, R$ 5,595 (R$ 1,579 as at 12.31.2018) in risk stage 2, and R$ 379,092 (R$ 452,439 as at 12.31.2018) in risk stage 3.

The credit recoveries in the period amounted to R$ 200,585 (R$ 746,129 in 2018).

e) Credit commitments (off balance)

I. Breakdown of the portfolio and losses on recoverable amount for credit risk

	12.31.2019			12.31.2018		
	Portfolio	**Loss on recoverable amount**	**Total**	**Portfolio**	**Loss on recoverable amount**	**Total**
Guarantees and sureties – Note 9(c) (1)	17,273,417	(297,620)	16,975,797	20,528,525	(369,351)	20,159,174
Granted limits – Note 9(a-III)	15,794,239	(48,694)	15,745,545	14,836,198	(27,481)	14,808,717
Total (off balance)	**33,067,656**	**(346,314)**	**32,721,342**	**35,364,723**	**(396,832)**	**34,967,891**
Risk stage:						
Stage 1	32,694,888	(175,966)	32,518,922	35,054,748	(218,463)	34,836,285
Stage 2	133,297	(11,646)	121,651	137,839	(8,921)	128,918
Stage 3	239,471	(158,702)	80,769	172,136	(169,448)	2,688

(1) The guarantees provided of guarantees and sureties gave rise to an income in the amount of R$ 261,187 (R$ 340,698 in 2018) – Note 14(d).

II. Breakdown by contractual term of transactions

	12.31.2019	**12.31.2018**
Contractual term:		
Falling due in 90 days or less	13,066,046	12,945,674
Falling due in 365 days or less	8,498,276	9,691,963
Falling due over 365 days	11,503,334	12,727,086
TOTAL	**33,067,656**	**35,364,723**

10 FINANCIAL LIABILITIES AND MANAGED ASSETS

a) SUMMARY

I. By pricing

	12.31.2019			12.31.2018		
	At amortized cost	At fair value – Note 7(e)	Total	At amortized cost	At fair value – Note 7(e)	Total
Funding	88,602,606	10,781,100	99,383,706	81,111,372	10,383,176	91,494,548
Open market deposits and funding – corporate securities [1]	13,145,629	-	13,145,629	9,959,792	6,845	9,966,637
Funds from acceptance and issue of securities and Time deposits	71,157,567	8,164,842	79,322,409	67,286,724	8,143,609	75,430,333
Structured funding – Note 8(b-II(1))	4,299,410	2,616,258	6,915,668	3,864,856	2,232,722	6,097,578
Borrowings and onlending	12,524,348	-	12,524,348	13,429,094	-	13,429,094
Subordinated debt	2,676,926	5,396,436	8,073,362	2,189,689	5,124,580	7,314,269
Total financial liabilities	**103,803,880**	**16,177,536**	**119,981,416**	**96,730,155**	**15,507,756**	**112,237,911**
Managed funds			74,436,949			70,945,346
Consolidated private pension funds [2]			18,146,393			14,539,441
Total financial liabilities and managed assets			**212,564,758**			**197,722,698**

II. By counterparty

	12.31.2019			12.31.2018		
	Customer funds	Market funds	Total	Customer funds	Market funds	Total
Funding	90,507,783	8,875,923	99,383,706	82,965,108	8,529,440	91,494,548
Open market deposits and funding – corporate securities [1]	10,046,944	3,098,685	13,145,629	8,277,571	1,689,066	9,966,637
Funds from acceptance and issue of securities and Time deposits	75,614,633	3,707,776	79,322,409	71,609,177	3,821,156	75,430,333
Structured funding – Note 8(b-II(1))	4,846,206	2,069,462	6,915,668	3,078,360	3,019,218	6,097,578
Borrowings and onlending	-	12,524,348	12,524,348	-	13,429,094	13,429,094
Subordinated debt	4,319,560	3,753,802	8,073,362	3,873,175	3,441,094	7,314,269
Total financial liabilities	**94,827,343**	**25,154,073**	**119,981,416**	**86,838,283**	**25,399,628**	**112,237,911**
Managed funds			74,436,949			70,945,346
Consolidated private pension funds [2]			18,146,393			14,539,441
Total financial liabilities and managed assets			**212,564,758**			**197,722,698**

[1] Do not include time deposits with the market and interbank deposits. [2] Recorded in liabilities with insurance and private pension operations – Note 12(a-I).

b) Financial liabilities

I. By maturity

	12.31.2019							12.31.2018
	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	33,228,585	33,294,889	13,594,771	11,985,046	6,458,990	821,425	99,383,706	91,494,548
Open market deposits and funding – corporate securities	10,300,640	2,786,182	58,807	-	-	-	13,145,629	9,966,637
Deposits	5,865,736	1,577,188	58,734	-	-	-	7,501,658	5,195,131
Demand deposits	1,601,650	-	-	-	-	-	1,601,650	1,293,058
Savings deposits	2,801,323	-	-	-	-	-	2,801,323	2,213,006
Deposits from financial institutions [1]	1,462,763	1,577,188	58,734	-	-	-	3,098,685	1,689,067
Open market funding – corporate securities – debentures	4,434,904	1,208,994	73	-	-	-	5,643,971	4,771,506
Funds from acceptance and issue of securities and Time deposits	22,177,123	27,857,844	12,136,648	11,182,265	5,190,657	777,872	79,322,409	75,430,333
Time deposits	15,562,594	18,421,110	1,504,713	653,471	34,522	2,426	36,178,836	15,062,924
Funds from financial bills, bills of credit and similar notes	6,614,529	9,436,734	10,631,935	10,528,794	3,433,537	775,446	41,420,975	58,330,482
Financial bills	3,579,231	5,068,319	8,435,240	8,765,591	1,521,457	208,875	27,578,713	26,345,922
Commercial leasing bills	2,135,322	2,142,092	748,111	134,545	6,415	6,980	5,173,465	22,902,223
Agribusiness credit notes	718,275	2,092,762	1,301,632	1,457,848	1,834,871	559,591	7,964,979	8,009,730
House loan bills, mortgage bills and other	181,701	133,561	146,952	170,810	70,794	-	703,818	1,072,607
Liabilities for marketable securities abroad – Note 11	-	-	-	-	1,722,598	-	1,722,598	2,036,927
CHF 100,000 – 12.12.2014 – Fixed (1.5% p.a.)	-	-	-	-	-	-	-	1,701,188
US$ 500,000 – 02.08.2018 – Fixed (4.12% p.a.)	-	-	-	-	1,722,598	-	1,722,598	335,739
Structured funding	750,822	2,650,863	1,399,316	802,781	1,268,333	43,553	6,915,668	6,097,578
Fixed income [2]	100,296	824,556	51,617	-	-	-	976,469	189,048
Certificate of structured transactions	293,307	1,252,378	1,147,552	565,806	595,150	17,745	3,871,938	2,889,312
Structured CD	357,219	573,929	200,147	236,975	673,183	25,808	2,067,261	3,019,218
Designated at fair value at initial recognition – Note 11	40,929	289,391	67,484	147,438	321,723	25,378	892,343	1,357,622
Other	316,290	284,538	132,663	89,537	351,460	430	1,174,918	1,661,596
Borrowings and onlending	2,488,457	7,531,044	993,337	517,211	587,251	407,048	12,524,348	13,429,094
Foreign borrowings [3]	1,252,717	6,831,907	302,303	-	-	-	8,386,927	9,606,688
Domestic onlending	319,040	699,137	691,034	517,211	587,251	407,048	3,220,721	3,603,970
Other borrowings	916,700	-	-	-	-	-	916,700	218,436
Subordinated debt	80,212	304,124	2,399,198	152,507	1,022,493	4,114,828	8,073,362	7,314,269
Financial bills (LF)	18,292	304,124	444,168	152,507	1,022,493	2,898,560	4,840,144	4,150,578
CDI (100% to 115.35%) + (interest from 0.77% p.a. to 1.62%	18,292	56,273	184,133	23,456	583,130	1,757,483	2,622,767	2,132,552
IGPM + (interest from 3.89% p.a. to 6.68% p.a.)	-	-	3,671	-	-	-	3,671	9,752
Fixed (10.21% p.a. to 17.66% p.a.) – Note 11	-	1,198	39,653	12,068	25,956	540,716	619,591	387,050
IPCA + (interest from 4.22% p.a. to 8.82% p.a.) – Note 11	-	246,653	216,711	101,415	378,487	600,361	1,543,627	1,573,839
Selic	-	-	-	15,568	34,920	-	50,488	47,385
Medium term notes – Note 11	61,920	-	1,955,030	-	-	1,216,268	3,233,218	3,163,691
US$ 300,000 at 7.00% p.a. – Perpetual – Note 22(c)	6,820	-	-	-	-	1,216,268	1,223,088	1,162,377
US$ 500,000 at 6.75% p.a.	55,100	-	1,955,030	-	-	-	2,010,130	2,001,314
Total financial liabilities as at 12.31.2019	**35,797,254**	**41,130,057**	**16,987,306**	**12,654,764**	**8,068,734**	**5,343,301**	**119,981,416**	**112,237,911**
At amortized cost	35,106,749	38,127,785	12,816,809	11,177,530	3,904,013	2,670,994	103,803,880	96,730,155
At fair value at initial recognition	690,505	3,002,272	4,170,497	1,477,234	4,164,721	2,672,307	16,177,536	15,507,756
Total financial liabilities as at 12.31.2018	**29,540,173**	**43,861,577**	**15,911,747**	**10,834,646**	**8,179,668**	**3,910,100**	**112,237,911**	
At amortized cost	28,383,933	41,229,733	13,416,902	7,570,562	4,141,517	1,987,508	96,730,155	
At fair value at initial recognition	1,156,240	2,631,844	2,494,845	3,264,084	4,038,151	1,922,592	15,507,756	
Funding	27,826,197	33,791,367	14,648,616	7,871,046	6,823,795	533,527	91,494,548	
Borrowings and onlending	1,274,150	9,592,330	967,384	612,672	687,999	294,559	13,429,094	
Subordinated debt	439,826	477,880	295,747	2,350,928	667,874	3,082,014	7,314,269	

[1] Of this amount, R$ 357,833 (R$ 440,111 as at 12.31.2018) refers to operations linked to rural credit. [2] Transactions made with derivative financial instruments – Options. [3] Credit facilities for financing imports and exports.

II. By changes

	01.01. to 12.31.2019							
					Recognition in profit or loss			
	Opening balance	Foreign exchange gains and	Net financial change	Interest paid of financing activities	Interest – Note 14(b)	Change in fair value adjustment – Note 11	Total profit or loss	Closing balance
Funding	91,494,548	484,130	1,864,195	(33,663)	5,296,190	278,306	5,574,496	99,383,706
Open market deposits and funding – corporate securities	9,135,618	14,120	1,069,853	-	348,593	(181)	348,412	10,568,003
Funds from acceptance and issue of securities and Time deposits	76,261,352	368,447	402,279	(33,663)	4,645,726	255,894	4,901,620	81,900,035
Time deposits	15,893,943	265,778	21,369,952	-	1,226,266	523	1,226,789	38,756,462
Funds from acceptance and issue of securities	60,367,409	102,669	(20,967,673)	(33,663)	3,419,460	255,371	3,674,831	43,143,573
Funds from financial bills, bills of credit and similar notes	58,330,482	-	(20,446,619)	-	3,335,532	201,580	3,537,112	41,420,975
Liabilities for marketable securities abroad	2,036,927	102,669	(521,054)	(33,663)	83,928	53,791	137,719	1,722,598
Structured funding – Note 8(b-II(1))	6,097,578	101,563	392,063	-	301,871	22,593	324,464	6,915,668
Borrowings and onlending	13,429,094	425,146	(1,879,856)	-	549,964	-	549,964	12,524,348
Subordinated debt	7,314,269	42,282	149,838	(217,385)	538,548	245,810	784,358	8,073,362
Total financial liabilities as at 12.31.2019	**112,237,911**	**951,558**	**134,177**	**(251,048)**	**6,384,702**	**524,116**	**6,908,818**	**119,981,416**
Total financial liabilities as at 12.31.2018	**89,119,346**	**973,333**	**16,325,923**	**(206,858)**	**5,744,710**	**281,457**	**6,026,167**	**112,237,911**
Funding	69,790,470	308,352	16,467,613	(6,227)	4,769,988	164,352	4,934,340	91,494,548
Borrowings and onlending	14,135,756	224,826	(1,460,576)	-	529,088	-	529,088	13,429,094
Subordinated debt	5,193,120	440,155	1,318,886	(200,631)	445,634	117,105	562,739	7,314,269

III. Subordinated debt – by characteristic

	12.31.2019				12.31.2018
	Approved at BACEN		In process of		
Securities	Without termination	With termination clause	approval at BACEN [1]	Total	Total
2019	-	-	-	-	856,513
2020	33,726	266,666	22,026	322,418	295,745
2021	2,010,130	444,169	-	2,454,299	2,406,016
2022	5,706	146,799	-	152,505	135,595
2023	-	602,416	-	602,416	532,280
2024	-	420,076	-	420,076	366,389
2025	-	1,054,706	-	1,054,706	951,366
2026	-	1,025,899	8,002	1,033,901	260,567
2027	-	272,326	-	272,326	93,368
2028	-	325,697	-	325,697	252,559
2029	-	207,564	2,090	209,654	-
2033	-	2,276	-	2,276	1,494
Perpetual	-	1,223,088	-	1,223,088	1,162,377
Total as at 12.31.2019	**2,049,562**	**5,991,682**	**32,118**	**8,073,362**	**7,314,269**
Total as at 12.31.2018	**2,802,052**	**4,184,142**	**328,075**	**7,314,269**	

[1] The 2020 securities do not have termination clause and total R$ 22,026 (R$ 27,404 as at 12.31.2018).

c) Managed assets

The Safra Group, together with related party companies, are responsible for the management, administration and distribution of investment fund quotas, as follows:

	12.31.2019	12.31.2018
Managed funds and consolidated private pension funds	92,583,342	85,484,787
Managed funds [1]	74,436,949	70,945,346
Consolidated private pension funds – Note 12(b)	18,146,393	14,539,441
Funds of investment in quotas	125,510,326	104,582,147
Consolidated exclusive funds	6,390,079	8,388,324
Total net assets of funds	**224,483,747**	**198,455,258**
Total net assets of managed portfolio	**2,721,288**	**1,560,993**
Total managed assets	**227,205,035**	**200,016,251**

[1] Includes quotaholders of related parties amounting R$ 4,772,370 (R$ 3,142,349 as at 12.31.2018).

Revenue from management, administration and distribution of such fund quotas, recorded in 'Fees and commissions', totals R$ 1,059,316 (R$ 1,059,680 in 2018) – Note 14(d). In 2018, revenue totals R$ 1,133,134 when the income earned by related parties is included, in the amount of R$ 73,454, is included – Note 22(b).

11 FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE AT INITIAL RECOGNITION

The transactions designated at fair value at initial recognition are those with credit grant characteristics and funding at fixed rates in reais and foreign currencies, for which derivatives are purchased to eliminate the risk of change in interest rates, once there is a mismatch of amounts and terms between the total assets and liabilities transactions at fixed rates. The fair value accounting of the derivatives purchased to eliminate the risk of mismatch of fixed-rate assets and liabilities could cause an accounting misstatement, in case the hedged assets and liabilities were not accounted at fair value. Considering this mismatch, the management of the portfolio comprising fixed-rate assets and liabilities and the risk management strategy adopted by Safra, Management decided for the option of designating such fixed rate assets and liabilities at fair value through profit or loss.

	12.31.2019					12.31.2018				
		Fair value adjustment					Fair value adjustment			
	Amortized cost	Credit risk[1]	Market risk[2]	Fair value	Notional amount derivatives [3]	Amortized cost	Credit risk[1]	Market risk[2]	Fair value	Notional amount derivatives [3]
Fixed-rate portfolio	37,686,875	(2,069,525)	69,306	35,686,656	(29,908,516)	31,229,858	(1,335,367)	114,488	30,008,979	(25,690,853)
Assets – Credit portfolio – Note 9(a-I) [4]	44,732,593	(2,069,525)	541,569	43,204,637		36,911,796	(1,335,367)	342,047	35,918,476	
Financial liabilities at fair value at initial recognition	(7,045,718)	-	(472,263)	(7,517,981)		(5,681,938)	-	(227,559)	(5,909,497)	
Deposits	(255,481)	-	(2,030)	(257,511)		(135,527)	-	(1,507)	(137,034)	
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes	(4,600,269)	-	(316,694)	(4,916,963)		(4,345,163)	-	(165,151)	(4,510,314)	
Structured funding – Certificate of structured transactions	(1,703,511)	-	(20,404)	(1,723,915)		(860,435)	-	(14,665)	(875,100)	
Subordinated debt	(486,457)	-	(133,135)	(619,592)		(340,813)	-	(46,236)	(387,049)	
Repurchase agreements – fixed rate	14,187,109	-	8,303	14,195,412	(16,573,515)	12,732,529	-	5,152	12,737,681	(9,364,500)
Assets – Investment in repurchase agreements – Note 5	14,187,109	-	8,303	14,195,412		12,739,193	-	5,333	12,744,526	
Financial liabilities – Funding – Open market deposits and funding – corporate securities – Note 10(a)	-	-	-	-		(6,664)	-	(181)	(6,845)	
IPCA portfolio [5]	2,642,049	(22,782)	274,161	2,893,428	(3,325,506)	1,576,229	(37,832)	92,907	1,631,304	(1,655,150)
Assets – Credit portfolio – Other credit risk instruments – Debentures – Note 9(a-I)	5,180,696	(22,782)	546,910	5,704,824		4,488,611	(37,832)	213,699	4,664,478	
Financial liabilities – Funding	(2,538,647)	-	(272,749)	(2,811,396)		(2,912,382)	-	(120,792)	(3,033,174)	-
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes	(1,172,317)	-	(95,453)	(1,267,770)		(1,413,919)	-	(45,415)	(1,459,334)	
Subordinated debt	(1,366,330)	-	(177,296)	(1,543,626)		(1,498,463)	-	(75,377)	(1,573,840)	
Eurobonds	2,801,877	(11,087)	79,869	2,870,659	(3,576,551)	4,954,721	(36,613)	50,096	4,968,204	(5,335,310)
Marketable securities – Note 8(a)	239,851	-	(1,826)	238,025		926,883	-	11,325	938,208	
Credit portfolio – Other credit risk instruments – Note 9(a-I)	2,562,026	(11,087)	81,695	2,632,634		4,027,838	(36,613)	38,771	4,029,996	
Funding – Note 10(b)	(2,562,117)	-	(52,824)	(2,614,941)	2,953,412	(3,410,622)	-	16,073	(3,394,549)	3,716,529
Structured funding – Structured CD	(888,080)	-	(4,263)	(892,343)	909,216	(1,370,520)	-	12,898	(1,357,622)	1,469,923
Liabilities for marketable securities abroad	(1,674,037)	-	(48,561)	(1,722,598)	2,044,196	(2,040,102)	-	3,175	(2,036,927)	2,246,606
US$ 500,000 – 02.08.2018 – Fixed (4.12% p.a.)	(1,674,037)	-	(48,561)	(1,722,598)	2,044,196	(1,705,543)	-	4,355	(1,701,188)	1,905,670
CHF 100,000 – 12.12.2014 – Fixed (1.5% p.a.)	-	-	-	-	-	(334,559)	-	(1,180)	(335,739)	340,936
Subordinated debt – Medium term notes – Note 10(a)	(3,232,543)	-	(675)	(3,233,218)	3,280,079	(3,219,350)	-	55,659	(3,163,691)	3,237,654
US$ 500,000 at 6.75% p.a.	(2,016,513)	-	6,383	(2,010,130)	2,063,601	(2,050,816)	-	49,502	(2,001,314)	2,043,458
US$ 300,000 at 7.00% p.a. – Perpetual	(1,216,030)	-	(7,058)	(1,223,088)	1,216,478	(1,168,534)	-	6,157	(1,162,377)	1,194,196
Total	**51,523,250**	**(2,103,394)**	**378,140**	**49,797,996**	**(47,150,597)**	**43,863,365**	**(1,409,812)**	**334,375**	**42,787,928**	**(35,091,630)**

[1] The credit risk of credit operations was measured based on the best estimates that management has to estimate the portfolio value in view of its credit loss level – Note 21(a). The change in credit risk is demonstrated in Note 9(c-II). [2] The market risk of credit operations and fixed-rate funding, which is the possibility of financial loss arising from changes in market interest rates, is measured using the market interest rates adopted at the calculation base date, to discount the cash flows of operations at present value. The change in market risk is demonstrated in Note 8(c). [3] The notional amount of derivatives purchased (Futures DI, Futures DAP + Swap, net and Swap Fixed X Libor) to eliminate the risk of change in interest rates. [4] The net fair value of the fixed-rate portfolio, not considering the transactions more than 60 days past due, and the portions falling due on the first business day subsequent to the calculation date. [5] As at December31, 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 through profit or loss. The hedge derivative instruments are shown net of hedged items recognized at fair value through profit or loss, totaling R$ (3,325,506) (R$ (1,655,150) as at 12.31.2018), represented by derivative instruments in the amount of R$ (2,293,230) (R$ 2,918,521) as at 12.31.2018) and Government securities – NTN-B in the amounts of R$ 660,384 (R$ 1,958,419 as at 12.31.2018) – Note 7(a) and Note 8(a-1) and R$ (1,692,660) (R$ (695,048) as at 12.31.2018) – Note 7(b).

12 INSURANCE, REINSURANCE AND PRIVATE PENSION OPERATIONS

a) Funds guaranteeing technical reserves of insurance and private pension

I. Breakdown

	12.31.2019							12.31.2018
		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
Funds guaranteeing technical reserves	**18,570,933**	**1,837,576**	**3,960,284**	**4,002,854**	**1,332,452**	**3,571,550**	**3,866,217**	**14,922,255**
Private pension	18,146,393	1,656,047	3,717,273	4,002,854	1,332,452	3,571,550	3,866,217	14,539,441
Investment fund quotas	88,694	88,694	-	-	-	-	-	-
Repurchase agreements – Government securities	20,805	-	-	-	-	20,805	-	22,859
Marketable securities – Securities portfolio	18,141,496	1,671,955	3,717,273	4,002,854	1,332,452	3,550,745	3,866,217	14,517,672
Government securities – National Treasury	14,655,998	515,944	1,728,899	3,666,798	1,327,395	3,550,745	3,866,217	14,072,346
National Treasury Bills	3,984,603	-	1,218,808	1,514,356	535,619	715,820	-	4,274,131
Financial Treasury Bills	5,569,971	515,944	359,423	2,019,701	629,890	1,545,308	499,705	6,486,655
National Treasury Notes	5,101,424	-	150,668	132,741	161,886	1,289,617	3,366,512	3,311,560
Corporate securities	3,485,498	1,156,011	1,988,374	336,056	5,057	-	-	445,326
Shares	1,156,011	1,156,011	-	-	-	-	-	233,990
Bank Deposit Certificates	860,547	-	729,533	131,014	-	-	-	138,864
Debentures	198,651	-	172,015	21,579	5,057	-	-	72,472
Financial bills	1,270,289	-	1,086,826	183,463	-	-	-	-
Other	(104,602)	(104,602)	-	-	-	-	-	(1,090)
Insurance – Government securities – National Treasury – National Treasury Bills	243,011	-	243,011	-	-	-	-	214,479
DPVAT fund quotas – government securities	181,529	181,529	-	-	-	-	-	168,335
Receivables from reinsurance operations – Note 12(b) [1]	**19,677**							**14,217**
Credit rights - insurance premiums receivable	**20,009**							**11,005**
Total as at 12.31.2019	**18,610,619**							**14,947,477**
Total as at 12.31.2018	**14,947,477**							
Funds guaranteeing technical reserves	14,922,255	435,727	1,513,579	3,255,529	1,656,239	4,805,343	3,255,838	
Receivables from reinsurance operations – Note 12(b) [1]	14,217							
Credit rights - insurance premiums receivable	11,005							

[1] The amount presented is net of unearned premium reserve in the amount of R$ (18,608) (R$ (21,517) as at 12.31.2018), was not offered as asset to reduce technical reserves.

As at 12.31.2019 and 12.31.2018, the funds guaranteeing technical reserves of insurance and private pension mainly comprise marketable securities classified as measured at fair value through profit or loss.

II. Derivative financial instruments – Breakdown of notional amount by transaction type of the PGBL/VGBL investment fund

	12.31.2019				12.31.2018
	Amounts by maturity				
Futures – B3	**Up to 90 days**	**From 91 to 365 days**	**Over 365 days**	**Total**	**Total**
Long position	500,233	-	1,470,963	1,971,196	2,139,780
Interest rate	-	-	1,470,963	1,470,963	1,852,074
Foreign currency	79,443	-	-	79,443	104,912
Bovespa Index	420,790	-	-	420,790	182,794
Short position	200	1,241,450	3,919,813	5,161,463	5,513,738
Interest rate	200	1,241,450	3,919,813	5,161,463	5,446,753
Foreign currency	-	-	-	-	66,985
TOTAL as at 12.31.2019	**500,433**	**1,241,450**	**5,390,776**	**7,132,659**	**7,653,518**
TOTAL as at 12.31.2018	**354,691**	**1,248,483**	**6,050,344**	**7,653,518**	

b) Receivables from insurance and reinsurance operations

	12.31.2019	12.31.2018
Premiums receivable	89,927	54,335
Premiums receivable – Note 12(a-I)	88,554	53,515
Risks in force but not issued	5,030	1,964
Credit risk	(3,657)	(1,144)
Operating receivables from insurance and reinsurance	2,086	4,358
Gross amount	6,925	9,066
Credit risk	(4,839)	(4,708)
Reinsurance assets – Technical reserves – Note 12(a-I)	38,285	35,734
Deferred acquisition costs	(864)	270
Total – Note 13	**129,434**	**94,697**

IV. Premiums receivable

(1) Breakdown

	12.31.2019			12.31.2018
	PAST DUE [1]	NOT PAST	TOTAL	TOTAL
Past due:	2,415	3,935	6,350	4,767
From 01 to 30 days	856	3,065	3,921	3,916
From 31 to 60 days	720	870	1,590	553
From 61 to 120 days	839	-	839	298
Falling due:	1,242	80,962	82,204	48,748
From 01 to 30 days	114	7,251	7,365	6,231
From 31 to 60 days	110	5,220	5,330	4,292
From 61 to 120 days	217	9,691	9,908	6,719
From 121 to 180 days	183	7,415	7,598	4,862
From 181 to 365 days	353	20,789	21,142	10,708
Over 365 days	265	30,596	30,861	15,936
TOTAL as at 12.31.2019	**3,657**	**84,897**	**88,554**	**53,515**
TOTAL as at 12.31.2018	**1,144**	**52,371**	**53,515**	

[1] Policies with installments more than 60 days past due are fully provisioned. [2] Policies not due and/or with installments up to 60 days past due.

(2) Changes in the period

	01.01. to 12.31.2019	01.01. to 12.31.2018
Opening balance	**54,335**	**52,428**
(+) Written premiums and risks in force not yet issued [1]	325,845	275,399
(-) Receipts [2]	(296,203)	(278,933)
(+) Changes in credit risks	(2,512)	1,144
(+) Interest on receipt of premiums	8,462	4,297
Closing balance	**89,927**	**54,335**

[1] Do not include amounts to be passed on of reinsurance premium of R$ 18,279 (R$ 21,781 as at 12.31.2018).

(3) Changes in credit risk

	01.01. to 12.31.2019						01.01 to 12.31.2018
	Premiums receivable	Insurance companies	Payables for insurance and reinsurance operations [1]	SUBTOTAL	Reinsurance companies	TOTAL [2]	TOTAL
Opening balance	**(1,145)**	**(696)**	**285**	**(411)**	**(4,012)**	**(5,568)**	**(6,095)**
Recognition/ (Reversal)	(2,512)	(183)	511	328	52	(2,132)	527
Closing balance	**(3,657)**	**(879)**	**796**	**(83)**	**(3,960)**	**(7,700)**	**(5,568)**

[1] Includes the premiums/commissions passed on to brokers, insurers and reinsurers and IOF on premiums not paid. [2] Note 14(e).

V. Reinsurance assets – Technical reserves – Note 12(a-II)

	01.01. to 12.31.2019					01.01. to 12.31.2018
	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	(2,909)	4,934	(650)	2,097	3,472	1,978
Recoveries	-	(1,075)	-	-	(1,075)	(4,924)
Inflation adjustment	-	154	-	-	154	190
Closing balance	**18,608**	**8,828**	**2,245**	**8,604**	**38,285**	**35,734**

[1] Includes 11 (11 as at 12.31.2018) legal claims of R$ 3,795 (R$ 2,646 as at 12.31.2018). [2] Note 12(d).

c) Insurance and private pension operations (liabilities)

The insurance and private pension operations are as follows:

	12.31.2019	12.31.2018
Technical reserves – Note 12(c-I(1))	18,554,380	14,900,972
Private pension – Note 12(c-I(1))	18,170,565	14,561,873
Insurance – Note 12(c-I(1))	202,574	170,884
DPVAT Agreement – Note 12(c-I(1)) [1]	181,241	168,215
Payables for insurance and reinsurance operations	12,515	16,857
Commissions and other insurance liabilities	4,652	4,374
Credit risk – Note 12(a-I(3))	(716)	(251)
Total	**18,570,831**	**14,921,952**

[1] Comprises outstanding claims reserve in the amount of R$ 18,011 (R$ 20,887 as at 12.31.2018), IBNR in the amount of R$ 161,416 (R$ 146,631 as at 12.31.2018) and unearned premium reserve in the amount of R$ 1,815 (R$ 697 as at 12.31.2018).

I. Technical reserves

(1) Breakdown

	INSURANCE		PRIVATE PENSION		TOTAL	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018	12.31.2019	12.31.2018
PMBAC and PMBC	-	-	18,145,499	14,539,406	18,145,499	14,539,406
PPNG	152,258	128,191	-	-	152,258	128,191
PSL	17,613	17,410	-	-	17,613	17,410
DPVAT Agreement	181,241	168,215	-	-	181,241	168,215
IBNR	4,485	5,034	-	-	4,485	5,034
Other technical reserves – Note 12(d)	28,218	20,249	22,146	22,156	50,364	42,405
PCC	28,218	20,249	2,584	2,824	30,802	23,073
PDR	-	-	19,528	19,332	19,528	19,332
PEF	-	-	34	-	34	-
Reserves for redemptions to be processed	-	-	2,920	311	2,920	311
Total	**383,815**	**339,099**	**18,170,565**	**14,561,873**	**18,554,380**	**14,900,972**

(2) Coverage

	12.31.2019	12.31.2018
Funds guaranteeing technical reserves of insurance and private pension – Note 12(a-I)	18,610,619	14,947,477
Technical reserves – Note 12(c-I(1))	(18,554,380)	(14,900,972)
Coverage surplus/(shortage)	**56,239**	**46,505**

(3) Changes in the mathematical reserve for private pension plans

	01.01. to 12.31.2019	01.01. to 12.31.2018
Opening balance	**14,561,873**	**11,930,334**
Contributions	1,355,936	1,012,292
Net portability transfers	1,979,297	1,662,215
Redemption payments	(983,672)	(856,245)
Benefits paid	(1,042)	(657)
Financial adjustment – Note 11(e)	1,255,608	810,010
Recognition/(reversal) of technical reserves – Note 11(d-II)	(49)	3,614
PCC	(239)	2,659
PDR	190	955
Reserves for redemptions to be processed	2,614	310
Closing balance	**18,170,565**	**14,561,873**

(4) Change in the mathematical reserve for insurance

	01.01. to 12.31.2019					
		CLAIMS				
	PPNG	PSL, IBNR and	PSL and PDR judicial	SUBTOTAL	PCC – Note 12(d)	TOTAL
Opening balance	**128,191**	**6,400**	**16,044**	**22,444**	**20,249**	**170,884**
Incurred claims	-	8,286	482	8,768	-	8,768
Change in technical reserves	24,067	(1,046)	373	(673)	-	23,394
Complementary Coverage Reserve (PCC) and Reserve for Related Expenses (PDR) – Net – Note 13(e)	-	102	(279)	(177)	7,975	7,798
Paid claims	-	(4,072)	(6,208)	(10,280)	-	(10,280)
Financial adjustment – Note 11(e)	-	-	2,016	2,016	(6)	2,010
Closing balance	**152,258**	**9,670**	**12,428**	**22,098**	**28,218**	**202,574**

d) Complementary Coverage Reserve (PCC) and Liability Adequacy Test (LAT) – Note 3(n-IV(c))

I - Breakdown

	12.31.2019	12.31.2018
Assets – Current - Reinsurance assets – Note 12(a-II)	**8,604**	**6,507**
Liabilities – Note 12(c-I(1))	**(50,364)**	**(42,405)**
Technical reserves – Insurance – Personal – Note 12(c-I(1 and 4))	(28,218)	(20,249)
Technical reserves – Private pension – PGBL – Note 12(c-I(1))	(22,146)	(22,156)
Complementary Coverage Reserve (PCC) and Reserve for Related Expenses (PDR) – Net	**(41,760)**	**(35,898)**

II – Effects on income

	2019	2018
Reinsurance operations – Note 12(a-II)	2,097	(261)
Insurance operations – Note 12(c-I(4))	(7,798)	(1,374)
Changes in private pension – Note 12(c-I(3))	49	(3,614)
Complementary Coverage Reserve (PCC) and Reserve for Related Expenses (PDR) – Net – Note 14(e)	**(5,652)**	**(5,249)**

e) Income from insurance and private pension operations

	2019	2018
Income from financial intermediation	17,786	15,499
Finance income from insurance and private pension operations – Note 14(a)	1,276,035	828,569
Finance expenses from insurance and private pension operations – Note 14(b) [1]	(1,258,249)	(813,070)
Income from insurance, reinsurance and private pension operations – Note 14(e)	278,866	254,612
Income from private pension fund management services – Note 10(c)	158,781	104,867
Total	**455,433**	**374,978**

[1] Substantially represented by technical reserve for private pension – Note 12(c-I(3)).

f) Claims development table

The purpose of the claims development table is to illustrate the inherent insurance risk, comparing the claims paid with their respective reserves, from the year in which the claim was reported. The upper part of the table shows the change in the reserve over the years. The reserve varies as more precise information on ratio and severity of claims is obtained. The bottom shows the reconciliation of the amounts with the accounting balances. The reserve for outstanding claims gross of reinsurance is comprised as follows:
Reserve for outstanding claims: R$ 35,615
(-) DPVAT operations: R$ 18,052
Reserve for outstanding claims, gross of reinsurance: R$ 17,563

Claim estimates	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
In the reporting year	7,203	5,978	5,482	10,437	18,084	4,729	4,486	8,434	7,025	8,025	
One year later	7,147	5,033	3,813	9,120	17,692	3,850	4,507	7,191	6,623	-	
Two years later	6,241	4,974	3,836	9,949	17,570	3,901	4,496	8,237	-	-	
Three years later	6,257	5,048	3,871	10,856	17,374	3,703	4,517	-	-	-	
Four years later	6,384	5,028	3,897	10,508	17,358	3,710	-	-	-	-	
Five years later	6,426	5,084	3,908	10,364	17,327	-	-	-	-	-	
Six years later	6,524	5,071	3,919	10,361	-	-	-	-	-	-	
Seven years later	6,287	5,225	3,859	-	-	-	-	-	-	-	
Eight years later	6,231	5,558	-	-	-	-	-	-	-	-	
Nine years later	6,234	-	-	-	-	-	-	-	-	-	
Estimate as at 12.31.2019	**6,234**	**5,558**	**3,859**	**10,361**	**17,327**	**3,710**	**4,517**	**8,237**	**6,623**	**8,025**	**74,451**
Claim payments											
In the reporting year	3,872	3,291	1,917	4,999	13,990	2,000	3,289	4,194	5,981	3,014	
One year later	5,095	4,552	3,640	7,152	16,976	3,076	4,212	7,037	6,256	-	
Two years later	5,483	4,595	3,674	7,172	17,240	3,102	4,212	7,074	-	-	
Three years later	5,508	4,795	3,737	7,186	17,311	3,102	4,253	-	-	-	
Four years later	5,509	4,890	3,740	10,194	17,320	3,106	-	-	-	-	
Five years later	5,803	5,002	3,740	10,299	17,323	-	-	-	-	-	
Six years later	5,803	5,002	3,825	10,321	-	-	-	-	-	-	
Seven years later	5,803	5,194	3,826	-	-	-	-	-	-	-	
Eight years later	6,203	5,194	-	-	-	-	-	-	-	-	
Nine years later	6,203	-	-	-	-	-	-	-	-	-	
Payments as at 12.31.2019	**6,203**	**5,194**	**3,826**	**10,321**	**17,323**	**3,106**	**4,253**	**7,074**	**6,256**	**3,014**	**66,570**
PSL as at 12.31.2019	**31**	**364**	**33**	**40**	**4**	**604**	**264**	**1,163**	**367**	**5,011**	**7,881**
				Liabilities of claims prior to 2010							**9,682**
				Total liabilities as at 12.31.2019							**17,563**

The reserve for outstanding claims net of reinsurance is comprised as follows:
Reserve for outstanding claims: R$ 17,563
(-) Recovery of outstanding claims: R$ 8,827
Reserve for outstanding claims: R$ 8,736

Claim estimates	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
In the reporting year	2,452	2,260	1,958	2,882	2,274	1,920	1,251	4,054	3,081	3,624	
One year later	2,450	1,844	1,525	2,148	1,929	1,497	1,279	3,792	2,938	-	
Two years later	2,174	1,822	1,490	2,231	1,892	1,507	1,231	3,923	-	-	
Three years later	2,164	1,872	1,509	2,227	1,758	1,501	1,225	-	-	-	
Four years later	2,183	1,916	1,523	2,211	1,742	1,460	-	-	-	-	
Five years later	2,119	1,972	1,529	2,082	1,711	-	-	-	-	-	
Six years later	2,128	1,958	1,541	2,088	-	-	-	-	-	-	
Seven years later	2,114	2,113	1,485	-	-	-	-	-	-	-	
Eight years later	2,113	2,446	-	-	-	-	-	-	-	-	
Nine years later	2,116	-	-	-	-	-	-	-	-	-	
Estimate as at 12.31.2019	**2,116**	**2,446**	**1,485**	**2,088**	**1,711**	**1,460**	**1,225**	**3,923**	**2,938**	**3,624**	**23,016**
Claim payments											
In the reporting year	1,426	1,108	846	1,211	1,012	724	837	1,864	2,620	1,929	
One year later	1,819	1,534	1,395	1,852	1,525	1,257	1,173	3,686	2,852	-	
Two years later	1,924	1,571	1,429	1,872	1,640	1,267	1,174	3,723	-	-	
Three years later	1,948	1,771	1,436	1,884	1,695	1,267	1,216	-	-	-	
Four years later	1,949	1,788	1,440	2,048	1,704	1,270	-	-	-	-	
Five years later	2,058	1,900	1,440	2,059	1,707	-	-	-	-	-	
Six years later	2,058	1,900	1,452	2,080	-	-	-	-	-	-	
Seven years later	2,058	2,092	1,452	-	-	-	-	-	-	-	
Eight years later	2,085	2,092	-	-	-	-	-	-	-	-	
Nine years later	2,085	-	-	-	-	-	-	-	-	-	
Payments as at 12.31.2019	**2,085**	**2,092**	**1,452**	**2,080**	**1,707**	**1,270**	**1,216**	**3,723**	**2,852**	**1,929**	**20,406**
PSL as at 12.31.2019	**31**	**354**	**33**	**8**	**4**	**190**	**9**	**200**	**86**	**1,695**	**2,610**
				Liabilities of claims prior to 2010							**6,126**
				Total liabilities as at 12.31.2019							**8,736**

13 OTHER FINANCIAL ASSETS AND LIABILITIES

	12.31.2019		12.31.2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange portfolio – Note 13(a)	1,113,478	1,132,603	246,424	319,446
Negotiation and intermediation of securities – Note 13(b)	1,174,761	1,270,527	680,304	644,195
Interbank and interdepartmental transactions	12	183,201	62	223,762
Amounts receivable/(payable) – Acquirer	3,164,862	3,224,251	2,033,967	2,024,190
Lease liabilities – Note 13(c)	-	494,851	-	19,280
Other	211,951	747,938	243,215	746,340
Losses on guarantees and sureties – Note 9(a-III)	-	363,018	-	436,205
Receivables from reinsurance operations – Note 12(a)	129,434	-	94,697	-
Credit card administration obligations	-	279,491	-	236,048
Other	82,517	105,429	148,518	74,087
Total	**5,665,064**	**7,053,371**	**3,203,972**	**3,977,213**

a) Foreign exchange portfolio

	12.31.2019		12.31.2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange purchases pending settlement (M.E.) and payables for foreign exchange purchase (M.N.)	530,545	541,159	213,579	226,971
Foreign exchange gains or losses [1]	(9,549)	-	(13,392)	-
Interbank for ready settlement	-	-	192,085	192,085
Export with locked-in currency rate	62,801	63,866	32,537	32,537
Interdepartmental and arbitrage	477,221	477,221	2,276	2,276
Financial	72	72	73	73
Receivables for exchange sales (M.N.) and Foreign exchange sales pending settlement (M.E.)	582,933	591,444	32,845	92,475
Foreign exchange gains or losses	-	394	-	2,064
Financial	9,772	9,772	10,505	10,505
(-) Advances received	(9,111)	-	(58,692)	-
Import	105,008	103,814	77,487	77,487
Interdepartmental and arbitrage	477,221	477,221	2,276	2,276
Other	43	243	1,269	143
Total	**1,113,478**	**1,132,603**	**246,424**	**319,446**

[1] The foreign exchange gains on advance on foreign exchange contracts amount to R$ 30,170 (R$ 64,570 as at 12.31.2018) and were shown in the line item Credit operations – At amortized cost – Note 9(a-I).

b) Negotiation and intermediation of securities

	12.31.2019		12.31.2018	
	ASSETS	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Funds from customers – Brokerage firm [1]	847,757	859,443	508,147	623,202
Cash from registry and settlement	426,547	397,514	301,527	300,515
Pending settlements	382,482	285,256	56,289	273,421
Financial assets and commodities pending	38,728	176,673	150,331	49,266
Financial assets and commodities pending settlement	327,004	411,084	172,157	20,993
Total	**1,174,761**	**1,270,527**	**680,304**	**644,195**

[1] Basically refers to transactions in stock exchange recorded by Safra Corretora de Valores e Câmbio Ltda.

c) Lease liabilities – Notes 2(b), 3(g) and 18(a) – Changes

	2019
Opening balance	**19,280**
Increase	583,309
Financial transactions	9,577
IFRS 16 initial application	573,732
Derecognition for payment	(143,833)
Interest expense – Notes 14(b) and 22(b)	36,095
Closing balance – Note 22(b) [1]	**494,851**

[1] Represented by R$ 131,508 in current with term of one year or less and R$ 363,343 in non-current, of which R$ 360,323 with term from one to five years, and R$ 3,020 with term over 5 years.

14 INCOME, EXPENSES AND PROFIT OR LOSS

a) Interest income

	2019	2018
Interbank investments – Own position	842,482	608,935
Open market investments – own portfolio	651,516	458,967
Interbank deposits	116,759	111,659
Investments abroad	74,207	38,309
Central Bank compulsory deposits – Note 6(b)	485,069	320,906
Income from investments and financial assets	4,422,658	4,859,609
Investments linked to open market funding – Government securities	1,768,620	1,859,350
Financial assets	2,654,038	3,000,259
At fair value through profit or loss	1,378,003	2,171,690
Funds guaranteeing technical reserves of insurance and private pension – Note 12(e)	1,276,035	828,569
Expanded credit portfolio operations	10,164,858	8,567,637
Credit portfolio	9,903,671	8,226,939
At amortized cost	3,558,425	3,870,458
At fair value at initial recognition – Note 11(b)	6,345,246	4,356,481
Guarantees provided and guarantees and sureties	261,187	340,698
Other finance income	13,854	8,559
Total	**15,928,921**	**14,365,646**

b) Interest expenses

	2019	2018
Funding	(5,296,190)	(4,743,704)
Open market deposits and funding – corporate securities – Note 10(b-II)	(281,610)	(347,208)
Funds from acceptance and issue of securities and Time deposits – Note 10(b-II)	(4,645,726)	(4,027,308)
Structured funding – Note 10(b-II)	(301,871)	(319,717)
Direct funding expenses – Note 10(b-II)	(66,983)	(49,471)
Open market funding – Government securities	(2,066,458)	(2,606,117)
Own portfolio	(217,946)	(494,764)
Third-party portfolio	(1,495,849)	(1,192,700)
Unrestricted obligations	(352,663)	(918,653)
Borrowings and onlending	(549,964)	(555,372)
Subordinated debt – Note 10(b-II)	(538,548)	(445,634)
Finance expenses from private pension operations – Note 12(e)	(1,258,249)	(813,070)
Other finance expenses [1]	(190,566)	(134,015)
Total	**(9,899,975)**	**(9,297,912)**

[1] In 2019, R$ (36,095) refer to lease interest expenses – Note 13(c).

The breakdown of interest expenses, by category of financial instrument, is shown below:

	2019	2018
Financial liabilities designated at fair value	(838,555)	(626,349)
Financial liabilities at amortized cost	(9,061,420)	(8,671,563)
Total	**(9,899,975)**	**(9,297,912)**

c) Others financial instruments, net

	2019	2018
Foreign exchange gains and losses on investment abroad and Transactions in ME	(118,046)	(342,518)
"Over Hedge" of investment abroad – Note 21(c-III)	(104,395)	(379,445)
Foreign currency transactions	(13,651)	36,927
Income from derivatives ("Accrual") – Note 3(d)	(129,207)	(217,226)
Realized and unrealized income from financial instruments	314,789	(9,784)
Unrealized fair value adjustment – Note 8(c)	(179,284)	(27,445)
Unrealized fair value adjustment of futures transactions	(50,634)	(78,289)
Income/(Loss) – Realized of marketable securities and derivatives	544,707	95,950
Total	**67,536**	**(569,528)**

d) Revenue from fees, foreign exchange and commissions

	2019	2018
Income from managed assets	1,274,215	1,291,241
Investment fund management and custody services and portfolio management – Note 10(c)	1,059,316	1,059,680
Portfolio brokerage, custody and management	214,899	231,561
Credit operations	337,858	198,437
Credit operations	405,356	290,816
Direct costs with credit operations	(67,498)	(92,379)
Foreign exchange transactions and services	145,541	158,924
Current account and collection services	190,117	226,752
Total	**1,947,731**	**1,875,354**

e) Income from insurance, reinsurance and private pension operations

	2019	2018
Income from retained premiums, net	278,859	260,491
Premium income – Note 12(a-I(2))	307,566	253,618
Changes in technical reserves	(28,707)	6,873
Claim income and expenses	(4,482)	(1,567)
Acquisition costs – Note 22(b)	14,943	2,948
Credit risk – Note 12(a-I(3))	(2,132)	527
Change in complementary coverage (PCC) and related expense (PDR) reserves – Note 12(d-II)	(5,652)	(5,873)
Other income and expenses [1]	(2,670)	(1,914)
Total – Note 12(e)	**278,866**	**254,612**

[1] Includes the net result of the DPVAT agreement.

15 OTHER ASSET, LIABILITY, AND PROFIT OR LOSS ACCOUNTS

a) Other assets

	12.31.2019	12.31.2018
Debtors for deposits in guarantee of contingent liabilities	309,167	280,429
Tax and social security contingent liabilities and legal obligations [1]	174,602	168,938
Civil, labor – Note 16(c)	134,565	111,491
Prepaid expenses	108,058	47,092
Other	8,784	17,825
Total	**426,009**	**345,346**

[1] Amounts linked to the provision for contingent liabilities are disclosed in Note 16(c).

b) Other liabilities

	12.31.2019	12.31.2018
Provision for payables	699,258	547,204
Liability transactions to be processed	217,921	35,523
Deferred income	67,566	74,069
Social and statutory	18,281	17,979
Other	32,399	25,393
Total	**1,035,425**	**700,168**

c) Personnel expenses

	2019	2018
Remuneration and profit sharing	(1,947,668)	(1,563,243)
Benefits	(217,382)	(163,172)
Payroll charges	(450,750)	(379,918)
Employee termination and payroll additional allowance	(282,789)	(225,333)
Total	**(2,898,589)**	**(2,331,666)**

d) Administrative expenses

	2019	2018
IT and data processing equipment [1]	(487,554)	(270,226)
Maintenance costs – Note 22(b) [1]	(197,422)	(193,796)
Publicity and advertising	(210,574)	(38,650)
Travel	(83,823)	(84,135)
Third-party services	(39,841)	(39,951)
Surveillance, security and transport services [1]	(48,026)	(52,304)
Financial system services	(19,254)	(12,653)
Other	(46,674)	(34,247)
Total	**(1,133,168)**	**(725,962)**

[1] Includes depreciation and amortization expenses of property and equipment and intangible assets– Note 18(b).

16 CONTINGENT ASSETS AND LIABILITIES

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

b) Provisions and contingent liabilities - these are quantified as follows

I - Civil lawsuits: are substantially represented by indemnity claims for pecuniary damage and/or pain and suffering mainly related to direct consumer credit operations, collections and loans, protests of notes, inclusion of costumer data in credit restriction databases and elimination of inflation effects in connection with economic plans on savings account balances. These 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 monthly calculated based on 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 adjusted 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 on case law in accordance with the evaluation of management and internal legal counsel. A provision is recognized when the likelihood of unfavorable outcome is considered probable.

II - Labor claims: lawsuits 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 lawsuits are individually evaluated concerning the likelihood of loss, and are periodically reviewed and quantified based on progress, on the evidence submitted and on 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 a nonlinear regression between the technical evaluation and the history of payments over the last two years. This regression is annually calculated. Claims filed more than four years ago and that lack judicial deposit or pledged government securities are fully provisioned and adjusted for inflation. The provision arising from the technical evaluation is adjusted by the amounts of the judicial deposits. The full amount of the deposits is provisioned in cash and 85% of the amount of the deposits in government bonds.

III - Tax and social security lawsuits: these 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 loss.

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

c) Changes in provisions

	01.01. to 12.31.2019					01.0.1 to 12.21.2018
	Civil	Labor	Tax and social security contingent liabilities and legal obligations [4]	Other	Total	Total
Opening balance as at 01.01.2019 [1]	**449,998**	**451,633**	**578,506**	**143,000**	**1,623,137**	**1,350,894**
Adjustment / Charges [2]	15,581	42,297	13,528	19,063	90,469	78,145
Changes in the period reflected in profit or loss [3]	16,721	210,250	183,847	-	410,818	243,909
Recognition / (Reversal)	36,493	220,062	240,477	-	497,032	277,074
Reversal due to favorable decision	(19,772)	(9,812)	(56,630)	-	(86,214)	(33,165)
Payment	(80,124)	(151,649)	(34,502)	-	(266,275)	(315,783)
Other changes	-	-	25,285	1,047	26,332	265,972
Closing balance as at 12.31.2019 [1]	**402,176**	**552,531**	**766,664**	**163,110**	**1,884,481**	**1,623,137**
Deposits in quarantee of appeals [5]	55,010	79,555	148,674	-	283,239	
Marketable securities in guarantee [6]	-	80,494	-	-	80,494	
Total amounts guaranteed as at 12.31.2019	**55,010**	**160,049**	**148,674**	**-**	**363,733**	
Deposits in quarantee of appeals [5]	41,355	70,136	152,916	-	264,407	
Marketable securities in guarantee [6]	-	72,531	-	-	72,531	
Total amounts guaranteed as at 12.31.2018	**41,355**	**142,667**	**152,916**	**-**	**336,938**	

[1] Note15(c). [2] Recorded in Interest expenses – Note 14(b). [3] The changes in the civil, tax and labor contingencies are recorded in "Other operating expenses". As at December 31, 2019, R$ 363,302 were recognized, of which R$ 273,502 of tax contingent liabilities, related to the levy of INSS on profit sharing, and R$ 89,800 of labor contingent liabilities, related to the dispute concerning the adjustment index. In addition, in 2019 the reversal of civil lawsuits amounted to R$ 126,765, related to the reversal of the provision for economic plans. [4] The main proceedings involving tax and social security contingent liabilities and legal obligations are as follows: (i) payroll charges on prior notice and 1/3 of vacation pay in the amount of R$ 33,168 (R$ 40,308 as at 12.31.2018); Accident Prevention Factor (FAP) – Dispute over the legality of FAP, in the amount of R$ 38,489 (R$ 29,577 as at 12.31.2018); Levy of INSS on Profit Sharing in the amount of R$ 273,502. (ii) ISS on Banking Activities: several tax assessment notices and lawsuits related to the levy of tax on revenue from banking activities other than price for provided service, in the amount of R$ 51,845 (R$ 78,059 as at 12.31.2018); (iii) Deductibility of loan portfolio in the amount of R$ 47,442 (R$ 49,061 as at 12.31.2018); (iv) Levy of PIS and COFINS on income from interest on capital in the amount of R$ 99,888 (R$ 99,888 as at 12.31.2018); (v) PER/DCOMPs not ratified by the Federal Revenue Service of Brazil in the amount of R$ 55,085 (R$ 59,067 as at 12.31.2018); (vi) Good Law (used, but not ratified) recognized in the amount of R$ 25,286. [4] (4) In 2018, the change refers to the inclusion of a claim recorded in a company involved in the corporate restructuring authorized by BACEN carried out on 04.13.2018. [5] Note 15(a). [6] Note 8(a-I(3)).

The amount of the contingent liabilities classified as a possible loss related to civil lawsuits, not recognized, is R$ 50,979 (R$ 56,462 as at 12.31.2018). There is no labor contingent liability classified as possible loss.

17 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	**2,558,308**	**2,878,297**
Charges (income tax and social contribution) at standard rates – Note 3(n)	(1,023,323)	(1,295,233)
Permanente (additions) deductions	**652,622**	**616,579**
Effect of foreign exchange gains (losses) on investments abroad	55,830	188,848
Interest on capital	291,843	294,607
Non-deductible expenses, net of non-taxable income	73,111	43,659
Deferred tax assets for rate increase – Note 17(b)	288,298	-
Deferred tax asset and recognition in prior periods and other	(56,460)	89,465
Income tax and social contribution for the period – Note 21(b-III(2))	**(370,701)**	**(678,654)**

II. Tax expenses of operations

	2019	2018
PIS / COFINS	(467,456)	(388,796)
Service tax (ISS)	(95,113)	(96,793)
Total	**(562,569)**	**(485,589)**

b) Tax assets and liabilities

I. Breakdown

	12.31.2019	12.31.2018
Tax assets	**3,379,936**	**2,921,825**
Current – Taxes and contributions loss carryforwards	202,165	215,957
Deferred – deferred tax assets – Note 17(b-II(1))	3,177,771	2,705,868
Tax liabilities	**1,285,394**	**1,349,156**
Current	1,143,424	1,105,568
Taxes and contributions on profit payable	432,234	381,859
Taxes and contributions to be collected	185,648	176,536
Special Tax Regularization Program (PERT) [1]	525,542	547,173
Deferred – tax liabilities – Note 17(b-II(2))	141,970	243,588

[1] It 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$ (34,220) (R$ (31,625) in 2018) and are recorded as contra-entry to income in the line item "Other operating income (expenses)".

II. Change and realization of deferred tax assets and liabilities

[1] Deferred tax assets – Origin of deferred income tax and social contribution

	Balance as at 01.01.2019	Recognition /Reversal	Realization	Other changes [1]	Balance as at 12.31.2019
Loss on recoverable amount of credit operations –At amortized cost, At fair value and guarantees and sureties	1,485,696	555,590	(307,549)	198,555	1,932,292
Provision for contingent liabilities – Note 16	630,503	209,138	(103,669)	64,895	800,867
Fair value adjustment of financial assets and liabilities designated at initial recognition	78,489	(37,104)	-	18,067	59,452
Other	173,934	52,146	(18,224)	21,008	228,864
Total deferred tax assets for temporary differences	**2,368,622**	**779,770**	**(429,442)**	**302,525**	**3,021,475**
Income tax and social contribution loss carryforwards	337,246	(149,588)	(31,362)	-	156,296
Total deferred tax assets as at 12.31.2019	**2,705,868**	**630,182**	**(460,804)**	**302,525**	**3,177,771**
Total deferred tax assets as at 12.31.2018	**2,279,387**	**447,563**	**(367,022)**	**345,940**	**2,705,868**

(2) Deferred tax liabilities

	01.01 to 12.31.2019			
	Opening balance	**Recognition /(Reversal)**	**Other changes** [1]	**Closing balance**
Excess depreciation	168,483	(36,559)	-	131,924
Fair value adjustment through profit or loss and derivatives	66,559	(80,191)	13,632	-
Other	8,546	905	595	10,046
Total as at 12.31.2019	**243,588**	**(115,845)**	**14,227**	**141,970**
Total as at 12.31.2018	**300,748**	**(57,160)**	**-**	**243,588**

(1) As at December 31, 2019, other changes in deferred tax assets and liabilities are represented by the recognition of R$ 288,298 related to the increase in the CSLL rate from 15% to 20%, as established in the Constitutional Amendment 103/19 – Note 17(a-I). In 2018, it refers to the inclusion of the balance in a claim recorded in a company involved in the corporate restructuring authorized by BACEN carried out on April 13, 2018.

(3) Expected realization of deferred tax assets for temporary differences, income tax and social contribution losses and deferred taxes on excess.

	Deferred tax assets			Provision for deferred taxes	
Realization year	**Temporary differences**	**Income tax and social**	**Total**	**and contributions**	**Net deferred taxes**
2020	900,491	32,748	933,239	(56,772)	876,467
2021	1,250,079	32,892	1,282,971	(29,423)	1,253,548
2022	354,111	33,686	387,797	(20,752)	367,045
2023	207,403	34,498	241,901	(13,583)	228,318
2024	137,304	21,515	158,819	(11,692)	147,127
2025 to 2029	172,087	957	173,044	(9,748)	163,296
Total	**3,021,475**	**156,296**	**3,177,771**	**(141,970)**	**3,035,801**
Present value [1]	**2,824,514**	**144,035**	**2,968,549**	**(131,973)**	**2,836,576**

(1) For adjustment at present value, the CDI projected interest rate for future periods was used, net of tax effects.

18 PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND LEASES

a) Breakdown

	12.31.2019			12.31.2018		
	Cost	Accumulated depreciation/ amortization	Net	Cost	Accumulated depreciation/ amortization	Net
Property and equipment	1,427,881	(361,968)	1,065,913	545,641	(168,568)	377,073
Leases – Notes 2(b-I), 3(g) and 22(b)	747,908	(167,847)	580,061	163,228	(44,953)	118,275
Furniture and equipment in use	65,844	(28,594)	37,250	58,938	(22,353)	36,585
IT and data processing equipment	397,195	(133,050)	264,145	201,674	(67,753)	133,921
Other	216,934	(32,477)	184,457	121,801	(33,509)	88,292
Intangible assets – Software	282,522	(123,413)	159,109	232,430	(91,080)	141,350
Total [1]	**1,710,403**	**(485,381)**	**1,225,022**	**778,071**	**(259,648)**	**518,423**

[1] Of this amount, R$ 138,929 (R$ 42,635 as at 12.31.2018) refer to property and equipment in progress.

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**
Increase	927,169	177,109	68,435	49,750	995,604	226,859
Acquisition	353,437	177,109	68,435	49,750	421,872	226,859
IFRS 16 Initial application - Note 2(b-I), 3(g) and 13(c)	573,732	-	-	-	573,732	-
Disposal write-offs	(9,527)	(3,076)	(163)	-	(9,690)	(3,076)
Foreign exchange gains and losses and transfers	(1,843)	(1,240)	(726)	19	(2,569)	(1,221)
Changes in the period reflected in profit or loss	(226,959)	(48,913)	(49,787)	(42,376)	(276,746)	(91,289)
Depreciation/amortization expenses – Note 15(d)	(223,092)	(48,913)	(49,787)	(42,376)	(272,879)	(91,289)
Leases - Notes 2(b-I), 3(g) and 22(b)	(138,619)	(11,991)	-	-	(138,619)	(11,991)
Furniture and equipment in use	(6,220)	(5,498)	-	-	(6,220)	(5,498)
IT and data processing equipment	(70,664)	(23,875)	(49,787)	(42,376)	(120,451)	(66,251)
Other	(7,589)	(7,549)	-	-	(7,589)	(7,549)
Impairment [1]	(3,867)	-	-	-	(3,867)	-
Closing balance	**1,065,913**	**377,073**	**159,109**	**141,350**	**1,225,022**	**518,423**

[1] Recorded in the line item "Other operating income (expenses)".

19 EQUITY

a) Shares

Banco Safra S.A.'s capital is represented by 15,300 (15,301 as at 12.31.2018) registered shares, with no par value, out of which 7,650 (7,651 as at 12.31.2018) 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 12.31.2018) preferred 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, approved by Letter 5313/2019-BCB/Deorf/GTSP2 issued by the Central Bank of Brazil on March 22, 2019.

In addition, according to the Letter 15384/2019-BCB/Deorf/GTSP2 issued by the Central Bank of Brazil on July 26, 2019, the cancellation of one common share in treasury and creation of share classes were ratified. The ownership control of Safra is held by Joseph Yacoub Safra (resident abroad) over 99.97% of total issued share.

Finally, under the terms of Letter 27859/2019-BCB-Deorf/GTSP2 issued by the Central Bank of Brazil on December 18, 2019, the admission of Mr. Jacob Joseph Safra, Ms. Esther Safra Dayan, Mr. Alberto Joseph Safra and Mr. David Joseph Safra in the group of shareholders of Banco Safra S.A. was ratified, in the capacity of qualified shareholders; Mr. Joseph Yacoub Safra thus continues to be the controlling shareholder of the Company.

b) Dividends and interest on capital

The shareholders 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, dividends and interest on capital were declared and paid as follows:

	Dividends [1] and interest on capital [2]	**Withholding tax**	**Net amount**
Approved [3]	**2,114,606**	**(109,440)**	**2,005,166**
On 12.19.2019[2]	53,327	(7,999)	45,328
On 11.29.2019[2]	54,703	(8,205)	46,498
On 11.27.2019[1]	785,000	-	785,000
On 11.12.2019[1]	600,000	-	600,000
On 11.12.2019[2]	54,703	(8,205)	46,498
On 09.23.2019[2]	58,435	(8,765)	49,670
On 08.26.2019[2]	116,870	(17,531)	99,339
On 06.25.2019[2]	391,568	(58,735)	332,833

[3] Paid in the period.

c) Reserves

I. Realized reserves

	12.31.2019	**12.31.2018**
Revenue reserves	**408,301**	**1,069,185**
Legal	125,738	122,466
Special [1]	282,563	946,719

[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.

II. Unrealized reserves

These refer to adjustments recorded for compliance with the International Financial Reporting Standards (IFRS), not recorded in Safra's accounting books, substantially represented by adjustment in the allowance for credit risk and respective tax effects.

20 OPERATING SEGMENTS

At Safra, operations are conducted and decisions are made according to the internal business segments. The chief decision-maker is the Executive Committee. Based on these guidelines, we list below the following business segments:

- Commercial Bank and Treasury; • Consumer Financing; • Insurance, Asset, Brokerage firm and Others; and • Corporation.

The Commercial Bank segment comprises the funding of the branches network, credit operations, lease of capital goods, treasury and foreign exchange. The Consumer Financing segment focuses on consumption-related credit operations, including direct consumer credit (CDC) and lease operations for individuals. The Insurance, Asset, Brokerage firm and Other segment includes insurance and private pension operations, management, administration and custody of investment funds, and rendering of non-financial services. The Corporation segment represents the management of own working capital (equity - property and equipment).

Safra shows below its profit or loss by business segments reconciled with accounting information. In this context, the segments' income and expenses were allocated considering the same criteria used by the managerial analysis area that reports to the Executive Committee.

	12.31.2019					12.31.2018
	Commercial bank and Treasury	**Consumer financing**	**Asset, Brokerage firm and Others**	**Corporation**	**Total**	**Total**
NET INTEREST INCOME	3,632,194	1,684,367	-	712,385	6,028,946	5,067,732
Interest income	10,244,411	3,713,876	1,258,249	712,385	15,928,921	14,365,644
Interest expenses	(6,612,217)	(2,029,509)	(1,258,249)	-	(9,899,975)	(9,297,912)
DIVIDEND INCOME	11,951	-	-	-	11,951	15,905
FINANCIAL INSTRUMENTS, NET [1]	233,931	(62,000)	-	-	171,931	(190,084)
GROSS INTEREST MARGIN	**3,878,076**	**1,622,367**	**-**	**712,385**	**6,212,828**	**4,893,553**
LOSSES AND ADJUSTMENTS TO RECOVERABLE AMOUNT (NET) FOR CREDIT RISK	(28,750)	(748,656)	-	-	(777,406)	36,049
NET INTEREST MARGIN AFTER IMPAIRMENT LOSS OF FINANCIAL ASSETS	**3,849,326**	**873,711**	**-**	**712,385**	**5,435,422**	**4,929,602**
OTHER OPERATING REVENUE	677,746	274,586	1,274,265	-	2,226,597	2,129,966
TAX EXPENSES OF OPERATIONS [1]	(254,231)	(152,518)	(132,293)	(34,872)	(573,914)	(522,695)
GROSS PROFIT FROM OPERATIONS	**4,272,841**	**995,779**	**1,141,972**	**677,513**	**7,088,105**	**6,536,873**
OTHER OPERATING INCOME (EXPENSES)	(3,158,492)	(558,455)	(709,800)	(10,000)	(4,436,747)	(3,316,238)
PROFIT BEFORE TAXES	**1,114,349**	**437,324**	**432,172**	**667,513**	**2,651,358**	**3,220,635**
Income tax and social contribution [1]	(201,791)	(155,297)	(146,938)	40,275	(463,751)	(1,020,992)
PROFIT for 2019	**912,558**	**282,027**	**285,234**	**707,788**	**2,187,607**	**2,199,643**
TOTAL ASSETS as at 12.31.2019	**133,577,438**	**26,599,773**	**19,548,124**	**12,416,490**	**192,141,825**	**183,002,978**
PROFIT for 2018	**944,031**	**228,511**	**317,712**	**709,389**	**2,199,643**	
TOTAL ASSETS as at 12.31.2018	**134,570,373**	**20,449,049**	**15,640,067**	**12,343,489**	**183,002,978**	

[1] Adjusted by the effect of the economic hedge of investment abroad in view of the management model – Note 21(b-III(2)). In the corporation, the effect of interest on capital is considered – Note 17(a-I).

Safra does not have costumers that individually account for 10% or more of its revenues. Safra's operations are substantially based in Brazil.

21 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.

Banco Safra's website (www.safra.com.br) features information on the risk management frameworks, besides the risk management report, established by BACEN Circular 3,678/13, and the capital management framework, regulated by 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, Banco Safra being classified as S2. CMN Resolution 4,557/2017 introduced the concept of integrated risk management, which involves the interrelationship among finance, business, and risk and capital management processes. 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. Safra's risk management framework also includes a formal Risk Appetite Statement (RAS) that contemplates the main indicators, metrics and principles that guide the carry out of Safra's businesses and risk control. RAS is periodically monitored by the executive officers and the Superior Risk Committee and approved by the Board of Directors.

Banco Safra annually undertakes the Internal Capital Adequacy Assessment Process (ICAAP). 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. The objective 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 defined as 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 management policies, which aim at adjusting 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 three 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 Financial Institution Limit Committee, 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 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/costumers is monitored quarterly by the "300 top risks committee" with the participation of two Credit Executive Officers. This Committee evaluates the capacity of fund generation for working capital needs, 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 costumer rating.

There are many other credit committees, which meet periodically, to individually assess risks, segregated by products and approval levels, according to the costumers' 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 lien on assets, and
- Guarantees and sureties.

Safra adopts a series of procedures that assure 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 makes the revaluation of 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 costumer or operation.

The efficiency of this process enables the control and monitoring of the guarantee, and, consequently, the turnover of the costumer'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 costumers, 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 losses that have been incurred at the end of reporting period and the expected loss estimate.

Based on the credit risk management process, which determines whether there was a significant increase in the credit risk of financial instruments, Safra classifies the transactions in one of the three stages established by IFRS 9 (Note 9), basically taking into consideration the following criteria:

- Stage 1: transactions that are 30 days or less past due and have a high internal rating (5 to 9), as described in Note 21(a-V);
- Stage 2: transactions that are between 30 and 90 days past due, monitored by specialized area and internal rating from 1 to 4, according to Note 21(a-V); and
- Stage 3: customers in default, thus considered those over 90 days past due, followed by area specialized in asset recovery , transactions disputed in court, transactions classified as problem assets, business customer's bankruptcy and individual customer's death.

Safra has the policy of not refuting the presumption that a default event over 30 days past due does not constitute a significant increase in credit risk.

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 the financial position is as follows:

Maximum exposure	12.31.2019	12.31.2018
Financial assets	**89,279,086**	**91,461,224**
Interbank investments and Central Bank compulsory deposits	19,059,650	25,783,452
Financial assets	23,175,896	16,073,415
Marketable securities	21,432,590	15,265,997
At fair value through profit or loss	21,194,565	14,327,789
Designated at fair value at initial recognition	238,025	938,208
Derivative financial instruments	1,743,306	807,418
Investments linked to open market operations – government securities	28,472,607	34,682,102
Own portfolio – At fair value through profit or loss	926,038	7,735,085
Third-party portfolio	27,546,569	26,947,017
Funds guaranteeing technical reserves of insurance and private pension	18,570,933	14,922,255
Expanded credit portfolio	**111,069,808**	**106,908,509**
Credit portfolio – Note 9(a)	93,796,391	86,379,984
At amortized cost	40,243,399	40,357,221
At fair value at initial recognition	53,552,992	46,022,763
Guarantees and sureties (off balance) – Note 9(e)	17,273,417	20,528,525
Granted limits (off balance) – Note 9(e)	**15,794,239**	**14,836,198**
Total – Note 21(a-VII)	**216,143,133**	**213,205,931**
Loss on recoverable amount	**(3,305,671)**	**(2,963,894)**
Financial assets – Note 9(a-III)	(16,704)	(39,373)
Expanded credit portfolio	(3,240,273)	(2,897,040)
Granted limits (off balance) – Note 9(e)	(48,694)	(27,481)
Total, net – Note 21(a-V and VII)	**212,837,462**	**210,242,037**

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 costumer's economic and financial information (Costumer 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 costumer (individual or business) and the company's size (with and without statement of financial position data / 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 costumer information such as: behavior of the costumer in relation to the Bank, statement of financial position data (if any), external restriction, BACEN and master file data. The costumer 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.

Interbank investments, securities and derivative financial instruments are rated according to an internal rating model, being the same one of the credit portfolio.

Open market operations are considered as low risk since the internal rating considers the guarantees received in operations, and in this case these guarantees are substantially represented by Brazilian government securities.

In order to determine the amount of the impairment loss on credit risk operations, Safra performs an individual analysis of credits considered individually significant, where such credits are analyzed by credit committees and the ones considered impaired are also analyzed by the Bank's legal counsel, which assesses whether the credit is recoverable or not.

Credits not considered individually significant are assessed collectively, based on the loss history of the portfolios, also taking into account the economic scenario and default indicators, thus capturing the incurred losses of the credit operations.

– Interbank investments, financial assets and derivative financial instruments. The table below shows an analysis of the financial assets according to the risk rating designation at 12.31.2019 and 12.31.2018, based on internal rating models.

	12.31.2019	12.31.2018
Financial assets	**89,279,086**	**91,461,224**
Stage 1	89,264,909	91,460,086
Stage 2	14,177	1,138
Expanded credit portfolio	**111,069,808**	**106,908,509**
Stage 1	104,606,620	102,009,951
Stage 2	4,875,682	3,617,714
Stage 3	1,587,506	1,280,844
Granted limits (off balance) – Note 9(e)	**15,794,239**	**14,836,198**
Stage 1	15,654,272	14,709,901
Stage 2	112,098	105,523
Stage 3	27,869	20,774
Total – Note 21(a-IV)	**216,143,133**	**213,205,931**
Loss on recoverable amount	**(3,305,671)**	**(2,963,894)**
Financial assets	(16,704)	(39,373)
Expanded credit portfolio	(3,240,273)	(2,897,040)
Granted limits (off balance) – Note 9(e)	(48,694)	(27,481)
Total, net – Note 21(a-IV)	**212,837,462**	**210,242,037**

The breakdown of the main guarantees of the credit portfolio evaluated at 12.31.2019 is as follows:

	12.31.2019			12.31.2018
	Amortized cost	**Fair value**	**Total** [2]	**Total** [2]
Financial guarantees	6,179,411	3,168,052	9,347,463	8,425,843
Machinery and vehicles	2,093,823	13,564,532	15,658,355	11,609,770
Other guarantees [1]	2,375,837	809,264	3,185,101	3,578,933
Total as at 12.31.2019	**10,649,071**	**17,541,848**	**28,190,919**	**23,614,546**
Total as at 12.31.2018	**10,372,130**	**13,242,416**	**23,614,546**	

[1] Substantially comprising mortgage, chattel mortgage, credit rights, rights or receivables for credit card sales and pledge. [2] Totals around R$ 63,086,796 (R$ 55,899,067 as at 12.31.2018), when considering the guarantees and sureties in the amount of R$ 34,895,877 (R$ 32,284,520 as at 12.31.2018).

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 costumer 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 transactions derecognized in assets, are classified as "Non-current assets held for sale" and fully provisioned, as 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 presented in the statement of financial position net of the full provision, considering that such allowance shown in the statement of profit or loss in the expense of the derecognition in the loss of the linked credit operation. Any possible proceed is 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 costumer individually and to the economic groups they belong. The limits set to groups are equal to the sum of the individual limits of the costumers comprising them.

The definition of credit limits specifies amounts for operations that avoid the excess concentration in one single costumer, 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.

	12.31.2019				12.31.2018
	Financial assets	**Expanded credit portfolio**	**Granted limits**	**TOTAL**	**TOTAL**
Financial institutions	10,324,893	151,570	-	10,476,463	7,183,903
Governments	76,608,159	-	-	76,608,159	83,163,067
Industry and trade	396,236	53,083,597	7,304,118	60,783,951	61,287,978
Services	1,839,795	28,325,345	3,670,159	33,835,299	30,246,996
Individuals	107,693	25,034,237	4,165,830	29,307,760	24,489,331
Other customers	2,310	4,475,059	654,132	5,131,501	6,834,656
Total – Note 21 (a-IV)	**89,279,086**	**111,069,808**	**15,794,239**	**216,143,133**	**213,205,931**
Allowance for credit risk – expanded credit portfolio – Note 8(a)	(16,704)	(3,240,273)	(48,694)	(3,305,671)	(2,963,894)
Total net as at 12.31.2019 – Note 21(a-V and VII)	**89,262,382**	**107,829,535**	**15,745,545**	**212,837,462**	**210,242,037**
Total net as at 12.31.2018 – Note 21(a-V and VII)	**91,421,851**	**104,011,469**	**14,808,717**	**210,242,037**	

Credit concentration

	12.31.2019	12.31.2018
1st to 10th largest customer	14,512,244	16,664,091
11th to 50th largest customer	19,741,314	21,022,144
51th to 100th largest customer	10,801,237	11,788,399
100 largest customers	**45,054,795**	**49,474,634**
Other customers	66,015,013	57,433,875
Total expanded credit portfolio	**111,069,808**	**106,908,509**
Total losses on recoverable amount	(3,240,273)	(2,897,040)
Total	**107,829,535**	**104,011,469**

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.

II. Funding approach

The 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 12.31.2019:

	12.31.2019						
Liabilities	**60 days**	**90 days**	**180 days**	**360 days**	**720 days**	**Over 720 days**	**TOTAL**
Financial liabilities	21,306,143	14,491,110	14,533,233	26,596,824	16,987,306	26,066,800	119,981,416
Funding	20,685,558	12,543,026	12,109,582	21,185,307	13,594,770	19,265,463	99,383,706
Financial institution deposits and open market funding	8,123,887	2,176,754	1,520,017	1,257,441	67,530	-	13,145,629
Funds from acceptance and issue of securities and Time deposits	12,058,784	10,118,337	9,369,963	18,496,605	12,127,924	17,150,796	79,322,409
Structured funding – fixed rate [1]	502,887	247,935	1,219,602	1,431,261	1,399,316	2,114,667	6,915,668
Borrowings and onlending	551,244	1,937,213	2,390,983	5,140,061	993,337	1,511,510	12,524,348
Subordinated debt	69,341	10,871	32,668	271,456	2,399,199	5,289,827	8,073,362
Funds guaranteeing technical reserves of insurance and private pension [2]	-	-	-	-	-	18,146,393	18,146,393
Liquidity	**21,306,143**	**14,491,110**	**14,533,233**	**26,596,824**	**16,987,306**	**44,213,193**	**138,127,809**

[1] Of this amount, R$ 976,469 (R$ 189,048 as at 12.31.2018) are recorded in derivative financial instruments – Note 8(b). [2] Recorded in liabilities with insurance and private pension operations – Note 12(a-I).

IV. Cash flows of derivatives

	12.31.2019						
Derivative financial instruments	**60 days**	**90 days**	**180 days**	**360 days**	**720 days**	**Over 720 days**	**TOTAL**
Assets	**704,009**	**134,359**	**389,854**	**88,315**	**144,880**	**282,066**	**1,743,483**
Non Deliverable Forward (NDF)	31,312	3,737	7,710	10,999	915	54	54,727
Options	426,674	14,631	42,322	42,482	124,575	4,934	655,618
Swap – amounts receivable	235,013	80,650	333,340	34,834	19,390	277,078	980,305
Credit derivatives	11,010	35,341	6,482	-	-	-	52,833
Liabilities	**(541,664)**	**(149,007)**	**(465,462)**	**(137,114)**	**(143,916)**	**(261,982)**	**(1,699,145)**
Non Deliverable Forward (NDF)	(17,935)	(15,237)	(26,624)	(8,315)	(5,516)	(6)	(73,633)
Options	(239,800)	(20,336)	(49,955)	(63,365)	(125,673)	(12,598)	(511,727)
Forward	(10,522)	-	-	-	-	-	(10,522)
Swap – amounts payable	(273,407)	(97,685)	(367,588)	(65,434)	(12,727)	(249,378)	(1,066,219)
Credit derivatives	-	(15,749)	(21,295)	-	-	-	(37,044)

V. Items not recorded in the statement of financial position

As described in Note 9(g), the off balance 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 defined as the possibility of losses arising from fluctuations in market values of the positions held.

Safra tracks its total exposure to market risks measured by the daily Value at Risk (VaR) at a 99% confidence level, adopting as a policy that this metrics is lower than 3% of its regulatory capital. To be able to comply with this regulation, it sets targets for Treasury that are compatible with this risk exposure.

Safra complements its market risk assessments with the use of stress metrics, contemplating crises in past periods and forward-looking stressed economic scenarios, in addition to the stress effects produced by correlations among risk factor families. Additionally, stop loss limits are set.

The Market Risk area has significant participation in the approval of new products or financial instruments that may introduce new risk factors for Treasury management. As it is responsible for fair value pricing processes and determining the managerial result and risk, the approval of the Market Risk area is required before new products are implemented.

The policies that govern market risk management - Market Risk Policy and Market Risk Limits Policy – are disclosed to Treasury, control and support area managers through the corporate intranet, in addition to the publication of the Market Risk management framework in an environment with public access.

I. Market risk measurement techniques

– Value at Risk (VaR)

Safra uses the parametric VaR model with a 99% confidence level and one-day time horizon, with adjustments for effects of non-normality. The calculations of volatilities and correlations are made under the Exponentially Weighted Moving Average (EWMA) method for linear assets, interest rate, exchange and shares, with a temporal decay parameter (λ) equal to 0.94. For non-linear assets specific models are prepared, such as Monte Carlo simulations.

– Backtests

The Market Risk area is responsible for processing and analyzing actual and hypothetical backtests.

If there are flaws in the backtest, the Market Risk area managers are informed and the process of assessment of the elements involved starts (market movements, position movement and model results). The reasons for the flaws are recorded in a specific form, with explanations and analyses to support the justification.

The backtest analysis process is effectively used to assess and improve the models used.

– Stress Tests

Safra uses stress scenarios based on crises of historical periods, as well as on forward-looking scenarios.

The scenarios based on historical periods seek extreme returns in holding periods of 1 and 10 days for the main risk factors and their creation is the responsibility of the Market Risk area.

The forward-looking scenarios are prepared considering both possible favorable conditions for variations in the risk factors (optimistic scenario) and possible unfavorable conditions for variations in the risk factors (pessimistic scenario). Their creation is a responsibility of the Market Risk area.

Non-diversified scenarios are also created, obtained from the worst combinations among risk factor families (which is equivalent to stress correlations, considering the most adverse combinations for the portfolio). Their creation is the responsibility of the Market Risk area.

– Stop Loss

Safra sets monthly stop loss limits for ending treasury exposures.

II. 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.

The Banking portfolio covers all operations that do not fit into Trading portfolio, and are typically structural 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 response 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 is not based on Safra's accounting practices, and should be interpreted as a sensitivity exercise.

		12.31.2019					
		Trading portfolio – Scenarios:			Trading and Banking Portfolios – Scenarios:		
Risk factors	**Risk of changes in:**	**1**	**2**	**3**	**1**	**2**	**3**
Shares	Stock price	(7,962)	(199,055)	(398,111)	(7,962)	(199,055)	(398,111)
Commodities	Commodity price	(10)	(256)	(512)	(10)	(256)	(512)
Currencies	Foreign currency quote	(6,046)	(151,132)	(302,264)	(5,186)	(129,644)	(259,288)
Fixed income	Interest rates denominated in real	(5)	(4,051)	(7,962)	(705)	(98,324)	(191,363)
Coupon	Interest rates in foreign currency	(7)	(129)	(335)	(543)	(33,270)	(66,003)
Options	Market value of options	(1,323)	(41,652)	(83,128)	(1,323)	(41,652)	(83,128)
	Total	**(15,353)**	**(396,275)**	**(792,312)**	**(15,729)**	**(502,201)**	**(998,405)**

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$ 4.0586 and the one-year fixed rate was 4.57% 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$ 5.0230 and the one-year fixed rate was 5.70% 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$ 6.0276 and the one-year fixed rate was 6.84% p.a.

III. 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 exchange rate changes. The foreign exchange risk is monitored daily through the determination of the foreign exchange exposure in foreign currency.

(1) Safra's exposure by currency is shown below and includes positions in reais (BR), U.S. dollars (USD) and other currencies:

PER CURRENCY	**12.31.2019**			
Assets	**BRL**	**US$**	**Other currencies**	**Total**
Cash	303,839	1,003,548	5,583	1,312,970
Interbank investments and Central Bank compulsory deposits	15,770,814	2,892,470	396,366	19,059,650
Financial assets	18,698,301	4,477,595	-	23,175,896
Marketable securities	17,590,425	3,842,165	-	21,432,590
Derivative financial instruments	1,107,876	635,430	-	1,743,306
Investments linked to open market operations – government securities	28,472,607	-	-	28,472,607
Funds guaranteeing technical reserves of insurance and private pension	18,570,933	-	-	18,570,933
Credit portfolio	81,026,323	9,826,915	500	90,853,738
Other financial assets	4,846,520	818,387	157	5,665,064
Tax assets	3,373,116	6,820	-	3,379,936
Other assets	425,992	17	-	426,009
Property and equipment and intangible assets	1,224,998	24	-	1,225,022
Total Assets	**172,713,443**	**19,025,776**	**402,606**	**192,141,825**
Long position – Futures foreign exchange coupon – Note 8(b-II(1))	13,945,783	24,529,882	-	38,475,665
Futures	804,379	1,148,313	47,688	2,000,380
NDF – Note 8(b-II(1))	1,072,137	3,434,199	-	4,506,336
Foreign exchange option	979,782	-	-	979,782
SWAP and SCS	21,345,358	7,504,180	-	28,849,538
Off - Balance – Assets	**38,147,439**	**36,616,574**	**47,688**	**74,811,701**
Total Assets as at 12.31.2019 (A)	**210,860,882**	**55,642,350**	**450,294**	**266,953,526**
Liabilities	**BRL**	**US$**	**Other currencies**	**Total**
Financial liabilities	102,776,312	17,205,104	-	119,981,416
Derivative financial instruments	931,820	773,946	-	1,705,766
Open market funding – Government securities	28,208,651	-	-	28,208,651
Insurance and private pension operations	18,570,831	-	-	18,570,831
Other financial liabilities	5,932,949	1,120,021	401	7,053,371
Provision for contingent liabilities	1,884,481	-	-	1,884,481
Tax liabilities	1,275,370	10,024	-	1,285,394
Other liabilities	1,033,634	1,791	-	1,035,425
Total Liabilities	**160,614,048**	**19,110,886**	**401**	**179,725,335**
Short position – Futures foreign exchange coupon – Note 8(b-II(1))	24,529,882	13,945,783	-	38,475,665
Futures	1,196,001	802,416	1,963	2,000,380
NDF – Note 8(b-II(1))	3,033,523	1,072,137	400,676	4,506,336
Foreign exchange option	-	979,782	-	979,782
SWAP and SCS	7,504,180	21,345,358	-	28,849,538
Off - Balance – Liabilities	**36,263,586**	**38,145,476**	**402,639**	**74,811,701**
Total Liabilities as at 12.31.2019 (B)	**196,877,634**	**57,256,362**	**403,040**	**254,537,036**
Net exposure – Equity (C) = (A) – (B)	**13,983,248**	**(1,614,012)**	**47,254**	**12,416,490**
"Over Hedge" of Investment abroad – Note 21(c-III)	(2,121,565)	2,121,565	-	-
Net position – Long/(Short) as at 12.31.2019	**11,861,683**	**507,553**	**47,254**	**12,416,490**
Net position – Long/(Short) as at 12.31.2018	**11,992,801**	**336,298**	**14,390**	**12,343,489**

(2) "Over Hedge" of Investment 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 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 and 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 lines of the statement of profit or loss, 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**
FINANCIAL INSTRUMENTS, NET	67,536	104,395	171,931	(569,528)	379,444	(190,084)
TAX EXPENSES OF OPERATIONS – Note 17(a-II)	(562,569)	(11,345)	(573,914)	(485,589)	(37,107)	(522,696)
GROSS PROFIT FROM OPERATIONS	**6,995,055**	**93,050**	**7,088,105**	**6,194,535**	**342,337**	**6,536,872**
PROFIT BEFORE TAXES	**2,558,308**	**93,050**	**2,651,358**	**2,878,297**	**342,337**	**3,220,634**
INCOME TAX AND SOCIAL CONTRIBUTION – Note 17(a-I)	(370,701)	(93,050)	(463,751)	(678,654)	(342,337)	(1,020,991)
CONSOLIDATED PROFIT FOR THE PERIODS ATTRIBUTABLE TO OWNERS OF THE PARENT	**2,187,607**	**-**	**2,187,607**	**2,199,643**	**-**	**2,199,643**

d) Fair value of financial assets and liabilities

I. Classification of the fair value measurement methodology

In compliance with IFRS 13 - Fair Value Measurement, Safra classifies its fair value measurements using a hierarchy that reflects the materiality of inputs used in the fair value measurement process, which is always carried out from the perspective of the holder of the financial instruments, as established in such standard:

Level 1 - quoted prices in active markets for identical instruments, without modification.

Level 2 - quoted prices in active markets for similar instruments or prices of the asset itself, however, negotiated in markets with low liquidity. Due to such characteristics, the entity is required to use valuation techniques, however, with the use of significant inputs based on relevant observable market data.

Level 3 - valuation techniques, for which any significant input is not based on relevant observable market data.

The breakdown of financial assets and liabilities measured at fair value through profit or loss classified into hierarchical levels is as follows:

	12.31.2019 [1]		
	Level 1	**Level 2**	**Total**
Securities portfolio – Note 8(a-I)	**19,052,335**	**2,142,230**	**21,194,565**
Government securities	19,042,398	-	19,042,398
Corporate securities issued by Financial Institutions	-	1,877,929	1,877,929
Securities issued by Companies	9,937	264,301	274,238
Investments linked to open market operations – government securities – own portfolio – Note 7(a)	**926,038**	**-**	**926,038**
Funds guaranteeing technical reserves of insurance and private pension – Note 8(a-II)	**16,257,354**	**2,313,579**	**18,570,933**
Private pension	15,832,814	2,313,579	18,146,393
Repurchase agreements – National Treasury Bills	20,805	88,694	109,499
Government securities – National Treasury	14,655,998	-	14,655,998
Corporate securities	1,156,011	2,329,487	3,485,498
Other	-	(104,602)	(104,602)
Insurance – government securities – National Treasury – National Treasury	243,011	-	243,011
DPVAT fund quotas – government securities	181,529	-	181,529
Derivative financial instruments – Assets – Note 8(b)	**-**	**1,743,306**	**1,743,306**
Non Deliverable Forward (NDF)	-	54,727	54,727
Options	-	655,618	655,618
Swap - amounts payable	-	980,305	980,305
Credit derivatives – CDS	-	52,833	52,833
Credit risk – Note 4(b)	-	(177)	(177)
Derivative financial instruments – Liabilities – Note 8(b)	**(10,522)**	**(1,695,244)**	**(1,705,766)**
Non Deliverable Forward (NDF)	-	(73,633)	(73,633)
Options	-	(511,727)	(511,727)
Forward	(10,522)	-	(10,522)
Swap – amounts payable	-	(1,066,219)	(1,066,219)
Credit derivatives – CDS	-	(37,044)	(37,044)
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 4(b)	-	(6,621)	(6,621)
Obligations related to unrestricted repurchase agreements – Government securities – Note 7(b)	**(3,624,043)**	**-**	**(3,624,043)**
At fair value at initial recognition – Note 11	**-**	**49,797,996**	**49,797,996**
Fixed-rate portfolio	-	35,686,656	35,686,656
Assets	-	43,204,637	43,204,637
Liabilities	-	(7,517,981)	(7,517,981)
Repurchase agreements – fixed rate	-	14,195,412	14,195,412
IPCA portfolio	-	2,893,428	2,893,428
Assets – debentures	-	5,704,824	5,704,824
Liabilities – funding	-	(2,811,396)	(2,811,396)
Eurobonds	-	2,870,658	2,870,658
Marketable securities – Available for sale – Note 7(a-I)(3)	-	238,025	238,025
Other credit risk instruments – Note 8(b)	-	2,632,633	2,632,633
Funding	-	(2,614,941)	(2,614,941)
Financial liabilities	-	(5,848,159)	(5,848,159)
Structured funding – Structured CD	-	(892,343)	(892,343)
Funds from acceptance and issue of securities – Liabilities for marketable securities abroad	-	(1,722,598)	(1,722,598)
Subordinated debt – Medium term notes	-	(3,233,218)	(3,233,218)

			12.31.2018 [1]
	Level 1	**Level 2**	**Total**
Securities portfolio – Note 8(a-I)	12,610,480	1,717,309	14,327,789
Own portfolio – investments linked to open market operations – government securities – Note 7(a)	7,735,085	-	7,735,085
Funds guaranteeing technical reserves of insurance and private pension – Note 8(a-II)	14,710,919	211,336	14,922,255
Derivative financial instruments – Assets – Note 8(b)	133,519	673,899	807,418
Derivative financial instruments – Liabilities – Note 8(b)	(133,519)	(632,161)	(765,680)
At fair value at initial recognition – Note 11	-	42,787,928	42,787,928

[1] As at 12.31.2019 and 12.31.2018, there was no transaction classified into level 3.

II. 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.

	12.31.2019		12.31.2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	1,312,970	1,312,970	699,893	699,893
Interbank investments	19,059,650	19,059,650	25,783,452	25,783,452
Central Bank compulsory deposits	27,546,569	27,546,569	26,947,017	26,947,017
Credit portfolio – at amortized cost	39,404,140	39,404,140	39,239,344	39,239,344
Total financial assets	**87,323,329**	**87,323,329**	**92,669,706**	**92,669,706**
Financial liabilities – at amortized cost	103,803,880	103,818,830	96,730,155	96,746,692
Funding	88,602,606	88,617,344	81,111,372	81,127,789
Financial institution deposits and open market funding	13,145,629	13,146,708	9,959,792	9,960,961
Funds from acceptance and issue of securities and Time deposits	71,157,567	71,169,645	67,286,724	67,301,972
Structured funding – Fixed rate	4,299,410	4,300,991	3,864,856	3,864,856
Borrowings and onlending	12,524,348	12,524,348	13,429,094	13,429,094
Subordinated debt – at amortized cost	2,676,926	2,677,138	2,189,689	2,189,809
Funds guaranteeing technical reserves of insurance and private pension	18,570,831	18,570,831	14,921,952	14,921,952
Total financial liabilities	**122,374,711**	**122,389,661**	**111,652,107**	**111,668,644**

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

The carrying amounts of other items are contracted at floating rates, mostly CDI, and for this reason they approximate their fair values.

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

The breakdown of financial assets and liabilities not presented in the statement of financial position, at fair value and classified into hierarchical levels, are as follows:

	12.31.2019		
	Level 1	Level 2	Total
Cash	1,312,970	-	1,312,970
Interbank investments and Central Bank compulsory deposits	19,059,650	-	19,059,650
Investments linked to open market operations - government securities - third-party portfolio	27,546,569	-	27,546,569
Credit portfolio - at amortized cost	-	39,404,140	39,404,140
Total financial assets	**47,919,189**	**39,404,140**	**87,323,329**
Financial liabilities - at amortized cost	12,524,348	91,294,482	103,818,830
Funding	-	88,617,344	88,617,344
Financial institution deposits and open market funding	-	13,146,708	13,146,708
Funds from acceptance and issue of securities and Time deposits	-	71,169,645	71,169,645
Structured funding – Fixed rate	-	4,300,991	4,300,991
Borrowings and onlending	12,524,348	-	12,524,348
Subordinated debt - at amortized cost	-	2,677,138	2,677,138
Funds guaranteeing technical reserves of insurance and private pension	18,570,831	-	18,570,831
Total financial liabilities	**31,095,179**	**91,294,482**	**122,389,661**
	12.31.2018		
	Level 1	**Level 2**	**Total**
Total financial assets	53,430,362	39,239,344	92,669,706
Total financial liabilities	28,351,046	83,317,598	111,668,644

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 Banco 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 Business Continuity 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 costumers 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 carried out 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, credit life insurance, accident and life insurance. In the private pension segment, the main products are: VGBL and PGBL.

The main business risk of insurance operations is the change in loss ratio. 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:

12.31.2019						
Lines	**Southeast**	**South**	**Center West**	**Northeast**	**North**	**Total**
Comprehensive	22,575	7,932	2,733	3,595	577	37,412
Credit life insurance	99,130	30,704	17,114	16,041	10,384	173,373
Accidents	32,861	10,910	4,874	4,762	3,316	56,723
Group life	27,028	6,811	2,831	2,917	1,783	41,370
Other lines	6,778	3,881	1,279	1,741	179	13,858
Total [(1)]	**188,372**	**60,238**	**28,831**	**29,056**	**16,239**	**322,736**

12.31.2018						
Lines	**Southeast**	**South**	**Center West**	**Northeast**	**North**	**Total**
Comprehensive	20,698	6,048	3,520	2,749	883	33,898
Credit life insurance	80,065	25,501	12,592	11,067	9,723	138,948
Accidents	27,401	8,813	4,846	3,710	2,318	47,088
Group life	23,729	6,075	2,678	2,197	1,447	36,126
Other lines	8,906	6,634	4,621	2,101	542	22,804
Total [(1)]	**160,799**	**53,071**	**28,257**	**21,824**	**14,913**	**278,864**

[(1)] The concentration of risk does not consider the DPVAT, policies in force but not issued and retrocession totaling R$ 24,336 (R$ 41,467 in 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 requirements established by the regulatory bodies of the bank 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 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 banking authority currently requires that each Bank or group of banking institutions have a minimum record of 9.25% of regulatory capital, represented by the following: 8% of minimum regulatory capital plus 1.25% of Countercyclical buffer (ACP) for Conservation. In addition, the 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 of 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.

Risk-weighted assets are measured according to the nature of each asset and its contra-entry, reflecting estimated market, liquidity 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.

22 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$ (104,859) (R$ (119,791) in 2018).

The Group does not have any long-term benefits, termination benefit, 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 the amounts, terms and average rates are those usual in the market on the respective dates.

The transactions between the companies included in consolidation were eliminated in the consolidated financial statements and also consider the void of risk.

	Assets / (Liabilities)		Income /(Expenses)	
	12.31.2019	12.31.2018	2019	2018
Cash – Note 5	**239,311**	**224,897**	**(9)**	**1**
Grupo J. Safra Sarasin	212,401	207,274	(199)	1
Safra National Bank of New York	26,910	17,623	190	-
Foreign currency investments – Note 6 – Safra National Bank of New York	**2,488,151**	**1,677,401**	**49,693**	**35,459**
Credit operations [2]	**30,195**	**-**	**115**	**-**
Other assets and liabilities, net	**61,260**	**(964)**	**15,936**	**3,676**
Demand deposits/savings – Note 10(b-I)	**(3,338)**	**(15,163)**	**-**	**-**
Time deposits – Note 10(b-I)	**(1,151,148)**	**(603,245)**	**(16,796)**	**(15,348)**
Grupo J.Safra Sarasin	(309,753)	(230,563)	(1,508)	(1,365)
Safra National Bank of New York	(841,395)	(372,682)	(15,288)	(13,983)
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes – Safra Institutes – Note 10(b-I)	**(129,645)**	**(126,754)**	**(11,894)**	**(11,300)**
Subordinated debt – Note 10(b-I) – Entities abroad owned by the owner of the parent[3]	**(1,223,088)**	**(1,162,377)**	**(86,469)**	**(77,280)**
Leases – IFRS 16	(8,275)	-	(90,292)	-
Lease fixed – Note 18(a)	269,847	-	(70,027)	-
Other financial liabilities – Lease liabilities – Notes 2(b-I), 3(g) e 13(c)	(278,122)	-	(20,265)	-
Administrative expenses	**-**	**-**	**(19,015)**	**(113,268)**
Rent expenses – Note 15(d)	**-**	-	(18,858)	(113,058)
Exton Participações Ltda.	**-**	-	-	(39,634)
J. Safra Participações Ltda.	**-**	-	-	(21,467)
Kiama S.A.	**-**	-	(17,424)	(33,575)
Lebec Participações Ltda.	**-**	-	-	(10,013)
Other companies	**-**	-	(1,434)	(8,369)
Other	**-**	-	(157)	(210)
Rent income – Casablanc Representação e Participação Ltda.	**-**	**-**	**102**	**102**
Managed assets – Note 10(c)				
Open market investments – Note 6	-	-	51	4,907
Open market funding – Note 7(b)	(20,547,666)	(26,875,397)	(743,255)	(767,623)
Funds from acceptance and issue of securities – Financial bills [1] – Note 10(b-I)	(2,120,783)	(2,137,055)	(74,233)	(76,734)
Revenue from management and administration of investment funds	-	-	1,059,316	1,133,134
Consolidated companies – Note 10(c)	-	-	1,059,316	1,059,680
Related parties	-	-	-	73,454

[1] Of this amount, R$ 118,015 (R$ 386,882 as at 12.31.2018) refer to subordinated financial bills. [2] Operations made in the scope of CMN Resolution 4,693/2018. [3] Securities held in trust in Grupo J. Safra Sarasin.

23 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 of the Banco Safra S.A. 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.

c) Event after the reporting period

We highlight as event after the reporting period of the accompanying financial statements the outbreak of Coronavirus spread to almost all countries in the world, and will have a strong negative impact on global and Brazilian growth. Management is continuously monitoring the developments of this crisis, evaluating the possible impacts and adopting the necessary measures to minimize the adverse effects on our business. Safra has a contingency and business continuity plan, which assures that we keep conducting our activities. The possible effects of Coronavirus have not been reflected in the measurement of assets and liabilities of the accompanying financial statements.

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, which 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 second 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 Company's Consolidated Financial Statements under IFRS and the Prudential Conglomerate;

c) Approval of the detailed Audit Committee Report for the first half of 2019, under the terms of Art. 17 of CMN Resolution 3,198/2004 and Art. 17 of CNSP Resolution 312/2014;

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 regarding the first half of 2019;

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) International Operational Risk; (iii) Social and Environmental Risk; (iv) Internal Controls; (v) IT Internal Controls; and (vi) Business Continuity Management;

f) Examination of the Risk Management Framework and Capital Management Framework, according to CMN Resolution 4,557/17, art. 45, paragraph 7;

g) Examination of the Compliance Policy, according to CMN Resolution 4,595/17, item VIII of art. 5;

h) Approval of the planning of Audit Committee meetings for the year 2020;

i) Approval of the work plan of the Internal and External Audits for the year 2020;

j) 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

k) 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 of the Company under IFRS and the Prudential Conglomerate dated March 30, 2020, related to the period ended December 31, 2019.

São Paulo, March 27, 2020.

Deloitte Touche Tohmatsu
Dr. Chucri Zaidan Avenue, 1.240 - 4th to 12th floors - Golden Tower
04711-130 - São Paulo - SP
Brazil

Tel.: + 55 (11) 5186-1000
Fax: + 55 (11) 5181-2911
www.deloitte.com.br

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

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN IFRS

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 subsidiaries ("Banco Safra"), which comprise the consolidated balance sheet as at December 31, 2019 and the related consolidated statements of income and other comprehensive income, of changes in equity and of cash flows for the year 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 consolidated financial position of Banco Safra S.A. and subsidiaries as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB.

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 in relation to Banco Safra 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

Key audit matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit for the current year. 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 express a separate opinion on these matters.

1. *Impairment of extended loan portfolio and other financial assets*

   Why is it a KAM?

   Banco Safra held an extended loan portfolio held to collect cash flows from interest and principal of these financial assets. Banco Safra developed models for expected credit losses, in accordance with requirements of IFRS 9, for those operations recognizing an allowance, when applicable, to cover the credit risk, as shown in notes 3.c), 4.b), 9 and 21.a) to the consolidated financial statements. In view of the complexity of the model for expected 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 and our specialists, 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 Banco Safra's provisioning policy adopted for the extended credit portfolio and other financial assets, in order to assess adherence to the requirements of IFRS 9; (b) an understanding of internal controls related to the measurement of the provision for expected loss, which consider the database, models and assumptions adopted by Management; (c) involvement of specialists in reviewing the models used by Management to measure the expected loss, including the allocation of the extended loan portfolio in the stages required by IFRS 9; (d) internal control tests on the rating process; (e) analysis of the criteria for provisioning certain operations, on a sample basis; (f) analysis of the level of total provisioning of portfolios; and (g) evaluation of the disclosures made by Management in the financial statements.

   Conclusion from the assessment

   Considering the policy and the criteria adopted by Management to determine the provision for expected losses with the extended loan portfolio and other financial assets, the result of our procedures was considered appropriate in the context of the consolidated financial statements taken as a whole.

2. *Fair value of financial instruments*

   Why is it a KAM?

   Banco Safra applies a methodology for calculating the fair 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 fair 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 notes 3.b) and 4.b) 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 of the relevant internal controls to the determination of fair value, recognition and disclosure of these financial instruments including the adherence to the requirements of IFRS 9; (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 fair 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.

3. *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 information accompanying the consolidated financial statements and the independent auditor's report

Management is responsible for the 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 consolidated financial statements or our knowledge obtained in 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 that 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 the IFRS issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of consolidated 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's 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of Banco Safra are responsible for overseeing the financial reporting process of the consolidated financial statements.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, taken 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 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 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 sufficient and appropriate audit evidence 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 the override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

- Obtain an understanding of internal controls 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 Banco Safra's internal control.

- 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 raise significant doubt on Banco Safra's ability 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's inability to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated 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 and, consequently, 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 year 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, March 30, 2020

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Luiz Carlos Oseliero Filho
Engagement Partner

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