Safra

Tradição Secular de Segurança

Banco Safra S.A.

IFRS Consolidated financial statements
Year ended December 31, 2017
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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

BANCO SAFRA S.A. AND SUBSIDIARIES

Consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) for the year ended 12.31.2017.

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MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Banco Safra S.A. and its Subsidiaries ("Safra Consolidated") for the periods ended December 31, 2017 and 2016, prepared according to the International Financial Reporting Standards (IFRS).

ECONOMIC SCENARIO

The Brazilian economy delivered a performance in line with expectations for the third quarter of 2017, with the GDP growing 0.1% (in margin, unseasoned) in the period, after the expansion of 0.7% in the second quarter of 2017. Family consumption has once more promoted the growth in the quarter, with strong performance, a result of the continuous recovery of the credit and labor markets. In fact, the unemployment rate continued to decline, reaching 12.5% in November (in the unseasoned series), after hitting its peak in March of this year (13.2%). Additionally, the GDP growth in the 3Q17 also had the contribution of the recovery (after falling for 15 quarters) of investments.

Inflation continued in constant deceleration process, ending the year with an accumulated change of 2.95%, below the lower limit of the inflation target regime (3.0%).

In this scenario of activity recovering only gradually and falling inflation, the Central Bank (BC) continued its process of monetary loosening, reducing the country's base rate (Selic) from 8.25% in September 2017 to 7.00% in December.

In relation to tax, income showed some recovery, in view of the incipient economic recovery, with real growth in margin. At the same time, the high level of mandatory expenses still caused the government to record a primary deficit of 1.8% of the GDP in the year, or - R$ 118 billion.

Real devalued in the quarter, closing the year quoted at R$ 3.31/US$ (after ending the third quarter of 2017 at R$3.16/US$). Nevertheless, the Central Bank let a portion of the stock of foreign exchange swaps expire in the quarter, which changed from US$ 27.8 billion to US$23.8 billion. Meanwhile the currency flow ended the year with a slight inflow of US$ 625 million. At the same time, we continued to observe a process of adjustment to the balance in current transactions, which deficit fell to only US$ 9.8 billion in 2017, well below the deficit of US$ 23.5 billion accumulated in 2016.

In the international scenario, the US interest rate was raised to a range of 1.25% to 1.50%, the third rate increase in the year, as expected. In addition, the US Congress approved the tax reform, with potential positive impact on the growth of the economy. In Europe, the European Central Bank gave signs about the possibility of continuing the asset purchase program beyond September 2018, setting a more accommodating tone in the monetary policy. In China, activity data confirmed the stabilization of the Chinese economy, with a growth of 6.9% in 2017.

PERFORMANCE

Key Indicators

Banco Safra's key indicators for the periods ended December 31, 2017 and 2016, in accordance with the IFRS, are shown in the table below.

Profitability - R$ million (unless otherwise stated)	2017	2016	2017 / 2016 (%)
Consolidated Profit Attributable to Owners of the Parent	1,940	1,601	*21.2%*
Equity of Owners of the Parent	10,715	10,429	*2.7%*
Return on Average Equity – Annualized (%)	*18.4%*	*15.7%*	
Return on Average Assets – Annualized (%)	*1.2%*	*1.0%*	
Statement of Financial Position - R$ million (unless otherwise stated)			
Total Assets	161,404	155,786	*3.6%*
Liquidity	25,242	19,811	*27.4%*
Expanded Credit Portfolio	87,461	77,559	*12.8%*
Transactions with Credit Characteristics (A)	68,327	60,187	*13.5%*
Guarantees and Sureties	19,134	17,542	*9.1%*
Delinquency Ratio (over 90 days)	*0.4%*	*0.7 %*	
Funding Net of Compulsory (B)	84,676	73,304	*15.5%*
Asset Management	216,398	198,883	*8.8%*
Material Data			
Conglomerate employees (individuals)	6,732	5,876	
Number of Branches in the Country (units)	109	109	
Number of Points of Banking Services (units)	22	22	

Highlights of the period

In the end of 2017, net income amounted to R$ 1.9 billion, resulting in an annualized profitability of 18.4% in the period. Banco Safra's assets totaled R$ 161.4 billion as at December 31, 2017, and equity reached R$ 10.7 billion.

The expanded credit portfolio, which includes transactions with guarantees, sureties and other instruments with credit risks, totaled R$87.5 billion as at December 31, 2017, up by 12.8% on the portfolio as at December 31, 2016, a growth mainly promoted by transactions made in the segments of large corporate, payroll advance and vehicle loans for individuals.

In relation to funding, the institution kept its focus on the stability of raised funds, by either extending transactions or promoting the solid expansion of its customer base, comprising both high net worth individuals and businesses. It is also worth noting that the Bank is an important player in the asset management segment, having a specialized structure and offering to its customers a diversified portfolio, which includes fixed-income investment, multimarket and private pension funds, among others. We highlight the growth in the volume of funds from customers in investment funds, especially the increment of the volume of private pension funds, which showed a 38.1% growth as compared to the same period of 2016.

It is also worth noting in the period the launch of SafraPay, which marks the entry of Safra in the acquiring market. Thus the Bank started to operate in the entire electronic payment chain in Brazil, with the proposition to provide services that go beyond the capture of electronic payments, providing 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. The SafraPay customers also have at their disposal a modern processing system that assures the greatest sales capacity with the lowest response time, even during the main retail dates. With this initiative, Banco Safra positions itself competitively in this market and strengthens even more its long-term relationship with customers.

Also in the line of revenue diversification, the Bank has an important operation in the investment banking segment, of which is worth noting the activities in the capital markets, distribution of fixed-income products, and Merger & Acquisitions (M&A), making the most of its brand's awareness.

Always aiming at modernizing the technology infrastructure at the disposal of its customers, during the year 2017 the Bank promoted the reformulation of its customer service channels, by means of the Multichannel project, of which we highlight the "Safra Empresas" and "Safra Mobile Banking" applications. With this project, modern concepts of usability of electronic channels are applied, in a way that provides faster and simplified browsing.

Strengthening the outstanding position of Banco Safra in the domestic financial market, the Bank ranked first in the Banks (Wholesale and Businesses) and Leasing categories, according to the "Finanças Mais 2017" publication of the Estadão Newspaper & broadcast, besides also being awarded in the Securities Broker, Insurer and Private Pension categories. In the year 2017 it was also recognized for its Asset, with the Top Gestão award in the "Maiores Renda Fixa" (largest fixed income) category, according to the ranking by S&P Global and published by the Valor Investe magazine.

For better analysis the statement of income reclassified for the foreign exchange variation effects of investments abroad, which contra-entry is recorded in the line item of taxes, is shown as follows:

R$ million

Adjusted statement of income	2017	2016
NET INTEREST INCOME	4,217	4,163
DIVIDEND INCOME	24	13
FINANCIAL INSTRUMENTS, NET	81	513
GROSS INTEREST MARGIN	**4,322**	**4,689**
LOSSES AND ADJUSTMENTS TO RECOVERABLE AMOUNT FOR CREDIT RISK	(308)	(1,457)
Losses and adjustments to recoverable amount for credit risk	(1,015)	(1,928)
Credit recoveries	706	470
NET INTEREST MARGIN AFTER IMPAIRMENT OF FINANCIAL ASSETS	**4,014**	**3,231**
OTHER OPERATING REVENUE	2,157	1,959
TAX EXPENSES FROM OPERATIONS	(434)	(417)
GROSS PROFIT FROM OPERATIONS	**5,737**	**4,774**
OTHER OPERATING INCOME (EXPENSES)	(3,046)	(2,661)
PROFIT BEFORE TAXES	**(2,691)**	**2,113**
Income tax and social contribution	(751)	(512)
CONSOLIDATED PROFIT FOR THE PERIODS ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,940**	**1,601**

Assets, Liabilities and Managed Assets

- **Credit Portfolio**

The expanded credit portfolio, which includes guarantees, sureties and other instruments with credit risk, reached R$ 87.5 billion, as compared to R$77.6 billion in 2016. In this context, it is worth noting Banco Safra's position as an important agent of the National Bank for Economic and Social Development (BNDES), reaching in the end of 2017 the amount of R$ 10.9 billion in onlending to the productive sector and sureties to projects financed by the BNDES, contributing to maintain the Bank among the largest financial institutions that onlend such funds of this nature.

In line with its conservative policy, when comparing with the same period in 2016, the Bank strengthened its operations in the segments that pose lower credit risk.

It should be emphasized the robust credit quality indicators, maintained by the institution in the end of December 2017, ratify the conservative positioning of management and the efficient risk management framework of the Bank. The delinquency ratio (transactions over 90 days past due) stood at 0.4%% of the credit portfolio, the lower ratio achieved by the Bank over the past 13 years.

- **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 (classified into marketable securities), which as at December 31, 2017 totaled R$ 25.2 billion, equivalent to 2.4 times equity, and were as follows:

R$ million

Unrestricted funds – Extended cash and cash equivalents	Dec/17	Dec/16
Cash and cash equivalents	2,983	2,146
Own portfolio – unrestricted government securities	18,856	15,317
Corporate securities issued by financial institutions with daily liquidity	1,158	-
Open market investments (own portfolio) and interbank deposits, with maximum term of 90 days, with daily liquidity	2,261	2,372
(-) Collection of taxes and similar	(16)	(24)
Total	**25,242**	**19,811**

- **Funding**

Total management of the assets of third parties reached R$ 216.4 billion in the end of the December 2017, whereas it amounted to R$ 198.9 billion in the end of the same period in 2016.

Funding has very diversified sources, including deposits, open-market funding, structured transactions, financial bills, funds from acceptance and issue of securities, subordinated debts, besides borrowings and onlending. The focus on the dilution of the customer base, especially in relation to the operations in both Individual and Private Banking segments, combined with the strategy of extending terms and the extensive portfolio of products provided to customers ensures an efficient liquidity management.

- **Managed assets**

In relation to managed assets, investment funds showed a considerable growth of 24.4%, totaling R$ 82.9 billion, when comparing to the same period of 2016.

- **Equity and Basel**

Consolidated equity reached R$ 10.7 billion as at December 31, 2017, demonstrating a solid support to carry out its business.

Since the beginning of 2015, the Basel ratio has been based on the Prudential Consolidated, which was for the institution another important step towards the Basel III implementation, which implementation schedule began in 2013 and will continue until 2019. All material impacts on Banco Safra have already been reflected in the Capital Plan introduced in April 2017.

R$ million

	Dec/17	Dec/16
Regulatory capital (PR)	**12,759**	**12,567**
Tier I	**10,626**	**10,414**
Core Capital	9,636	9,433
Additional	991	981
Tier II	2,133	**2,153**
Required regulatory capital (PRE)	**8,600**	**8,053**
Credit risk – Exposures weighted by risk factors (PEPR)	7,636	7,293
Market risk (PCAM, PJUR, PCOM and PACS)	322	242
Operational risk (POPR)	643	519
Basel ratio [PR/(PRE/F)]	**13.7%**	**15.4%**
Tier I Capital Ratio [PR Tier I/(PRE/F)]	11.4%	12.8%
Capital buffer (ACP)	1,162	510
Capital margin before Rban (PR-PRE-ACP)	**2,996**	**4,004**
PR computed for coverage of interest rate risk of transactions other than those of trading portfolio (RBAN)	175	183
Capital margin (PR-PRE-ACP-RBAN)	**2,821**	**3,821**

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 – Foreign Currency – Long Term	Ba3	BB-
National Scale Brazil – Long Term	Aa1.br	brAA-
Latest report	11/29/2017	01/12/2018

RISK AND CAPITAL MANAGEMENT

Banco Safra 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 21) a summary of the Bank's risk management practices is presented. The website of Banco Safra (www.safra.com.br) features information on the framework for credit, market and operational risk management, besides the risk management report, established by BACEN Circular 3,678/13, and the capital management framework, established by BACEN Resolution 3,988/11, revised by BACEN Resolution 4,557/17.

The Resolution 4,553/2017 divided the financial institutions into five segments, according to asset level and relevance of international operations. CMN Resolution 4,557/2017, introduced the concept of integrated risk management, which requirements shall be fully implemented in the organization by February 2018, and involves the integration among finance, business, and risk and capital management processes. In view of the previously mentioned documents, it is also worth noting that Banco Safra will proceed with the Internal Capital Adequacy Assessment Process (ICAAP), giving continuity to the process initiated in 2012. This process, regulated by the Brazilian Central Bank, involves the evaluation of all procedures and processes related to risk and capital management in all hierarchical levels, including a forward-looking capital plan for a minimum period of three years. In addition, Safra participates, together with the other outstanding financial institutions, in the Bottom-Up Stress Test (TEBU) of the Brazilian Central Bank, which started in 2017. The objective is to bring greater stability and security to the National Financial System, besides anticipating possible adjustments necessary to maintain the proper functioning of the market.

Banco Safra adopts conservative accounting practices, especially in relation to its deferred tax assets, as follows: (i) non-recognition of the deferred tax asset arising from the increase in the social contribution rate, occurred in 2015 and effective through 2018 (from 15% to 20% at the end of the year 2015), and (ii) the non-recognition of deferred tax asset on the additional allowance for loan losses. Had we not adopted such practices, our capital ratios would be higher.

GOVERNANCE

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

The Audit Committee of the Safra Financial Conglomerate is a statutory body that reports to the Board of Directors and operates in compliance with the provisions of Resolution 3,198, of May 27, 2004, of the National Monetary Council, and SUSEP Resolution 321, of July 15, 2015. The Safra Financial Conglomerate has a sole Audit Committee, which is part of the structure of Banco Safra S.A., its leading institution. The Audit Committee is formed by five members, of which two are independent members.

Among the other statutory committees, 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 National Monetary Council Resolution 3,921, of 11/25/2010, is formed by a minimum of four members, with two-year term of office, and operates as a sole organizational component in the leading institution of Safra Financial Conglomerate. 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.

Besides the structure of Statutory Committees, Safra has delegated committees that provide support to the institution's operations. We highlight that in 2016 the Finance and Treasury and Capital Management Committees were created, further strengthening Banco Safra's corporate governance structure.

SUSTAINABILITY

Safra's Sustainability Policy establishes strategic guidelines fully aligned with its code of ethics, and that guide the actions on social and environmental nature in its businesses and the relationship with its customers, suppliers, and the society, demonstrated by the implementation of actions aimed at guaranteeing the adherence to the regulatory criteria and good practices in relation to the theme.

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 December 2017, Safra had 6,732 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 cost of labor contingent liabilities, terminations, totaled R$ 1.8 billion in 2017, the social benefits provided to employees and their dependent having reached R$128 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, 2017. 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 the criteria for calculating the Allowance for Credit Risk/Allowance for Loan Losses and corresponding Deferred Tax Assets, basically arising from the difference between expected and incurred loss, and the non-recognition of the Deferred Tax Assets for Additional Allowance under the BRGAAP. The other reclassifications arise from the consolidation under the IFRS of the Financial Assets linked to Technical Reserves of Private Insurance (PGBL and VGBL) and the Allowance for Credit Risk/Allowance for Loan Losses of Guarantees and Sureties.

(In thousands of Reais)

Consolidated Statement of Financial Position	BRGAAP	Adjustments and Reclassifications	IFRS
ASSETS			
Cash, Interbank investments and Central Bank compulsory deposits	42,022,981	35,056	42,058,037
Financial assets and Derivative financial instruments	55,206,391	19,657	55,226,048
Credit operations	58,057,210	723,977	58,781,187
At amortized cost and at fair value on initial recognition	60,652,967	(995,437)	59,657,530
Provision for impairment losses/allowance for loan losses	(2,595,757)	1,719,414	(876,343)
Other financial assets	2,366,949	496	2,367,445
Tax assets	2,071,120	166,099	2,237,219
Other assets	347,700	(1,057)	346,643
Property and equipment and intangible assets	387,150	-	387,150
TOTAL ASSETS	160,459,501	944,228	161,403,729
LIABILITIES			
Financial liabilities at amortized cost and at fair value on initial recognition	127,110,003	(51,959)	127,058,044
Derivative financial instruments	469,756	-	469,756
Insurance and private pension operations	12,304,097	-	12,304,097
Subordinated debt	5,193,120	-	5,193,120
Other financial liabilities	2,944,844	44,847	2,989,691
Provision for contingencies	1,350,894	-	1,350,894
Tax liabilities	722,394	-	722,394
Other liabilities	595,845	4,754	600,599
EQUITY	**9,768,548**	**946,586**	**10,715,134**
TOTAL LIABILITIES AND EQUITY	160,459,501	944,228	161,403,729

Consolidated Statement of Profit or Loss	BRGAAP	Adjustments and Reclassifications	IFRS
NET INTEREST INCOME	4,217,447	-	4,217,447
DIVIDEND INCOME	24,245	-	24,245
FINANCIAL INSTRUMENTS, NET	50,197	-	50,197
GROSS INTEREST MARGIN	**4,291,889**	**-**	**4,291,889**
LOSSES AND ADJUSTMENTS TO RECOVERABLE AMOUNT FOR CREDIT RISK	(333,551)	25,172	(308,379)
NET INTEREST MARGIN AFTER IMPAIRMENT OF FINANCIAL ASSETS	**3,958,338**	**25,172**	**3,983,510**
OTHER RESULTS FROM OPERATIONS	2,157,019	-	2,157,019
Foreign exchange gains	109,154	-	109,154
Fees and commissions	1,807,651	-	1,807,651
Insurance and private pension operations	204,214	-	240,214
TAX EXPENSES OF OPERATIONS	(430,980)	-	(430,980)
GROSS PROFIT	**5,684,377**	**25,172**	**5,709,549**
OTHER OPERATING INCOME (EXPENSES)	(3,045,895)	-	(3,045,895)
Personnel expenses	(2,037,754)	-	(2,037,754)
Administrative expenses	(775,200)	-	(775,200)
Other operating income (expenses)	(232,941)	-	(232,941)
INCOME BEFORE TAXES	**2,638,482**	**25,172**	**2,663,654**
Income tax and social contribution	(723,902)	370	(723,532)
CONSOLIDATED PROFIT FOR THE PERIOD	1,914,580	25,542	1,940,122

It is worth noting the adoption of IFRS 9 from January 1, 2018. Besides establishing new criteria for classification and measurement of financial instruments and changing the requirements for hedge accounting designation, IFRS 9 establishes a new methodology for recognizing losses arising from credit risk, which starts to adopt the expected loss concept in substitution of the incurred loss concept.

The expected loss methodology brings a prospective view of credit risk, which results in the advance recognition of loss. The estimate is of an increment to the allowance level, producing an effect of reduction in IFRS equity of 2% to 3%, net of tax effects, which may vary according to the refinement of data, criteria and assumptions. In view of the expected reduction level, the IFRS equity would continue to be above the BRGAAP one.

The Financial Statements according to the BRGAAP model were posted on our website at www.safra.com.br on 01.25.2018.

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 2, 2018.

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

	Notes	12.31.2017	12.31.2016
Cash	5	535,052	468,132
Interbank investments	6	37,080,005	46,845,561
Central Bank compulsory deposits	7	4,442,980	2,503,007
Financial assets		54,721,782	48,947,579
Marketable securities		42,494,888	40,027,379
Held for trading	8(a-I)	31,338,568	29,676,649
Available for sale	8(a-I)	11,156,320	10,350,730
Funds guaranteeing technical reserves for insurance and private pension - Held for trading	8(a-II)	12,226,894	8,920,200
Derivative financial instruments	8(b-I(1))	504,266	710,359
Credit operations	9(b)	58,781,187	51,018,430
At amortized cost		31,984,059	32,017,329
At fair value on initial recognition		26,797,128	19,001,101
Other financial assets	13	2,367,445	2,625,085
Tax assets		2,237,219	2,115,332
Current	17(b-IV)	272,736	84,515
Deferred	17(b-I)	1,964,483	2,030,817
Other assets	16(a)	346,643	265,433
Property and equipment	18	253,193	194,623
Intangible assets	18	133,957	93,816
TOTAL ASSETS		**161,403,729**	**155,787,357**

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	12.31.2017	12.31.2016
Financial liabilities at amortized cost		122,096,859	118,633,146
Deposits	10(a-I)	10,853,794	8,170,114
Financial institution deposits and open-market funding	10(a-II)	55,647,499	75,134,031
Structured funding	10(a-IV)	4,099,873	5,276,986
Funds from acceptance and issuance of securities	10(a-III)	37,359,937	18,130,560
Borrowing and onlending	10(a-V)	14,135,756	11,921,455
Financial liabilities at fair value on initial recognition	10(b) and 11	4,961,185	6,993,916
Deposits		178,540	92,532
Financial institution deposits and open-market funding		64,300	348,268
Structured funding		2,246,910	2,116,811
Funds from acceptance and issuance of securities		2,471,435	4,436,305
Derivative financial instruments	8(b-I(1))	469,756	577,560
Insurance and private pension operations	12(c)	12,304,097	8,967,082
Subordinated debt	10(a-VI)	5,193,120	4,510,166
At amortized cost		2,334,837	1,705,620
At fair value on initial recognition	10(b) and 11	2,858,283	2,804,546
Other financial liabilities	13	2,989,691	3,314,734
Provision for contingent liabilities	15(c)	1,350,894	1,242,565
Tax liabilities		722,394	606,019
Current	17(b-IV)	421,646	358,540
Deferred	17(b-II)	300,748	247,479
Other liabilities	16(b)	600,599	513,419
Equity attributable to owners of the parent	19	10,715,134	10,428,750
TOTAL LIABILITIES AND EQUITY		**161,403,729**	**155,787,357**

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 - NOTE 21(b-III(2))
ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED

	Notes	2017	2016
NET INTEREST INCOME		4,217,447	4,162,689
Interest income	14(a)	16,702,653	18,205,792
Interest expenses	14(b)	(12,485,206)	(14,043,103)
DIVIDEND INCOME	8(a-I(4))	24,245	12,876
FINANCIAL INSTRUMENTS, NET	2(a)	50,197	924,064
Held for trading and obligations related to unrestricted securities	14(c)	49,119	246,207
Available for sale	8(a-I(4))	93,301	(38,976)
Designated at fair value on initial recognition	14(d)	98,414	411,781
Derivatives	14(e)	(170,178)	318,068
Fair value hedge of available-for-sale securities	8(d)	(20,459)	(13,016)
GROSS INTEREST MARGIN		**4,291,889**	**5,099,629**
NET LOSSES WITH CREDIT RISK		(308,379)	(1,457,484)
Impairment losses and adjustments for credit risk	9(a-II)	(1,014,532)	(1,927,516)
Recovery of credits	9(c)	706,153	470,032
NET INTEREST MARGIN AFTER IMPAIRMENT OF FINANCIAL ASSETS		**3,983,510**	**3,642,145**
OTHER OPERATING REVENUE		2,157,019	1,959,494
Foreign exchange gains		109,154	114,578
Fees and commissions	14(f)	1,807,651	1,592,538
Insurance and private pension operations	14(g)	240,214	252,378
TAX EXPENSES OF OPERATIONS	17(a-II)	(430,980)	(457,192)
GROSS PROFIT		**5,709,549**	**5,144,447**
OTHER OPERATING INCOME (EXPENSES)		(3,045,895)	(2,661,113)
Personnel expenses	16(c)	(2,037,754)	(1,653,759)
Administrative expenses	16(d)	(775,200)	(662,468)
Other operating income (expenses)	15(c)	(232,941)	(344,886)
PROFIT BEFORE TAXES		**2,663,654**	**2,483,334**
Income tax and social contribution	17(a-I)	(723,532)	(882,265)
CONSOLIDATED PROFIT FOR THE PERIODS ATTRIBUTABLE TO OWNERS OF THE PARENT		**1,940,122**	**1,601,069**
Basic and diluted earnings attributable to the owners of the parent per share, in R$	3(s)	**126.80**	**104.64**
Profit		1,940,122	1,601,069
Other comprehensive income that could be subsequently reclassified into profit and loss:			
Available-for-sale financial assets	19(d)	12,492	38,694
- Changes in unrealized gains / (losses), net		57,341	50,474
_ Change at fair value in the period		112,887	77,768
_ Tax effect		(55,546)	(27,294)
- Realized gains transferred to profit or loss		(44,849)	(11,780)
_ (Gain)/Loss on sale of securities	8(a-I(4))	(88,294)	(18,150)
_ Tax effect		43,445	6,370
Consolidated comprehensive income for the periods attributable to owners of the parent		**1,952,614**	**1,639,763**

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

		Revenue reserves				
	Capital	Realized	Unrealized	Carrying value adjustment	Retained earnings	Equity attributable to owners of the parent
At January 1, 2016	**4,262,392**	**4,701,705**	**1,018,229**	**(21,031)**	**-**	**9,961,295**
Capital increase	4,390,000	(4,390,000)	-	-	-	-
Comprehensive income	-	-	-	38,694	1,601,069	1,639,763
Consolidated profit for the period	-	-	-	-	1,601,069	1,601,069
Carrying value adjustment	-	-	-	38,694	-	38,694
Allocation:						
Legal reserve	-	84,913	-	-	(84,913)	-
Special reserve	-	441,032	-	-	(441,032)	-
Unrealized revenue reserves	-	-	(97,184)	-	97,184	-
Interest on capital	-	-	-	-	(672,308)	(672,308)
Dividends	-	-	-	-	(500,000)	(500,000)
At December 31, 2016	**8,652,392**	**837,650**	**921,045**	**17,663**	**-**	**10,428,750**
Comprehensive income	-	-	-	12,492	1,940,122	1,952,614
Consolidated profit for the period	-	-	-	-	1,940,122	1,940,122
Carrying value adjustment	-	-	-	12,492	-	12,492
Allocation:						
Legal reserve	-	95,729	-	-	(95,729)	-
Special reserve	-	152,622	-	-	(152,622)	-
Unrealized revenue reserves	-	-	25,541	-	(25,541)	-
Interest on capital	-	-	-	-	(655,138)	(655,138)
Dividends	-	-	-	-	(1,011,092)	(1,011,092)
At December 31, 2017	**8,652,392**	**1,086,001**	**946,586**	**30,155**	**-**	**10,715,134**

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	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
CONSOLIDATED PROFIT FOR ADJUSTED PERIODS		2,186,400	1,991,228
Consolidated profit for the periods		1,940,122	1,601,069
Adjustments in the consolidated net income for the periods:			
Depreciation and amortization	16(d)	66,636	51,614
Impairment losses and adjustments for credit risk	9(a-II)	161,209	109,579
Impairment losses		1,014,534	1,927,516
Write off of loss		(853,325)	(1,817,937)
Foreign exchange gains and losses on cash and cash equivalents		(51,445)	(5,400)
Provision for contingent liabilities		148,725	163,042
Civil, labor and other liabilities	15(c)	185,314	120,411
Tax, social security contingencies and legal obligations	15(c)	(36,589)	42,631
Fair value adjustment - unrealized result	8(c)	(175,184)	(334,987)
Held for trading and obligations related to unrestricted securities		(88,042)	19,499
Derivative financial instruments		(9,187)	44,279
Fair value hedge of available-for-sale securities		20,459	13,016
Designated at fair value on initial recognition		(98,414)	(411,781)
Expenses of financing liabilities		217,765	476,057
Interest on liabilities for marketable securities issued abroad	10(a-III(2))	36,397	98,662
Interest on subordinated debt	10(a-VI(3))	181,368	377,395
Complementary Coverage Reserve (PCC) and Reserve for related expenses (PDR) – Net	12(d-II)	2,861	16,093
Income tax expenses on current and deferred income		723,532	882,265
Taxes paid		(847,821)	(968,104)
Current		(805,605)	(823,389)
Tax and social security contingent liabilities and legal obligations	15(c)	(42,216)	(144,715)
CHANGES IN OPERATING ASSETS AND LIABILITIES		1,273,038	(3,138,924)
In short-term investments		565,154	(2,369,538)
In Central Bank compulsory deposits		(1,939,973)	(212,717)
In financial assets (Net)		(1,972,774)	5,477,561
Trading securities (assets)		(1,219,722)	2,672,877
Available-for-sale securities (assets)		(902,899)	1,191,537
Open market funding - Government securities and Securities issued (liabilities)		149,847	1,613,147
In derivative financial instruments (assets and liabilities)		110,446	(293,273)
In credit operations		(8,321,336)	(3,273,082)
In deposits		2,760,377	3,033,575
In funds from financial bills, bills of credit and similar notes, and open market funding - Own portfolio - Own securities		8,731,675	551,009
In structured funding		(1,050,767)	(570,526)
In borrowing and onlending		2,214,300	(4,700,058)
In insurance and private pension operations		(18,777)	64,221
Funds guaranteeing technical reserves for insurance and private pension operations (assets)		(3,352,931)	(2,314,210)
Insurance and private pension operations (liabilities)		3,334,154	2,378,431
In current and deferred tax assets and liabilities		64,457	(147,335)
In other financial assets and liabilities		(12,659)	53,490
In other assets and liabilities		6,320	305,133
In foreign exchange gains and losses financing activities		136,595	(1,057,384)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		3,459,438	(1,147,696)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment in use	18(b)	(89,532)	(67,156)
Disposal of property and equipment in use	18(b)	1,896	1,124
Investment in intangible assets	18(b)	(77,711)	(65,366)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(165,347)	(131,398)
CASH FLOW FROM FINANCING ACTIVITIES			
Funds from acceptance and issuance of securities - Liabilities for marketable securities issued abroad	10(a-III(2))	(1,303,682)	(1,295,460)
Funds		-	124,436
Redemptions		(1,303,682)	(1,419,896)
Subordinated debt	10(a-V(3))	461,766	(924,442)
Funds		461,766	286,412
Redemptions		-	(1,210,854)
Interest on capital and dividends paid	19	(1,666,230)	(1,172,308)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(2,508,146)	(3,392,210)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		785,945	(4,671,304)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIODS		**2,145,366**	**6,811,270**
Foreign exchange gains/losses on cash and cash equivalents		51,445	5,400
Cash and cash equivalents at the end of the periods	5	2,982,756	2,145,366
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**785,945**	**(4,671,304)**

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 AT DECEMBER 31, 2017 (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, and managed portfolios, 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. at December 31, 2017 approved by the Board of Directors on March 02, 2018 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, for comparison purposes, present the figures for the year ended December 31, 2016. 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 available-for-sale financial assets, financial assets and liabilities measured at fair value through profit or loss (including derivative instruments), and the assets and liabilities designated as items subject to fair value hedge accounting.

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".

In 2017, Safra modified the presentation format of certain items of the financial statements, in relation to the previous year, as follows:

- The tax expenses directly related to banking operations, previously classified in the line item "Other Operating Income (Expenses)" in the Statement of Profit or Loss, are being presented separately, in order to comprise the Profit from Banking Operations. This modification only exerts effects in the lines of the statement of profit or loss, not affecting the previously disclosed profit.
- In the Statement of Cash Flows, the transactions with securities classified as available for sale are being presented in "Operating Activities". They were previously presented in "Investing Activities". This modification does not affect the previously disclosed balances of cash and cash equivalents.
- The securities and investments in exclusive pension funds, which are consolidated in the accompanying financial statements, started to be presented separately from other "own" assets and liabilities of Safra. The assets basically correspond to funds guaranteeing technical reserves of insurance and private pension, mainly comprising marketable securities. No change in assets or liabilities, or profit or loss of Safra was made as a result of such change in presentation format.

b) Main amendments and new pronouncements issued by the IASB

I - Applicable to the period ended 12.31.2017

Modification to IAS 1 – Presentation of Financial Statements – encourages entities to disclose in their financial statements only the information that they consider sufficiently relevant. Additionally, it clarifies that the materiality model shall be applied to the financial statements and explanatory notes, as well as applied to any need for disclosure required by the standards of IASB. Such modification is applicable to annual periods beginning on 01.01.2016. Safra is considering this guide on the accompanying financial statements, however, without impact on our financial statements.

II - Applicable in future periods

Safra has not early adopted the new IFRS and amendments enumerated below, some at the Institution's option and others because such early adoption was not established by the IASB:

– IFRS 9 - "Financial Instruments": Recognition and Measurement replaced IAS 39, introducing new requirements for: (i) classification and measurement of financial assets and liabilities, (ii) impairment loss measurement model based on expected loss, and (iii) designation of accounting hedge, approximating such requirements to the risk management models of entities. It comes into effect on January 1, 2018 and will be applied retrospectively, except to instruments that have already been written-off on the date of initial application.

The classification and measurement of financial assets is divided into three categories: at fair value through profit or loss, at amortized cost, or at fair value through other comprehensive income, and shall consider the business model used for managing portfolios and composition of contractual cash flows.

No big impact is expected on measurement. Equity instruments, which would be measured at fair value through profit or loss in view of the contractual flows are not characterized by principal and interests, but that are not held for trading, may be designated on initial recognition at fair value through other comprehensive income, considering that the amounts being recognized in equity will never be recognized in profit or loss.

In relation to the financial liabilities designated at fair value through profit or loss, the changes in their fair value attributable to the changes in the credit risk of such liabilities shall be recognized in "Other comprehensive income", unless the recognition of the effects of changes in the credit risk of liabilities on "Other comprehensive income" results in or increase the accounting mismatch in profit or loss.

The new impairment measurement model of financial assets requires credit losses to be recognized through the recognition of a loss allowance, to be measured depending on the classification of the financial assets in three stages:

- Stage 1: comprises the financial assets 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 for the first 12-month period of the lifetime expected 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 lifetime expected credit losses. It requires the recognition of interest applied to the gross amount of transactions.
- State 3: comprises the financial assets that have shown objective evidence of impairment. It requires the recognition of an allowance at the amount of the lifetime expected credit losses. It requires the recognition of interest applied to the net amount of the transaction.

With the transition of the methodology from incurred loss to expected loss, bringing a prospective view of credit risk and advancing the recognition of losses, the estimate is of an increment to the allowance level, producing an reducing effect of 2% to 3% on equity, net of tax effects, which may vary according to the refinement of data, criteria and assumptions.

The new hedge accounting model aims at simplifying the rules established by IAS 39, approximating its consistency in relation to the institution's risk management. Despite of such simplification, which basically translates into the increase in hedged assets and hedge instruments eligible to the accounting hedge designation, and the simplification of the effectiveness analysis, its use is restricted to individual hedged items and closed groups of hedged items. The dynamic hedge accounting of portfolio shall be addressed by the IASB in a specific project. Meanwhile, the IAS 39 guide continues to be applicable to such hedge accounting structures.

– IFRS 15 – Revenue recognition – establishes how and when entities should recognize their revenues and introduces new disclosure requirements on the theme, replacing IAS 18, IAS 11 and Interpretations (IFRICs 13, 15 and 18). The IFRS 15 provides a five-step model framework, which entities should use to evaluate the proper recognition of their revenues. The five steps are as follows:

- Identify the contract that generates the revenue;
- Identify the established contractual obligations;
- Determine the transaction price;
- Allocate the transaction price to each established contractual obligation; and
- Recognize revenue attributed to each contractual obligation when it is met.

The IFRS 15 also provides a guide to the application of the five-step analysis. This standard is applicable to years beginning on or after 01.01.2018, being allowed its early adoption. Banco Safra does not expect impacts of the IFRS 15 on its financial statements.

The other amendments and new standards listed below do not exert significant impact on the consolidated financial statements of Safra:

– IFRS 16 – Leases – specifies how the recognition, measurement, presentation and disclosures of leases should be made in the financial statements by applying a single model for the Lessor, 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.

– Amendment to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associates and joint ventures - corrects an inconsistency in the accounting treatment required by IFRS 10 and IAS 28, in relation to the amount of gain to be recognized by the parent when it looses the control over an investment arising from the sale of the latter to an associate or joint venture. IASB has not yet set the date such amendment will come into effect;

– IFRS 17 – Insurance contracts– issued on May 2017, 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;
- 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.

– Amendment to IFRS 4 – Insurance contracts – 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 will adopt IFRS 9 when it comes 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. Additionally, in the year 2017, Safra started to present 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 Islands and Luxembourg branches, are 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 December 31 and are presented below:

	Assets	Liabilities	Equity	Profit
Total at 12.31.2017	18,501,933	15,814,357	2,687,576	110,014
Total at 12.31.2016	16,470,453	14,093,749	2,376,704	108,569

The main entities comprising the consolidation and the related ownership interests at 12.31.2017 and 12.31.2016 are shown below:

	Ownership interests (%)	
	12.31.2017	**12.31.2016**
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
J. Safra Corretora de Valores e Câmbio Ltda.	100.00	100.00
J. Safra Asset Management Ltda.	100.00	100.00
J. 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.

d) Foreign currency translation

I. Functional and presentation currency

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

Foreign currency transactions are accounted for, on 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 available for sale 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 held for trading are recognized as part of the net revenue from financial instruments held for trading.

3 SIGNIFICANT ACCOUNTING POLICIES

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

a) Cash flows

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 available-for-sale and held-to-maturity investments; and
- Financing activities are those that result in changes to the size and breakdown 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) Interbank investments

Investments are initially recognized at fair value, plus transaction costs, and subsequently accounted for at amortized cost using the effective interest rate. The changes in the results from the difference between purchase and selling prices are recognized as "Interest income (expenses)" over the term of the respective contract.

Specifically regarding transactions in the open market, purchases of financial assets subject to resale agreements are recognized as a financing granted, guaranteed by financial asset. Sales of financial assets subject to repurchase agreements are recognized as a financing received, guaranteed by financial assets, and are presented in the statement of financial position in the account "Financial institutions deposit and open-market funding" (liabilities).

c) Financial assets and liabilities

In compliance with IAS 39 - Financial Instruments - Recognition and Measurement, Safra designates its financial assets and liabilities in the following categories:

- measured at fair value through profit or loss;
- available for sale;
- held to maturity;
- loans and receivables (credit operations and other financial assets); and
- measured at amortized cost.

The classification depends on the purpose for which the financial assets were acquired and the financial liabilities assumed. Management determines the classification of its financial assets and liabilities on initial recognition.

I. Measured at fair value through profit or loss

- Held for trading

  Financial assets (including derivative transactions) are classified as held for trading if acquired for the purpose of selling in the short term. In regard to financial liabilities, this category includes derivative financial instruments liabilities that have not been designated as hedge accounting instruments. Gains or losses from changes in the fair value of financial assets and liabilities held for trading are presented in the consolidated statement of profit or loss in the account "financial instruments held for trading" or "derivatives", as applicable, in the period in which they arise. The respective transaction costs are recognized as expense in the consolidated statement of profit or loss.

- Designated at fair value on initial recognition

  In the moment of initial recognition, financial assets and liabilities are designated at fair value through profit or loss, this designation being allowed when resulting in information more relevant 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.

  Gains or losses arising from changes in the fair value of financial assets and liabilities designated at fair value through profit or loss on initial recognition are presented in the consolidated statement of profit or loss in the account "Financial instruments at fair value on initial recognition" in the period in which they arise. The respective transaction costs are recognized as expense in the consolidated statement of profit or loss.

II. Available for sale

This category includes non-derivative financial assets, acquired without the purpose of being actively and frequently traded, to be held for an indefinite period, and which can be sold for purposes of liquidity or due to a change in interest or foreign exchange rate or share price.

Available-for-sale financial assets are measured and recognized at fair value, and gains or losses arising from changes in the fair value are recognized directly in a specific account of equity named "Carrying value adjustments", until the financial asset is derecognized. In this case, the accumulated gain or loss in the specific account in equity is transferred to the statement of profit or loss in the account of "available-for-sale financial assets". Interest and foreign exchange gains and losses on available-for-sale financial assets are recognized in the statement of profit or loss for the year under "Net interest income". Dividends from equity securities recognized as available-for-sale are also recognized in the statement of profit or loss when the right to receive them is established. Interest on available-for-sale financial assets is calculated based on the use of the effective interest method.

III. Held to maturity

These are non-derivative financial assets with fixed or determinable payments and maturities, recorded at cost, plus interest intrinsic to the assets, with defined maturities and for which there is positive intention and financial ability to hold these assets to maturity. Subsequently, they are measured at amortized cost using the effective interest method.

IV. Loans and receivables (credit operations and other financial assets)

Credit operations classified by Safra in the category "loans and receivables" include loans granted and receivables that are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market.

These transactions and the financial assets classified in the account "Other financial assets" are initially recognized at fair value, plus transaction costs, and subsequently recognized at amortized cost, except those designated at fair value on initial recognition, using the effective interest method.

Gains on these transactions are recognized as "Interest income" over the term of the respective contract.

V. Financial liabilities measured at amortized cost

All financial liabilities, except derivative transactions and those that, at the entity's option, were designated at fair value on initial recognition, are classified in this category. It comprises liabilities that are subsequently adjusted using the effective interest rate.

Interest expenses related to these financial instruments are included in the consolidated statement of profit or loss in the account "Interest expenses ".

VI. 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 instrument (or, if appropriate, a shorter period) until reaching the carrying amount of the financial asset or liability. The effective interest rate is established on 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.

d) Derivative financial instruments

Derivatives are initially recognized at fair value and are periodically remeasured at their fair value with any gains or losses directly recognized in profit or loss in the account "Derivatives". They are considered assets when the fair value is positive and liabilities if it is negative.

The classification of derivatives depends on Safra's intention at the inception of the transaction, also considering whether it is for hedging purposes.

Derivatives used for hedging exposures to risks or changing certain characteristics of financial assets and liabilities and that are: (i) highly correlated with respect to changes in their fair value in relation to the fair value of the hedged item, at the inception and during the term of the contract and (ii) considered effective to reduce the risk associated with the exposure to be hedged, are classified as accounting hedge.

IAS 39 presents three hedging strategies: fair value hedge, cash flow hedge and hedge of a net investment in foreign operations.

Safra uses derivatives as fair value hedge. In this case, hedged financial assets or liabilities and the related derivative financial instruments are recorded at fair value, with the related gains or losses recognized in the statement of profit or loss.

The other derivatives that do not qualify as accounting hedge are classified as financial instruments at fair value through profit or loss as "Held for trading".

e) 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. When substantially all the risks and rewards are not transferred nor retained, Safra assesses the control of the instrument in order to determine whether it should be maintained in assets.

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

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

f) Reclassification of financial assets

The reclassification of financial assets is permitted only in specific circumstances determined in IAS 39 - Financial instruments: recognition and measurement. Reclassifications shall be made at fair value at the event date. This fair value becomes the new cost of the asset and the reversal of gains or losses related to the fair value recognized before the reclassification is not permitted.

g) 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.

h) Impairment of financial assets

I. Credit operations at amortized cost

Safra assesses at each end of reporting period of the financial statements whether there is objective evidence that a financial asset or group of financial assets is impaired. The operations considered on an individual basis are also individually assessed. Those operations, which are not individually significant, are collectively assessed. We understand that there is objective evidence of impairment in some situations as follows:

- 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;
- The disappearance of an active market.

A financial asset or group of financial assets is impaired and impairment losses are 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; and
- The loss can be reliably estimated.

Safra has 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 become default in a fixed time horizon (12 months), called Likelihood of Default (PD), by using objective factors that combine the economic and financial information of the customer and its economic group with the accessory guarantees offered for the operations.

The weighting of objective factors plus the analysis of the coverage percentage of accessory guarantees leads to the customer rating in a scale from 1 to 9. This allows the grouping of customers with similar credit risks.

Aligned with the internal policies and rules mentioned above, which are used to calculate the required provision, the recognition of the provision for impairment also takes into consideration several other factors established by Safra, namely:

- Current economic environment and its trends;
- Analysis of the 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.

The methodology to calculate the provision for impairment is periodically assessed by the Credit Management and the Executive Committee.

When a loan is considered uncollectible, it is written off against the related impairment provision. 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 impairment recognition (such as an upgrade in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the provision. The amount of the reversal is recognized as "Impairment losses (net of recovery) of financial assets" in the statement of profit or loss.

The assets received in connection with the debt consolidation processes, related to credit operations written-off of assets, are classified as "Non-current assets held for sale", and fully provisioned, because of the great likelihood of probable losses regarding their realization, as many factors may make impossible the disposal of the asset, such as legal restrictions, lack of legal regularization, low likelihood of sale for generating short term liquidity with its market value, among others.

The amount of the full provision recorded for such Non-current assets is shown in the accompanying consolidated financial statements in the write-off expense charged to the related credit operation. Any existing income is recognized only upon the sale of the asset.

II. Assets classified as available for sale

Safra assesses at each end of reporting period of financial statements whether there is objective evidence that a financial asset or group of financial assets is impaired. A significant or prolonged decline in the fair value of a debt instrument classified as available-for-sale below its cost is considered to determine whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in the consolidated statement of profit or loss. Impairment losses recognized in profit or loss for investments in equity instruments classified as available-for-sale are not reversed through profit or loss. Exceptionally, if the fair value of a debt instrument classified as available-for-sale recovers its value in a subsequent period, and the increase is related to an event occurring after the loss was recognized in profit or loss, this loss is reversed through profit or loss.

III. Renegotiated loans

Renegotiated loans are treated as new loans, keeping unchanged the assessment of the debtor's credit risk for purposes of measuring the impairment of these assets.

i) Property and equipment

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

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.

j) Intangible assets

Intangible assets are recognized initially at acquisition cost and correspond to rights to intangible assets for maintaining Safra's activities or used for such purpose.

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. These assets are annually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

k) Lease operations - Lessee

Safra, as the lessee in leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, classifies these operations as operating leases.

In the cases in which Safra, as the lessee, retains a significant portion of the risks and rewards of ownership of the asset, it classifies these operations as finance lease and presents them in its statement of financial position.

l) 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.

m) 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.

n) 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 - IAS 39.

II. Receivables from insurance and reinsurance operations

- Premiums receivable - refers 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 - comprises 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 - includes 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 claims received through the end of reporting period, and monetarily restated 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 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.

o) 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, according to the criteria established in IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, are made as follows:

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 virtually 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 a 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 restated on a monthly basis.

p) 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.

q) 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 [(1)] [(2)]	15.00% – 20.00%
Social Integration Program (PIS) [(3)]	0.65%
Social Contribution on Revenues (COFINS) [(3)]	4.00%
Services Tax (ISS)	Up to 5.00%

[(1)] Law 13,169, of 10.6.2015, temporarily increased the Social Contribution rate applicable to financial and similar institutions from 15% to 20% over the period between 9.1.2015 to 12.31.2018. From 01.01.2019, the applicable rate returns to 15%. As a result of the temporary increase in the social contribution rate, the current taxes were calculated at the rates of 15% until 8.31.2015 and 20% from September 2015; [(2)] Non-financial subsidiaries continue to be subject to a rate of 9% for this contribution, and [(3)] Non-financial subsidiaries under the non-cumulative calculation regime continue to pay PIS and COFINS at the rates of 1.65% and 7.6%, respectively.

Taxes are recognized in the 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 available-for-sale financial assets are recognized against the related adjustment in equity, and are subsequently recognized in profit or loss based on the realization of gains and losses on the respective financial assets.

r) 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.

s) 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 profits 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.

t) 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.

u) Operating segments

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as 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 provision for losses and adjustments to the recoverable value for credit risk.

Safra performed a simulation of the sensitivity of the provision for impairment losses to an increase in the credit default levels. In this year, we considered that the hypothetical impact of an 50.0% increase in the default levels at 12.31.2017 on our loan portfolio would lead to a 23.39% increase in the amount of the required provision. This simulation involves a series of assumptions and is for merely illustrative purposes.

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 held for trading, including derivatives, credit operations designated at fair value on initial recognition, other financial assets and liabilities designated at fair value and available-for-sale financial assets. Financial assets classified as held-to-maturity, credit operations and other financial assets in the category of loans and receivables and financial liabilities not measured at fair value are recorded in the statement of financial position at amortized cost, and their corresponding fair values are disclosed in the notes to the consolidated financial statements.

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 reflect quoted prices for identical assets or liabilities in active markets (Level 1), the relevant data that are 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 measured based on relevant unobservable markets, Safra first determines the appropriate model to be adopted and due to the lack of monitoring of significant data, evaluates all data based on relevant experience in derivation of data evaluation, including but not limited to, yield curves, interest rates, volatilities, prices of equity interest or debts, exchange rates and credit curves. Also, Safra's decision should be considered to assess the appropriate level of valuation adjustments to reflect counterparty credit quality, the actual amount of credit, liquidity constraints and relevant unobservable inputs. 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(b).

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 settlement cost of positions. The determined adjustments were recognized in profit or loss in the consolidated financial statements.

c) Impairment loss of available-for-sale financial assets – Note 3 (h-II)

Safra determines that an assessment of the available-for-sale financial assets is made so that at their subsequent measurement they result in a significant derecognition or prolonged decline in the asset's fair value.

The determination of "significant" or "prolonged" requires judgment. In order to reach this judgment Safra assesses, among other factors, the historical variation of the price of shares and securities. Additionally, the objective evidence of impairment loss can be appropriate when there is evidence of deterioration in the issuer's financial health, in the industry's and sector's performance, in technology changes, and in operating and financing cash flows.

Even if all declines in the fair value below cost had been considered significant or prolonged, there would be no material effect on the financial statements at 12.31.2017 and 12.31.2016.

d) 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, accrued and adjusted on a monthly basis, if applicable.

The amounts of the possible settlement of financial assets and liabilities may differ from those presented based on these estimates; it is worth noting that in some cases there are judicial deposits - Note 15(b).

e) 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.

f) 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, claim 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 of the respective period - Note 12(c).

5 CASH AND CASH EQUIVALENTS

	12.31.2017	12.31.2016
Cash	535,052	468,132
Open market investments - Own portfolio - Note 6	484,643	735,666
Foreign currency investments – Note 6	1,963,061	941,568
Total	**2,982,756**	**2,145,366**

6 INTERBANK INVESTMENTS

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

	12.31.2017					12.31.2016
	Amounts by maturity					
	Up to 90 days	From 91 to 365 days	From 3 to 5 years	Over 5 years	Total	Total
Open market investments	**26,416,009**	**7,202,392**	**-**	**-**	**33,618,401**	**44,070,112**
Own portfolio - National Treasury	728,902	2,008,861	-	-	2,737,763	3,625,528
Third-party portfolio - National Treasury [2]	12,257,923	-	-	-	12,257,923	21,993,516
Short position - National Treasury [2]	13,429,184	5,193,531	-	-	18,622,715	18,451,068
Funds guaranteeing technical reserves of insurance and private pension–Debentures – Note 12(b)	**86,715**	**-**	**-**	**-**	**86,715**	**31,728**
Interbank deposits [3]	**9,061**	**65,856**	**1,337,435**	**-**	**1,412,352**	**1,802,153**
Foreign currency investments [1]	**1,963,061**	**-**	-	**-**	**1,963,061**	**941,568**
Other fair value adjustments – Note 4(b)	**-**	**-**	**(524)**	**-**	**(524)**	**-**
Total at 12.31.2017	**28,474,846**	**7,268,248**	**1,336,911**	**-**	**37,080,005**	**46,845,561**
Total at 12.31.2016	**35,910,334**	**9,732,565**	**1,102,336**	**100,326**	**46,845,561**	

[1] Includes transactions with related parties – Note 22(c). [2] Backing for open market funding – Note 10(a-II). [3] Of this amount, R$ 65,856 (R$ 202,459 as at 12.31.2016) refers to operations linked to rural credit.

7 CENTRAL BANK COMPULSORY DEPOSITS

Reserves in the Brazilian Central Bank are represented by compulsory deposits as follows:

	12.31.2017	12.31.2016
Interest bearing [1]	4,161,299	2,300,587
Non-interest bearing	213,353	149,665
Outside Brazil	68,328	52,755
Total	**4,442,980**	**2,503,007**

[1] The income arising from interest-bearing compulsory deposits was R$ 261,329 (R$ 229,545 in 2016) – Note 14(a).

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

a) Financial assets

I. Held for trading and available-for-sale

(1) Breakdown

	12.31.2017						12.31.2016
		Effects of the mark-to-market:			Accounting classification of:		
	Adjusted cost	Income	Equity	Market value	Held for trading	Available for sale	Market value
Securities portfolio	**42,641,928**	**163,701**	**48,865**	**42,854,494**	**31,338,762**	**11,515,732**	**40,265,158**
Government securities	**32,941,498**	**189,260**	**44,439**	**33,175,197**	**30,130,762**	**3,044,435**	**31,288,700**
National Treasury	32,660,587	189,328	45,864	32,895,779	29,905,832	2,989,947	31,207,200
National Treasury Bills (LTN)	14,808,918	136,615	2	14,945,535	14,942,296	3,239	14,541,682
National Treasury Notes (NTNs)	12,689,371	52,143	45,510	12,787,024	10,005,456	2,781,568	10,974,098
Financial Treasury Bills (LFTs)	5,162,298	570	352	5,163,220	4,958,080	205,140	5,691,420
Brazilian government securities abroad	55,913	-	(1,425)	54,488	-	54,488	-
US government securities	224,998	(68)	-	224,930	224,930	-	81,500
Securities issued by Financial Institutions	**1,512,835**	**(3,496)**	**-**	**1,509,339**	**1,164,549**	**344,790**	**1,376,646**
Shares	143	7	-	150	150	-	-
Investment fund quotas	6,713	-	-	6,713	6,713	-	9,147
Bank Deposit Certificates	1,157,686	-	-	1,157,686	1,157,686	-	1,180,204
Agribusiness credit notes and House loan bills	14,746	-	-	14,746	-	14,746	-
Eurobonds	-	-	-	-	-	-	187,295
Eurobonds – Fair value hedge – Note 8(d)	333,547	(3,503)	-	330,044	-	330,044	-
Securities issued by Companies	**8,187,595**	**(22,063)**	**4,426**	**8,169,958**	**43,451**	**8,126,507**	**7,599,812**
Shares	190,221	-	4,914	195,135	-	195,135	210,056
Investment fund quotas	43,451	-	-	43,451	43,451	-	-
Other credit risk instruments – Note 9(a-I)	7,953,923	(22,063)	(488)	7,931,372	-	7,931,372	7,389,756
Eurobonds	94,608	-	(497)	94,111	-	94,111	132,635
Eurobonds – Fair value hedge – Note 8(d)	1,676,154	(22,063)	-	1,654,091	-	1,654,091	970,808
Debentures	4,799,954	-	-	4,799,954	-	4,799,954	4,902,520
Promissory Notes	1,220,401	-	-	1,220,401	-	1,220,401	572,556
Certificates of agribusiness receivables, rural certifications and others	162,806	-	9	162,815	-	162,815	811,237
Credit risk – Notes 4(b) and 9(a-II)	**-**	**(359,412)**	**-**	**(359,412)**	**-**	**(359,412)**	**(237,329)**
Other fair value adjustments – Note 4(b)	**-**	**(194)**	**-**	**(194)**	**(194)**	**-**	**(450)**
Total at 12.31.2017	**42,641,928**	**(195,905)**	**48,865**	**42,494,888**	**31,338,568**	**11,156,320**	**40,027,379**
Total at 12.31.2016	**39,959,813**	**43,294**	**24,272**	**40,027,379**	**29,676,649**	**10,350,730**	
Securities portfolio	39,959,813	281,073	24,272	40,265,158	29,679,407	10,585,751	
Government securities	30,984,926	285,470	18,304	31,288,700	28,258,358	3,030,340	
Securities issued by Financial Institutions	1,377,138	-	(492)	1,376,646	1,174,811	201,836	
Securities issued by Companies	7,597,749	(4,397)	6,460	7,599,812	246,238	7,353,575	
Credit risk – Notes 4(b) and 9(a-II)	-	(237,329)	-	(237,329)	(2,308)	(235,021)	
Other fair value adjustments – Note 4(b)	-	(450)	-	(450)	(450)	-	

(2) By maturity

	12.31.2017						
		Amounts by maturity					
	Market value	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years
Securities portfolio	42,854,494	599,487	4,801,506	10,951,862	1,845,375	16,993,231	7,663,033
Government securities	33,175,197	288,279	4,066,147	8,784,860	1,009,451	13,798,898	5,227,562
Securities issued by Financial Institutions	1,509,339	6,863	9	14,737	-	1,157,686	330,044
Securities issued by Companies	8,169,958	304,345	735,350	2,152,265	835,924	2,036,647	2,105,427
Credit risk – Notes 3(f) and 9(a)	(359,412)	(359,412)	-	-	-	-	-
Other fair value adjustments – Note 4(b)	(194)	(194)	-	-	-	-	-
Total at 12.31.2017	**42,494,888**	**239,881**	**4,801,506**	**10,951,862**	**1,845,375**	**16,993,231**	**7,663,033**
Trading securities	31,338,762	338,595	3,574,830	8,039,552	899,075	13,441,003	5,045,707
Available-for-sale securities	11,515,732	260,892	1,226,676	2,912,310	946,300	3,552,228	2,617,326
Credit risk – Notes 3(f) and 9(a)	(359,412)	(359,412)	-	-	-	-	-
Other fair value adjustments – Note 4(b)	(194)	(194)	-	-	-	-	-

	12.31.2016						
		Amounts by maturity					
	Market value	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years
Securities portfolio	40,265,158	762,099	3,092,973	10,758,271	4,836,846	12,062,929	8,752,040
Government securities	31,288,698	591,532	2,757,078	9,733,346	3,042,260	9,110,573	6,053,909
Securities issued by Financial Institutions	1,376,647	137,936	65,692	-	121,602	1,051,417	-
Securities issued by Companies	7,599,813	32,631	270,203	1,024,925	1,672,984	1,900,939	2,698,131
Credit risk – Notes 3(f) and 9(a)	(237,329)	(237,329)	-	-	-	-	-
Other fair value adjustments – Note 4(b)	(450)	(450)	-	-	-	-	-
Total at 12.31.2016	**40,027,379**	**524,320**	**3,092,973**	**10,758,271**	**4,836,846**	**12,062,929**	**8,752,040**
Trading securities	29,679,407	714,925	1,548,737	9,795,733	1,784,552	9,924,843	5,910,617
Available-for-sale securities	10,585,751	47,174	1,544,236	962,538	3,052,294	2,138,086	2,841,423
Credit risk – Notes 3(f) and 9(a)	(237,329)	(237,329)	-	-	-	-	-
Other fair value adjustments – Note 4(b)	(450)	(450)	-	-	-	-	-

(3) By characteristic:

	12.31.2017						12.31.2016
		Linked to					
	Own portfolio	Restricted repurchase agreements– Note 10(a-II)	Securities related to unrestricted repurchase agreements – Note 10(a-II)	Guarantees provided [1]	Brazilian Central Bank	Total	Total
Securities portfolio	25,813,908	11,237,416	3,769,753	1,523,888	509,529	42,854,494	40,265,158
Government securities	19,135,364	8,615,482	3,769,753	1,145,069	509,529	33,175,197	31,288,698
National Treasury	18,855,946	8,615,482	3,769,753	1,145,069	509,529	32,895,779	31,207,199
Brazilian government securities abroad	54,488	-	-	-	-	54,488	-
United States government securities	224,930	-	-	-	-	224,930	81,499
Securities issued by Financial Institutions	1,509,339	-	-	-	-	1,509,339	1,376,647
Securities issued by Companies	5,169,205	2,621,934	-	378,819	-	8,169,958	7,599,813
Shares	195,135	-	-	-	-	195,135	210,057
Investment fund quotas	-	-	-	43,451	-	43,451	-
Other credit risk instruments – Note 9(a-II)	4,974,070	2,621,934	-	335,368	-	7,931,372	7,389,756
Credit risk – Notes 4(b) e 9(a-II)	(359,412)	-	-	-	-	(359,412)	(237,329)
Other fair value adjustments – Note 4(b)	(194)	-	-	-	-	(194)	(450)
Total at 12.31.2017	**25,454,302**	**11,237,416**	**3,769,753**	**1,523,888**	**509,529**	**42,494,888**	**40,027,379**
Total at 12.31.2016	**22,317,838**	**12,045,316**	**3,008,279**	**2,200,727**	**455,219**	**40,027,379**	

(1) Refers to guarantee of derivative financial instrument transactions made in stock exchange in the amount of R$ 789,869 (R$ 1,488,315 as at 12.31.2016), realized in the clearing and depository corporation in the amount of R$ 659,453 (R$ 614,892 as at 12.31.2016) and civil and labor appeals in the amount of R$ 74,566 (R$ 97,520 as at 12.31.2016) – Note 15(d-I).

(4) Changes in marketable securities

	AVAILABLE-FOR-SALE	
	01.01. to 12.31.2017	01.01. to 12.31.2016
Balance at the beginning of the period – Securities portfolio	**10,585,751**	**11,555,283**
Foreign exchange gains and losses abroad	62,725	(575,913)
Acquisition in the period	10,143,463	13,576,323
Sales in the period	(7,157,935)	(9,995,940)
Redemptions and receipt of interest	(3,249,136)	(5,270,187)
Profit or loss	1,106,271	1,236,567
Interest income - Note 14(a)	1,009,184	1,275,683
Dividend income	24,245	12,876
Profit/(loss) on the sale	93,301	(38,976)
Eurobonds – Fair value hedge	5,007	(57,126)
Other securities – Note 19(d)	88,294	18,150
Adjustment arising from fair value hedge – unrealized – Note 8(d)	(20,459)	(13,016)
Adjustments from changes in fair value [1] – Note 19(d)	24,593	59,618
Changes in fair value in the period [1]	117,894	20,642
Profit/(loss) on the sale of securities [1]	(93,301)	38,976
Balance at the end of the period – Securities portfolio	**11,515,732**	**10,585,751**

(1) Effect on Other comprehensive income.

During the periods ended 12.31.2017 and 12.31.2016, no reclassification was made between the securities categories.

II. Funds guaranteeing technical reserves of insurance and private pension

	12.31.2017						
		Amounts by maturity					
	Market 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
Private pension	11,836,390	354,773	330,270	1,632,725	2,251,045	4,178,790	3,088,787
Government securities - National Treasury	11,320,952	113,268	245,066	1,632,725	2,178,085	4,063,021	3,088,787
National Treasury Bills (LTN)	3,588,281	-	47,616	1,586,438	1,221,534	732,693	-
Financial Treasury Bills (LFTs)	4,599,967	113,268	146,780	46,287	853,861	2,192,184	1,247,587
National Treasury Notes (NTNs)	3,132,704	-	50,670	-	102,690	1,138,144	1,841,200
Private securities	515,438	241,505	85,204	-	72,960	115,769	-
Shares	75,931	75,931	-	-	-	-	-
Bank Deposit Certificates	115,769	-	-	-	-	115,769	-
Debentures	72,960	-	-	-	72,960	-	-
Financial bills	250,778	165,574	85,204	-	-	-	-
Insurance - Government securities – National Treasury – National Treasury Bills (LTN)	225,480	-	225,480	-	-	-	-
DPVAT funds quotas - Government securities	165,024	165,024	-	-	-	-	-
Total at 12.31.2017 – Note 12(b)	**12,226,894**	**519,797**	**555,750**	**1,632,725**	**2,251,045**	**4,178,790**	**3,088,787**

	12.31.2016						
		Amounts by maturity					
	Market 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
Private pension	8,600,127	286,480	462,297	1,448,423	1,147,801	3,346,981	1,908,145
Government securities - National Treasury	7,991,596	250,190	297,978	1,221,210	1,144,058	3,170,015	1,908,145
National Treasury Bills (LTN)	2,832,212	-	-	707,822	1,111,827	1,012,563	-
Financial Treasury Bills (LFTs)	3,672,012	250,190	292,018	484,399	32,231	2,059,928	553,246
National Treasury Notes (NTNs)	1,487,372	-	5,960	28,989	-	97,524	1,354,899
Private securities	608,395	36,154	164,319	227,213	3,743	176,966	-
Shares	105,142	-	-	-	-	105,142	-
Bank Deposit Certificates	398,512	6,980	164,319	227,213	-	-	-
Debentures	75,567	-	-	-	3,743	71,824	-
Financial bills	29,174	29,174	-	-	-	-	-
Others	136	136	-	-	-	-	-
Insurance - Government securities – National Treasury – National Treasury Bills (LTN)	180,050	-	180,050	-	-	-	-
DPVAT funds quotas - Government securities	140,023	140,023	-	-	-	-	-
Total at 12.31.2016 – Note 12(b)	**8,920,200**	**426,503**	**642,347**	**1,448,423**	**1,147,801**	**3,346,981**	**1,908,145**

As at 12.31.2017 and 12.31.2016, the funds guaranteeing the technical reserves of insurance and private pension mainly comprise marketable securities classified into measured at fair value through profit or loss – for trading.

b) Derivative financial instruments (assets and liabilities)

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

- provide to its customers fixed income structured products 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 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 was recognized in "Interest expense", depending on the nature of these operations. The other results of derivative financial instruments and foreign exchange gains and losses of investments abroad and foreign exchange gains and losses of interbank operations for future settlement were recognized under "Derivatives " in the consolidated statement of profit or loss. The tax effects on the "over hedge" 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

	12.31.2017									12.31.2016
				Amounts by maturity						
Assets	**Adjusted cost**	**Mark-to-market Adjustment**	**Market 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**	**Market value**
Non Deliverable Forward (NDF)	**1,602**	**2,655**	**4,257**	**3,083**	**1,039**	**135**	**-**	**-**	**-**	**48,755**
Option premiums	**302,657**	**(88,352)**	**214,305**	**7,731**	**164,870**	**9,796**	**31,908**	**-**	**-**	**52,436**
Bovespa Index	24,968	5,954	30,922	33	25,390	5,499	-	-	-	3,426
Foreign Currency	177,003	(36,080)	140,923	2,399	134,561	3,469	494	-	-	29,992
Interbank Deposit (DI) Index	100,108	(58,443)	41,665	5,299	4,223	729	31,414	-	-	18,446
Shares	578	217	795	-	696	99	-	-	-	572
Swap - Amounts receivable	**187,078**	**46,976**	**234,054**	**73,280**	**90,011**	**35,711**	**24,228**	**6**	**10,818**	**548,154**
Interest rate	84,265	34,752	119,017	37,006	18,415	28,897	24,228	6	10,465	173,975
Foreign currency	101,964	12,095	114,059	36,274	70,728	6,704	-	-	353	373,312
Other	849	129	978	-	868	110	-	-	-	867
Credit derivatives (CDS)	**48,692**	**-**	**48,692**	**42,675**	**5,870**	**147**	**-**	**-**	**-**	**56,209**
Futures	**-**	**3,199**	**3,199**	**-**	**-**	**-**	**-**	**-**	**3,199**	**4,987**
Other fair value adjustments – Note 4(b)	**-**	**(241)**	**(241)**	**(241)**	**-**	**-**	**-**	**-**	**-**	**(182)**
Total at 12.31.2017	**540,029**	**(35,763)**	**504,266**	**126,528**	**261,790**	**45,789**	**56,136**	**6**	**14,017**	**710,359**
Total at 12.31.2016	**685,743**	**24,616**	**710,359**	**124,537**	**423,323**	**112,923**	**22,920**	**10,900**	**15,756**	

	12.31.2017									12.31.2016
				Amounts by maturity						
Liabilities	**Adjusted cost**	**Mark-to-market Adjustment**	**Market 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**	**Market value**
Non Deliverable Forward (NDF)	**(2,169)**	**(11,547)**	**(13,716)**	**(8,533)**	**(4,208)**	**(261)**	**(55)**	**(659)**	**-**	**(81,306)**
Option premiums	**(304,962)**	**91,508**	**(213,454)**	**(7,355)**	**(171,840)**	**(13,729)**	**(31,312)**	**9,619**	**1,163**	**31,701**
Bovespa Index	(648)	(27,047)	(27,695)	(194)	(30,174)	(13,544)	5,435	9,619	1,163	(1,281)
Foreign currency	(179,220)	35,813	(143,407)	(1,973)	(141,084)	(28)	(322)	-	-	48,533
Interbank Deposit (DI) Index	(124,755)	83,007	(41,748)	(5,188)	(77)	(58)	(36,425)	-	-	(15,067)
Shares	(339)	(265)	(604)	-	(505)	(99)	-	-	-	(484)
Forward	**-**	**(9,075)**	**(9,075)**	**(9,075)**	**-**	**-**	**-**	**-**	**-**	**(1,089)**
Purchase payable – Government securities	-	10,085	10,085	10,085	-	-	-	-	-	(1,089)
Sales deliverable – Government securities	-	(19,160)	(19,160)	(19,160)	-	-	-	-	-	-
Swap - amounts payable	**(133,271)**	**(44,044)**	**(177,315)**	**(64,082)**	**(54,028)**	**(21,542)**	**(21,210)**	**(4,358)**	**(12,095)**	**(464,273)**
Interest rate	(41,393)	(38,472)	(79,865)	(17,126)	(15,242)	(10,783)	(20,933)	(4,358)	(11,423)	(133,296)
Foreign currency	(91,657)	(5,405)	(97,062)	(46,956)	(38,398)	(10,759)	(277)	-	(672)	(330,977)
Others	(221)	(167)	(388)	-	(388)	-	-	-	-	-
Credit derivatives (CDS)	**(49,539)**	**-**	**(49,539)**	**(18,190)**	**(31,349)**	**-**	**-**	**-**	**-**	**(61,208)**
Other fair value adjustments – Note 4(b)	**-**	**(6,657)**	**(6,657)**	**(6,657)**	**-**	**-**	**-**	**-**	**-**	**(1,385)**
Total at 12.31.2017	**(489,941)**	**20,185**	**(469,756)**	**(113,892)**	**(261,425)**	**(35,532)**	**(52,577)**	**4,602**	**(10,932)**	**(577,560)**
Total at 12.31.2016	**(528,180)**	**(49,380)**	**(577,560)**	**(164,964)**	**(326,111)**	**(46,797)**	**(27,603)**	**(10,491)**	**(1,594)**	

2) By counterparty at fair value

	Assets		**Liabilities**	
	12.31.2017	**12.31.2016**	**12.31.2017**	**12.31.2016**
Financial institutions	130,610	347,791	(113,451)	(352,220)
B3	188,183	22,594	(195,926)	(19,195)
Legal entities	130,052	307,154	(115,887)	(171,118)
Individuals	55,662	33,002	(37,835)	(33,642)
Credit risk – Notes 4(b) and 8(a)	(241)	(182)	-	-
Other fair value adjustments – Note 4(b)	-	-	(6,657)	(1,385)
Total	**504,266**	**710,359**	**(469,756)**	**(577,560)**

II. Breakdown by notional amount: 1) By type of operation

	12.31.2017							12.31.2016
	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	**968,106**	**317,163**	**26,426**	**2,638**	**13,996**	**-**	**1,328,329**	**2,486,955**
Long position	722,122	262,783	26,426	2,638	13,996	-	1,027,965	1,724,936
Short position	245,984	54,380	-	-	-	-	300,364	762,019
Option	**15,783,379**	**19,296,061**	**910,135**	**5,117,613**	**-**	**-**	**41,107,188**	**11,670,113**
Long position	8,068,188	9,450,793	213,325	2,525,159	-	-	20,257,465	6,314,336
Shares	-	4,787	1,781	-	-	-	6,568	447,310
Interbank Deposit (DI) Index	7,707,570	7,247,970	60,756	2,518,413	-	-	17,534,709	4,830,844
Bovespa Index	15,459	459,772	80,335	-	-	-	555,566	29,603
Foreign currency	345,159	1,738,264	70,453	6,746	-	-	2,160,622	1,006,579
Short position	7,715,191	9,845,268	696,810	2,592,454	-	-	20,849,723	5,355,777
Shares	-	3,107	1,781	-	-	-	4,888	440,000
Interbank Deposit (DI) Index	7,446,270	7,989,604	659,175	2,592,454	-	-	18,687,503	4,529,270
Bovespa Index	-	24,276	-	-	-	-	24,276	15,137
Foreign currency	268,921	1,828,281	35,854	-	-	-	2,133,056	371,170
Interest rate	-	-	-	-	-	-	-	200
Forward	**14,597,468**	**979,963**	**-**	**-**	**-**	**-**	**15,577,431**	**1,183,478**
Long position – Foreign Currency	7,431,883	-	-	-	-	-	7,431,883	-
Obligations to be delivered – Foreign Currency	7,165,585	979,963	-	-	-	-	8,145,548	1,183,478
Swap								
Assets	8,354,736	5,904,123	1,141,764	260,688	538,890	526,986	16,727,187	16,277,640
Interest rate	1,288,057	1,191,730	462,968	228,029	538,890	248,628	3,958,302	5,506,779
Foreign currency	7,066,679	4,679,030	675,309	32,659	-	278,358	12,732,035	10,228,516
Others	-	33,363	3,487	-	-	-	36,850	542,345
Liabilities	8,354,736	5,904,123	1,141,764	260,688	538,890	526,986	16,727,187	16,277,640
Interest rate	501,054	670,560	413,338	244,355	538,890	199,484	2,567,681	3,387,641
Foreign currency	7,853,682	5,231,883	728,426	16,333	-	327,502	14,157,826	12,889,999
Other	-	1,680	-	-	-	-	1,680	-
Futures	**32,545,803**	**32,715,129**	**11,678,727**	**7,133,716**	**1,965,404**	**503,242**	**86,542,021**	**62,191,286**
Long position	6,861,410	595,328	2,207,287	5,498,184	456,137	260,487	15,878,833	11,003,851
Interest rate	78,298	-	-	5,343,638	363,098	240,608	6,025,642	2,732,903
Currency coupon	6,355,765	530,419	2,207,287	46,353	26,858	19,879	9,186,561	7,963,722
Foreign currency	37,369	64,909	-	108,193	66,181	-	276,652	253,168
Bovespa Index	389,978	-	-	-	-	-	389,978	54,058
Short position	25,684,393	32,119,801	9,471,440	1,635,532	1,509,267	242,755	70,663,188	51,187,435
Interest rate	18,349,034	26,693,049	6,707,649	1,496,737	1,381,368	242,755	54,870,592	40,445,737
Currency coupon	6,509,445	5,426,752	2,519,651	37,000	14,840	-	14,507,688	10,539,737
Foreign currency	825,914	-	244,140	101,795	113,059	-	1,284,908	167,608
Bovespa Index	-	-	-	-	-	-	-	34,353
Credit derivatives (CDS) – Note 7(b-III)	**2,271,107**	**-**	**-**	**-**	**-**	**-**	**2,271,107**	**2,201,934**
Structured funding – Note 10(a-IV)	**9,813,800**	**8,670,597**	**3,586,475**	**709,324**	**162,169**	**20,661**	**22,963,026**	**47,105,860**
Options – Short position	9,084,778	7,277,736	3,586,475	709,324	162,169	20,661	20,841,143	45,010,655
Interbank Deposit (DI) Index	19,770	1,332,764	650,572	232,031	162,169	20,661	2,417,967	1,055,319
Foreign currency	9,065,008	5,944,972	2,935,903	477,293	-	-	18,423,176	43,500,030
Other	-	-	-	-	-	-	-	455,306
Credit derivatives (CDS) – Transferred risk – Note 7(b-III)	729,022	1,392,861	-	-	-	-	2,121,883	2,095,205
TOTAL at 12.31.2017	**84,334,399**	**67,883,036**	**17,343,527**	**13,223,979**	**2,680,459**	**1,050,889**	**186,516,289**	**143,117,266**
TOTAL at 12.31.2016	**34,139,977**	**76,548,367**	**25,630,586**	**4,013,753**	**2,389,885**	**394,698**	**143,117,266**	

2) Trading locations by counterparties

	12.31.2017					12.31.2016
Trading locations	**B3**	**Financial institutions**	**Legal entities**	**Individuals**	**Total notional amount**	**Total notional amount**
B3	52,551,178	103,004,486	18,392,425	8,175,211	182,123,300	138,820,127
Over the counter - abroad	-	4,392,989	-	-	4,392,989	4,297,139
Total at 12.31.2017	**52,551,178**	**107,397,475**	**18,392,425**	**8,175,211**	**186,516,289**	**143,117,266**
Total at 12.31.2016	**10,901,728**	**78,777,936**	**51,080,599**	**2,357,003**	**143,117,266**	

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:

	12.31.2017	12.31.2016
Credit swap whose underlying assets are - Marketable securities [1]		
Received risks	2,271,107	(2,095,205)
Transferred risks	(2,121,883)	2,201,934
Total, net of received/(transferred) exposure	**149,224**	**106,729**

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

During the year there was no credit event related to the triggering facts provided in the contracts.

There was no material effect on the calculation of the minimum capital requirements as at 12.31.2017, according to the CMN Resolution 4,193/2013.

c) Developments of fair value adjustments:

	01.01. to 12.31.2017				
		Change in the period			
			Effects on:		
	Balance at the beginning of the period	Foreign exchange gains and losses	Income	Equity – Note 19(d-I)	Balance at the end of the period
Trading securities and Obligations related to unrestricted securities – Note 14(c)	26,021	(38)	88,310	-	114,293
Trading securities	285,983	(38)	(96,678)	-	189,267
Obligations related to unrestricted securities	(259,962)	-	184,988	-	(74,974)
Available-for-sale securities [1] – Note 8(a-I(4))	24,272	-	-	24,593	48,865
Government Securities - LTN	18,303	-	-	27,562	45,865
Eurobonds	(1,694)	-	-	(228)	(1,922)
Other securities	7,663	-	-	(2,741)	4,922
Derivative financial instruments (assets and liabilities) – Note 14(e)	(23,197)	-	14,517	-	(8,680)
Other fair value adjustments – Note 4(b)	(2,018)	-	(5,598)	-	(7,616)
Interbank deposits	-	-	(524)	-	(524)
Trading securities	(450)	-	256	-	(194)
Derivative financial instruments (assets and liabilities)	(1,568)	-	(5,330)	-	(6,898)
Fair value hedge of available-for-sale securities – Eurobonds[1] – Notes 8(d) and 14(d)	(4,910)	(197)	(20,459)	-	(25,566)
Assets/liabilities designated at fair value – Note 11(b) and 14(d)	162,887	1,538	98,414	-	262,839
Fixed income portfolio	106,826	-	93,425	-	200,251
Structured funding – Structured CD	15,862	(163)	1,285	-	16,984
Liabilities for marketable securities abroad	(4,526)	1,543	(246)	-	(3,229)
Subordinated debt	44,725	158	3,950	-	48,833
Total at 12.31.2017	**183,055**	**1,303**	**175,184**	**24,593**	**384,135**

[1] The fair value adjustment of available-for-sale securities totals R$ 23,299 (R$ (19,362) as at 12.31.2016) – Note 8(a).

d) Hedge accounting of financial assets and liabilities

The aim of the designated hedge accounting applied by Safra is to hedge the fair value of Eurobonds (financial assets classified as available-for-sale), arising from the risk of fluctuation in the benchmark rate - London Interbank Offered Rate (Libor) (fair value hedge).

Safra uses as hedge instrument interest rate swap contracts with notional amount at market of R$ 2,071,595 (R$ 982,486 as at 12.31.2016), with the following maturities: in 2018, R$ 614,623, R$ (56,623) in 2019, R$ (126,710) in 2020, R$ (9,820) in 2021, R$ 182,488 in 2022, R$ 107,197 in 2023, R$ 1,018,210 in 2024, R$ 64,740 in 2025, R$ 261,063 in 2026 and R$ 16,427 in 2027. The fair value adjustment amounts to R$ 15,977 (R$ (2,336) in 12.31.2016).

The balance at fair value of hedged Eurobonds is R$ 1,984,135 (R$ 970,808 as at 12.31.2016), with maturities between 2019 and 2027. The effective portion recorded in the statement of profit or loss under gains (losses) on investment in securities is R$ (20,459) (R$ (13,016) in 2016).

9 CREDIT OPERATIONS

a) Expanded credit portfolio and losses and adjustments to recoverable amount for credit risk

I. Breakdown

	12.31.2017					12.31.2016				
	Adjusted cost	Fair value adjustments	Fair value	Allowance for credit risk/loan	Total	Adjusted cost	Fair value adjustments	Fair value	Allowance for credit risk/loan	Total
Expanded credit portfolio	**87,461,376**	**256,866**	**87,718,242**	**(2,411,436)**	**85,306,806**	**77,547,131**	**170,191**	**77,717,322**	**(2,247,212)**	**75,470,110**
Credit transactions - Note 9(b)	60,373,550	279,417	60,652,967	(1,871,780)	58,781,187	52,608,796	177,066	52,785,862	(1,767,432)	51,018,430
At amortized cost	32,860,403	-	32,860,403	(876,344)	31,984,059	32,892,864	-	32,892,864	(875,535)	32,017,329
At fair value on initial recognition	27,513,147	279,417	27,792,564	(995,436)	26,797,128	19,715,932	177,066	19,892,998	(891,897)	19,001,101
Other credit risk instruments – Note 8(a-I(1))	7,953,923	(22,551)	7,931,372	(359,412)	7,571,960	7,396,631	(6,875)	7,389,756	(237,511)	7,152,245
Guarantees and sureties - Note 9(h)	19,133,903	-	19,133,903	(180,244)	18,953,659	17,541,704	-	17,541,704	(242,269)	17,299,435

II. Changes in losses and adjustments to the recoverable amount for credit risk

	01.01. to 12.31.2017				
	Balance at the beginning of the year	Foreign exchange gains and losses abroad	Recognition/ (reversal)	Write-offs	Balance at the end of the year
Losses and adjustments to recoverable amount for credit risk	**(2,247,212)**	**(3,017)**	**(1,014,532)**	**853,325**	**(2,411,436)**
Credit transactions - Note 9(c)	(1,767,432)	(3,017)	(954,656)	853,325	(1,871,780)
At amortized cost	(875,535)	-	(387,202)	386,393	(876,344)
At fair value on initial recognition	(891,897)	(3,017)	(567,454)	466,932	(995,436)
Other credit risk instruments – Note 13	(237,511)	-	(121,901)	-	(359,412)
Guarantees and sureties - Note 9(h)	(242,269)	-	62,025	-	(180,244)

b) Breakdown of credit portfolio

	12.31.2017			12.31.2016		
	Designated at			Designated at		
	Amortized Cost	Fair Value Adjustment - Note 11(a)	Total	Amortized Cost	Fair Value Adjustment - Note 11(a)	Total
Borrowings, financing and discounted receivables	8,432,758	13,269,498	21,702,256	8,100,198	11,037,643	19,137,841
Foreign trade	16,488,001	627,527	17,115,528	16,061,360	236,753	16,298,113
Directed credits	2,199,476	190,693	2,390,169	2,245,612	79,112	2,324,724
Rural and agro-industrial	1,799,947	186,215	1,986,162	1,577,686	71,595	1,649,281
Real estate	399,529	4,478	404,007	667,926	7,517	675,443
Onlending	5,043,962	-	5,043,962	5,815,563	-	5,815,563
Financing and Consumer	696,206	13,413,290	14,109,496	670,131	8,351,862	9,021,993
Payroll advance loan	-	6,023,922	6,023,922	-	3,391,342	3,391,342
Direct consumer credit	-	6,900,409	6,900,409	-	4,216,968	4,216,968
Lease	471,908	477,277	949,185	497,672	732,667	1,230,339
Others	224,298	11,682	235,980	172,459	10,885	183,344
Other credits	-	12,139	12,139	-	10,562	10,562
Total transactions with credit granting characteristics	**32,860,403**	**27,513,147**	**60,373,550**	**32,892,864**	**19,715,932**	**52,608,796**
Past due [1]	414,414	649,970	1,064,384	518,041	649,444	1,167,485
Not past due [2]	32,445,989	26,863,177	59,309,166	32,374,823	19,066,488	51,441,311
Impairment – Amortized cost	(876,344)	-	(876,344)	(875,535)	-	(875,535)
Adjustment at fair value - Note 11(a)	-	(716,019)	(716,019)	-	(714,831)	(714,831)
Credit risk	-	(995,436)	(995,436)	-	(891,897)	(891,897)
Market risk	-	279,417	279,417	-	177,066	177,066
Total	**31,984,059**	**26,797,128**	**58,781,187**	**32,017,329**	**19,001,101**	**51,018,430**

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

The changes in market conditions, which give rise to the fair value adjustment, include changes in observable interest rates, commodity prices, exchange rates or price indices – Note 21(a).

c) Credit portfolio by risk rating and losses and adjustments for credit risk

I – Breakdown of portfolio by maturity:

	12.31.2017					
	Credit portfolio			Impairment	Fair Value Adjustment	Total
	Past due	Not past due	Total			
Borrowings, financing, and discounted receivables	295,783	21,406,473	21,702,256	(535,614)	(536,576)	(1,072,190)
Foreign trade	106,885	17,008,643	17,115,528	(84,177)	(18,284)	(102,461)
Directed credits	150,983	2,239,186	2,390,169	(167,145)	(865)	(168,010)
Rural and agro-industrial financing	544	1,985,618	1,986,162	(6,577)	(716)	(7,293)
Real estate financing	150,439	253,568	404,007	(160,568)	(149)	(160,717)
Onlending	46,293	4,997,669	5,043,962	(76,658)	-	(76,658)
Financing and Consumer	454,240	13,655,256	14,109,496	(12,750)	(428,512)	(441,262)
Payroll advance loan	109,500	5,914,422	6,023,922	-	(207,790)	(207,790)
Direct consumer credit	303,319	6,597,090	6,900,409	-	(194,274)	(194,274)
Lease	35,457	913,728	949,185	(8,027)	(21,854)	(29,881)
Other	5,964	230,016	235,980	(4,723)	(4,594)	(9,317)
Other credits	10,200	1,939	12,139	-	(11,199)	(11,199)
Total at 12.31.2017	**1,064,384**	**59,309,166**	**60,373,550**	**(876,344)**	**(995,436)**	**(1,871,780)**
Total at 12.31.2016	**1,167,485**	**51,441,311**	**52,608,796**	**(875,535)**	**(891,897)**	**(1,767,432)**

II – Change in loss and fair value adjustment

	01.01 to 12.31.2017			
	Balance at the beginning of the period	Recognition/ (reversal)	Write-offs	Balance at the end of the period
Amortized Cost	(875,535)	(387,202)	386,393	(876,344)
Borrowings, financing and discounted receivables	(583,732)	(238,505)	286,623	(535,614)
Foreign trade	(59,572)	(39,629)	15,024	(84,177)
Direct consumer credit and leases	(30,142)	(179,605)	42,602	(167,145)
Rural and agro-industrial	(3,924)	(3,083)	430	(6,577)
Real estate	(26,218)	(176,522)	42,172	(160,568)
Onlending	(185,996)	71,760	37,578	(76,658)
Financing and Consumer	(16,093)	(1,223)	4,566	(12,750)
Lease	(12,676)	83	4,566	(8,027)
Other	(3,417)	(1,306)	-	(4,723)
Fair Value	(891,897)	(570,471)	466,932	(995,436)
Borrowings, financing and discounted receivables	(611,585)	(248,393)	323,402	(536,576)
Foreign trade	(7,756)	(10,796)	268	(18,284)
Directed credit	(468)	(886)	489	(865)
Rural and agro-industrial	(198)	(1,007)	489	(716)
Real estate	(270)	121	-	(149)
Financing and Consumer	(269,280)	(296,067)	136,835	(428,512)
Payroll advance loan	(84,040)	(169,603)	45,853	(207,790)
Direct consumer credit	(135,104)	(124,529)	65,359	(194,274)
Lease	(47,022)	2,960	22,208	(21,854)
Other	(3,114)	(4,895)	3,415	(4,594)
Other credits	(2,808)	(14,329)	5,938	(11,199)
Total	**(1,767,432)**	**(957,673)**	**853,325**	**(1,871,780)**
	01.01 to 12.31.2016			
Amortized Cost	(766,732)	(1,291,478)	1,182,675	(875,535)
Fair Value	(1,106,343)	(420,816)	635,262	(891,897)
Total	**(1,873,075)**	**(1,712,294)**	**1,817,937**	**(1,767,432)**

d) Renegotiated transactions and credit recovery

	Credit portfolio	Allowance	%
PAST DUE	**111,468**	**111,288**	**99.8**
Past due operations:			
From 15 to 30 days	48,948	48,944	100
From 31 to 60 days	39,269	39,224	99.9
From 61 to 90 days	20,364	20,294	99.7
From 91 to 180 days	2,595	2,534	97.6
From 181 to 365 days	292	292	100
NOT PAST DUE	**508,731**	**487,655**	**95.9**
Total at 12.31.2017	**620,199**	**598,943**	**96.6**
Total at 12.31.2016	**599,157**	**(569,489)**	**95.0**

Renegotiated transactions and credit recovery amounted to R$ 706,153 (R$ 470,032 in 2016).

e) Breakdown by maturity

	12.31.2017			12.31.2016		
	Amortized Cost	Designated at fair value	Total	Amortized Cost	Designated at fair value	Total
PAST DUE	**414,414**	**649,970**	**1,064,384**	**518,041**	**649,444**	**1,167,485**
Past due operations:						
From 15 to 30 days	148,527	204,561	353,088	132,468	152,161	284,629
From 31 to 60 days	191,899	156,011	347,910	109,114	146,770	255,884
From 61 to 90 days	46,254	83,566	129,820	180,770	95,045	275,815
From 91 to 180 days	22,123	113,367	135,490	78,817	154,416	233,233
From 181 to 365 days	5,611	92,465	98,076	16,872	101,052	117,924
NOT PAST DUE	**32,445,989**	**26,863,177**	**59,309,166**	**32,374,823**	**19,066,488**	**51,441,311**
Past due up to 14 days:	48,053	99,339	147,392	32,298	83,092	115,390
Falling due:						
From 01 to 30 days	2,862,702	4,744,586	7,607,288	2,856,645	4,018,275	6,874,920
From 31 to 60 days	3,108,383	2,929,162	6,037,545	2,908,570	2,173,697	5,082,267
From 61 to 90 days	2,226,500	1,611,563	3,838,063	2,342,200	1,379,953	3,722,153
From 91 to 180 days	7,168,115	3,873,032	11,041,147	6,351,307	2,738,371	9,089,678
From 181 to 365 days	5,727,946	3,997,502	9,725,448	4,893,998	2,918,709	7,812,707
From 1 to 2 years	4,621,491	4,709,572	9,331,063	6,212,304	2,957,755	9,170,059
From 2 to 3 years	2,863,119	2,540,563	5,403,682	3,200,965	1,571,399	4,772,364
From 3 to 5 years	2,648,533	2,011,109	4,659,642	2,617,635	1,061,518	3,679,153
Over 5 years	1,171,147	346,749	1,517,896	958,901	163,719	1,122,620
TOTAL	**32,860,403**	**27,513,147**	**60,373,550**	**32,892,864**	**19,715,932**	**52,608,796**

The balance of transactions more than 90 days past due amounts to R$ 233,566 (R$ 351,157 as at 12.31.2016).

f) Breakdown of portfolio by sector

	12.31.2017	12.31.2016
Private Sector:		
Rural	1,676,512	1,832,298
Industry	16,411,798	15,660,067
Commerce	11,738,557	10,239,597
Financial institutions	367,283	568,223
Other services	15,176,493	14,099,187
Individuals	13,430,512	8,377,074
Housing	1,572,395	1,832,350
Total	**60,373,550**	**52,608,796**

g) Credit concentration

	12.31.2017	12.31.2016
1st to 10th largest customers	10,368,310	11,726,576
11th to 50th largest customers	8,936,878	8,637,790
51st to 100th largest customers	4,940,931	4,637,448
100 largest customers	**24,246,119**	**25,001,814**
Other customers	36,127,431	27,606,982
Total	**60,373,550**	**52,608,796**

h) Credit commitments (off-balance)

The off-balance amounts related to financial guarantee contracts are as follows:

	12.31.2017	12.31.2016
Guarantees, sureties and other guarantees provided [1] [2]	19,133,903	17,541,704
Granted limits [3]	17,574,667	14,634,728
Total	**36,708,570**	**32,176,432**
Contractual term:		
Falling due in up to 90 days	15,258,325	13,347,083
Falling due from 91 to 365 days	9,123,999	8,265,782
Falling due after 365 days	12,326,246	10,563,567

[1] The amount of the allowance for Guarantees, sureties and other guarantees provided is R$ (180,244) (R$ (242,269) as at 12.31.2016) – Note 13. [2] The guarantees provided generate an income amounting to R$ 346,731 (R$ 338,363 in 2016) – Note 14(f). [3] Refer to credit limits granted but not used, characterized by the option for cancellation by Safra, with the average term of 90 days.

i) Present value of lease operations

The table below shows the analysis of the present value of future minimum payments receivable from finance leases:

	12.31.2017		
	Future minimum payments	**Unearned income**	**Present value**
Current	106,192	(5,247)	100,945
Non-current	922,858	(74,618)	848,240
Total – Note 9(b)	**1,029,050**	**(79,865)**	**949,185**
	12.31.2016		
	Future minimum payments	**Unearned income**	**Present value**
Current	129,521	(6,393)	123,128
Non-current	1,270,695	(163,484)	1,107,211
Total – Note 9(b)	**1,400,216**	**(169,877)**	**1,230,339**

10 FINANCIAL LIABILITIES AND MANAGED ASSETS

	12.31.2017			12.31.2016		
	At amortized cost	At fair value	Total	At amortized cost	At fair value	Total
Funds from customers	**63,486,488**	**3,100,446**	**66,586,934**	**50,691,298**	**3,840,462**	**54,531,760**
Deposits [1]	10,853,794	178,540	11,032,334	8,170,114	92,532	8,262,646
Open market funding	10,864,144	64,300	10,928,444	19,153,365	348,268	19,501,633
Own securities	8,203,968	64,300	8,268,268	17,631,837	348,268	17,980,105
Private securities – Debentures	2,660,176	-	2,660,176	1,521,528	-	1,521,528
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes	36,492,481	2,141,536	38,634,017	17,402,721	2,991,611	20,394,332
Structured funding	2,971,129	638,026	3,609,155	4,273,722	346,401	4,620,123
Fixed income [2]	1,156,349	-	1,156,349	2,548,334	-	2,548,334
Certificate of structured transactions	1,814,780	638,026	2,452,806	1,725,388	346,401	2,071,789
Subordinated debt	2,304,940	78,044	2,382,984	1,691,376	61,650	1,753,026
Funds from the market	**17,813,106**	**4,719,022**	**22,532,128**	**15,315,853**	**5,958,000**	**21,273,853**
Deposits	1,640,426	-	1,640,426	1,649,052	-	1,649,052
Deposits from financial institutions	570,162	-	570,162	934,579	-	934,579
Time deposits	1,070,264	-	1,070,264	714,473	-	714,473
Structured funding - Structured CD	1,128,744	1,608,884	2,737,628	1,003,263	1,770,410	2,773,673
Open market funding - Own securities	10,827	-	10,827	-	-	-
Funds from acceptance and issue of securities	867,456	329,899	1,197,355	727,839	1,444,694	2,172,533
Liabilities for marketable securities issued abroad	66,239	290,014	356,253	65,686	1,444,694	1,510,380
Funds from financial bills, bills of credit and similar notes	801,217	39,885	841,102	662,153	-	662,153
Subordinated debt	29,897	2,780,239	2,810,136	14,244	2,742,896	2,757,140
Borrowings and onlending	14,135,756	-	14,135,756	11,921,455	-	11,921,455
Total funding	**81,299,594**	**7,819,468**	**89,119,062**	**66,007,151**	**9,798,462**	**75,805,613**
Open market funding [3]	43,132,102	-	43,132,102	54,331,614	-	54,331,614
Consolidated private pension funds [4]			11,911,901			8,628,610
Managed funds – Note 10(c)			71,018,607			58,038,378
Total managed assets			**215,181,672**			**196,804,215**

[1] It does not include time deposits with the market and interbank deposits. [2] Transactions made with derivative financial instruments – Options. [3] It does not include own securities. [4] Recorded in liabilities with insurance and private pension operations – Note 12(b).

a) Financial liabilities measured at amortized cost

I. Deposits

	12.31.2017							12.31.2016
	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
Demand deposits	895,391	-	-	-	-	-	895,391	544,029
Savings deposits	1,932,484	-	-	-	-	-	1,932,484	1,584,793
Time deposits	2,280,168	4,479,170	1,124,477	133,642	8,429	33	8,025,919	6,041,292
Total at 12.31.2017	**5,108,043**	**4,479,170**	**1,124,477**	**133,642**	**8,429**	**33**	**10,853,794**	**8,170,114**
Total at 12.31.2016	**3,473,021**	**3,650,511**	**914,446**	**126,653**	**5,483**	**-**	**8,170,114**	

II. Financial institutions deposits and open market funding

	12.31.2017						12.31.2016
	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
Own portfolio	18,725,569	4,100,446	226,027	2,328	4,292	23,058,662	36,565,223
Own securities	4,389,603	3,693,226	125,519	2,155	4,292	8,214,795	17,631,836
Subject to repurchase agreements	14,335,966	407,220	100,508	173	-	14,843,867	18,933,387
Restricted	10,653,045	407,220	100,508	173	-	11,160,946	11,917,266
Government securities – National Treasury – Note 8(a-I(3))	8,500,770	-	-	-	-	8,500,770	10,395,738
Private securities – Debentures	2,152,275	407,220	100,508	173	-	2,660,176	1,521,528
Unrestricted – Government securities–National Treasury – Note 8(a-I(3))	3,682,921	-	-	-	-	3,682,921	7,016,121
Third party's portfolio – Note 6	25,738,409	5,210,002	-	-	-	30,948,411	36,919,756
Repurchase agreements – Government securities – National Treasury	12,259,756	-	-	-	-	12,259,756	18,336,326
Obligations related to unrestricted securities [1]	13,478,653	5,210,002	-	-	-	18,688,655	18,583,430
National Treasury Bills	6,377,966	3,115,115	-	-	-	9,493,081	10,320,996
National Treasury Notes	7,100,687	2,094,887	-	-	-	9,195,574	8,262,434
Financial institutions deposits	492,156	1,078,844	63,825	5,601	-	1,640,426	1,649,052
Financial institutions deposits [2]	86,922	467,186	13,827	2,227	-	570,162	934,579
Time deposits	405,234	611,658	49,998	3,374	-	1,070,264	714,473
Total at 12.31.2017	**44,956,134**	**10,389,292**	**289,852**	**7,929**	**4,292**	**55,647,499**	**75,134,031**
Total at 12.31.2016	**50,508,406**	**21,505,468**	**2,770,303**	**341,816**	**8,038**	**75,134,031**	

[1] The fair value adjustment is R$ 74,974 (R$ (259,962) as at 12.31.2016) – Note 8(c). [2] Of this amount, R$ 373,929 (R$ 526,113 as at 12.31.2016) refer to operations linked to rural credit.

III. Funds from acceptance and issue of securities

1) Breakdown

	12.31.2017							12.31.2016
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Funds from financial bills, bills of credit and similar notes	5,323,547	12,641,821	13,314,515	4,645,313	849,951	518,551	37,293,698	18,064,874
Financial bills	748,437	2,992,798	9,668,067	3,127,652	552,675	52,923	17,142,552	11,097,982
Agribusiness credit notes	783,058	1,478,798	1,619,265	963,637	250,454	464,356	5,559,568	5,175,597
Mortgage bills	33,181	76,021	128,186	103,457	-	-	340,845	394,404
House loan bills	123,696	380,151	375,463	32,341	4,316	-	915,967	1,395,842
Commercial leasing bills	3,635,175	7,714,053	1,523,534	418,226	42,506	356	13,333,850	-
Debentures	-	-	-	-	-	916	916	1,049
Payables for marketable securities abroad- US$ 20,000 – 06.18.2013 – Fixed (3.3% p.a.)	-	66,239	-	-	-	-	66,239	65,686
Total at 12.31.2017	**5,323,547**	**12,708,060**	**13,314,515**	**4,645,313**	**849,951**	**518,551**	**37,359,937**	**18,130,560**
Total at 12.31.2016	**3,262,105**	**3,849,161**	**5,192,266**	**4,116,192**	**1,207,252**	**503,584**	**18,130,560**	

2) Movements

	01.01. to 12.31.2017			01.01. to 12.31.2016		
	Funds from financial bills, bills of credit and similar notes	Liabilities for marketable securities abroad	Total	Funds from financial bills, bills of credit and similar notes	Liabilities for marketable securities abroad	Total
Balance at the beginning of the period	**21,056,485**	**1,510,379**	**22,566,864**	20,947,045	3,080,504	24,027,549
Foreign exchange gains and losses abroad	-	112,913	112,913	-	(379,567)	(379,567)
Funding	42,004,599	-	42,004,599	14,131,078	124,436	14,255,514
Redemptions	(26,311,636)	(1,303,682)	(27,615,318)	(16,777,362)	(1,419,896)	(18,197,258)
Interest paid	(192)	-	(192)	-	(16,098)	(16,098)
Appropriation to income	2,725,863	36,643	2,762,506	2,755,724	121,001	2,876,725
Interests – Note 14(b)	2,726,610	36,397	2,763,007	2,741,249	114,760	2,856,009
Change in fair value adjustment – Note 11(b)	(747)	246	(501)	14,475	6,241	20,716
Balance at the end of the period	**39,475,119**	**356,253**	**39,831,372**	**21,056,485**	**1,510,380**	**22,566,865**
At amortized cost – Note 10	**37,293,698**	**66,239**	**37,359,937**	**18,064,874**	**65,686**	**18,130,560**
At fair value on initial recognition – Note 10(b)	**2,181,421**	**290,014**	**2,471,435**	**2,991,611**	**1,444,694**	**4,436,305**

IV. Structured funding

	12.31.2017							12.31.2016
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Fixed income	577,884	372,724	180,419	25,322	-	-	1,156,349	2,548,335
Certificate of structured transactions	7,097	1,021,032	485,791	103,579	176,613	20,668	1,814,780	1,725,388
Structured CD	520,444	453,593	-	77,357	75,855	1,495	1,128,744	1,003,263
Total at 12.31.2017	**1,105,425**	**1,847,349**	**666,210**	**206,258**	**252,468**	**22,163**	**4,099,873**	**5,276,986**
Total at 12.31.2016	**1,073,387**	**2,395,955**	**1,363,432**	**120,955**	**323,257**	**-**	**5,276,986**	

V. Borrowings and onlending

	12.31.2017							12.31.2016
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Foreign borrowings [1]	1,511,962	7,332,380	16,540	-	-	-	8,860,882	5,848,233
Domestic onlending	575,041	2,267,280	907,010	571,401	638,093	278,286	5,237,111	6,019,071
National Treasury	154,828	97,896	13,828	-	-	-	266,552	262,894
BNDES	222,087	1,136,182	506,344	323,963	368,824	161,681	2,719,081	2,857,811
FINAME	198,126	1,033,202	386,838	247,438	269,269	116,605	2,251,478	2,898,366
Other borrowings	37,763	-	-	-	-	-	37,763	54,151
Total at 12.31.2017	**2,124,766**	**9,599,660**	**923,550**	**571,401**	**638,093**	**278,286**	**14,135,756**	**11,921,455**
Total at 12.31.2016	**1,065,324**	**5,262,646**	**3,966,458**	**631,036**	**629,322**	**366,669**	**11,921,455**	

[1] Credit facilities for financing imports and exports.

VI. Subordinated debt

(1) Breakdown of balance by security and rate

Securities/Rates	12.31.2017	12.31.2016
Financial bills – LF	**2,334,837**	**1,705,620**
- CDI (100% to 115.35%) + (interest from 0.88% p.a. to 1.62% p.a.)	1,278,107	790,645
- IGPM + (interest from 3.89% p.a. to 6.68% p.a.)	8,610	8,272
- IPCA + (interest from 4.22% p.a. to 8.82% p.a.)	1,003,854	866,808
- Selic	44,266	39,895
Subtotal amortized cost	**2,334,837**	**1,705,620**
Medium term notes	**2,745,687**	**2,739,043**
- US$ 300,000 to 7.00% p.a. – Perpetual – Note 22(c)	990,733	981,133
- US$ 500,000 to 6.75% p.a.	1,754,954	1,757,910
Financial bills – LF - Fixed (10.60% p.a. to 17.66% p.a.)	**112,596**	**65,503**
Subtotal - fair value	**2,858,283**	**2,804,546**
Total [1]	**5,193,120**	**4,510,166**

[1] Operations with bi-annual and quarterly interest payments.

(2) Breakdown of balance by characteristic and maturity

	12.31.2017				12.31.2016
	Approved at BACEN		In process of approval at BACEN [1]	Total	Total
Securities	Without termination clause	With termination clause			
2019	698,106	80,817	6,589	785,512	714,276
2020	25,840	213,123	17,320	256,283	232,158
2021	1,754,954	356,104	-	2,111,058	2,077,681
2022	4,511	111,507	-	116,018	104,685
2023	-	188,591	79,631	268,222	241,144
2024	-	258,446	78,328	336,774	92,262
2025	-	97,781	117,386	215,167	42,910
2026	-	28,700	1,168	29,868	23,917
2027	-	47,055	36,430	83,485	-
Perpetual	-	990,733	-	990,733	981,133
Total at 12.31.2017	**2,483,411**	**2,372,857**	**336,852**	**5,193,120**	**4,510,166**
Total at 12.31.2016	**2,420,164**	**1,984,491**	**105,511**	**4,510,166**	

[1] The 2019 and 2020 securities do not have termination clause and total R$ 23,909 (R$ 21,715 as at 12.31.2016).

(3) Movements

	01.01. to 12.31.2017	01.01. to 12.31.2016
Balance at the beginning of the period	**4,510,166**	**5,745,425**
Foreign exchange gains and losses abroad	38,841	(677,814)
Funding	461,766	286,412
Redemptions	-	(1,210,854)
Interest paid	(180,254)	(123,174)
Appropriation to income	362,601	490,171
Interest - Note 14(b)	361,622	500,569
Change in fair value adjustment - Note 11(b)	979	(10,398)
Balance at the end of the period	**5,193,120**	**4,510,166**

b) Financial liabilities at fair value on initial recognition – Note 11

	12.31.2017							12.31.2016
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Funds from acceptance and issue of securities - Liabilities for marketable securities issued abroad	-	-	290,014	-	-	-	290,014	1,444,694
R$ 300,000 - 04.05.2007 – Fixed (10.75% p.a.)	-	-	-	-	-	-	-	259,277
CHF 450,000 - 03.27. and 12.12.2014 - Fixed (1.5% p.a. to 1.85% p.a.)	-	-	290,014	-	-	-	290,014	1,185,417
Structured funding – Structured CD	-	-	866,297	377,569	357,182	7,836	1,608,884	1,770,410
Subordinated debt – Medium term notes – Note 10(a-V)	52,659	-	-	-	1,707,506	985,522	2,745,687	2,739,043
Financial liabilities – fixed-rate transactions	557,339	958,636	839,317	543,236	205,531	70,824	3,174,883	3,844,315
Time deposits	77,737	54,517	6,812	35,096	3,886	492	178,540	92,532
Deposits from financial institutions and open market funding	32,032	22,207	9,573	488	-	-	64,300	348,268
Structured funding	11,669	313,199	154,312	158,846	-	-	638,026	346,401
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes	435,901	568,713	665,160	347,862	162,527	1,258	2,181,421	2,991,611
Financial bills	297,375	354,521	528,414	254,104	77,997	857	1,513,268	1,782,993
Agribusiness credit notes	119,284	158,319	97,031	74,489	78,171	401	527,695	1,082,351
Mortgage bills	12,767	20,522	17,062	3,386	848	-	54,585	-
House loan bills	6,475	35,351	22,653	15,883	5,511	-	85,873	126,267
Subordinated debt – LF – Fixed (10.60% to 17.66% p.a.) – Note 10(a-V)	-	-	3,460	944	39,118	69,074	112,596	65,503
Total at 12.31.2017	**609,998**	**958,636**	**1,995,628**	**920,805**	**2,270,219**	**1,064,182**	**7,819,468**	**9,798,462**
Total at 12.31.2016	**1,154,574**	**2,773,796**	**1,261,363**	**2,176,193**	**2,394,113**	**38,423**	**9,798,462**	

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:

	12.31.2017	12.31.2016
Managed funds [1]	71,018,607	58,038,378
Funds of investment in quotas	96,413,343	59,352,923
Consolidated exclusive funds	10,114,570	8,449,524
Consolidated private pension funds – Note 10	11,911,901	8,628,610
Total net worth of funds	**189,458,421**	**134,469,435**
Total net worth of managed portfolio	**710,801**	**-**

[1] Includes quotaholders of related parties amounting R$ 3,929,904 (R$ 3,217,037 as at 12.31.2016).

Revenue from management, administration and distribution of such fund quotas, recorded in 'Fees and commissions', totals R$ 845,846 (R$ 690,703 in 2016) – Note 14(f). When the income earned by related parties is included, in the amount of R$ 73,621 (83,299 in 2016) income totals R$ 919,467 (R$ 774,002 in 2016) – Note 22(c).

11 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE ON INITIAL RECOGNITION

The transactions designated at fair value on 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 variation 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.

a) Breakdown of assets e liabilities

	12.31.2017					12.31.2016				
		Fair value adjustment					Fair value adjustment			
	Cost	Credit risk [1]	Market risk [2]	Fair value	Notional amount derivatives[3]	Cost	Credit risk [1]	Market risk [2]	Fair value	Notional amount derivatives[3]
Fixed-rate portfolio strategy [4]	24,417,430	(995,436)	200,251	23,622,245	(23,591,587)	16,265,917	(891,897)	106,826	15,480,846	(15,140,449)
Assets	27,513,147	(995,436)	279,417	26,797,128		20,039,855	(891,897)	177,203	19,325,161	
Interbank deposits – Note 6	-	-	-	-		323,923	-	137	324,060	
Credit operations – Note 9(a)	27,513,147	(995,436)	279,417	26,797,128		19,715,932	(891,897)	177,066	19,001,101	
Financial liabilities at fair value on initial recognition – Note 10(b)	(3,095,717)	-	(79,166)	(3,174,883)		(3,773,938)	-	(70,377)	(3,844,315)	
Deposits	(177,463)	-	(1,077)	(178,540)		(92,138)	-	(394)	(92,532)	
Open market funding – Own securities	(62,885)	-	(1,415)	(64,300)		(345,738)	-	(2,530)	(348,268)	
Funds from acceptance and issue of securities - Funds from financial bills, bills of credit and similar notes	(2,123,554)	-	(57,867)	(2,181,421)		(2,933,035)	-	(58,614)	(2,991,649)	
Certificate of structured transactions	(630,243)	-	(7,783)	(638,026)		(343,619)	-	(2,744)	(346,363)	
Subordinated debt	(101,572)	-	(11,024)	(112,596)		(59,408)	-	(6,095)	(65,503)	
Liabilities for marketable securities abroad – Note 10(b)	(286,785)	-	(3,229)	(290,014)	295,938	(1,443,329)	-	(1,365)	(1,444,694)	1,523,634
Structured funding – Structured Defined Contribution (CD)– Nota 10(b)	(1,625,868)	-	16,984	(1,608,884)	1,708,389	(1,786,272)	-	15,862	(1,770,410)	1,849,865
Subordinated debt - Medium term notes – Note 10(b)	(2,794,520)	-	48,833	(2,745,687)	2,603,947	(2,658,524)	-	(80,519)	(2,739,043)	2,719,902
Total	**19,710,257**	**(995,436)**	**262,839**	**18,977,660**	**(18,983,313)**	**10,377,792**	**(891,897)**	**40,804**	**9,526,699**	**(9,047,048)**

[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 11(b). [3] The notional amount of derivatives purchased to eliminate the risk of change in interest rates. [4] The net fair value of the fixed-income 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 ate, totals R$ 23,508,213.

b) Developments of fair value adjustment (market risk)

	12.31.2017				12.31.2016			
	Opening balance	Fair value adjustment [1]	Foreign exchange	Closing balance	Opening balance	Fair value adjustment [1]	Foreign exchange	Closing balance
Fixed-rate portfolio strategy	106,826	93,425	-	200,251	(282,778)	389,057	547	106,826
Liabilities for marketable securities issued abroad	(4,526)	(246)	1,543	(3,229)	(19,144)	(2,231)	16,849	(4,526)
Structured CD – Note 10(b)	15,862	1,285	(163)	16,984	13,084	5,302	(2,524)	15,862
Subordinated debt – Note 10(b)	44,725	3,950	158	48,833	(150,418)	141,736	53,407	44,725
TOTAL	**162,887**	**98,414**	**1,538**	**262,839**	**(439,256)**	**533,864**	**68,279**	**162,887**

[1] Notes 8(c) and 14(d).

12 INSURANCE, REINSURANCE AND PRIVATE PENSION OPERATIONS

a) Receivables from insurance and reinsurance operations

	12.31.2017	12.31.2016
Receivables	61,117	32,499
Premiums receivable - Note 12(a-I)	49,224	25,138
Risks in force but not issued	5,493	3,449
Operating receivables from insurance and reinsurance	13,180	11,380
Credit risk	(6,780)	(7,468)
Reinsurance assets – Note 12(a-II)	38,490	28,045
Deferred acquisition costs	1,331	6,273
Total – Note 13	**100,938**	**66,817**

I. Premiums receivable

(1) Breakdown

	12.31.2017			12.31.2016
	PAST DUE [1]	NOT PAST DUE[2]	TOTAL	TOTAL
Past due:	997	2,906	3,903	4,164
From 01 to 30 days	290	2,365	2,655	2,409
From 31 to 60 days	333	541	874	1,129
From 61 to 120 days	359	-	359	586
From 121 to 180 days	-	-	-	39
Over 5 years	15	-	15	1
Falling due:	1,292	44,029	45,321	20,974
From 01 to 30 days	415	11,515	11,930	8,237
From 31 to 60 days	134	4,755	4,889	4,335
From 61 to 120 days	195	6,511	6,706	4,771
From 121 to 180 days	111	4,229	4,340	2,658
From 181 to 365 days	261	6,681	6,942	879
From 1 to 2 years	82	5,137	5,219	94
From 2 to 3 years	65	2,615	2,680	-
From 3 to 5 years	29	2,318	2,347	-
Over 5 years	-	268	268	-
TOTAL	**2,289**	**46,935**	**49,224**	**25,138**
Past due policies:	2,289			
From 61 to 90 days	2,270			
From 90 to 121 days	3			
Over 365 days	16			

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

(2) Changes during the period

	01.01. to 12.31.2017	01.01. to 12.31.2016
Balance at the beginning of the period	**25,852**	**26,244**
(+)Written premiums and risks in force not yet issued [1]	313,884	298,880
(-)Receipts [2]	(291,155)	(303,559)
(+)Changes in credit risks	446	309
(+)Interest on receipt of premiums	3,401	3,978
Balance at the end of the period	**52,428**	**25,852**

[1] Does not include amounts to be passed on of coinsurance premium of R$ 1,212 (R$ 4,018 as at 12.31.2016) and reinsurance premium of R$ 28,566 (R$ 10,711 as at 12.31.2016). [2] Does not include R$ 55,534 (R$ 80,869 as at 12.31.2016).

(3) Change in credit risk

	01.01.to 12.31.2017					01.01. to 12.31.2016
	Premiums receivable	Operations with insurers	Operations with reinsurers	Payables for insurance and reinsurance operations [1]	TOTAL[2]	TOTAL
Balance at the beginning of the period	**(2,735)**	**(1,018)**	**(3,715)**	**724**	**(6,744)**	**(7,465)**
Recognition/(Reversal)	446	431	(189)	(39)	649	721
Balance at the end of the period	**(2,289)**	**(587)**	**(3,904)**	**685**	**(6,095)**	**(6,744)**

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

II. Reinsurance assets - technical reserve – Changes

	01.01. to 12.31.2017					01.01. to 12.31.2016
	PPNG	PSL [1]	IBNR	PCC [2]	TOTAL	TOTAL
Balance at the beginning of the period	**10,189**	**11,100**	**567**	**6,189**	**28,045**	**15,730**
Changes in technical reserves	12,541	3,955	1,382	579	18,457	13,714
Recovery	-	(8,394)	-	-	(8,394)	(3,177)
Inflation adjustment	-	382	-	-	382	1,778
Balance at the end of the period	**22,730**	**7,043**	**1,949**	**6,768**	**38,490**	**28,045**

[1] Includes 21 (87 as at 12.31.2016) legal claims of R$ 3,453 (R$ 8,849 as at 12.31.2016).[2] Note 12(d).

b) Funds guaranteeing technical reserves of insurance and private pension

	12.31.2017	12.31.2016
Fund quotas - PGBL/VGBL	**11,911,901**	**8,628,610**
Open market investments – Repurchase agreements – Note 6	86,715	31,728
Financial assets – Note 8(a-II)	11,836,390	8,600,127
Other	(11,204)	(3,245)
Other securities	**390,504**	**321,240**
Financial assets – Note 8(a-II)	390,504	320,073
Other	-	1,167
Receivables from reinsurance operations – Note 12(a) [1]	**15,760**	**17,856**
Credit rights - Insurance premium receivables	**12,146**	**10,502**
Total	**12,330,311**	**8,978,208**

[1] The amount presented is net of unearned premium reserve in the amount of R$ (22,730) (R$ (10,189) as at 12.31.2016), was not offered as asset to reduce technical reserves.

c) Insurance and private pension operations (liabilities)

The private pension and insurance operations were as follows:

	12.31.2017	12.31.2016
Technical reserves – Note 12(c-I(1))	12,272,792	8,942,553
Private pension – Note 12(c-I(1))	11,930,334	8,645,862
Insurance – Note 12(c-I(1))	177,655	156,699
DPVAT Agreement [1]	164,803	139,992
Operating payables for insurance and reinsurance	22,480	11,463
Commissions and other insurance liabilities	9,451	13,628
Credit risk – Note 12(a-I(3))	(626)	(562)
Total	**12,304,097**	**8,967,082**

[1] Comprises outstanding claims reserve in the amount of R$ 24,223 (R$ 39,324 as at 12.31.2016), IBNR in the amount of R$ 139,660 (R$ 99,594 as at 12.31.2016) and unearned premium reserve in the amount of R$ 920 (R$ 1,074 as at 12.31.2016).

I. Technical reserves

(1) Breakdown

	INSURANCE		PENSION PLAN		TOTAL	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016
PMBAC and PMBC	-	-	11,911,831	8,628,606	11,911,831	8,628,606
PPNG	136,794	117,601	-	-	136,794	117,601
PSL	18,625	20,940	-	-	18,625	20,940
DPVAT Agreement	164,803	139,992	-	-	164,803	139,992
IBNR	3,307	1,483	-	-	3,307	1,483
Complementary reserve – Note 12(d)	18,929	16,675	18,503	17,256	37,432	33,931
PCC	18,929	16,675	165	190	19,094	16,865
PDR	-	-	18,338	17,066	18,338	17,066
Total	**342,458**	**296,691**	**11,930,334**	**8,645,862**	**12,272,792**	**8,942,553**

(2) Coverage

	12.31.2017	12.31.2016
Funds guaranteeing technical reserves of insurance and pension plan - Note 12(b)	12,330,311	8,978,208
Technical reserves – Note 12(c-I(1))	(12,272,792)	(8,942,553)
Coverage surplus (shortage)	**57,519**	**35,655**

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

	01.01. to 12.31.2017	01.01. to 12.31.2016
Balance at the beginning of the period	**8,645,862**	**6,308,275**
Contributions	1,219,868	743,506
Accepted transfers, net	1,717,435	1,150,653
Redemptions	(671,165)	(551,174)
Benefits paid	(487)	(260)
Financial adjustment	1,017,575	984,444
Change in reserves	1,246	10,418
PCC and PDR – Note 12(d)	1,246	10,473
Other	-	(55)
Balance at the end of the period	**11,930,334**	**8,645,862**

(4) Change in the mathematical reserve for insurance

	01.01. to 12.31.2017					
		CLAIMS				
	PPNG	PSL, IBNR and PDR	PSL and PDR judicial	SUB TOTAL	PCC – Note 12(d)	TOTAL
Balance at the beginning of the period	**117,601**	**4,477**	**17,945**	**22,422**	**16,675**	**156,698**
Occurred claims	-	10,139	408	10,547	-	10,547
Change in technical reserves - reported	-	10,668	408	11,076	-	11,076
Change in estimate	-	(529)	-	(529)	-	(529)
Change in technical reserves	19,193	-	-	-	2,194	21,387
Paid claims	-	(5,316)	(5,721)	(11,037)	-	(11,037)
Inflation adjustment	-	-	-	-	60	60
Balance at the end of the period	**136,794**	**9,300**	**12,632**	**21,932**	**18,929**	**177,655**

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

I - Breakdown

	12.31.2017	12.31.2016
Assets – Current – Reinsurance assets – Note 12(a-II)	**6,768**	**6,189**
Liabilities – Note 12(c-I(1))	**(37,432)**	**(33,931)**
Technical reserves – Insurance – Personal – Note 12(c-I(4))	(18,929)	(16,675)
Technical reserves – Private Pension – PGBL – Note 12(c-I(1))	(18,503)	(17,256)
Complementary Coverage Reserve (PCC) and Reserve for Related Expenses (PDR) - Net	**(30,664)**	**(27,742)**

II – Effects on income

	2017	2016
Reinsurance assets – Note 12(a-II)	579	6,189
Insurance operations – Note 12(c-I(4))	(2,194)	(11,809)
Change in private pension – Note 12(c-I(3))	(1,246)	(10,473)
Complementary Coverage Reserve (PCC) and Reserve for Related Expenses (PDR) - Net – Note 14(g)	**(2,861)**	**(16,093)**

e) Income from insurance and private pension plan operations

	2017	2016
Income from financial intermediation	21,698	27,593
Finance income from insurance and private pension operations – Note 14(a)	1,040,507	1,013,274
Finance expenses from insurance and private pension operations – Note 14(b) [1]	(1,018,809)	(985,681)
Income from insurance, reinsurance and private pension operations – Note 14(g)	240,214	252,378
Income from private pension fund management services – Note 10(c)	24,383	73,780
Total	**286,295**	**353,751**

[1] Substantially represented by the mathematical adjustment of insurance.

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 account balances. The reserve for outstanding claims gross of reinsurance is comprised as follows:
Reserve for outstanding claims: R$ 42,580
(-)DPVAT Operations: R$ 24,264
Reserve for outstanding claims, gross of reinsurance: R$ 18,316

Estimates of claims	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
In the reporting year	4,759	5,566	6,885	6,296	5,510	10,268	18,075	4,677	4,486	8,435	
One year later	4,323	4,978	6,829	5,351	3,840	8,569	17,637	4,829	4,507	-	
Two years later	4,220	3,498	5,924	5,292	3,843	8,907	20,017	4,881	-	-	
Three years later	4,216	3,735	5,939	5,317	3,834	12,729	19,820	-	-	-	
Four years later	4,216	3,570	5,926	5,181	3,996	12,381	-	-	-	-	
Five years later	4,216	3,565	5,827	5,491	4,008	-	-	-	-	-	
Six years later	4,379	3,484	6,819	5,478	-	-	-	-	-	-	
Seven years later	4,378	3,553	6,581	-	-	-	-	-	-	-	
Eight years later	4,398	3,558	-	-	-	-	-	-	-	-	
Nine years later	4,404	-	-	-	-	-	-	-	-	-	
Estimate at 12.31.2017	**4,404**	**3,558**	**6,581**	**5,478**	**4,008**	**12,381**	**19,820**	**4,881**	**4,507**	**8,435**	**74,053**
Payment of claims											
In the reporting year	3,130	1,775	3,872	3,291	1,917	4,999	13,990	1,917	3,289	4,193	
One year later	4,012	2,472	5,095	4,552	3,640	7,152	16,976	4,056	4,212	-	
Two years later	4,016	3,145	5,483	4,595	3,674	7,172	19,687	4,081	-	-	
Three years later	4,016	3,391	5,508	4,795	3,737	9,059	19,757	-	-	-	
Four years later	4,016	3,393	5,509	4,890	3,840	12,067	-	-	-	-	
Five years later	4,017	3,394	5,803	5,409	3,840	-	-	-	-	-	
Six years later	4,312	3,395	6,097	5,409	-	-	-	-	-	-	
Seven years later	4,312	3,418	6,097	-	-	-	-	-	-	-	
Eight years later	4,312	3,421	-	-	-	-	-	-	-	-	
Nine years later	4,312	-	-	-	-	-	-	-	-	-	
Payment at 12.31.2017	**4,312**	**3,421**	**6,097**	**5,409**	**3,840**	**12,067**	**19,757**	**4,081**	**4,212**	**4,193**	**67,389**
Reserve for outstanding claims at 12.31.2017	**92**	**137**	**484**	**69**	**168**	**314**	**63**	**800**	**295**	**4,242**	**6,664**
				Liabilities of claims prior to 2008							**11,652**
				Total Liabilities at 12.31.2017							**18,316**
Differences between final and initial estimates	355	2,008	304	818	1,502	(2,113)	(1,745)	(204)	(21)	0	
Differences between final and initial estimates (%)	8%	56%	5%	15%	37%	-17%	-9%	-4%	0%	0%	

The reserve for outstanding claims net of reinsurance comprise the following:
Reserve for outstanding claims: R$ 18,316
(-)Recovery of outstanding claims: R$ 6,798
Reserve for outstanding claims: R$ 11,518

Estimates of claims	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
In the reporting year	1,279	1,650	2,344	2,462	2,009	2,823	2,268	1,918	3,274	4,622	
One year later	1,175	1,531	2,344	2,046	1,577	2,049	1,892	2,967	1,865	-	
Two years later	1,155	1,346	2,067	2,024	1,536	2,085	7,848	2,990	-	-	
Three years later	1,151	1,480	2,056	2,049	1,534	1,980	7,730	-	-	-	
Four years later	1,152	1,405	2,046	2,030	1,390	1,963	-	-	-	-	
Five years later	1,151	1,400	1,950	2,137	1,396	-	-	-	-	-	
Six years later	1,211	1,499	2,416	2,123	-	-	-	-	-	-	
Seven years later	1,210	1,509	2,402	-	-	-	-	-	-	-	
Eight years later	1,282	1,514	-	-	-	-	-	-	-	-	
Nine years later	1,289	-	-	-	-	-	-	-	-	-	
Estimate at 12.31.2017	**1,289**	**1,514**	**2,402**	**2,123**	**1,396**	**1,963**	**7,730**	**2,990**	**1,865**	**4,622**	**27,894**
Payment of claims											
In the reporting year	1,008	913	1,426	1,108	846	1,211	1,452	1,328	2,860	2,433	
One year later	1,121	1,181	1,819	1,534	1,395	44	2,582	2,727	1,759	-	
Two years later	1,125	1,261	1,924	1,571	1,305	1,074	7,596	2,752	-	-	
Three years later	1,125	1,365	1,948	1,689	1,182	1,637	7,667	-	-	-	
Four years later	1,125	1,367	1,918	1,578	1,307	1,800	-	-	-	-	
Five years later	1,125	1,364	2,201	2,064	1,307	-	-	-	-	-	
Six years later	1,421	1,358	2,346	2,064	-	-	-	-	-	-	
Seven years later	1,420	1,375	2,346	-	-	-	-	-	-	-	
Eight years later	1,196	1,377	-	-	-	-	-	-	-	-	
Nine years later	1,196	-	-	-	-	-	-	-	-	-	
Payment at 12.31.2017	**1,196**	**1,377**	**2,346**	**2,064**	**1,307**	**1,800**	**7,667**	**2,752**	**1,759**	**2,433**	**24,701**
Reserve for outstanding claims at 12.31.2017	**93**	**137**	**56**	**59**	**89**	**163**	**63**	**238**	**106**	**2,189**	**3,193**
				Liabilities of claims prior to 2008							**8,325**
				Total Liabilities at 12.31.2017							**11,518**
Differences between final and initial estimates	(10)	136	(58)	339	613	860	(5,462)	(1,072)	1,409	-	
Differences between final and initial estimates (%)	-1%	9%	-2%	16%	44%	44%	-71%	-36%	76%	0%	

13 OTHER FINANCIAL ASSETS AND LIABILITIES

	12.31.2017		12.31.2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange portfolio – Note 13(a)	1,146,563	1,148,365	1,988,735	2,054,699
Negotiation and intermediation of securities – Note 13(b)	401,248	594,266	532,122	569,620
Interbank and interdepartmental accounts	57	283,671	634	250,485
Other	819,577	963,389	103,594	439,930
Losses on guarantees and sureties – Nota 9(h)	-	180,244	-	242,269
Income receivable – Commission on funds and guarantees and sureties	47,038	-	33,459	-
Amounts receivable/(payable) – Acquirer [1]	669,758	526,395	-	-
Amounts receivable/(payable)	513,155	526,395	-	-
Advance on receivables to merchants and other	156,603	-	-	-
Receivables from insurance and reinsurance operations - Note 12(a)	100,938	-	66,817	-
Credit card administration obligations	-	198,974	-	154,181
Other	1,843	57,776	3,318	43,480
Total	**2,367,445**	**2,989,691**	**2,625,085**	**3,314,734**

[1] Refer to the acquiring market operations – "Safra Pay" started-up in 2017.

a) Foreign exchange portfolio

	12.31.2017		12.31.2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange purchases pending settlement (M.E.) and payables for foreign exchange purchase (M.N.)	786,436	787,636	991,735	1,051,509
Foreign exchange gains and losses [1]	(1,200)	-	(59,627)	-
Interbank for ready settlement	774,140	774,140	978,010	978,010
Other	13,496	13,496	73,352	73,499
Receivables for exchange sales (M.N.) and foreign exchange sales pending settlement (M.E.)	360,127	360,729	997,000	1,003,190
Foreign exchange gains and losses	-	(194)	-	(1,336)
Interbank for ready settlement	165,395	165,395	977,810	977,810
(-)Advances received	(4,412)	-	(11,794)	-
Other	199,144	195,528	30,984	26,716
Total	**1,146,563**	**1,148,365**	**1,988,735**	**2,054,699**

[1] The foreign exchange gains and losses on advance on foreign exchange contracts amount to R$ 38,549 (R$ 7,591 as at 12.31.2016) and were shown in the line item Credit operations – At amortized cost – Note 9(a-I).

b) Negotiation and intermediation of securities

	12.31.2017	12.31.2016
ASSETS	**401,248**	**532,122**
Debtors pending settlement [1]	119,402	129,677
Cash from registry and settlement [1]	226,993	87,004
Margin of derivatives abroad	39,108	300,582
Financial assets and commodities pending settlement	15,745	14,859
LIABILITIES	**594,266**	**569,620**
Creditors pending settlement [1]	421,929	117,585
Cash from registry and settlement [1]	160,635	55,095
Financial assets and commodities pending settlement	11,646	396,605
Other	56	335

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

14 INCOME, EXPENSES AND PROFIT OR LOSS

a) Interest income

	2017	2016
Credit operations	6,801,231	6,785,333
At amortized cost	3,486,954	3,492,383
At fair value on initial recognition	3,314,277	3,292,950
Interbank investments	5,252,924	4,935,119
Open market investments	5,074,282	4,681,630
Own portfolio	749,398	1,182,030
Third party portfolio	3,182,039	1,769,099
Short position	1,142,845	1,730,501
Interbank deposits	166,275	247,963
Investments abroad	12,367	5,526
Central Bank compulsory deposits – Note 7	261,329	229,545
Financial assets	4,374,616	6,241,833
Held for trading	2,324,925	3,952,876
Available for sale – Note 8(a-IV)	1,009,184	1,275,683
Funds guaranteeing technical reserves of insurance and private pension – Note 12(e)	1,040,507	1,013,274
Other investment income	12,553	13,962
Total	**16,702,653**	**18,205,792**

b) Interest expenses

	2017	2016
Funds obtained in the market	(10,767,121)	(12,449,245)
Deposits	(740,950)	(581,429)
Own securities – Open market	(1,267,075)	(2,168,818)
Open market funding	(5,166,304)	(5,818,814)
Own portfolio	(1,348,720)	(2,104,290)
Third party's portfolio	(2,780,476)	(1,700,518)
Unrestricted obligations	(1,037,108)	(2,014,006)
Funds from acceptance and issue of securities	(2,763,007)	(2,856,009)
Funds from financial bills, bills of credit and similar notes – Note 10(a-III(2-a))	(2,726,610)	(2,741,249)
Liabilities for marketable securities issued abroad - Note 10(a-III(2-b))	(36,397)	(114,760)
Subordinated debt – Nota 10(a-V(3))	(361,622)	(500,569)
Structured funding – Fixed income structured transactions – Note 8(b-I(1))	(468,163)	(523,606)
Borrowings and onlending	(555,229)	(501,031)
Borrowings abroad	(138,327)	(125,409)
Domestic onlending	(398,166)	(315,891)
Other borrowings	(18,736)	(59,731)
Finance expenses from insurance and private pension operations - Note 12(e)	(1,018,809)	(985,681)
Other finance expenses – Note 15(c)	(144,047)	(107,146)
Total	**(12,485,206)**	**(14,043,103)**

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

	2017	2016
Financial liabilities designated at fair value	(527,656)	(541,362)
Financial liabilities at amortized cost	(11,957,550)	(13,501,741)
Total	**(12,485,206)**	**(14,043,103)**

c) Net revenue from financial assets held for trading and obligations related to unrestricted securities

	2017	2016
Unrealized gain on fair value adjustment with securities held for trading – Note 8(c)	(96,678)	720,269
Unrealized gain on obligations related to unrestricted securities – Note 8(c)	184,988	(739,450)
Profit (loss) on the sale	(39,191)	265,388
Total	**49,119**	**246,207**

d) Net revenue from assets and liabilities designated at fair value on initial recognition – Notes 8(c) e 11(b)

	2017	2016
Assets and Liabilities – Fixed-income portfolio, net (market risk)	93,425	389,057
Liabilities for marketable securities abroad	(246)	930
Time deposits – Structured CD	1,285	5,302
Subordinated debt	3,950	16,492
Total	**98,414**	**411,781**

e) Net revenue from derivative financial instruments

	2017	2016
Subtotal - Derivatives	(104,264)	421,579
Swap	119,392	446,002
Futures	(152,809)	168,313
Foreign exchange gains and losses	(15,618)	(53,994)
Investments abroad	106,822	(452,958)
Transactions	(122,440)	398,964
Other	(55,229)	(138,742)
Subtotal – Realized and unrealized income	(65,914)	(103,511)
Unrealized fair value adjustment – Note 8(c)	14,517	(46,238)
Unrealized fair value adjustment of future operations	(74,833)	(92,531)
Other fair value adjustments	(5,598)	1,641
Realized profit/loss of derivatives	-	33,617
Total	**(170,178)**	**318,068**

f) Revenue from fees and commissions

	2017	2016
Revenue from services	**1,531,449**	**1,369,110**
Investment fund management and custody services – Note 10(c)	845,846	690,703
Portfolio brokerage, custody and management	169,233	134,459
Income from portfolio custody and management services	29,408	21,394
Income from securities placement	90,088	73,820
Stock brokerage fees	49,737	39,245
Collections	91,326	89,377
Guarantees provided – Note 9(h)	346,731	338,363
Credit card operations	45,433	65,061
Foreign exchange services	30,727	50,174
Other	2,153	973
Revenue from bank fees	**276,202**	**223,428**
Credit operations	44,616	54,298
Charges on Wire Transfer (DOC)/ Direct Electronic Transfer (TED)	12,819	13,577
Packages of services and registrations	174,538	101,735
Other checking account services	44,229	53,818
Total	**1,807,651**	**1,592,538**

g) Income from insurance and private pension operations

	2017	2016
Income from retained premiums, net	277,453	277,017
Premium income – Note 12(a-I(2))	284,106	284,151
Changes in technical reserves	(6,653)	(7,134)
Claims expenses	(4,394)	(36)
Acquisition costs – Note 22(c)	(3,205)	(10,645)
Credit risk – Note 12(a-I(3))	649	721
Reinsurance contingencies – Note 15(c)	(25,913)	-
Change in complementary coverage (PCC) and related expense (PDR) reserves – Note 12(d-II)	(3,658)	(16,139)
Complementary coverage reserve – PCC	(1,591)	(448)
Related expense reserve – PDR	(2,067)	(15,691)
Reinsurance contingencies [1]	(718)	1,460
Total – Note 12(e)	**240,214**	**252,378**

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

15 CONTINGENT ASSETS AND LIABILITIES

a) Contingent assets: These are not recognized in the books.

b) Provisions and contingent liabilities - Contingent liabilities are quantified as follows:

I - Civil lawsuits: are represented mainly 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 customer 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 calculated on a monthly basis at the average historical cost of payments of lawsuits settled in the last 12 months, also considering the average fees paid in the same period and claims settled with favorable outcome. This average cost is 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 evaluated individually by 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 recalculated on an annual basis. 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 12.31.2017					01.01. to 12.31.2016
	Civil	**Labor**	**Tax and social security contingent liabilities and legal obligations [4]**	**Other**	**Total**	**Total**
Opening balance at 01.01.2017 [1]	**388,359**	**338,356**	**438,129**	**77,721**	**1,242,565**	**1,224,238**
Adjustment/Charges [2]	26,592	26,014	23,218	20,067	95,891	66,030
Changes in the period reflected in profit or loss [3]	72,985	216,937	(59,807)	25,913	256,028	338,213
Increase / (Reversal)	82,262	220,018	23,270	25,913	351,463	460,723
Reversal due to favorable decision	(9,277)	(3,081)	(83,077)	-	(95,435)	(122,510)
Payments	(69,004)	(134,190)	(42,216)	-	(245,410)	(386,695)
Other changes	-	-	723	1,097	1,820	779
Closing balance at 12.31.2017 [1]	**418,932**	**447,117**	**360,047**	**124,798**	**1,350,894**	**1,242,565**
Deposits in guarantee of appeals [5]	41,050	89,819	35,103	-	165,972	
Marketable securities in guarantee [6]	-	74,566	-	-	74,566	
Total amounts guaranteed at 12.31.2017	**41,050**	**164,385**	**35,103**	**-**	**240,538**	
Deposits in guarantee of appeals [5]	40,502	54,990	35,039	-	130,531	
Marketable securities in guarantee [6]	1,752	95,768	-	-	97,520	
Total amounts guaranteed at 12.31.2016	**42,254**	**150,758**	**35,039**	**-**	**228,051**	

[1] Note15(c). [2] Recorded in Interest Expenses – Note 14(b). [3] Tax and social security contingent liabilities and legal obligations are recorded in Other operating income (expenses) and Other contingencies are recorded in "Insurance, reinsurance and private pension operations" – Note 14(g). [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 of R$ 27,050 (R$ 44,815 as at 12.31.2016), Accident prevention factor (FAP) – Dispute over the legality of the FAP, in the amount of R$ 37,465 (R$ 34,927 as at 12.31.2016) and on non-remuneration amounts related to taxable events in the period from 2009 to 2016 of R$ 6,818 (R$ 84,131 as at 12.31.2016); (ii) Services Tax (ISS) on banking activities - a number of tax assessment notices and proceedings related to the tax levied on revenues from banking activities, which should not be mistaken for the price for services rendered, amounting to R$ 60,412 (R$ 58,884 as at 12.31.2016); and (iii) Deductibility of the loan portfolio in the amount of R$ 45,697 (R$ 42,672 as at 12.31.2016). Adherence to the PERT – Note 15(d). [5] Note 16(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$ 52,333 (R$ 22,241 as at 12.31.2016). There is no labor contingent liability classified as possible loss.

d) Adherence to the Special Tax Regularization Program (PERT):

In October 2017, Safra decided to adhere to the Special Tax Regularization Program (PERT), established by Law 13,496, of October 24, 2017. The total amount of debits related to the programs was R$ (69,055) on the adherence date, of which R$ (26,001) was financially settled in the period, and the remaining balance, adjusted as at December 31, 2017, amounts to R$ (43,776) and is recorded in "Tax and social security obligations". The effect on income was R$ (57,720) – Note 15(c). The debits included in the PERT refer to the following : (i) IRRF on benchmark premium, (ii) contingency of payroll charges on non-remuneration amounts; and (iii) IRPJ – limit to the offset of tax loss.

16 OTHER ASSET AND LIABILITY AND INCOME ACCOUNTS

a) Other assets

	12.31.2017	12.31.2016
Debtors for deposits in guarantee of contingent liabilities	276,578	238,767
Tax and social security contingent liabilities and legal obligations [1]	145,709	143,275
Civil, labor - Note 15(c)	130,869	95,492
Other	70,065	26,666
Total	**346,643**	**265,433**

[1] Amounts linked to the provision for contingent liabilities are disclosed in Note 15(c).

b) Other liabilities

	12.31.2017	12.31.2016
Provision for payables	466,784	349,775
Liabilities transactions to be processed	36,478	43,900
Deferred income	40,508	42,910
Social and statutory	16,219	14,871
Other	40,610	61,963
Total	**600,599**	**513,419**

c) Personnel expenses

	2017	2016
Remuneration and profit sharing	(1,368,605)	(1,141,345)
Benefits	(127,882)	(110,979)
Payroll charges	(314,901)	(281,169)
Sub-total	**(1,811,388)**	**(1,533,493)**
Employee termination	(41,371)	(36,475)
Information security	(184,995)	(83,791)
Sub total	**(226,366)**	**(120,266)**
Total	**(2,037,754)**	**(1,653,759)**

d) Administrative expenses

	2017	2016
Facilities and Rent – Note 22(c)	(177,314)	(161,110)
Depreciation and amortization - Note 18(b)	(66,636)	(51,614)
Data processing and telecommunications	(93,334)	(66,541)
Legal and notary fees	(126,390)	(105,520)
Third-party services	(59,813)	(53,609)
Travel	(64,936)	(60,950)
Financial system services	(74,240)	(66,887)
Surveillance, security and transport services	(49,267)	(44,146)
Publicity and advertising	(30,270)	(16,729)
Other	(33,000)	(35,362)
Total	**(775,200)**	**(662,468)**

17 TAXES

a) Breakdown of income tax and social contribution expenses

I. Reconciliation of income tax and social contribution expenses

	2017	2016
Profit before income tax and social contribution	**2,663,654**	**2,483,334**
Charges (income tax and social contribution) at standard rates - Note 3(r)	(1,198,644)	(1,117,500)
Permanent (additions) deductions	**475,112**	**235,235**
Effect of foreign exchange gains (losses) on investments abroad	17,104	(203,831)
Interest on capital paid	294,812	302,538
Non -deductible expenses, net of non-taxable income	21,101	46,417
Deferred tax asset not recognized in the period/recognition in prior periods and other	142,095	90,111
Income tax and social contribution for the year – Note 21(b-III(2))	**(723,532)**	**(882,265)**

II. Tax expenses of operations

	2017	2016
PIS / COFINS	(351,223)	(386,759)
Service tax (ISS)	(79,757)	(70,433)
Total	**(430,980)**	**(457,192)**

b) Deferred taxes

I. Deferred tax assets:

	At 01.01.2017	Increase/ Reversal	Realization	At 12.31.2017
Provision for contingent liabilities	440,341	151,238	(111,924)	479,655
Civil	155,172	43,207	(32,733)	165,646
Labor	135,317	101,127	(57,644)	178,800
Tax	128,812	(10,393)	(21,547)	96,872
Other	21,040	17,297	-	38,337
Impairment of credit operations - amortized cost , fair value and guarantee and sureties	1,397,465	219,102	(324,731)	1,291,836
Other	149,141	20,992	(15,937)	154,196
Total deferred tax assets for temporary differences	**1,986,947**	**391,332**	**(452,592)**	**1,925,687**
Income tax and social contribution loss carryforwards	43,870	(5,074)	-	38,796
Total deferred tax assets at 12.31.2017	**2,030,817**	**386,258**	**(452,592)**	**1,964,483**
Total deferred tax assets at 12.31.2016	**1,862,883**	**914,924**	**(746,990)**	**2,030,817**

II. Deferred tax liabilities

	At 01.01.2017	Increase	At 12.31.2017
Excess depreciation	188,988	15,835	204,823
Fair value adjustment	38,488	36,823	75,311
Fair value hedge of available-for-sale securities – Eurobond	(2,101)	(8,839)	(10,940)
Financial assets and liabilities designated on initial recognition	6,609	12,101	18,710
Trading securities and derivative financial instruments	33,980	33,561	67,541
Adjustment of judicial deposits	17,728	978	18,706
Other	2,275	(367)	1,908
Total	**247,479**	**53,269**	**300,748**

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

	Deferred tax assets				
Realization year	**Temporary differences**	**Income tax and social contribution losses**	**Total**	**Provision for deferred taxes and contributions**	**Net deferred taxes**
2018	611,028	29,117	640,145	(89,475)	550,670
2019	854,572	9,679	864,251	(36,818)	827,433
2020	155,926	-	155,926	(34,172)	121,754
2021	156,633	-	156,633	(19,055)	137,578
2022	78,861	-	78,861	(20,250)	58,611
2023 to 2027	68,667	-	68,667	(100,978)	(32,311)
Total	**1,925,687**	**38,796**	**1,964,483**	**(300,748)**	**1,663,735**
Present value [1]	**1,763,197**	**36,913**	**1,800,110**	**(260,965)**	**1,539,145**

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

IV. Current tax assets and liabilities

	12.31.2017	12.31.2016
Total current tax assets – Taxes and contributions for offset	**272,736**	**84,515**
Total current tax liabilities	**421,646**	**358,540**
Taxes and contributions on profit payable	271,910	233,092
Taxes and contributions to be collected	149,736	125,448

18 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown

	12.31.2017			12.31.2016		
	Cost	Accumulated depreciation/ amortization	Property and equipment, net	Cost	Accumulated depreciation/ amortization	Property and equipment, net
Property and equipment	**374,686**	**(121,493)**	**253,193**	**310,394**	**(115,771)**	**194,623**
Facilities, furniture and equipment in use	164,671	(35,499)	129,172	127,321	(35,281)	92,040
IT and data processing equipment	103,298	(57,191)	46,107	97,012	(59,416)	37,596
Property and equipment in progress	8,497	-	8,497	14,030	-	14,030
Transportation system	65,721	(23,843)	41,878	61,503	(17,584)	43,919
Other	32,499	(4,960)	27,539	10,528	(3,490)	7,038
Intangible assets - Software	**213,729**	**(79,772)**	**133,957**	**161,782**	**(67,966)**	**93,816**

b) Changes

	Property and equipment		Intangible assets	
	2017	2016	2017	2016
Balance at the beginning of the period	**194,623**	**152,258**	**93,816**	**56,397**
Acquisitions	90,612	69,203	77,891	65,255
Disposals	(1,896)	(1,124)	-	-
Foreign exchange gains and losses and transfers	(1,080)	(2,047)	(180)	111
Depreciation / amortization expenses – Note 16(d)	(29,066)	(23,667)	(37,570)	(27,947)
Balance at the end of the period	**253,193**	**194,623**	**133,957**	**93,816**

19 EQUITY

a) Shares

The capital of Banco Safra S.A. is represented by 15,301 (15,301 as at 12.31.2016) registered shares, with no par value, out of which 7,651 (7,651 as at 12.31.2016) are common shares and 7,650 (7,650 as at 12.31.2016) are preferred – Note 22(b).

b) Dividends and Interest on Capital

The stockholders are entitled to annual mandatory minimum dividend, as provided in the Bylaws, equivalent to 1%, and 2% of the capital corresponding to common and preferred shares, respectively. In Meetings of the Executive Management and Board of Directors, it was resolved to distribute dividends and interest on capital, as follows:

	Dividends [1] and Interest on capital[2]	Withholding income tax	Net value
Approved [3]	**1,666,230**	**(98,271)**	**1,567,959**
At 03.16.2017 [1]	400,000	-	400,000
At 06.29.2017 [2]	337,005	(50,551)	286,454
At 10.31.2017 [1]	196,064	-	196,064
At 11.14.2017 [2]	212,089	(31,813)	180,276
At 11.30.2017 [1]	45,015	-	45,015
At 12.21.2017 [2]	106,044	(15,907)	90,137
At 12.21.2017 [1]	370,013	-	370,013

[3] Paid on period.

c) Reserves

I. Realized reserves

	12.31.2017	12.31.2016
Revenue reserves	**1,086,001**	**837,650**
Legal	195,820	100,091
Special [1]	890,181	737,559

[1] Reserve recognized aiming to promote the formation of resources for future incorporation of these funds into 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

Refers 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.

d) Changes in the carrying value adjustment of the available-for-sale financial assets:

	01.01. to 12.31.2017	01.01. to 12.31.2016
Balance at the beginning of the period	**17,663**	**(21,031)**
Adjustments from changes in fair value	12,492	38,694
Held-for-sale securities - Note 8(a-I(4))	24,593	59,618
Change in the period at fair value	112,887	77,768
Profit on sale of securities – Note 8(a-I(4))	(88,294)	(18,150)
Deferred taxes	(12,101)	(20,924)
Balance at the end of the period	**30,155**	**17,663**
Gross amount – Note 8(a-I(1))	48,865	24,272
Deferred taxes – Note 17(b-I)	(18,710)	(6,609)

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; • Consumer financing; • Insurance, asset, investment bank and others; and • Corporation.

The Commercial Bank segment comprises the funding of the branches network, credit operations, lease of capital goods 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, Investment Bank 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 by business segments reconciled with accounting information. In this context, the segments' revenues and expenses were allocated considering the same criteria used by the managerial analysis area that reports to the Executive Committee.

	12.31.2017					12.31.2016
	Commercial bank	**Consumer financing**	**Insurance, asset, investment bank and other**	**Corporation**	**Total**	**Total**
NET INTEREST INCOME	2,716,837	590,662	-	909,948	4,217,447	4,162,689
Interest income	13,122,699	1,651,197	1,018,809	909,948	16,702,653	18,205,792
Interest expenses	(10,405,862)	(1,060,535)	(1,018,809)	-	(12,485,206)	(14,043,103)
DIVIDEND INCOME	24,245	-	-	-	24,245	12,876
FINANCIAL INSTRUMENTS, NET [1]	80,517	-	-	-	80,517	513,344
GROSS INTEREST MARGIN	**2,821,599**	**590,662**	**-**	**909,948**	**4,322,209**	**4,688,909**
LOSSES AND ADJUSTMENTS TO RECOVERABLE AMOUNT (NET) FOR CREDIT RISK	(91,274)	(217,105)	-	-	(308,379)	(1,457,484)
NET INTEREST MARGIN AFTER IMPAIRMENT OF FINANCIAL ASSETS	**2,730,325**	**373,557**	**-**	**909,948**	**4,013,830**	**3,231,425**
OTHER OPERATING REVENUE	1,183,397	2,867	970,755	-	2,157,019	1,959,494
Foreign exchange	109,154	-	-	-	109,154	114,578
Fees and commissions	832,783	2,867	972,001	-	1,807,651	1,592,538
Insurance and private pension operations	241,460	-	(1,246)	-	240,214	252,378
TAX EXPENSES OF OPERATIONS [1]	(275,880)	(27,725)	(88,027)	(42,313)	(433,945)	(417,027)
GROSS PROFIT FROM OPERATIONS	**3,637,842**	**348,699**	**882,728**	**867,635**	**5,736,904**	**4,773,892**
OTHER OPERATING INCOME (EXPENSES)	(1,862,325)	(239,449)	(576,938)	(367,183)	(3,045,895)	(2,661,113)
Administrative expenses [2]	(1,652,093)	(221,241)	(572,437)	(367,183)	(2,812,954)	(2,316,227)
Other operating income (expenses)	(210,232)	(18,208)	(4,501)	-	(232,941)	(344,886)
PROFIT BEFORE TAXES	**1,775,517**	**109,250**	**305,790**	**500,452**	**2,691,009**	**2,112,779**
Income tax and social contribution [1]	(439,210)	(37,194)	(104,106)	(170,377)	(750,887)	(511,710)
PROFIT for 2017	**1,336,307**	**72,056**	**201,684**	**330,075**	**1,940,122**	**1,601,069**
TOTAL ASSETS at 12.31.2017	**124,214,530**	**13,873,516**	**12,600,549**	**10,715,134**	**161,403,729**	**155,785,520**
PROFIT for 2016	**808,805**	**27,583**	**270,734**	**493,947**	**1,601,069**	
TOTAL ASSETS at 12.31.2016	**126,333,364**	**9,942,205**	**9,083,038**	**10,428,750**	**155,787,357**	

[1] Adjusted by the effect of the hedge of investment abroad in view of the hedge management model – Note 21(b-III(2)). [2] Includes personnel expenses.

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

21 RISK MANAGEMENT

Banco Safra has a set of rules and procedures to ensure compliance with legal and regulatory provisions, best market practices, and its internal policies. Banco Safra concentrates its structure responsible for managing market and liquidity risk on the Corporate Risk Executive Board and its credit risk management on the Credit Analysis Department, thereby establishing the basis for compliance with the prevailing regulations.

a) Credit risk

Banco Safra is exposed to credit risk, which is the risk of a counterparty causing a financial loss by failing to meet an obligation. Significant changes in the economy or in the financial health of a specific segment of the industry that represent a concentration in the portfolios of investment, loans and advances held by Safra can result in losses that differ from those provisioned in the Statement of Financial Position. Therefore, Safra carefully controls the exposure to credit risk.

Exposures to this type of risk mainly arise from direct credit operations, indirect credit operations (onlending by financial agents), debentures, financial investments, and transactions with derivatives and other securities. There is also the credit risk in connection with financial agreements not recorded in the Statement of Financial Position, such as loan commitments or pledging of collaterals, sureties and guarantees.

The Credit Risk Management Committee concentrates the Credit Risk governance to ensure an overview of the entire credit life cycle. In order to ensure the necessary independence for its operation, this committee is comprised of executive officers and executive superintendents responsible for Corporate Risk Management, Credit Analysis, Policies, Portfolio Modeling and Management, Monitoring, Collection and Validation. Depending on the nature of the issue, the Committee may submit it to the Board of Directors.

I. Credit risk measurement

– Credit operations and other financial assets with credit characteristic

When measuring the credit risk of credit operations, Safra rates the risk of operations, based on internal models. For the credit decision process, Safra seeks to obtain the largest volume of information on the customer and its business, as well as to know its legal capacity and the compliance with obligations through an evaluation of the sufficiency of generation of funds, capital structure and liquidity. This information, aligned with the compliance with criteria and credit policies, is used as a basis for making the final decision.

As from the release of the operation, the credit risk starts to exist and, therefore, Safra has the policy of adopting a continuous monitoring policy to ensure the return on funds and the maintenance of the profitability of each operation, with the consequent retention of customers in their respective segments.

This phase of monitoring the customers' status and the operations' guarantees ensures the portfolio quality, which is periodically monitored, assessing the credit evolution and quality, the concentration levels, the default rates and the management of the allowance and capital levels.

The operations are individually rated in relation to risk. The rating of the operation takes into account the customer score, comprising market information and conduct with the bank, and the risk coverage according to the guarantees.

Rating tools are maintained in analysis and updated when necessary. Safra regularly validates the rating performance in relation to default events.

These credit risk measurements, which reflect loss expectations, are incorporated into the operational management. Operational measurements can be compared with the provision for impairment losses, which is based on losses that have been incurred at the end of reporting period ("incurred loss model"), as mentioned in item 3(h-I).

The exposure to default is based on the amounts that could be owed to Safra in the moment of default. For example, in the case of a credit operation, it is the face value, where all amounts withdrawn are included.

– 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 are no limits for repurchase agreements with government securities and specific limits are set for securities of other countries.

II. Control of risk limits and mitigation policies

Safra manages, limits and controls the concentration of credit risk in counterparties, as well as analyzes the economic and financial position of such customer and/or economic groups. Safra structures the risk levels it assumes, setting limits on the acceptable risk extent related to 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 a regular analysis of borrowers and actual and potential advances, as regards principal and interest payments and change of limits when appropriate.

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

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

Other specific control and mitigation measures are described below:

– Guarantees

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

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

In order to make a guarantee an effective credit risk reduction factor, Safra has to ensure that all guarantees required upon the approvals are correctly analyzed and formalized so as to minimize the credit risks.

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 the event of execution.

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 reanalyzes the real state offered in guarantee;
- Other cases, such as machinery - are evaluated when the transaction is closed, or when there is indication of impairment of the customer or operation.

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

– Derivatives

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

– Credit commitments (off balance)

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

III. Impairment loss policies

Provisions for impairment losses are recognized for purposes of preparation of the financial reports only for losses that have been incurred at the end of reporting period based on objective evidence of impairment losses.

To set up a provision for impairment losses, Safra uses criteria that combine the customer's economic and financial information with the accessory guarantees and the late payment observed in operations. The weighing of these items establishes the minimum provision for impairment losses required to cover the risks assumed.

The operating policy requires the frequent review of the individual financial assets. Provisions for impairment losses on individually assessed accounts are determined through a case-by-case assessment of the losses incurred at the end of reporting period. This assessment normally includes the guarantees (including reconfirmation of the enforceability) and the advance receipts.

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	12.31.2017	12.31.2016
Interbank investments	37,080,005	46,845,561
Central Bank compulsory deposits	4,442,980	2,503,007
Financial assets	54,721,782	48,947,579
Marketable securities	42,494,888	40,027,379
Held for trading	31,338,568	29,676,649
Available for sale	11,156,320	10,350,730
Funds guaranteeing technical reserves of insurance and private pension	12,226,894	8,920,200
Derivative financial instruments	504,266	710,359
Subtotal	**96,749,033**	**99,006,506**
Credit operations	58,781,187	51,018,430
At amortized cost	31,984,059	32,017,329
At fair value on initial recognition	26,797,128	19,001,101
Credit commitments (off balance)	36,708,570	32,176,432
Guarantees, sureties and other guarantees provided	19,133,903	17,541,704
Granted limits	17,574,667	14,634,728
Subtotal	**95,489,757**	**83,194,862**
Total	**192,238,790**	**182,201,368**

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(h-I).

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

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

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

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 12.31.2017 and 12.31.2016, based on internal rating models.

	12.31.2017				12.31.2016			
	Risks				Risks			
	Low	Medium	High[1]	Total	Low	Medium	High[1]	Total
Interbank investments	37,057,310	22,695	-	37,080,005	46,599,242	-	246,319	46,845,561
Central Bank compulsory deposits	4,442,980	-	-	4,442,980	2,503,007	-	-	2,503,007
Financial assets	54,477,551	-	244,231	54,721,782	46,220,149	2,178,227	549,203	48,947,579
Marketable securities	42,250,657	-	244,231	42,494,888	37,299,949	2,178,227	549,203	40,027,379
Held for trading	31,338,568	-	-	31,338,568	28,438,645	1,238,004	-	29,676,649
Available for sale	10,912,089	-	244,231	11,156,320	8,861,304	940,223	549,203	10,350,730
Funds guaranteeing technical reserves of insurance and private pension	12,226,894	-	-	12,226,894	8,920,200	-	-	8,920,200
Derivative financial instruments	504,266	-	-	504,266	710,359	-	-	710,359
Total	**96,482,107**	**22,695**	**244,231**	**96,749,033**	**96,032,757**	**2,178,227**	**795,522**	**99,006,506**

[1] In the portfolios rated as "High Risk" there are no impaired financial instruments.

– Credit operations

At fair value on initial recognition. The quality of the credit operations designated at fair value on initial recognition is as follows.

Risk	12.31.2017	12.31.2016
Low (AA and A)	24,112,855	16,813,554
Medium (B and C)	1,610,159	1,328,937
High (D to H)	1,074,114	858,610
Total	**26,797,128**	**19,001,101**

At amortized cost

Safra classifies as credits past due with evidence of impairment those credits that are over 90 days past due or that show another strong indication of impairment. Credits past due for 90 days or less are classified as past due but without evidence of impairment. The other credits are classified as not past due and without evidence of impairment. The classification of credits based on this criterion is as follows:

Breakdown	12.31.2017	12.31.2016
Not due and without evidence of impairment	32,445,989	32,374,823
Past due but without evidence of impairment	386,680	422,352
Past due with evidence of loss	27,734	95,689
Total	**32,860,403**	**32,892,864**
Impairment loss	(876,344)	(875,535)
Net amount	**31,984,059**	**32,017,329**

[1] All operations classified in this category are 90 days or less past due.

The classification of the quality of Safra's credits not due and without evidence of impairment is as follows.

Risk	12.31.2017	12.31.2016
Low (AA and A)	30,789,058	30,579,853
Medium (B and C)	1,096,258	1,257,166
High (D to H)	560,673	537,804
Total	**32,445,989**	**32,374,823**

The breakdown of the main guarantees of credit operations at 12.31.2017 is as follows:

	12.31.2017		
	Credit portfolio		
	Amortized Cost	**Fair Value**	**Total**
Financial guarantees	3,629,927	3,910,752	7,540,679
Machinery and vehicles	3,169,422	6,786,992	9,956,414
Guarantees and sureties	13,497,041	10,978,119	24,475,160
Other guarantees [1]	2,387,041	1,274,875	3,661,916
Total	**22,683,431**	**22,950,738**	**45,634,169**

[1] Mainly comprising mortgage, chattel mortgage, credit rights, rights or receivables for credit card sales and pledge.

– Credit operations and renegotiated financial instruments.

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

VI. Repossession of guarantees

Properties offered for payment in kind are sold under the terms established by BACEN and the proceeds obtained are used to reduce outstanding debts. The repossessed asset is classified in the statement of financial position in a specific account of non-current assets held for sale.

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

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

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

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

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

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

	12.31.2017	**12.31.2016**
Financial institutions	5,606,284	29,789,528
Governments	83,550,187	102,398,474
Industry and trade	47,093,490	2,225,008
Services	29,512,287	28,601,395
Individuals	21,336,792	13,247,397
Other customers	5,139,750	5,939,566
Total – Note 21 (a-IV)	**192,238,790**	**182,201,368**

b) Market risk

Market risk is the possibility of losses arising from fluctuations in market values of the positions held.

Banco 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 this metrics that is lower than 3% of its regulatory capital. To be able to comply with this regulation, the Bank 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 management, 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, positions 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 means 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 loss limits for the closing treasury exposures.

II. Sensitivity analysis (Trading and Banking portfolios)

Financial instruments are segregated between Trading and Baking 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 set by the risk areas and is controlled on a daily basis.

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.

Trading portfolio 12.31.2017

		Scenarios		
Risk factors	**Risk of variation in:**	**1**	**2**	**3**
Shares	Share price fluctuation	(3,145)	(78,623)	(157,245)
Commodities	Risk of operations subject to price fluctuations	(9)	(222)	(445)
Coupon and currencies	Foreign currency coupon rate and foreign exchange rate variation	(442)	(11,875)	(23,608)
Fixed income	Variation in interest rates denominated in Real	(107)	(21,447)	(41,215)
Options	Foreign currency coupon rate and foreign exchange rate	(140)	(10,016)	(19,883)
	Total without correlation	**(3,843)**	**(122,183)**	**(242,396)**
	Total with correlation	**(2,502)**	**(38,111)**	**(77,907)**

Trading portfolio and Banking as at 12.31.2017

		Scenarios		
Risk factors	**Risk of variation in:**	**1**	**2**	**3**
Shares	Share price fluctuation	(3,145)	(78,623)	(157,245)
Commodities	Risk of operations subject to price fluctuations	(9)	(222)	(445)
Coupon and currencies	Foreign currency coupon rate and foreign exchange rate variation	(1,892)	(54,693)	(109,356)
Fixed income	Variation in interest rates denominated in Real	(1,490)	(254,282)	(494,887)
Options	Foreign currency coupon rate and foreign exchange rate	(140)	(10,016)	(19,883)
	Total without correlation	**(6,676)**	**(397,836)**	**(781,816)**
	Total with correlation	**(24)**	**(216,700)**	**(419,604)**

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 variations based on market information (BM&F Bovespa, Anbima etc.). Example: the Real / Dollar rate used was R$ 3.3368 and the 1 year fixed rate was 6.88% p.a.
- **Scenario 2:** Stress of 25% in the respective curves or prices, based on the market. Example: the Real / Dollar rate used was R$ 4.1298 and the 1 year fixed rate was 8.59% 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$ 4.9557 and the 1 year fixed rate was 10.31% 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 variations. 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	**12.31.2017**			
Assets	**BRL**	**US$**	**Other currencies**	**Total**
Cash	216,742	188,415	129,895	535,052
Interbank investments	35,116,944	1,963,061	-	37,080,005
Central Bank compulsory deposits	4,374,652	-	68,328	4,442,980
Financial assets	52,364,116	2,357,666	-	54,721,782
Marketable securities	40,137,222	2,357,666	-	42,494,888
Held for trading	31,113,637	224,931	-	31,338,568
Available for sale	9,023,585	2,132,735	-	11,156,320
Funds guaranteeing technical reserves of insurance and private pension	12,226,894	-	-	12,226,894
Derivative financial instruments	267,853	229,025	7,388	504,266
Credit operations	47,229,465	11,222,184	329,538	58,781,187
Other financial assets	1,535,146	806,928	25,371	2,367,445
Foreign exchange portfolio	321,579	799,613	25,371	1,146,563
Other	1,213,567	7,315	-	1,220,882
Tax assets	2,236,664	555	-	2,237,219
Other assets	346,621	22	-	346,643
Property and equipment and intangible assets	387,047	103	-	387,150
Total Assets	**144,075,250**	**16,767,959**	**560,520**	**161,403,729**
Long position - Future foreign exchange coupon -Note 8(b-II(1))	14,507,688	9,186,561	-	23,694,249
Futures	685,617	276,651	-	962,268
NDF - Note 8(b-II(1))	300,364	1,027,965	-	1,328,329
Foreign exchange swap	14,157,825	17,438,728	123,196	31,719,749
Off - Balance – Assets	**29,651,494**	**27,929,905**	**123,196**	**57,704,595**
Total Assets at 12.31.2017 (A)	**173,726,744**	**44,697,864**	**683,716**	**219,108,324**
Liabilities	**BRL**	**US$**	**Other**	**Total**
Financial liabilities at amortized cost	107,745,504	14,110,303	241,052	122,096,859
Financial liabilities at fair value on initial recognition	4,658,749	11,638	290,798	4,961,185
Derivative financial instruments	188,450	269,608	11,698	469,756
Insurance and private pension operations	12,304,097	-	-	12,304,097
Subordinated debts	2,447,433	2,745,687	-	5,193,120
Other financial liabilities	2,464,106	520,048	5,537	2,989,691
Foreign exchange portfolio	787,636	360,090	639	1,148,365
Other	1,676,470	159,958	4,898	1,841,326
Provision for contingencies	1,350,894	-	-	1,350,894
Tax liabilities	722,394	-	-	722,394
Other liabilities	600,431	168	-	600,599
Total liabilities	**132,482,058**	**17,657,452**	**549,085**	**150,688,595**
Short position -Future foreign exchange coupon-Note 8(b-II(1))	9,186,561	14,507,688	-	23,694,249
Futures	276,651	639,831	45,786	962,268
NDF- Note 8(b-II(1))	1,027,965	300,364	-	1,328,329
Foreign exchange swap	17,561,924	14,157,825	-	31,719,749
Off-Balance – Liabilities	**28,053,101**	**29,605,708**	**45,786**	**57,704,595**
Total liabilities at 12.31.2017 (B)	**160,535,159**	**47,263,160**	**594,871**	**208,393,190**
Net exposure – Equity (C) = (A) – (B)	**13,191,585**	**(2,565,296)**	**88,845**	**10,715,134**
" Over Hedge" of Investment abroad – Note 21(e-I)	(2,110,111)	2,110,111	-	-
Net position – Long/(Short) at 12.31.2017	**11,081,474**	**(455,185)**	**88,845**	**10,715,134**
Net position – Long/(Short) at 12.31.2016	**10,440,132**	**(1,748)**	**(9,634)**	**10,428,750**

(2) "Over Hedge" of investments abroad

To ensure 100% of the effectiveness of the foreign exchange hedge of investments abroad, Safra contracts an amount sufficiently greater of derivatives in relation to the 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 net revenue, 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:

	2017			2016
	Recorded	**Overhedge adjustment**	**Adjusted balance**	**Adjusted balance**
Net revenue from derivative financial instruments	50,197	30,320	80,517	513,344
GROSS INTEREST MARGIN	**4,291,889**	**30,320**	**4,322,209**	**4,688,909**
NET INTEREST MARGIN AFTER IMPAIRMENT OF FINANCIAL ASSETS	**3,983,510**	**30,320**	**4,013,830**	**3,231,425**
TAX EXPENSES – Note 17(a-II)	(430,980)	(2,965)	(433,945)	(417,027)
GROSS PROFIT FROM OPERATIONS	**5,709,549**	**27,355**	**5,736,904**	**4,773,892**
PROFIT BEFORE TAXES	**2,663,654**	**27,355**	**2,691,009**	**2,112,779**
INCOME TAX AND SOCIAL CONTRIBUTION– Note 17(a-I)	(723,532)	(27,355)	(750,887)	(511,710)
CONSOLIDATED PROFIT FOR THE PERIODS ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,940,122**	**-**	**1,940,122**	**1,601,069**

	2016		
	Recorded	**Overhedge adjustment**	**Adjusted balance**
Net revenue from derivative financial instruments	924,064	(410,720)	513,344
GROSS INTEREST MARGIN	**5,099,629**	**(410,720)**	**4,688,909**
NET INTEREST MARGIN AFTER IMPAIRMENT OF FINANCIAL ASSETS	**3,642,145**	**(410,720)**	**3,231,425**
INCOME TAX AND SOCIAL CONTRIBUTION – Note 17(a-II)	(457,192)	40,165	(417,027)
GROSS PROFIT FROM OPERATIONS	**5,144,447**	**(370,555)**	**4,773,892**
PROFIT BEFORE TAXES	**2,483,334**	**(370,555)**	**2,112,779**
INCOME TAX AND SOCIAL CONTRIBUTION – Note 17(a-I)	(882,265)	370,555	(511,710)
CONSOLIDATED PROFIT FOR THE PERIODS ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,601,069**	**-**	**1,601,069**

c) 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 meets 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 Committee of Assets and Liabilities.

II. Funding approach

The sources of liquidity are regularly reviewed by the Assets and Liabilities 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 12.31.2017:

Liabilities	60 days	90 days	180 days	360 days	720 days	Over 720 days	TOTAL
Deposits from customers	4,182,236	1,003,545	959,363	3,573,503	1,098,807	214,880	11,032,334
Deposits from financial institutions and open market funding	33,144,936	11,843,231	7,141,396	3,270,103	298,381	13,752	55,711,799
Funds from acceptance and issue of securities	3,953,382	1,806,069	3,548,564	9,728,206	14,056,885	6,738,266	39,831,372
Structured funding – Fixed-income structured transactions [1]	499,457	78,427	141,679	231,045	180,419	25,322	1,156,349
Borrowings and onlending	1,310,139	799,197	2,562,843	7,052,247	906,894	1,504,436	14,135,756
Funds guaranteeing technical reserves of insurance and private pension [2]	-	-	-	-	-	11,911,901	11,911,901
Subordinated debt	47,449	5,210	-	-	707,845	4,432,616	5,193,120
Liquidity	**43,137,599**	**15,535,679**	**14,353,845**	**23,855,104**	**17,249,231**	**24,841,173**	**138,972,631**

[1] Of this amount, R$ 1,156,349 (R$ 2,548,334 as at 12.31.2016) are recorded in derivative financial instruments – Note 8(b). [2] Recorded in insurance and private pension liabilities – Note 12(b).

IV. Cash flows of derivatives

Derivative financial instruments	60 days	90 days	180 days	360 days	720 days	Over 720 days	TOTAL
Assets	**54,767**	**72,002**	**106,271**	**155,666**	**39,716**	**76,085**	**504,507**
Non Deliverable Forward (NDF)	2,671	412	541	498	135	-	4,257
Option	7,698	33	77,324	87,546	9,796	31,908	214,305
Swap - Amounts receivable	44,398	28,882	22,536	67,475	29,785	40,978	234,054
Credit derivative	-	42,675	5,870	147	-	-	48,692
Futures	-	-	-	-	-	3,199	3,199
Liabilities	**(58,408)**	**(48,827)**	**(150,626)**	**(110,799)**	**(35,532)**	**(58,907)**	**(463,099)**
Non Deliverable Forward - NDF	(7,778)	(755)	(2,176)	(2,032)	(261)	(714)	(13,716)
Option	(6,933)	(422)	(78,375)	(93,465)	(13,729)	(20,530)	(213,454)
Forward	(9,075)	-	-	-	-	-	(9,075)
Swap - amounts payable	(34,622)	(29,460)	(38,726)	(15,302)	(21,542)	(37,663)	(177,315)
Credit derivative	-	(18,190)	(31,349)	-	-	-	(49,539)

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 not compliant 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.

d) Underwriting risk

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

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

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

I – Creation of new products;
II - Devising of acceptance policies;
III - Negotiation of reinsurance arrangements and of conditions and fee for individual policies;
IV - Follow-up and assessment of the co-insurance conditions; and
V - Technical support to customers and representatives.

Safra adopts a policy on transfer of risks in reinsurance and coinsurance, thus preventing claims with low rates and high value from affecting the stability of income. The changes in life or mortality expectations, which directly affect the assumed risk, are controlled through a periodical follow-up 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 loss ratio variation. The main business risks of private pension operations are the variation 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:

12.31.2017						
Lines	**Southeast**	**South**	**Midwest**	**Northeast**	**North**	**Total**
Comprehensive	25,855	7,395	4,784	3,853	1,305	43,192
Credit life insurance	78,823	26,142	13,834	12,407	10,199	141,405
Accidents	29,409	10,417	4,770	3,585	2,011	50,192
Life	26,410	5,536	2,238	2,151	1,089	37,424
Other risks	20,505	6,036	8,263	1,998	1,801	38,603
Total[(1)]	**181,002**	**55,526**	**33,889**	**23,994**	**16,405**	**310,816**

12.31.2016						
Lines	**Southeast**	**South**	**Midwest**	**Northeast**	**North**	**Total**
Comprehensive	29,716	9,126	4,215	3,826	837	47,720
Credit life insurance	78,022	21,510	13,195	11,859	7,586	132,172
Accidents	32,029	14,976	4,616	3,410	2,061	57,092
Life	20,982	6,899	2,441	1,933	1,304	33,559
Other risks	8,336	2,923	8,183	1,100	916	21,458
Total[(1)]	**169,085**	**55,434**	**32,650**	**22,128**	**12,704**	**292,001**

[(1)] The concentration of risk does not consider the DPVAT, policies in force but not issued and retrocession totaling R$ 57,577 (R$ 83,730 as at 12.31.2016).

e) 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 table below presents the breakdown of financial assets and liabilities measured at fair value through profit or loss, classified into hierarchical levels:

	12.31.2017 [1]		
	Level 1	**Level 2**	**Total**
Securities portfolio [2] - Note 8(a-I)	**33,175,347**	**9,679,147**	**42,854,494**
Government securities	33,175,197	-	33,175,197
Securities issued by Financial institutions	150	1,509,189	1,509,339
Securities issued by Companies	-	8,169,958	8,169,958
Funds guaranteeing technical reserves of insurance and private pension– Note 8(a-V)	**11,860,347**	**366,547**	**12,226,894**
Private pension	11,469,843	366,547	11,836,390
Government securities - National Treasury	11,320,952	-	11,320,952
Private securities	148,891	366,547	515,438
Insurance - Government securities – National Treasury – National Treasury Bills (LTN)	225,480	-	225,480
DPVAT funds quotas - Government securities	165,024	-	165,024
Derivative financial instruments - Assets – Note 8(b)	**3,199**	**501,067**	**504,266**
Non-deliverable forwards (NDF)	-	4,257	4,257
Option premiums	-	214,305	214,305
Swap – amounts payable	-	234,054	234,054
Credit derivatives (CDS)	-	48,692	48,692
Futures	3,199	-	3,199
Credit risk – Note 4(b)		(241)	(241)
Derivative financial instruments – liabilities – Note 8(b)	**(9,075)**	**(460,681)**	**(469,756)**
Non-deliverable forwards (NDF)	-	(13,716)	(13,716)
Option premiums	-	(213,454)	(213,454)
Forward	(9,075)	-	(9,075)
Swap – amounts payable	-	(177,315)	(177,315)
Credit derivatives (CDS)	-	(49,539)	(49,539)
Regulatory adjustments - CMN Resolution 4,277/2013 – Note 4(b)	-	(6,657)	(6,657)
At fair value on initial recognition - Note 11(a)	**-**	**18,977,660**	**18,977,660**
Strategy of the fixed income portfolio	-	23,622,245	23,622,245
Assets	-	26,797,128	26,797,128
Liabilities	-	(3,174,883)	(3,174,883)
Structured CD	-	(1,608,884)	(1,608,884)
Liabilities for marketable securities abroad	-	(290,014)	(290,014)
Subordinated debt – Medium term notes	-	(2,745,687)	(2,745,687)

	12.31.2016 [1]		
	Level 1	**Level 2**	**Total**
Securities portfolio [2] – Note 8(a-I)	39,705,110	9,242,469	48,947,579
Funds guaranteeing technical reserves of insurance and private pension– Note 8(a-V)	8,416,410	503,790	8,920,200
Derivative financial instruments - Assets – Note 8(b)	4,987	705,372	710,359
Derivative financial instruments - liabilities – Note 8(b)	(1,089)	(576,471)	(577,560)
At fair value on initial recognition – Note 11(a)	-	9,526,699	9,526,699

[1] As at 12.31.2017 and 12.31.2016, there was no transaction classified into level 3. [2] Of these amount, R$ 31,338,762 (R$ 38,599,609 as at 12.31.2016) refer to trading securities (R$ 30,130,762 (R$ 36,675,937 as at 12.31.2016) classified into level 1, and R$ 1,207,850 (R$ 1,923,672 as at 12.31.2016) into level 2 and R$ 11,515,732 (R$ 10,585,751 as at 12.31.2016) refer to available-for-sale securities (R$ 3,040,435 (R$ 3,030,340 as at 12.31.2016) classified into level 1, and R$ 8,471,297 (R$ 7,555,411 as at 12.31.2016) into level 2.

II. Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of financial assets and liabilities that have not been included in the statement of financial position at fair value.

	12.31.2017		12.31.2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash	535,052	535,052	468,132	468,132
Interbank investments	37,080,005	37,080,005	46,845,561	46,845,561
Central Bank compulsory deposits	4,442,980	4,442,980	2,503,007	2,503,007
Credit operations - at amortized cost	31,984,059	31,984,059	32,017,329	32,017,329
Total financial assets	**74,042,096**	**74,042,096**	**81,834,029**	**81,834,029**
Financial liabilities at amortized cost	134,008,760	134,090,083	127,261,756	126,290,462
Deposits	10,853,794	10,853,794	8,170,114	9,173,377
Deposits from financial institutions and open market funding	55,647,499	55,639,383	75,134,031	74,231,116
Structured funding – Fixed-income structured transactions	4,099,873	4,099,873	5,276,986	2,493,740
Private pension funds	11,911,901	11,911,901	8,628,610	8,628,610
Borrowings and onlending	14,135,756	14,135,756	11,921,455	11,921,455
Funds from acceptance and issue of securities	37,359,937	37,449,376	18,130,560	19,842,164
Subordinate debt at amortized cost	2,334,837	2,423,133	1,705,620	1,745,103
Total financial liabilities	**136,343,597**	**136,513,216**	**128,967,376**	**128,035,565**

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 value.

The fair value of onlending operations is not shown because the variations 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:

	12.31.2017		
	Level 1	**Level 2**	**Total**
Cash	535,052	-	535,052
Interbank investments	37,080,005	-	37,080,005
Central Bank compulsory deposits	4,442,980	-	4,442,980
Credit operations - amortized cost	-	31,984,059	31,984,059
Total financial assets	**42,058,037**	**31,984,059**	**74,042,096**
Financial liabilities measured at amortized cost	41,001,324	93,088,759	134,090,083
Deposits	10,853,794	-	10,853,794
Deposits from financial institutions and open market funding	-	55,639,383	55,639,383
Structured funding – Fixed income structured transactions	4,099,873	-	4,099,873
Private pension funds	11,911,901	-	11,911,901
Borrowings and onlending	14,135,756	-	14,135,756
Funds from acceptance and issue of securities	-	37,449,376	37,449,376
Subordinate debt at amortized cost	-	2,423,133	2,423,133
Total de financial liabilities	**41,001,324**	**95,511,892**	**136,513,216**
	12.31.2016		
	Level 1	**Level 2**	**Total**
Total financial assets	49,816,700	32,017,057	81,833,757
Total financial liabilities	32,217,182	95,818,383	128,035,565

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

Tier I capital - share capital, retained earnings and reserves set up for the appropriation of retained earnings 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.

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

Risk-weighted assets 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

Corporate documents recorded for 2017, established the annual maximum remuneration of the Executive Management and Board of Directors at R$ 134,200 (R$ 103,950 in 2016). The remuneration received by management amounts to R$ (119,298) (R$ 85,639 in 2016).

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

b) Ownership interest – Note 19(a):

Shareholders	Amounts	(%)
Joseph Yacoub Safra (resident abroad)	15.296	99.97
Non-controlling interests	5	0.03
Total	**15.301**	**100.00**

c) Related-party transactions

Transactions between related parties are disclosed in accordance with IAS 24 - Related Party Disclosures. 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.

These transactions are mostly based on the international market interest rates (Fed funds and Libor) with wide disclosure of their values.

They transactions between Safra's consolidated companies and other Safra Group's companies not consolidated into the Bank, and the transactions between the companies included in the Bank's consolidation were eliminated in the consolidated statements and also consider the lack of risk.

	Assets / (Liabilities)		Income (expenses)	
	12.31.2017	12.31.2016	2017	2016
Cash – Note 5	**134,423**	**108,997**	**53**	**(82)**
Grupo J. Safra Sarasin	122,816	99,252	53	(82)
Safra National Bank of New York	11,607	9,745	-	-
Foreign currency investments – Note 6 – Safra National Bank of New York	**1,665,024**	**863,677**	**4,408**	**2,151**
Demand deposits /savings – Note 10(a-I)	**(13,404)**	**(11,822)**	**-**	**-**
Interbank deposit – Note 10(a-I)	**-**	**22,448**	**-**	**346**
Time deposits – Note 10(a-I)	**(988,065)**	**(701,287)**	**(14,038)**	**(9,275)**
Grupo J.Safra Sarasin	(253,230)	(149,936)	(1,429)	(2,791)
Safra National Bank of New York	(734,835)	(551,351)	(12,609)	(6,484)
Open market funding – Note 10(a-II) – Instituto Morashá de Cultura	**(576)**	**(17,520)**	**(632)**	**(926)**
Funds from acceptance and issue of securities – Note 10(a-III)	**(67,186)**	**(66,303)**	**(2,293)**	**(2,524)**
Funds from financial bills, bills of credit and similar notes – Debentures	(947)	(1,049)	(100)	(306)
Liabilities for marketable securities abroad – Grupo J. Safra Sarasin	(66,239)	(65,254)	(2,193)	(2,218)
Negotiation and intermediation of securities – Note 13(b)	**158**	**14,904**	**-**	**-**
Subordinated debts – Medium term notes – Andromeda Global Strategy Fund Ltd. – Exclusive fund – Note 10(a-V)	**(990,733)**	**(981,133)**	**(67,273)**	**(65,343)**
Insurance commissions - Canárias Corretora de Seguros S.A.	**(13)**	**(24)**	**(98)**	**18**
Other income from services - Safra National Bank of New York	**-**	**-**	**2,196**	**1,741**
Administrative expenses	**-**	**-**	**(109,251)**	**(105,313)**
Rent expenses – Note 16(d)	-	-	(109,139)	(105,210)
Exton Participações Ltda.	-	-	(39,611)	(39,588)
J. Safra Participações Ltda.	-	-	(22,304)	(22,035)
Kiama S.A.	-	-	(29,112)	(25,670)
Lebec Participações Ltda.	-	-	(9,996)	(9,254)
Other companies	-	-	(8,116)	(8,663)
Other	-	-	(112)	(103)
Rental expenses – Casablanc Representação e Participação Ltda.	**-**	**-**	**102**	**126**
Managed funds – Note 10(c)				
Open market investments – Note 6	1,686,513	-	41,901	514,805
Open market funding – Note 10(a-II)	(15,256,997)	(25,086,695)	(2,257,485)	(1,971,230)
Funds from acceptance and issue of securities – Financial bills [1] – Note 10(a-III)	(1,107,351)	(672,206)	(45,159)	(98,276)
Subordinated debts – Bank Deposit Certificate – Note 10(a-V)	-	-	-	(23,427)
Revenue from management fees and fund management	-	-	919,467	774,002
Consolidated companies – Note 10(c)	-	-	845,846	690,703
Related parties	-	-	73,621	83,299

[1] Of this amount, R$ 360,267 (R$ 296,684 as at 12.31.2016) refer to subordinated financial bills.

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

The Committee shall directly report to the Board of Directors and is composed of 5 (five) members, of which 03 (three) are executive officers of the Company and 02 (two) are independent members.

Deloitte.

Deloitte Touche Tohmatsu
Dr. Chucri Zaidan Avenue, nº 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 ("Consolidated" or "Banco Safra"), which comprise the consolidated balance sheet as at December 31, 2017 and the related consolidated income statement, consolidated statement of changes in equity and consolidated statement 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 and subsidiaries as at December 31, 2017, 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 in conformity with those standards are described below in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent in relation to the Bank and subsidiaries in accordance with the relevant ethical principles set out in the Code of Ethics for Professional Accountants and professional standards issued by the Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with those standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters (KAM)

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit for the current year. These matters were addressed within 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 financial assets and extended loan portfolio – lending transactions and securities issued by the private sector (private securities)*

   Why is a KAM?

   Banco Safra held credit operations and investment in private securities held to collect cash flows from interest and principal of these financial assets, similarly to credit operations (extended credit portfolio). Accordingly, credit risks are treated similarly to the credit operations when assessing credit losses on those securities (impairment). For this reason, Banco Safra develops models of allowance for credit losses for the Group's credit transactions and investments in private securities, recognizing an allowance to cover the credit risk deriving from its credit portfolio and private securities as shown in notes 3.h), 4.a) and 9 to the financial statements. In view of the complexity of the model of allowance for loan losses, the use of estimates and high level of judgment by Management when determining the allowances recognized, we dedicated significant efforts in the audit work, including by involving the work of senior members of our team, because we considered the matter as relevant to our audit work.

   How the KAM was addressed in our audit?

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

   Conclusion from the assessment

   Considering the policy and the criteria adopted by Management to determine the allowance for loan losses, the result of our procedures was considered appropriate.

2. *Fair value of financial instruments*

   Why is a KAM?

   Banco Safra applies a methodology for calculating the market value of financial instruments developed internally, when there are no observed trading prices in the active market, or the assets have a low trading volume that do not represent the active market due to the low liquidity of the securities. The determination of the market value of financial instruments was considered a focus area in our audit due to its relevance in the context of the 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.c) and 4.b) to the 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 market value, recognition and disclosure of these financial instruments; (b) analyzing the mark-to-market policy with respect to the criteria for defining the existence of an active market; (c) verifying, on a sample basis, the low trading volume in front of the volume of total issuance of such securities; (d) understanding the mark-to-market methodology developed internally; and (e) reperforming the calculation on a sample basis.

Conclusion from the assessment

Considering the policy and the criteria adopted by Management in measuring the market value of these financial instruments, the result of our procedures was considered appropriate.

3. *Information technology environment*

Why is a KAM?

Banco Safra's operations rely on an IT 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.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether such report is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we will be required to report such fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (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 the Bank and its subsidiaries' ability to continue as a going concern and disclosing, when applicable, those matters related to its continuity as a going concern and using the going concern basis of accounting in the preparation of the consolidated financial statements, unless Management either intends to liquidate the Bank and its subsidiaries or discontinue operations, or has no realistic alternative to prevent the discontinuance of operations.

Those charged with governance of the Consolidated are responsible for overseeing the financial reporting process.

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 it is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit conducted in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism during the course of our 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 in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our audit 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 the Bank and its subsidiaries' 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 there is material uncertainty with respect to events or conditions that may raise significant doubt with respect to the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that material uncertainty exists, we must draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may give rise to the Bank and its subsidiaries' 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 related transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and appropriate audit evidence regarding the financial information of the Group entities or business activities to express an opinion on the consolidated financial statements. We are responsible for the steering, supervision and performance of the group audit and, consequently, for the audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence and communicate all relationships or matters that could considerably affect our independence, and, when applicable, related safeguards.

Based on the matters communicated to those charged with governance, we determine those matters that were most significant in the audit of the consolidated financial statements for the current year and are, therefore, the key audit matters. We describe these matters in our auditor's report unless any law or regulation precludes public disclosure of 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 such disclosure could reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 2th, 2018

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Marcelo Luis Teixeira Santos
Engagement Partner