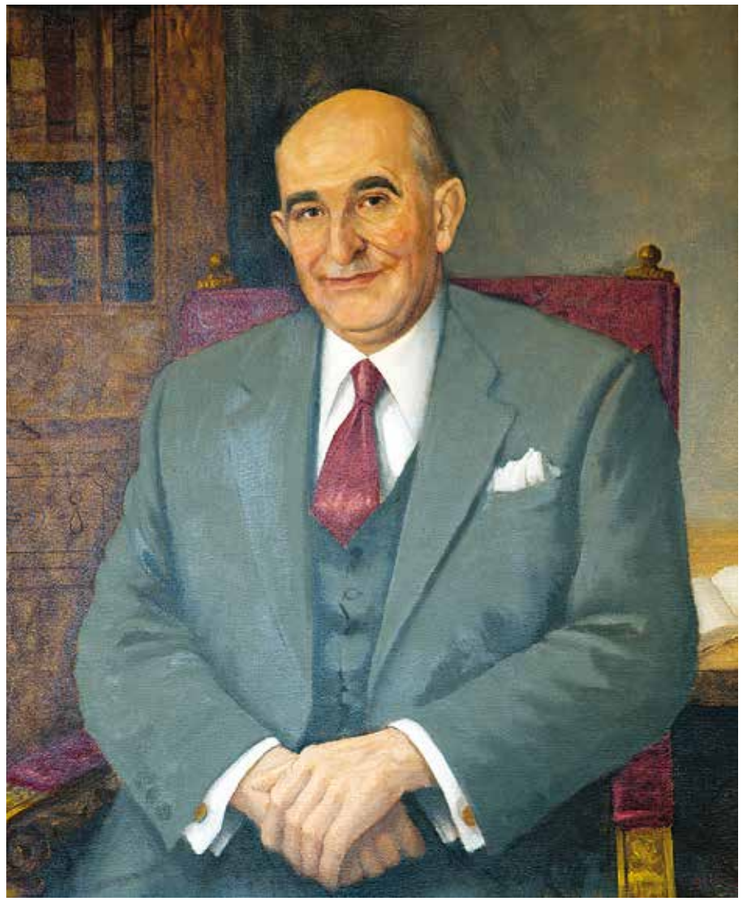
Safra

ANNUAL REPORT 2017

BRAZIL: THE REFORM CHALLENGE



"If you choose to sail upon the seas of banking, build your bank as you would your boat, with the strength to sail safely through any storm."

Jacob Safra, founder (1891-1963)

J. Safra Group

BRAZIL

Banco Safra S.A.

Banco J. Safra S.A.

Safra Leasing S.A. Arrendamento Mercantil

J. Safra Asset Management Ltda.

J. Safra Corretora de Valores e Câmbio Ltda.

J. Safra Serviços de Administração Fiduciária Ltda.

Safra Seguros Gerais S.A.

Safra Vida e Previdência S.A.

SIP Corretora de Seguros Ltda.

Sercom Comércio e Serviços Ltda.

Banco Safra (Cayman Islands) Limited

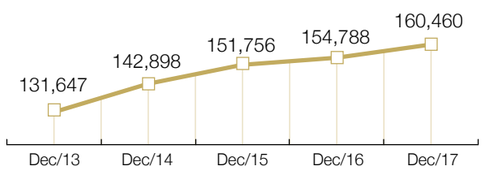
Banco Safra S.A., Luxembourg Branch

Banco Safra S.A., Cayman Islands Branch

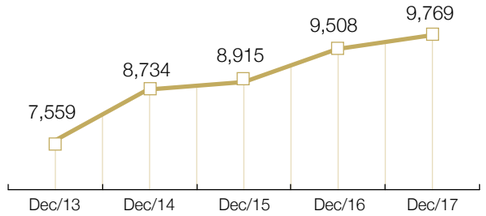
Key financial indicators

(BRL million)

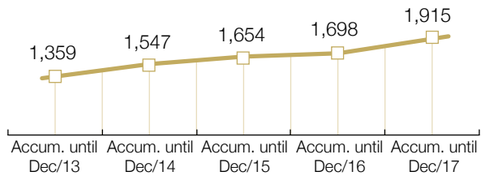
Total assets



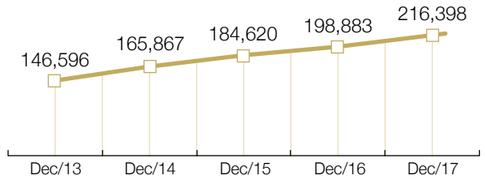
Equity



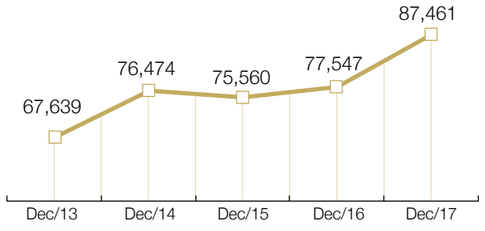
Net income



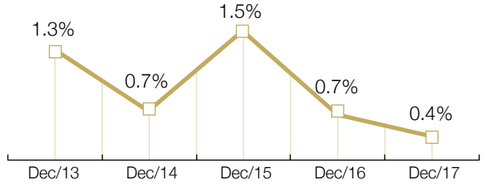
Raised and managed assets [1]



Expanded credit portfolio [2]



Non performing loans - NPL90



(1) Represented by client funds, managed funds, repos, foreign exchange portfolio, collection of taxes and similar.
(2) Stated by market value and including guarantees and sureties.

J. Safra Group worldwide

Contents

Safra

Farroupilha Park - **Porto Alegre/RS**

Message from the CEO

The economic environment during 2017 displayed signs of a recovery from the worst economic crisis in Brazilian history. The agribusiness sector performed strongly, setting a new record with 30% year-over-year growth in production of grains.

Economic policy also played a decisive role. With inflation under control, the Central Bank of Brazil was able to take strong action to lower its benchmark interest rate (Selic), which at year-end reached 7% p.a., the lowest ever. This permitted a recovery in consumer credit and an intensification of both stock and bond issuance in the capital markets.

Banco Safra, faithful as always to its traditional conservative business management strategy, maintained a solid and consistent balance-sheet position. Net income was BRL 1.9 billion in 2017, resulting in annualized return on equity of 19.8% in the period. Assets totaled BRL 160.5 billion at December 31, 2017, and equity reached BRL 9.8 billion, making Banco Safra the fourth-largest private bank in Brazil. The level of liquidity remained significant, reaching BRL 25.2 billion at December 31, 2017, and corresponding to 2.6 times the bank's year-end equity.

In the credit segment, Safra focused on extending credit to low-risk corporates and individuals, with loans rated AA and A, the best risk ratings on the scale established by the Central Bank, accounting for 92.0% of the portfolio. Non performing loans, measured as the proportion of loans more than 90 days past due, accounted for only 0.4% of the portfolio at end-2017, Banco Safra's best rate in the past 13 years and certainly the lowest among the Brazilian banks. Similarly, problem loans rated E-H accounted at end-2017 for 2.3% of the total portfolio (considering both performing and nonperforming loans), compared with 8.7% for the industry's private players.

Banco Safra expanded its operations in market terms, intensifying business with individual clients and exploring new corporate segments such as acquiring and retail, but always grounded in its core principles: rigorous approach to risk management and capital, sound management of its customers investments, conservative audit approval policy, comprehensive internal controls, long-term relationship, deep knowledge of its customers and operational efficiency.

Technological innovation is a constant challenge for the financial services industry, and Banco Safra is no exception. Major technological upgrades were implemented in the bank's various platforms in 2017, including the launch of merchant acquirer SafraPay, a robust high-performance platform for online processing of payment transactions and credit sales.

SafraPay joined the bank's strategy of growing its corporate client base and its product offering. It went live in the first quarter of the year, initially in São Paulo State and then expanding nationwide during the course of the year. It is now an important player in the segment.

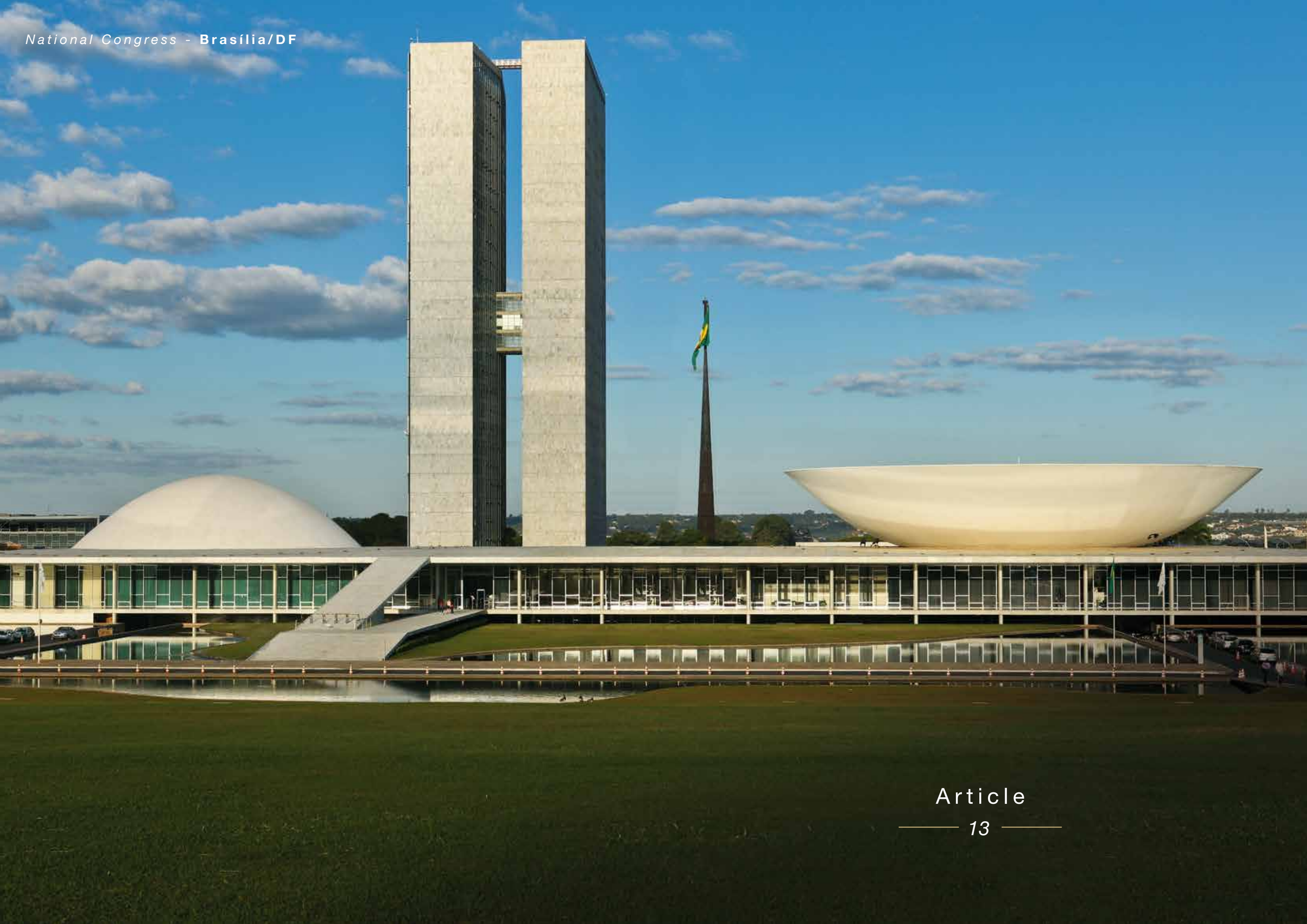
With regard to individual clients, the bank reinforced its operations in the high net worth and private banking segment, growing funds under management by 28.2%. vehicle and payroll linked loans grew 58.3% and 77.6% year over year respectively in 2017.

Safra invests continuously in the adoption of best practices in its business activities, in accordance with high standards of sustainability and governance. It is worth highlighting the priority given to social responsibility, materialized in longstanding support for philanthropic institutions as well as internal campaigns focusing on health, wellbeing, education and social impact. Another significant investment is the Safra Cultural Project, which has completed 35 years producing books about Brazil's leading museums, their collections and facilities.

We know 2018 will present us with new challenges, starting with the global environment. On one hand, world economic growth is expected to remain consistent, while on the other hand the process of monetary policy normalization in the developed countries will gradually bring to a close the context of abundant liquidity and exceptionally low interest rates.

On the home front there is considerable expectancy regarding the elections and the choice of a new government that will have to implement an agenda of structural reforms, especially pension reform. This will be the main challenge. There can be no sustainable economic and fiscal recovery unless it is addressed.

Rossano Maranhão
Chief Executive Officer



National Congress - **Brasília/DF**

The reform challenge ahead

Pedro Malan

"We may never know where we're going,
but we'd better have a good idea where we are."

Howard Marks

The reform challenge facing Brazil today resides in three major areas, which in turn can be considered from the perspective of three time horizons. The areas are the macroeconomic; the non-macro, comprising the reforms proper – pensions, taxation, and reorganization of the state; and the key area for the definition of our future as a civilized society, which is the social area, including the legitimate demands for a reduction in inequalities of income distribution and particularly of opportunity by means of educational reforms. The time horizons are the rest of this crucial year of 2018 (the short run); the next four years, covering the term of office of the next president and the members of Congress to be elected in October (the medium run); and the post-2022 period, including the outcome of the 2022 elections, which – together with whatever progress the next government achieves and whatever setbacks it manages to avoid – will define the rest of the decade and much of the 2030s (the long run).

This bird's eye view (or stop-motion movie) is the focus of the essay that follows. I have set out not to explore divergences but to suggest possible convergences, since consensus will always be elusive in a complex, diversified and unequal society such as Brazil today. The reform challenge to which the title refers is indistinguishable from the grand challenge of resuming the nation's economic, social and politico-institutional development on a sustainable basis.

The macroeconomic policy area encompasses the discussion of its three fundamental regimes: monetary, exchange-rate and fiscal. The first two have been defined for almost 20 years (the inflation-targeting regime since June 1999, and the floating exchange-rate regime since January 1999). Both have served the nation well, and the importance of strengthening these regimes should be reaffirmed by presidential candidates, political leaders and the new government.

The fiscal regime should revolve around fiscal responsibility, which in Brazil is required by the eponymous law enacted in May 2000, establishing the conditions for compliance with budget constraints and hence for the intertemporal solvency of public finance. The many demands for it to be made more flexible must be resisted. To do so requires an effort to enlighten the general public on the links between public spending, the tax burden and the stock of public debt, for three reasons. Because a modern society should judge a particular tax burden in light of the quantity and quality of the public services funded by taxes. Because it should analyze the extent to which the level and composition of both public spending and the tax burden affect the efficiency of the economy (on which economic growth depends), poverty reduction, and improvements to the population's living conditions. And because the level and composition of the public debt and its trajectory over time define the prospects for public-sector solvency, the scope for private investment, and expectations regarding a reduction in real interest rates. Debt, taxation, public spending, efficiency and equity, therefore, are interrelated issues and will lie at the heart of the public debate on growth in Brazil for a long period.

The non-macroeconomic area is no less important. This area encompasses the system of incentives and disincentives to investor, saver and consumer decisions given by the system of relative prices as affected by government interference in administered prices, tax breaks and subsidies. As we have seen, excessive government activism can lead to distortions in resource allocation and heighten the legal uncertainty that hinders investment decisions. The regulatory and antitrust frameworks are vitally important, and a reform of the state should include the establishment of a system for permanent evaluation of the quality of public spending.

In the reform area the short-run priority is pension reform, which is very urgent indeed. Our demographic bonus will start to disappear in 2019, and the number of retirees and pensioners is rising five times faster than the rate of population growth. Lastly, in the social area the main challenge is education, especially a reduction in inequality of opportunity, which means prioritizing the early years and learning at the right age.

To address these challenges we must tackle the acute uncertainty prevailing in three fundamental dimensions: the gravity of the fiscal question, which is not yet completely understood by public opinion; the unsustainable disequilibrium of public finance, which our political leaders are insufficiently committed to resolving; and the key role played by both in enabling long-term economic growth, which requires the restoration of a climate of confidence among investors at home and abroad.

The magnitude of the task can be illustrated by an important contrast. In the 16-year period between 1995 and 2010, the Brazilian economy grew 3.25% per year on average. At this rate it would take almost 22 years to double in size. In the last seven years (2011-17), Brazil has grown 0.5% per year on average. According to data available from the IMF, the average annual growth of a group of 154 emerging and developing countries was 5.5% in 1995-2010 and 5.0% in 2011-17.

Some people argue that the term "reform" is widely misused. Be that as it may, the next government will have to be "reformist" to have any hope of running the country effectively for at least four years, and above all of steering it back to the path of economic, political and social development. There is little room to succeed and enormous scope for failure – for errors old and new. The past is over and cannot be changed. The present is constantly becoming the past. It will be a gradual process and will take many years, but some problems are clearly more urgent than others unless we are to postpone our meeting with the future yet again.

There will always be a future to be built – if a society is capable of sharing at least a certain number of ideas of what the future should be like. As noted in the epigraph to this essay, we had better have a good idea of where we are, and of how we got to the current situation and the challenges that will have to be addressed. It will not be easy – it never has been – but Brazil has the human and technical resources, values, creative capacity and reserves of civic capital to rise to these lofty challenges.

Pedro Malan was finance minister during both terms of President Fernando Henrique Cardoso. He was Governor of the Central Bank of Brazil when the Real Plan was implemented, and chief negotiator on the restructuring of Brazil's foreign debt in the early 1990s. He has represented Brazil on the boards of the World Bank and Inter American Development Bank in Washington and at the United Nations in New York. He is currently a board member at several companies in Brazil and abroad, and a professor in the Economic Department of the Pontifical Catholic University of Rio de Janeiro, the institution from which he earned his engineering degree. He has a PhD in economics from the University of California, Berkeley (USA).

Botanical Gardens - **Curitiba / PR**

Global and brazilian economy

Global economy

Economic environment in 2017 and outlook for 2018

World economic growth accelerated year over year in 2017, reaching 3.8% in the period compared with 3.2% in 2016. Both developed and emerging economies enjoyed higher growth. As shown by Table 1, GDP grew 2.4% in the developed countries in 2017, up from 1.7% in the previous year, and 5.6% in emerging-market countries, up from 4.4% in 2016.

Table 1: GDP growth

	2016	2017
World	**3.2%**	**3.7%**
Developed economies	**1.7%**	**2.4%**
USA	1.5%	2.3%
Eurozone	1.8%	2.4%
Japan	0.9%	1.7%
UK	1.9%	1.8%
Canada	1.4%	3.1%
Emerging economies	**4.4%**	**5.6%**
Russia	-0.2%	1.5%
China	6.7%	6.9%
India	8.2%	7.1%
Brazil	-3.5%	1.0%
Mexico	2.3%	2.0%
South Africa	0.3%	1.3%

Source: Bloomberg, Banco Safra

Economic growth accelerated in almost all developed countries, led by the United States with 2.3% in 2017, up from 1.5% in the previous year, and the eurozone with 2.4%, up from 1.8% in 2016. The main driver of the acceleration was rising domestic demand, reflecting an increase in household consumption as well as higher investment. Growth in Japan accelerated to 1.6% in 2017, from 0.9% in the previous year. The exception was the United Kingdom, which decelerated from 1.9% to 1.8% after the 2016 Brexit vote.

Among the emerging economies the leaders were Brazil, which grew 1.0% after contracting 3.5% in 2016, and Russia, which grew 1.5% after contracting 0.2% in 2016. China surprised positively by growing 6.9%, up from 6.7% in 2016 and well above its 6.5% target.

The world's main central banks continued to pursue expansionary monetary policies. In Europe the ECB extended its asset-buying program, also known as quantitative easing (QE), until end-September 2018 in response to persistently low inflation.

On the other side of the Atlantic, the strong dynamics of US economic activity and labor market data led the Federal Reserve to proceed with gradual monetary normalization, raising the fed funds rate three times in 2017, despite surprising low inflation during part of the year.

We expect the strengthening of the economic recovery seen worldwide in 2017 to be more clearly evidenced in 2018. US inflation is set to approach the Fed's target, while growth should remain robust, leading the Fed to continue gradually withdrawing monetary stimulus while raising the fed funds rate four times during the year. In Europe the continuation of economic growth will further bolster job creation and moderately higher inflation is likely to induce the ECB to prolong QE until December while gradually closing out its asset purchases.

In the emerging economies, the outlook is expected to remain positive and domestic issues should be less of a constraint than last year. Falling inflation in recent years will leave room for monetary easing, and in conjunction with abundant global liquidity this will continue to support their levels of growth.

The main risk to this scenario would be a sharper rise in inflation than expected, especially in the US. If this led to a more substantial response from central banks, it could translate into less global growth and negatively affect commodity prices. For Brazil this could also jeopardize the economic recovery by reversing the favorable financial conditions.

United States

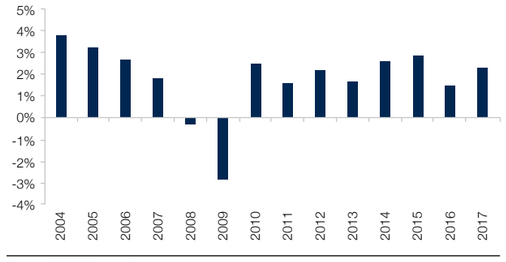
The US economy grew 2.3% in 2017, accelerating from 1.5% in the previous year. The main drivers of this growth were household consumption and above all investment, which recovered after falling oil prices led to a reduction of investment by the sector in 2016.

The labor market again performed well in 2017, with net job creation amounting to 2.3 million during the year. The unemployment rate fell from 4.7% in December 2016 to 4.1% at end-2017, and is now below the estimated natural rate of unemployment or NAIRU[1].

The continuing economic recovery, alongside the labor market's strong performance, allowed the Fed to proceed with monetary policy normalization. The fed funds rate was hiked three times during the year, reaching 1.25%-1.50% p.a.

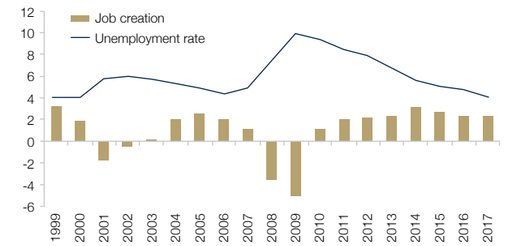
Despite the resumption of rate hikes, the Fed stressed that monetary policy normalization would be gradual. Nevertheless, the median forecast by FOMC members points to four hikes in 2018 and this is part of our basic scenario.

Figure 1: US GDP (annual growth)



Source: BEA, Banco Safra

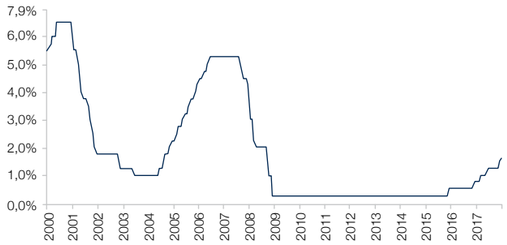
Figure 2: Job creation (million jobs) and unemployment rate (%)



Source: BLS, Banco Safra

[1] Non-accelerating inflation rate of unemployment.

Figure 3: Fed funds rate (% p.a.)



Source: Bloomberg, Banco Safra

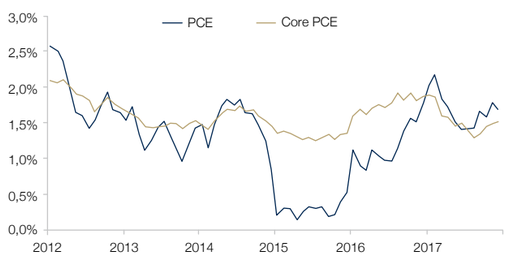
Consumer inflation measured by the PCE deflator reached 1.7% in the year. The core PCE, which excludes food and energy, rose 1.5%. Thus both measures again ended the year below the 2.0% target, as they had in 2016.

The most probable scenario for the US economy in 2018 is that moderate growth will continue, reflecting the resilience of household consumption and the recovery of investment. Inflation, which has remained below the target in recent years, is likely to turn up during the year, leading the Fed to continue to raise rates gradually, albeit slightly faster than in 2017.

Eurozone

The year 2017 can be characterized as a period in which the eurozone's economic recovery was consolidated. GDP growth reached 2.4%, accelerating from 1.5% in 2016.

Figure 4: PCE - Personal consumption expenditure (PCE) deflator (trailing 12 months)



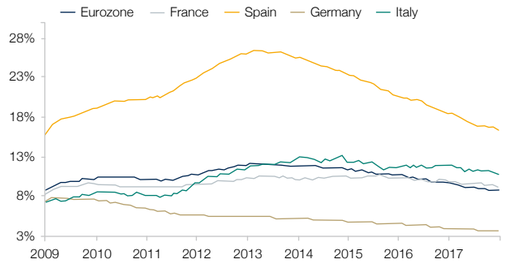
Source: BEA, Banco Safra

The eurozone unemployment rate fell to 8.7%, from 9.7% in 2016. In Spain the unemployment rate remained high while improving substantially by falling to 16.4%, from 18.5% in the previous year. In Germany it reached 3.6%, the lowest since reunification.

Consumer inflation in the eurozone reached 1.4%, up compared with 1.1% in 2016. The core rate, which excludes energy and food, remained flat compared with the previous year on 0.9%.

In response to low inflation, the ECB prolonged its monetary stimulus program until at least September 2018 and indicated that it might be extended until year-end while gradually closing out its asset purchases, as assumed by our basic scenario.

Figure 5: Unemployment rates (%)



Source: Eurostat, Banco Safra

We remain cautiously optimistic about the outlook. The monetary stimulus measures introduced in recent years have been effective, especially in unblocking the credit channel. The eurozone is set to continue growing above potential (currently estimated at just above 1.0%), with a continuing improvement in the labor market.

The gradual rise in inflation toward the target, added to the region's economic growth and improving labor market, will lead the ECB to signal the end of its asset-buying program in December 2018. This process will be a natural response to the improvement in economic conditions in the region, which despite the turning-point will continue to enjoy highly stimulating monetary conditions in the years ahead.

China

In China attention again focused on the measures taken by the government in pursuit of more balanced growth relying less on investment and exports and more on consumption and a stronger service sector.

At the same time the authorities continued to implement reforms with the aim of modernizing the domestic financial system and gradually opening up the capital account in order to build China's share of international markets. However, concern over the possibility of a hard landing led the government to prioritize growth over reform from mid-year on.

As a result, growth resumed in corporate and consumer loans, especially nonbank credit, positively influencing GDP in 2H16 and 1H17, and annual economic growth reached 6.9% in 2017, up from 6.7% in the previous year.

The Chinese economy is expected to decelerate slightly in 2018, growing 6.5%. The government has set a target of between 6.0% and 6.5% and will strive to achieve it even if this means resorting to quasi-fiscal expansion measures. The main risk to the region therefore continues to reside in the substantial private leverage seen in China, with the strong expansion of credit translating into falling marginal rates of economic stimulus. Nevertheless, deceleration in the Chinese economy's level of indebtedness in 2017 shows that this risk has become less acute.

Figure 6: Chinese GDP (annual growth)

Source: Bloomberg, Banco Safra

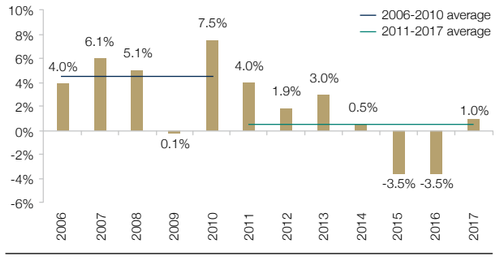
Brazilian economy

Safra

Economic performance

Brazil's GDP grew 1.0% in 2017, recouping part of the significant contraction seen in the previous two years (-3.5% in both 2015 and 2016). On the supply side, industry remained flat (0%) after three years of decline. The service sector enjoyed an incipient recovery, growing 0.3% after contracting sharply for two years. Agriculture was the standout, growing 13.0% thanks to productivity gains and a record grain crop.

Figure 7: GDP (annual growth)



Source: IBGE, Banco Safra

Table 2: GDP (annual growth, in %)

	2010	2011	2012	2013	2014	2015	2016	2017
GDP - Market prices	**7.5**	**4.0**	**1.9**	**3.0**	**0.5**	**-3.5**	**-3.5**	**1.0**
Agriculture	6.7	5.6	-3.1	8.4	2.8	3.3	-4.3	13.2
Industry	10.2	4.1	-0.7	2.2	-1.5	-5.8	-4.0	0.2
Services	5.8	3.5	2.9	2.8	1.0	-2.7	-2.6	0.2
Household consumption	6.2	4.8	3.5	3.5	2.3	-3.2	-4.3	1.1
Government consumption	3.9	2.2	2.3	1.5	0.8	-1.4	-0.1	-0.5
GFCF (gross fixed capital formation)	17.9	6.8	0.8	5.8	-4.2	-13.9	-10.3	-0.9
Exports	11.7	4.8	0.3	2.4	-1.1	6.8	1.9	5.6
Imports	33.6	9.4	0.7	7.2	-1.9	-14.2	-10.2	5.2

Source: IBGE, Banco Safra

On the demand side, household consumption bottomed out and rose 1.0% after a two-year dive, but investment again fell (-1.8%), albeit less sharply than in the previous three years. The external sector contributed nothing in 2017, interrupting a three-year run of positive contributions. Government consumption fell 0.6% in the context of fiscal adjustment and public spending cuts.

In public finance, despite efforts to implement fiscal adjustment and a sharp contraction in discretionary spending, the primary fiscal result was a deficit of BRL 110.6 billion, equivalent to 1.7% of GDP. This was an improvement compared to the 2016 deficit (2.5% of GDP) and in absolute terms compared to the target set for 2017 (BRL 163.1 billion). From the standpoint of the Treasury, revenue net of transfers totaled BRL 1.170 trillion, for 2.5% real growth compared to 2016.

Central government expenditure totaled BRL 1.296 trillion, down 1.0% in real terms compared to the previous year. The small size of this reduction despite the ongoing fiscal adjustment was due to the fact that although mandatory spending items are falling slowly they continued to account for a significant share of the total in 2017. The fiscal effort therefore focused on reducing discretionary spending, including investment.

Exchange-rate volatility was high throughout 2017. In international markets the US Dollar depreciated against other major currencies because of robust global growth. In Brazil, political turbulence led to sharp local currency depreciation, although periods of optimism about progress with the agenda of structural reforms momentarily reversed this movement during the year. The BRL/USD exchange rate ended the year on 3.31, for 1.5% depreciation compared with 3.27 at end-2016.

Inflation, which had reached 6.3% in the previous year, fell sharply in response to both significant economic contraction in 2015-16 and the pronounced food deflation cycle seen in 2017. Administered prices again accelerated compared to the previous year, while free prices rose only 1.3% thanks not only to 5.3% food deflation but also to a sharp deceleration in prices of manufactured goods and lower service inflation.

In this context the Central Bank of Brazil stepped up the pace of monetary easing, cutting its benchmark interest rate (Selic) during the year from 13.75% p.a. to an all-time low of 7.00% p.a.

The political crisis continued to influence the economic outlook, not least owing to uncertainty about the probability of progress with the agenda of structural reforms. The Prosecutor-General of Brazil twice attempted to try President Michel Temer on corruption charges but Congress refused permission. Temer then presented a pension reform bill, apparently reducing resistance to the reform by altering communication of the proposal to Congress and society. However, the lower house did not vote on the bill in 2017. We believe the reform is unlikely to be passed in 2018, which is an election year, but will be passed in 2019 under the new government.

Inflation and monetary policy

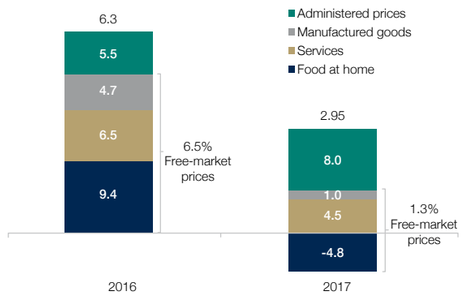
The National Broad Consumer Price Index (IPCA) rose 2.95% in 2017. This was less than the official inflation target (4.5% p.a. plus or minus 1.5%), obliging the Central Bank to explain the reasons for the deviation to the Finance Ministry.

The main driver of the IPCA's deceleration compared to 2016, when it rose 6.3%, was the sharp drop in food prices, but a fall in prices sensitive to monetary policy also contributed, although administered prices rose.

The food at home subgroup, which reflects food prices in general, fell 4.8%, after rising 9.4% in 2016. This deflationary behavior was due mainly to record levels of agricultural production, which rose 29.4% in the 2017 crop year according to IBGE's national agricultural statistics survey.[2]

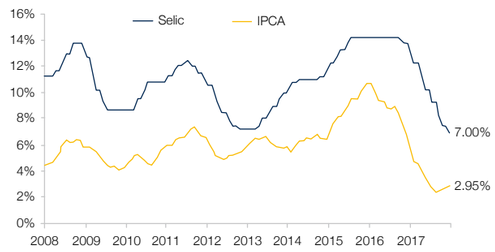
[2] Levantamento Sistemático da Produção Agrícola (LSPA), IBGE, January 2018.

Figure 8: Breakdown of inflation (%)



Source: Central Bank of Brazil, Banco Safra

Figure 9: Selic rate - end of month (% p.a.)



Source: Central Bank of Brazil, Banco Safra

In response to the effects of the high average interest rate in 2016 (above 14% p.a.) as well as low capacity utilization, the rise in prices sensitive to monetary policy (services and manufactured goods) slowed to 3.1% in 2017, from 5.8% in the previous year – this was the lowest level in the series beginning in 2002. While the rise in prices of manufactured goods slowed to 1.0%, from 4.7% in 2016, prices of services (the most fluctuation-resistant consumption category) slowed to 4.5%, from 6.5% in the previous year.

Administered-price inflation reached 8.0%, accelerating compared to 2016 (5.5%) owing mainly to gasoline and electricity. The former rose 10.3% after Petrobras began resetting domestic prices daily in pursuit of parity with international oil prices, which rose more than 12%. Electricity rates rose 10.4%, strongly influenced by "yellow and red flag tariffs", which contributed about 6.0 pp of this rise.[3]

The IGP-M decelerated in 2017, falling to -0.5% after a rise of 7.2% in the previous year. Although all three subindices decelerated compared to 2016, as did the IPCA, the IGP-M was influenced most of all by food deflation, with the agricultural component falling 12.8% after a rise of 11.6% in 2016.

Given the low level of capacity utilization and steady disinflation, the Central Bank decided to continue the monetary easing process begun in the previous year, cutting the Selic rate to 7.0% p.a. by end-2017, from 13.75% at end-2016.

It was a continuous process, and the Selic was cut at every meeting of the Monetary Policy Committee (Copom), which began the year with two consecutive cuts of 75 basis points (bps), followed by four cuts of 100 bps, and ended with cuts of 75 bps and 50 bps respectively at the last two meetings.

Key economic indicators

Economic activity

The year 2017 was a turning-point for the Brazilian economy after two years of sharp contraction that characterized the deepest and most lasting crisis in its history. The agricultural sector performed spectacularly well, but a resumption of consumer demand explains a large proportion of the recovery.

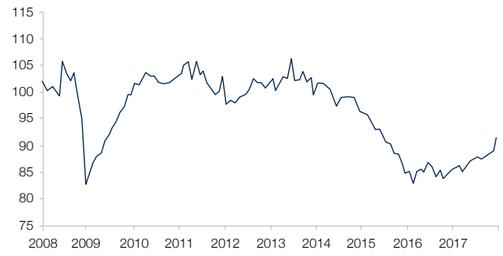
Substantial monetary easing contributed to this trend by providing more favorable financial conditions. However, the deleveraging process faced by companies and households appears to have progressed significantly among the latter while remaining incomplete among the former (as discussed below). This affected the performance of investment and prevented a faster economic recovery.

The labor market began to recover more consistently from the severe deterioration seen since 2015. Industrial production and retail sales also resumed growth after contracting for three and two years respectively.

Specifically with regard to industry, production grew 2.5% in 2017, recouping part of the 2014-16 contraction that came close to 15%. All use categories performed positively in the year. The main contributions came from intermediate goods and consumer durables. In the case of intermediate goods, which account for about 60% of the overall industrial sector, 1.6% growth took the level of production back to that seen in mid-2015, while remaining almost 9.0% below the average for 2013, the last year in which the category expanded.

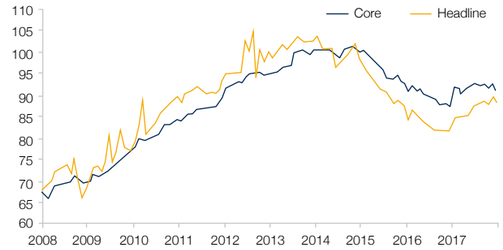
Production of consumer durables grew 13.3% in 2017, recouping part of the 2014-16 contraction, which surpassed 30%. Production of vehicles and appliances grew 20.1% and 10.5% respectively, leading the recovery by this category. The capital goods industry grew 6.0% after contracting 26% in 2014-16. This recovery was led by capital goods for transportation equipment (7.9%), mixed use (18.8%) and construction (40.1%). Production of non-durables grew little in 2017 (1.0%), performing with considerable volatility during the year.

Figure 10: Industrial production (index number, seasonally adjusted: 2012=100)



Source: IBGE, Banco Safra

Figure 11: Retail sales (index number, seasonally adjusted: 2014=100)



Source: IBGE, Banco Safra

It is worth noting the performance of building materials, a key coincident indicator of construction GDP. A gradual recovery began in 2Q17, and in December growth reached 5.1% at the margin (seasonally adjusted by us). Despite this improvement, production fell 3.3% in the year and was still 25% below the 2013 average.

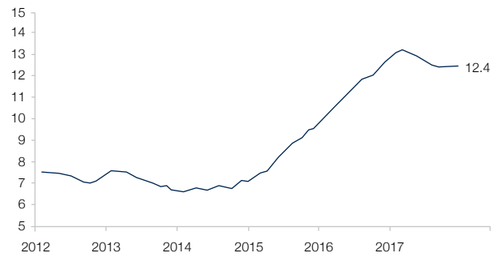
At the same time, retail sales rose 2.0% according to the core measure, which excludes vehicles and building materials, and 4.0% according to the headline measure. These were the first positive results after two and three consecutive years of contraction respectively. Sales displayed a positive trend during the year, especially according to the headline measure, but their level at end-2017 was similar to that seen in mid-2015 and hence below the precrisis level.

Sales rose in all segments in 2017 except fuel and lubricants (-3.3%). The growth was led by building materials (9.2%), apparel (7.6%) and vehicles (2.7%). Supermarket sales, which account for almost a third of the total according to the headline measure, displayed more modest growth, rising 1.4% with considerable volatility during the year. Sales of pharmaceuticals and perfumery also grew (2.5%). Indeed, this was the only segment for which the level of sales ended 2017 above the precrisis level.

Turning to the labor market, the unemployment rate trended down in the last three quarters of 2017, ending the year on 11.8%. Nevertheless, the average rate for the

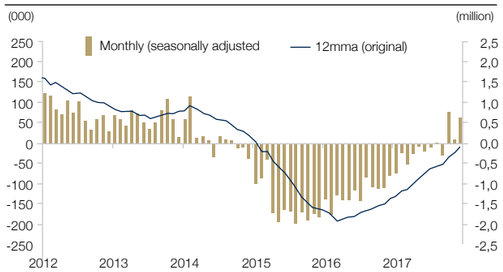
[3] The "yellow flag" and "red flag" are special tariff resets authorized for electricity distributors, passing through to consumers the higher cost of thermal power plants compared with hydro to generate electricity at times of drought. The flag was green at the start of 2017, corresponding to no surcharge, and ended the year on "Red 1" corresponding to a surcharge of BRL 3.00 per 100 kWh.

Figure 12: Unemployment rate (%, seasonally adjusted)



Source: IBGE, Banco Safra

Figure 13: Net formal job creation



Source: Labor Ministry (CAGED), Banco Safra

year was 12.7% (up from 11.5% in 2016). The seasonally adjusted rate ended the year on 12.4%, 0.8 pp below the March peak (13.2%). The improvement reflected a significant increase in the number of people employed since 2Q17 (up 2.3% on a seasonally adjusted basis), which more than offset the rise in the numbers looking for work: the labor force participation rate ended 2017 on 61.8%, up from 61.4% a year earlier.

The rise in the number of people employed in conjunction with a rise in earnings explains expansion of the total wage bill by 6.1% in nominal terms and 2.3% in real terms, with the latter returning to its historically highest level.

In the formal labor market, net job losses amounted to 123,000 in 2017, a significant improvement on the previous two years (1.3 million jobs were lost in 2016 and 1.6 million in 2015). Employment contracted most in the construction industry, where 115,000 jobs were lost, in line with the industry's weakened performance. On the upside, retail sales was the only sector that increased employment on a net basis (24,300), after two consecutive years with net job losses.

Credit

The credit market has been an important indicator of the speed of recovery from the recent crisis. After contracting in 2016, the stock of credit began to expand again in 2017, albeit at a very gradual pace. The deleveraging process faced by the Brazilian economy appeared to be still under way, especially for companies. This limited the resumption of lending and hence investment and economic reheating.

In any event, the numbers gradually improved from February onward, although growth rates remained negative, and the contraction in the credit balance began to display moderation. In 2017 total lending contracted mainly because of a decrease in corporate loans. Companies were reluctant to take on more debt in light of the weakness of economic activity, which was recovering very slowly, as well as the deterioration in their balance sheets and the ongoing deleveraging process, noted earlier. Uncertainty about the success of the structural reforms required to enable the economy to recovery sustainably also helped contain demand for credit. Consumer lending did not contract but performed well below the historical average, although it is now on the road to recovery.

Another driver of the credit market's weak performance in 2016-17 was the behavior of earmarked credit, extended mainly by state-owned banks. Growth in earmarked credit as a share of the total began to be reversed by a change in economic policy and a reduction in lending by BNDES, the national development bank. Within earmarked credit, corporate loans fell most, owing to both lower demand and BNDES's new positioning. Earmarked credit accounted for 48.7% of the National Financial System at end-2017.

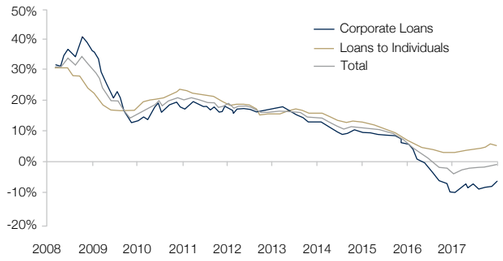
After a nominal fall of 3.5% year over year in 2016, the credit balance contracted 0.6% in 2017. This was a timid improvement, especially compared to the double-digit growth rates seen in previous years. It was due mainly to non-earmarked consumer loans, up 5.2% (0.5% a year earlier). Non-earmarked corporate loans fell 2.0% (-10.2% a year earlier), reflecting the fact that deleveraging was still in progress, although it neared completion in 2017.

Total consumer credit grew 5.6% year over year (compared to 3.2% in 2016), while total corporate credit fell 7.0% (-9.5% a year earlier). Earmarked consumer loans grew 6.2% (6.4% in 2016), and earmarked corporate loans fell 11.6% (-8.9% a year earlier).

The total delinquency rate for the National Financial System as a whole peaked at 4.1% in May 2017, when it turned down thanks to stabilization and then a fall in the delinquency rate for non-earmarked consumer loans. When compared to the historical average, the end-2017 delinquency rate of 3.3% was significantly influenced by the proportion of delinquent corporate loans (2.9%), especially earmarked loans. The average delinquency rate for 2017 was similar to the previous year's but with a different composition, displaying a lower rate for consumer loans and a higher rate for corporate loans. The increase in restructuring and renegotiation appears to have helped prevent the delinquency rate from going even higher.

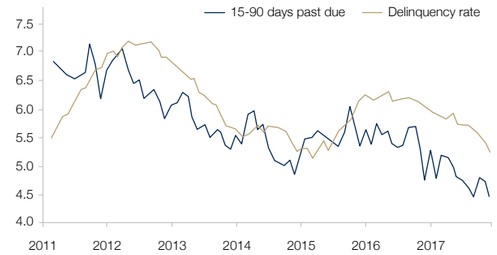
Interest rates on new loans averaged 25.6% in December, having trended down since the start of the year

Figure 14: Credit operations (growth in 12 months)



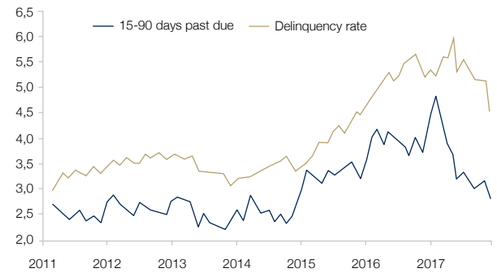
Source: Central Bank of Brazil, Banco Safra

Figure 15: Past-due loans and delinquency rate: non-earmarked loans to individuals (%)



Source: Central Bank of Brazil, Banco Safra

Figure 16: Past-due loans and delinquency rate: non-earmarked corporate loans (%)



Source: Central Bank of Brazil, Banco Safra

for two main reasons. The first was an improvement in perceived delinquency risk in response to the downtrend in consumer debt and the corporate deleveraging process (which is set to continue for some time), alongside the gradual but perceptible resumption of economic growth. The second was the lowering of the Selic rate, which will continue to be reflected in lower market rates.

Fiscal

Brazil's public finances have deteriorated severely in recent years. Mandatory expenditure accounts for almost 100% of total expenditure, while revenue has not risen in step with this expansion, leading to a structural imbalance. Important steps have been taken, including the introduction of a spending cap, but other measures, especially pension reform, remain necessary to remove the risk of an unsustainable rise in the debt-to-GDP ratio.

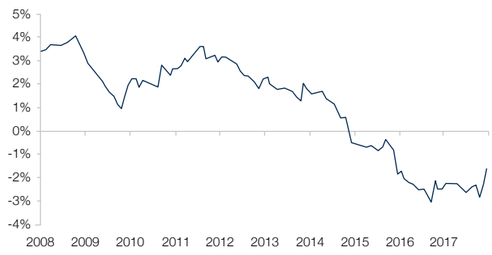
The central-government primary result in 2017 was a deficit of BRL 118.4 billion (1.81% of GDP), well below the BRL 159.0 billion limit authorized by the Budget Guidelines Law (LDO). In terms of the consolidated public sector, which includes regional governments and state-owned enterprises, the deficit totaled BRL 110.6 billion (1.69% of GDP), compared to the BRL 163.1 billion target.

In 2017, despite initiatives and efforts to have Congress pass structural reforms, the reduction in expenditure was concentrated in discretionary items and spending on mandatory items rose in real terms. Expenditure fell short of the level established by the spending cap rule (which established that nominal growth must not surpass 7.2% in 2017).

At the same time, revenue was benefited by extraordinary receipts from privatizations and payment of tax arrears under the REFIS recovery programs, preventing the primary deficit from being even larger. It also benefited from an increase in the rate of PIS and COFINS on fuels to the highest rate allowed by the legislation, with the aim of bolstering tax collection. More importantly, in the last months of the year revenue began responding positively to the still timid economic recovery after being badly eroded by the crisis.

It is worth noting that 2017 began with a primary deficit target of BRL 139 billion, which in the second half was raised to BRL 159 billion when it became clear that the initial target might be missed. This happened despite constant impoundment of budgeted funds as the economic team strove to contain expenditure.

Figure 17: Public-sector primary surplus (trailing 12 months, % GDP)



Source: Central Bank of Brazil, Banco Safra

The public-sector nominal deficit (primary surplus plus interest expense) reached BRL 551.4 billion in 2017 (7.80% of GDP), down sharply compared to BRL 562.8 billion in 2016 (8.99% of GDP). The improvement was due mainly to a sharp decrease in interest expense in the context of monetary easing.

General government gross debt (GGGD – federal government, INSS, state governments and municipal governments) rose 4.0 pp to 74.0% of GDP, from 69.9% in 2016, reflecting early payment of BRL 50 billion in debt by BNDES to the Treasury.

Public-sector net debt (PSND) rose to 51.6% of GDP, from 46.2% of GDP in 2016. Current GDP growth reduced the ratio by 2.1 pp, while 1.5% exchange-rate depreciation reduced net debt by 0.2 pp. In the opposite direction, appropriated nominal interest raised the ratio by 6.1 pp, and the primary deficit added 1.7 pp.

An important event for healthier fiscal management was the passage of a law calling for substitution of the Long-Term Interest Rate (TJLP), significant mainly because it is the subsidized rate charged on capex loans by BNDES, by a new rate called TLP within five years to eliminate the subsidy.

From now on the spending cap will be an increasingly important limiting factor in the absence of structural reform, and new measures will have to implemented by the next administration. Besides the urgent need for pension reform, other measures will be required to contain the growth in public spending.

Despite all these challenges, we expect the government to comply with the primary deficit target in 2018. If the gradual economic recovery proceeds as foreseen, the dynamics of tax collection will improve, and revenue from this source has indeed risen in recent months, as noted.

The paramount challenge therefore remains the extreme rigidity of public spending owing to the high proportion of mandatory items, hindering the implementation of a rapid fiscal adjustment. This is why continuing progress on the structural reform agenda is essential, not least to comply with the spending cap and stabilize the growth in mandatory expenditure.

External sector

The balance of payments performed fairly positively again in 2017, with a current-account deficit of only USD 9.8 billion (equivalent to 0.5% of GDP), the best result since 2007. The current-account deficit in 2016 was USD 23.5 billion (1.3% of GDP).

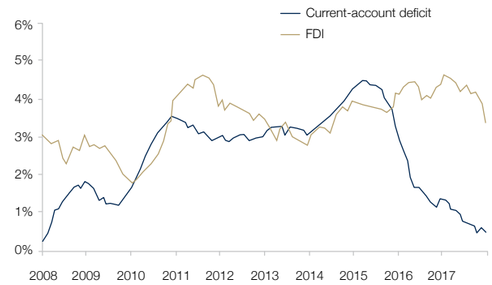
The merchandise trade surplus – the main reason for the continuation of a favorable balance of payments in 2017 – reached a record USD 64.0 billion, up almost USD 20 billion from 2016, thanks mainly to 17.8% growth in exports year over year, reflecting the record grain crop. Imports rose 9.9% year over year but remained at a relatively low level owing mainly to the weakness of economic activity.

The service and income accounts, which underwent intense adjustment in 2015 and 2016, began slowly moving toward an increased deficit but this was still very small in light of the magnitude of the merchandise trade surplus. Above all, the deficits rose in the following accounts: international travel (up USD 4.7 billion compared to 2016), profit and dividend remittances (up USD 1.6 billion), and transportation expense (up USD 1.2 billion).

At the same time, financing conditions remained positive in 2017, and each month the cumulative flow of foreign direct investment (FDI) far exceeded the trailing 12-month current-account deficit. FDI totaled USD 70.3 billion (3.4% of GDP), seven times the current-account deficit in the year. It is worth recalling that FDI totaled USD 78.2 billion (4.4% of GDP) in 2016.

As for foreign portfolio investment (FPI), the small surplus of USD 0.6 billion reflected the inflow of USD 5.7 billion in stocks offset by the outflow of USD 5.1 billion in fixed income. In our view the turbulent political and fiscal situations prevented a stronger inflow of FPI.

Figure 18: Foreign direct investment and current account (12-month total, in % GDP)



Source: Central Bank of Brazil, Banco Safra

In the foreign-exchange market, the BRL/USD exchange rate began 2017 in the range of 3.25 and appreciated until mid-May, when it reached 3.10 amid more positive prospects for enactment of the reforms proposed to Congress by President Michel Temer's administration.

However, it then depreciated in the wake of a major political crisis involving the president, reaching 3.38 (the highest level in the year) on May 18. The crisis helped keep it close to 3.30 until early July, and it then appreciated sharply during the month in response to both domestic and global factors.

More dovish signals from the US Federal Reserve resulted in depreciation of the USD against most other currencies, while in Brazil uncertainty about the political outlook diminished.

The Central Bank of Brazil (BCB) held no auctions of dollar swaps in January but reduced the volume of swap rollovers in February, cutting the balance of these transactions to USD 22.1 billion. In March it let part of the stock expire, cutting the stock to USD 17.9 billion. In May, however, the BRL depreciated because of the political crisis, and dollar swaps auctioned by BCB took the stock to USD 27.8 billion. The stock was kept at

that level until October, when the BCB again let part of it expire, so that the balance fell to USD 23.8 billion, where it remained until end-2017.

The flow of foreign funds ended 2017 showing a small surplus of USD 625 million, resulting from a net outflow of USD 52.3 billion in the financial account and a net inflow of USD 52.9 billion in the trade account.

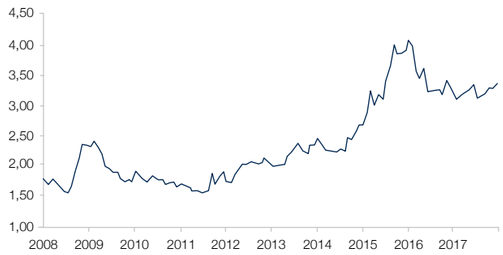
Outlook

Just as it did in 2017, Brazil begins the year in 2018 facing the challenges of advancing the fiscal adjustment and approving structural reforms, above all in social security and pensions. Economic activity is recovering, albeit gradually owing to uncertainty about the sustainability of the public debt and the ongoing corporate deleveraging process. The labor market will continue to recover slowly, supporting a resumption of consumer spending. Investment growth should return to positive territory after four years of contraction, but the improvement will be modest because of the difficult financial situation experienced by many firms, as well as uncertainty about the political and fiscal outlooks. On the other hand, below-target inflation will allow the Central Bank to proceed with monetary easing, and this will contribute to a continuation of deleveraging and a faster pace of economic recovery in 2018.

Our economic scenario for 2018 therefore considers the following expectations:

- In public finance, federal expenditure will be limited by the spending cap. Compliance with the target will remain a challenge, but reliance on extraordinary revenue will be less significant than in 2017. The 2018 primary deficit target is the same as the 2017 target in nominal terms: BRL 159 billion, or 2.0% of GDP. The economic recovery is the main factor that will help meet the 2018 target. Total expenditure will accelerate in 2018, with pensions and social security accounting for a larger share, so that discretionary items will remain at very low levels. All this illustrates the urgent need to enact pension reform, which

Figure 19: Exchange rate (BRL/USD, end of month)



Source: Central Bank of Brazil, Banco Safra

according to our expectations will probably happen in 2019.

- The exchange rate will remain volatile in response to global factors and domestic uncertainty, especially regarding the political and electoral outlook and the outlook for approval of reforms. Any pointers to increased chances of progress on structural reform under the next government will reduce risk premiums in the financial and capital markets, potentially leading to more lasting local currency appreciation. At the same time, the expectation that US monetary policy normalization will continue has strengthened the USD against other currencies. We therefore project a year-end BRL/USD exchange rate of 3.60 in 2018.

- Inflation is set to end 2018 on 3.6%, largely reflecting the normalization of food inflation (although this will remain low) and remaining below the 4.5% target.

- In the external sector, after a sharp balance-of-payments adjustment we forecast a rise in the current-account deficit to USD 23.1 billion (1.2% of GDP) due to the expected economic recovery. The standout will again be merchandise trade, with a projected surplus of USD 52 billion. Recovering commodity prices and a bumper crop will contribute to moderate export growth, but imports will also rise as economic growth picks up. It is important to mention that financing conditions will remain moderately favorable since foreign investors' risk perceptions are unlikely to deteriorate, given the prospect of progress on structural reform going forward.

- After a modest performance in 2017, GDP is expected to grow 1.5% in 2018. The industrial and service sectors will grow faster than in the previous year, offsetting a smaller contribution from agriculture (which posted a record performance in 2017). On the demand side, internal absorption is set to rise in response to moderately accelerating household consumption and a small rise in investment. At the same time, net exports will make a modest net contribution. Our cautious view of the economic recovery in Brazil reflects the lack of a solution to the fiscal crisis, which fuels uncertainty about the outlook, and also the costly deleveraging process in which companies are still engaged. We expect a resumption of growth in the stock of credit in 2018, more in loans to individuals than in corporate loans.

- Lastly, the political difficulties faced by the government due to both the challenge of steering structural reforms through Congress and fallout from the campaign against corruption and money laundering known as Operation Car Wash, in conjunction with the aftermath of the profound recession experienced in the recent past, will continue to constrain the government's capacity for action to assist the economic recovery. The 2018 elections will inject additional uncertainty, as their outcome will play a key role in blocking or assisting progress with the implementation of the indispensable structural reforms, especially those that tackle the problem of the gargantuan scale of mandatory public expenditure.

Corcovado - **Rio de Janeiro/RJ**

J. Safra Group

Banco Safra S.A. belongs to the J. Safra Group, present in 22 countries, and is part of an international network of companies under common control of members of the family of Mr. Joseph Y. Safra which continues to expand and diversify its activities through investment in various ventures grounded in the tradition, security and conservative management of its businesses.

Besides the financial conglomerate comprising Banco Safra S.A., J. Safra Sarasin and Safra National Bank of New York, which operate independently, the J. Safra Group has a wide array of non-financial activities involving real estate and agribusiness holding companies.

In December 2017, the group held a total of BRL 871 billion (USD 263 billion) in raised and managed assets.

Banco Safra S.A.

Banco Safra is a full-service bank that offers a complete line of financial products and services, and that stands out in the Brazilian market for the Safra family's experience and proximity to the business. It identifies scenarios, opportunities and threats with agility, rapidly adapting products and services to maximize the results of its clients and consequently those of the organization.

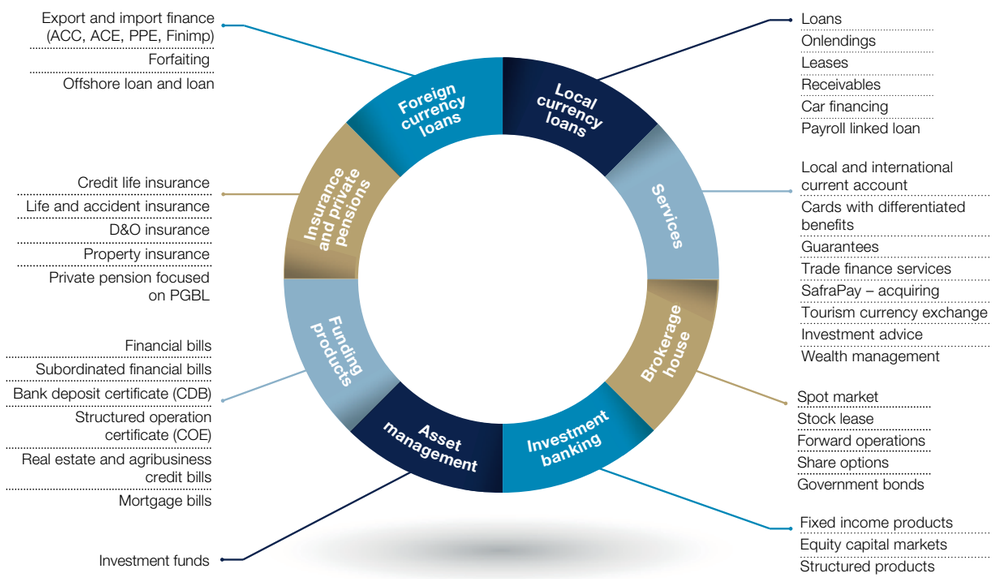
Operating in various business segments for individual and corporate clients, it has a close-up, flexible and agile management culture and is staffed by exceptionally well-qualified and dedicated professionals capable of understanding the needs of their clients.

With regard to corporate clients Banco Safra operated with the following segmentation at December 31, 2017: (i) large corporate clients – annual gross revenues of more than BRL 1 billion; (ii) corporate clients – annual gross revenues of BRL 200 million - 1 billion; (iii) middle-market clients – annual gross revenues of BRL 30 million - 200 million; e (iv) Empresas – annual gross revenues of BRL 1 million-30 million. The bank's clients also include institutional investors and other banks based in Brazil and abroad.

As a bank for high-income clients, its efforts focus on providing personal service and the investment products that offer the best returns on the client's portfolio in the long run. Individual clients are segmented into (i) private clients, with investment potential of more than BRL 5 million, and (ii) high-income clients.

In 2017 Banco Safra reached the 1 million client milestone in the high-income, private banking, vehicle

Products and services offered by Banco Safra



Network of branches and sales outlets

283 sales outlets distributed in **109** branches in Brazil and **two** offshore branches	
Large Corporate (1)	11 platforms
Corporate (2)	33 sales outlets in segmented branches
Middle Market (3)	75 sales outlets in segmented agencies
Small Enterprise "Empresas" (4)	18 sales outlets in segmented branches
High - Net - Worth individuals	93 sales outlets in segmented branches
Private Banking	29 platforms
16 exchange desk at Brazil's main airports and six mini-branches	
SafraPay: acquiring business launched in 2017 (more than 22,000 active merchant machines)	
Institutional investors: Services provided by a specialized structure centralized at headquarters	
Finance house: Vehicle financing and payroll linked loans to consumers via resales and correspondent banks, plus specialized structure	
Complementary services: Home Banking, Office Banking, Internet Banking, and shared network of some 20,000 ATMs	
Nº of employees: 6,732 (includes **490** SafraPay staff)	
Nº of clients: approximately **1** million (97,000 account holders and 949,000 non-account holders)	

(1) Annual sales of more than BRL1.0 billion.
(2) Annual sales of BRL 200 million-1.0 billion.
(3) Annual sales of BRL 30 million-200 million.
(4) Annual sales of BRL 1 million-30 million.

financing and payroll linked loans. This achievement evidences its commitment to diversifying revenue sources within the limits of its risk appetite.

Another milestone in the year was the launch of SafraPay, marking Banco Safra's entry into the merchant acquirer market, which already had more than 22,000 active machines with clients. As a result the bank now operates all links in the Brazilian electronic payment chain, offering services that go beyond electronic payment capture and provide access to a complete range of products and services in an agile and effective manner thanks to synergy with its commercial banking operation. The initiative positions Banco Safra competitively in this market and strengthens still further the long-term relationships it builds with clients. In addition, the bank extended the scope of its business activities by including companies with annual revenues of BRL 1 million - BRL 10 million, which had hitherto been outside its range.

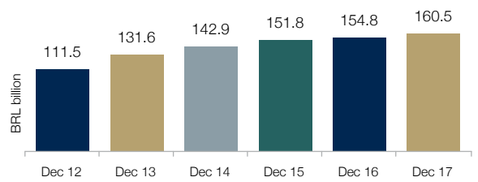
Banco Safra operates an optimized branch network in which various commercial segments share the same physical space, thus multiplying the service points available to its clients. At December 31, 2017, it had 111 branches (109 in Brazil and two offshore), with 283 service points, located in the main cities of Brazil.

Key indicators

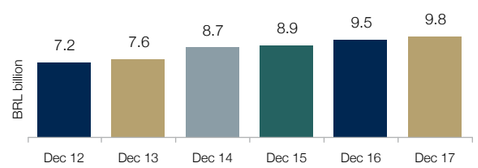
Banco Safra S.A. ended 2017 as the fourth-largest private bank in Brazil by total assets[1]. In consolidated terms, at December 31, 2017, its assets totaled BRL 160.5 billion, and equity stood at BRL 9.8 billion. In 2017 net income reached BRL 1.9 billion, for an average annualized return on equity of 19.8%.

The bank ended the year with a comfortable liquidity position amounting to BRL 25.2 billion, equivalent to 2.6 times the value of equity at December 31, 2017.

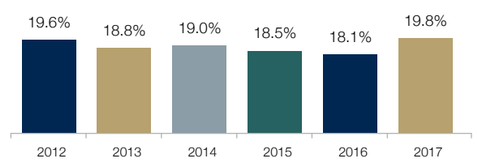
Total assets



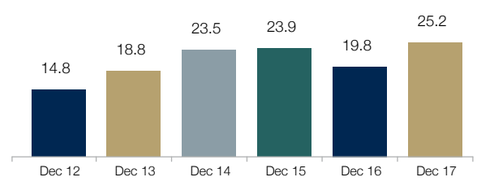
Equity



Return on average equity (ROAE)



Liquidity (BRL billion)



[1] Source: Central Bank of Brazil, basis date December 2017. Consolidated Prudential.

Credit

The classical credit portfolio reached BRL 60.1 billion at end-2017, compared to BRL 52.3 billion a year earlier. The expanded credit portfolio, which includes guarantees, sureties and other credit risk instruments, reached BRL 87.5 billion, for 12.8% growth compared to BRL 77.5 billion at end-2016. The main drivers of this growth were loans to large corporate clients, payroll linked loans and vehicle financing for individuals, in line with the first signs of an economic recovery in Brazil.

The payroll linked loans and vehicle financing portfolios grew 77.6% and 58.3% year over year respectively. It is worth mentioning that 94% of the payroll linked loans portfolio consists of loans to recipients of retirement and other pensions from the National Social Security Institute (INSS), and the delinquency rate for this portfolio in terms of non-performing loans more than 90 days past due was 1.0% at end-2017, compared to 2.4% for the system as a whole.

Expanded credit portfolio (by size of client)	Dec/17		Dec/16		Change Dec-17/Dec-16
	BRL million	% share	BRL million	% share	
Individual clients	**13,515**	**17.1%**	**8,495**	**12.2%**	**59.1%**
Credit cards	215	0.3%	165	0.2%	29.8%
Payroll linked loans	6,024	7.6%	3,391	4.9%	77.6%
Personal loans / other	1,154	1.5%	1,071	1.5%	7.7%
Vehicle financing	6,123	7.7%	3,867	5.5%	58.3%
Corporate clients	**65,716**	**82.9%**	**61,343**	**87.8%**	**7.1%**
Large Corporate[1]	48,118	60.7%	43,021	61.6%	11.8%
Corporate[2]	9,164	11.6%	8,941	12.8%	2.5%
Middle Market[3]	5,349	6.8%	4,993	7.1%	7.1%
Empresas[4]	3,085	3.9%	4,387	6.3%	(29.7%)
Total with guarantees and endorsements[5]	**79,231**	**100.0%**	**69,838**	**100.0%**	**13.4%**
Other credit risk instruments and other credits	**8,230**		**7,709**		**6.8%**
Expanded credit portfolio	**87,461**		**77,547**		**12.8%**

[1] Annual sales of more than BRL1.0 billion.
[2] Annual sales of BRL 200 million-1.0 billion.
[3] Annual sales of BRL 30 million-200 million.
[4] Annual sales of BRL 1 million-30 million.
[5] Includes guarantees and sureties amounting to BRL 19,134 million in Dec/17 and BRL 17,542 million in Dec/16.

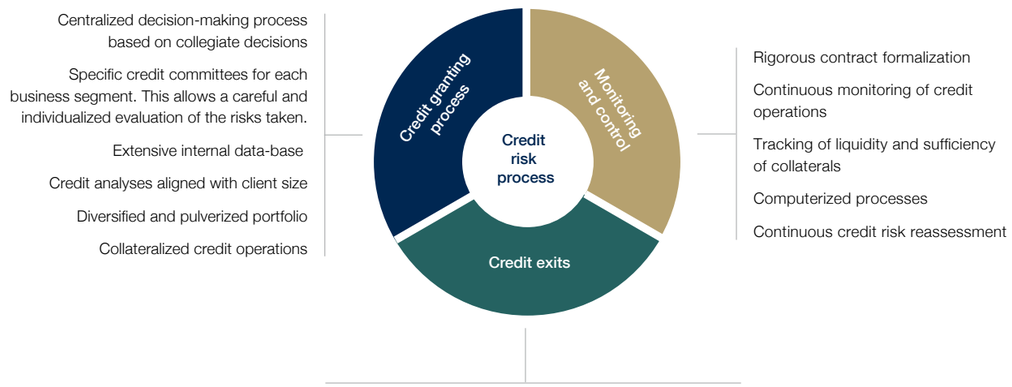
Banco Safra is an important onlending agent for BNDES, the national development bank. In 2017 it extended BRL 10.9 billion in aggregate onlending to the productive sector and guarantees for projects financed by BNDES. As a result it remained one of the leaders among financial institutions accredited to act as onlenders in this segment.

At December 31, 2017, the composition of the loan portfolio by type of client was as follows: (i) 27% industrial entities; (ii) 25% service companies; (iii) 20% commercial entities; (iv) 22% individual clients; and (v) 5% other clients.

The credit risk management structure is reflected in low loan delinquency rates and comfortable levels of loan

loss provision and coverage. These indicators confirm the use of best practices and technologies in lending and control of guarantees, making Banco Safra one of the industry's best in terms of credit management.

Credit risk cycle

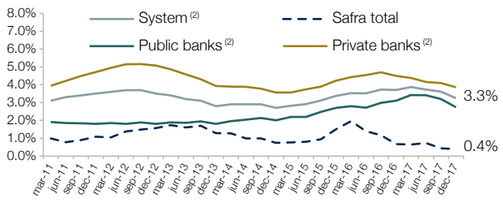


The bank's credit quality indicators were also outstanding in 2017, ratifying the efficiency of its risk management framework. At end-December non-performing loans (more than 90 days past due) accounted for only 0.4% of the total credit portfolio. This was Banco Safra's lowest delinquency rate for 13 years. Another key measure of delinquency is the proportion of problem loans (rated E-H), both performing and non-performing, which was 2.3% of the total credit portfolio at end-2017. Renegotiated loans accounted for 1.0% of the total, and the loan loss provision coverage ratio for this portfolio was 96.6%.

Banco Safra's levels of coverage remained well above those of the other main private players, reaching 1,111.2% for loans more than 90 days past due and 189.3% for problem loans.

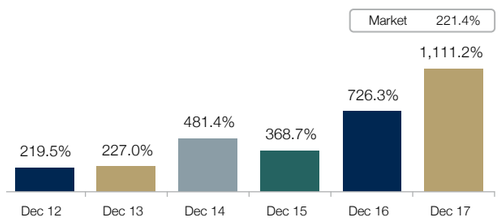
These comfortable coverage levels ratify the conservative approach taken by management, which at the first sign of deterioration in credit reappraises guarantee sufficiency and liquidity, and reinforces loan

Non-performing loan ratio - NPL90[1] - *Total portfolio*



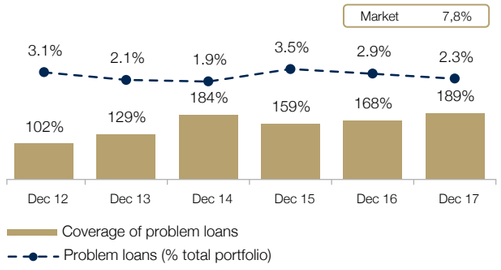
(1) Loans more than 90 days past due as percentage of total credit portfolio.
(2) Source: Central Bank of Brazil.

Coverage ratio NPL90



Market = top three private banks in Brazil based on assets in December 2017.

Problem loans (E-H)[1]



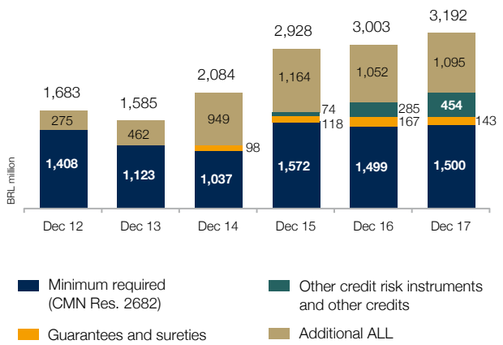
Market = top three private banks in Brazil based on assets in December 2017.

(1) Loans rated E-H, both performing and non-performing, as percentage of total credit portfolio.

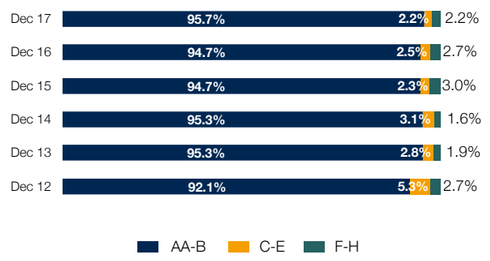
loss provisions at levels exceeding those required by the regulator. These effects are reflected in the indicators for problem loans (E-H).

Further evidence of credit portfolio quality is the proportion of loans rated AA and A, the best risk ratings on the scale established by the Central Bank of Brazil, accounting for 92.0% of the total credit portfolio. Allowance for loan losses (ALL) corresponded to 4.3% of the portfolio. In line with its conservative vision, the bank maintained an addtional provision over and above the level required by the regulator, totaling BRL 1.1 billion at end-2017, and in addition to the required minimum of BRL 1.5 billion this resulted in a total ALL of BRL 3.2 billion.

Allowance for loan losses



Credit operations ratings (CMN Res. 2.682)



Investment management

Banco Safra is an investment bellwether for both individuals and companies. With diligence and creativity, it offers the best in products of its own and third-party products.

Each product is painstakingly validated before being offered to clients. A team of advisors analyzes the client's needs, net worth and investment profile in depth, assuring the bank's ability to offer every client the best selection of products on the domestic and international markets.

Supported by the family's experience, and by qualified economists and asset managers, a detailed validation and selection process examines all investment funds before they are offered to clients, always in pursuit of long-term performance. In the brokerage house, the recommended portfolio has consistently outperformed the Bovespa Index.

Corporate clients are serviced by a similar process, involving a dedicated structure of funding products and professionals prepared to meet every need, from the management of operating cash flow to the investment of surplus funds.

In 2017 Banco Safra continued to focus on funding stability by diversifying the sources of funding and extending maturities to assure consistent management of liquidity and enhanced security for clients, an emphasis recognized by the rating agencies as a strategy for reducing the institution's credit risk, and by means of solid expansion of its client base, which comprises both companies and high-income individuals and private banking clients.

Banco Safra had BRL 216.4 billion in raised and managed assets at December 31, 2017. Investment funds accounted for BRL 82.9 billion, up 24.4% year over year. Client funding grew 22.1% in the year reaching BRL 66.6 billion at end-December 2017.

Pension funds and multimarket mutual funds grew 38.1% and 31.9% year over year respectively.

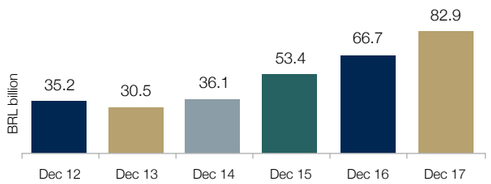
Banking service fees

Banco Safra diversified its sources of revenue in 2017, intensifying the focus on existing products such as management of investment funds and insurance, and including new products led by SafraPay, launched during the year and well-accepted by the acquirer market.

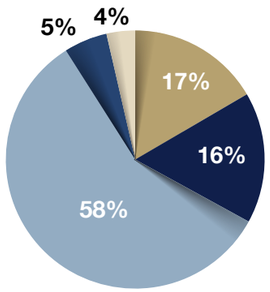
The institution is also a leader in the investment banking segment, especially capital market activities, bond distribution and mergers and acquisitions (M&A), leveraging its brand recognition. In 2017 it participated in bond issues worth more than BRL 7 billion.

As a result of this diversification, income from banking service fees and banking charges totaled BRL 1.8 billion (BRL 1.6 billion in 2016), growing 13.5% in the period. In particular, income from fund management and administration, brokerage and custody amounted to BRL 1.0 billion (BRL 825 million in 2016), growing 23.0% in the year.

Assets under management

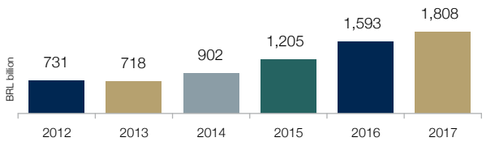


Client funding (by product) – Dec/2017



- Deposits
- Open market - own portfolio
- Funds from acceptance and issued of securities
- Structured fixed income transactions
- Subordinated debt

Banking service fees and banking charges



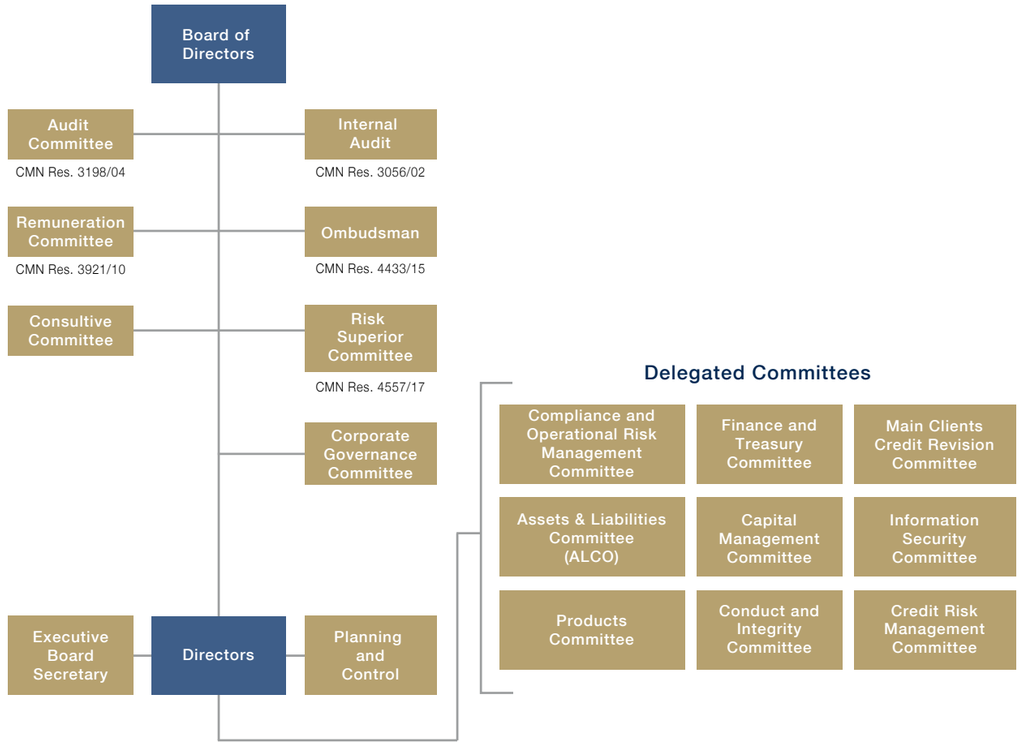
Insurers Safra Seguros Gerais and Safra Vida e Previdência earned ISO 9001:2015 certification for insurance policy issuance in 2017, confirming the organization's pursuit of credibility, quality and continuous improvement in processes. It is worth noting that this certification is recognized worldwide.

Risk and capital management

Banco Safra's risk management frameworks and procedures are a fundamental part of its strategy for solidity and security. They act independently of business areas to assure alignment with the group's risk appetite and compliance with regulatory requirements.

The strong corporate governance structure focuses on collegiate decision making and is supported by rigorous internal controls. One of the statutory committees is the Risk Superior Committee, set up in compliance with National Monetary Council (CMN) Resolution 4557 to advise the Board of Directors on carrying out its duties with regard to integrated risk and capital management. The Chief Risk Officer (CRO) reports to this committee and the board of directors. Also part of Safra's risk management framework is a formal Risk Appetite Statement (RAS) specifying the key indicators, metrics and principles on which its business activities and risk controls are based. The RAS is periodically monitored by top management, the Risk Superior Committee, and the Board of Directors.

The Safra Financial Conglomerate's Audit Committee, also a statutory body, reports to the Board of Directors and operates in compliance with CMN Resolution 3198 (dated May 27, 2004) and National Private Insurance Council (CNSP) Resolution 312 (dated June 16, 2014). The conglomerate uses a single Audit Committee that is part of the structure of Banco Safra S.A., its lead institution.



In addition to its statutory committees, Safra has a number of delegated committees that support the institution's operations (see chart).

Top management is involved in risk and capital management through delegated committees responsible for discussing, monitoring and decision making on capital ratios and methodologies for measuring and managing risk, supported by a comprehensive framework of limits and triggers, such as stop loss, which are continually monitored and disclosed so as to avoid concentration in certain risk factors and ensure compliance with the institution's risk appetite.

The risk management framework and policies apply to credit risk, market risk, liquidity risk, operational risk, social risk and environmental risk, as well as capital management, always in accordance with the bank's strategy and with regulatory requirements.

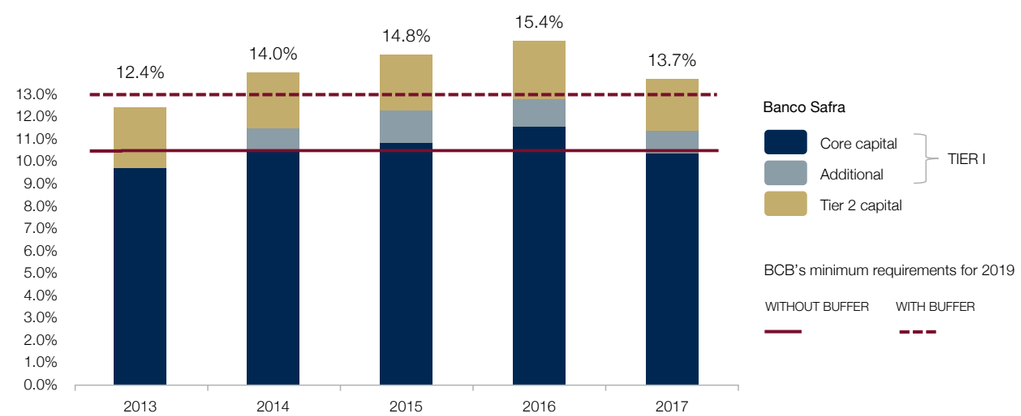
It is important to note that the risk and capital management frameworks are subject to segregated, mutually independent auditing and validation, which afford an autonomous view of their structures and the operational effectiveness of the processes and controls involved.

An important event relating to capital management in 2017 was the implementation of several enhancements to the Internal Capital Adequacy Assessment Process (ICAAP), continuing a process begun in 2012 that involves all major Brazilian banks. Regulated by the Central Bank, the process entails an assessment of all risk and capital management procedures at all hierarchical levels, including a forward-looking capital plan for a minimum of three years ahead. In addition, alongside other leading financial institutions Safra is a participant in the Central Bank's Bottom-Up Stress Test Exercise, introduced in 2017. These processes are designed to assure the solidity and security of the National Financial System and anticipate any adjustments required to keep the markets running smoothly.

Banco Safra's capital adequacy ratios consistently exceed the levels recommended by BIS and the Central Bank of Brazil under Basel III. At end-2017 the Basel ratio was 13.7%, assuring the bank's capacity to grow its business sustainably.

Banco Safra follows conservative accounting principles, especially with regard to deferred tax assets, such as: (i) non-recognition of the tax credit deriving from the rise in the social contribution rate implemented in 2015 and due to expire in 2018 (from 15% to 20% at end-2015); and (ii) non-recognition of the tax credit on the extra provision for non-performing loans. If these practices were not followed, its capital adequacy ratios would be higher.

Minimum capital requirement implementation timetable in Brazil



BRL million	Dec 17	Dec 16
Regulatory capital (PR)	**12,759**	**12,567**
Tier 1	**10,626**	**10,414**
Core capital	9,636	9,433
Additional	991	981
Tier 2	**2,133**	**2,153**
Risk-weighted assets	**92,972**	**81,552**

	Moody's	S&P
Global scale - Local currency - Long term	Ba2	BB-
Global scale - Foreign currency - Long term	Ba3	BB-
Brazil national scale - Long term	Aa1.br	brAAA
Outlook	Stable	Stable
Latest report	4/16/18	7/11/18

About liquidity risk management, since 2015 the bank has tracked its liquidity coverage ratio (LCR), which measures the stock of high-quality liquid assets against total net cash outflows in a stress period of 30 calendar days. At end-2017 the LCR was 278%. The regulator requires 80%. The difference highlights the bank's conservative liquidity management policy and reflects its comfortable financial situation. In addition to the LCR, Safra uses other metrics to ensure that both the level of liquidity and its composition perform as required by the institution's risk appetite.

Finally, Safra invests in employee training to refine technical skills and facilitate engagement with the organization's risk culture, which is a fundamental part of its management.

Ratings

Thanks to efficient management and the solid results achieved over the years, Banco Safra continues to merit the highest ratings possible for financial institutions in Brazil from S&P Global and Moody's, limited as these are by Brazil's sovereign rating.

Subsequent events

It is important to note the issuance of USD 500 million in five-year senior notes on February 1, 2018, via Banco Safra's Cayman branch.

In first-quarter 2018, Banco Safra resegmented its business model according to client size, extending the range of annual sales used to classify companies in the different segments. The change was designed to consolidate, strengthen and expand its business in the base segment (Companies), while also raising productivity and leveraging synergies between professionals and structures through their expertise for dedicated service provision in all segments.

The bank's operations with companies are now segmented as follows since 2018: (i) large corporate clients – annual gross revenues of more than BRL 5 billion; (ii) corporate clients – annual gross revenues of BRL 500 million-5 billion; (iii) middle-market clients – annual gross revenues of BRL 30 million – 500 million; (iv) "Empresas" – annual gross revenues of BRL 1 million - 30 million.

Sustainability

Safra follows sustainability best practices in its business activities. To this end it maintains close and balanced relationships with clients and suppliers, supported by qualified internal structures and well-trained staff, in conformity with the guidelines issued by the regulators and with its own Socioenvironmental Risk Management Policy and Framework implemented in compliance with CMN Resolution 4327/2014. The Socioenvironmental Risk Policy is available from Safra's portal (www.safra.com.br).

With regard to socioenvironmental risk deriving from the extension of credit, variables such as client activity and labor relations (involvement with child labor or forced labor) are analyzed as part of the account opening and lending processes as well as the monitoring of existing exposures, ensuring that clients to whom credit is extended comply with the rules established by the regulators and with the bank's socioenvironmental principles.

Safra is committed to optimizing natural resource use. Its initiatives in this regard include the use of LED bulbs in its head office building, which reduced electricity consumption by 43% in 2017, and the installation of faucets with timers and presence sensors, cutting water consumption by 35%.

Retrofits and refurbishments to the headquarters and branches also confirm Safra's commitment to the environment. Office furniture is certified by a specialized company for sustainability, recyclability and social correctness. Doors, jambs, partitions, wall and floor coverings, frames and furniture are certified by the Forest Stewardship Council (FSC), an international nonprofit established to promote economically feasible social development with environmental responsibility.

Modernization of the data center in 2017 entailed swapping air conditioning equipment with CFC (chlorofluorocarbon), which depletes the ozone layer, for an indirect expansion system using HFC (hydrofluorocarbon), a climate-friendlier coolant.

Frequent advances in customer service channel technology also represent environmental protection gains. Online provision of products, services, account statements and reports to individual and corporate clients via the internet banking platform reduced the number of printed pages by over half a million or 20% compared to 2016.

Social responsibility

Safra contributes to the development of society in many fields, such as social inclusion, health, culture, education and sport, among others, supporting high-impact projects run by institutions recognized for excellence in helping the poor and disadvantaged.

Social inclusion

A highlight of 2017 was support for the project Laços de Amizade ("Ties of Friendship"), which for more than ten years has organized social and cultural activities to foster the social inclusion of children and adolescents with cancer, people in situations of risk or abandonment, and people with special needs, among other groups. More than 2,600 people have benefited from the project.

Another important institution is TUCCA – Association for Children & Adolescents with Cancer, which for 17 years has conducted a project called Música pela Cura ("Music for Healing"), holding concerts of classical music to raise funds that will help pay for treatment of young cancer patients.

Health

A significant proportion of the donations made by Safra goes to hospitals recognized for the quality of the services they offer, such as the Albert Einstein Jewish Hospital in São Paulo, the Barretos Cancer Hospital and the São Paulo Heart Hospital (HCor). The bank also supports important partners who promote the universalization of healthcare.

Longstanding partnerships

Safra traditionally supports institutions recognized for their dedication to noble causes. They have all been the bank's partners for over 20 years.

Fundação Dorina Nowill: Promotes social inclusion of the visually impaired by producing and distributing free Braille, audio and digital books to some 2,500 schools, libraries and organizations throughout Brazil.

Jewish-Brazilian Social Welfare Association (UNIBES): More than 100 years running educational and social aid projects for children, adolescents and adults young or old.

Apae – Association of Parents and Friends of Children with Special Needs: Promotes the diagnosis and prevention of genetic anomalies, contributing to social inclusion of the developmentally disabled.

AACD – Association for Assistance to Handicapped Children: Cares for children with special needs through occupational training, sport and physical rehabilitation, among other activities.

GRAACC – Support Group for Children with Cancer: Maintains an internationally recognized hospital and pediatric oncology institute in partnership with the Federal University of São Paulo (UNIFESP).

Unibes
Center for Children
& Adolescents (CCA)

Tucca
Apprentice
Conductor Project

Culture and education

In 2017 the Safra Cultural Project continued a 35-year journey by paying tribute to Museu de Arte de São Paulo (MASP), one of Brazil's most important art museums. MASP was chosen by Safra as the precursor of Museus Brasileiros, an innovative publishing initiative whereby every year since 1982 a new volume has been issued about a leading Brazilian museum's collections and facilities. Some 500,000 copies have been printed to date.

Teatro J. Safra receives donations to promote a diversified program of quality events that prioritize the democratization of access to culture, as well as arts and theater courses for young people from low-income households.

Some of the volumes on Brazilian museums produced by the Safra Cultural Project in different periods. The volume published in 2017 pays tribute to Museu de Arte de São Paulo Assis Chateaubriand (MASP).

Human resources

General data

Banco Safra and its subsidiaries ended December 2017 with 6,732 employees, up 15% in the year. Pay, taxes and charges, excluding expenses relating to severance and labor contingencies, totaled BRL 1.8 billion.

BRL million

Key performance indicators for compensation and benefits	2017	2016
Meals	78.8	67.3
Compulsory social security	331.2	281.2
Occupational health and safety	36.4	31.2
Daycare or daycare allowance	6.7	5.8
Travel allowance	3.2	3.1
Profit sharing	355.7	269.8
TOTAL	**812.0**	**658.4**

Careers

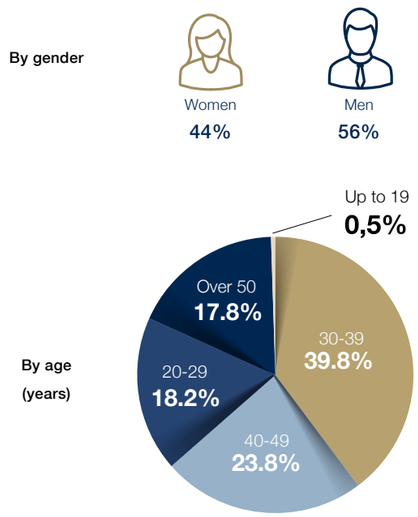
Providing opportunities for professional and personal development is a constant concern for Safra. In 2017, 13% of the workforce were promoted. In parallel, the bank invests in hiring market professionals with outstanding competencies and careers. Approximately 2,000 new staff were taken in 2017. Integration of existing staff with new hires guarantees a diverse and increasingly well-prepared team.

Enrollment for the Safra Trainee Program was opened once again in 2017. More than 55,000 people applied for the selection process, which was one of the most sought-after in Brazil for the fourth consecutive year. The process lasted three months and ended with the admission of 42 new trainees. The main aim of the initiative is to develop all-round professionals in support of Safra's expansion plan.

The program's success is grounded in the freedom of choice given to these young trainees to choose the area in which they want to work during the first stage of the selection process. They then participate in a nine-month development cycle that includes a special course in financial markets designed by a top-tier university, lectures, working side by side with the bank's senior executives, and job rotation tailored to the needs of each trainee.

Safra also invests in its Internship Program, which has the same standard of quality as the Trainee Program. In 2017 it engaged 100 students from the best Brazilian universities and offered them special career supervision with concrete possibilities of joining the regular staff.

Profile of Team Safra in 2017



To offer opportunities to undergraduates who study full time or overseas, Safra's Vacation Internship Program engaged 52 students to work at the bank in January and July. These interns are future candidates for the Internship and Trainee Programs.

Completing the cycle of initiatives to attract and retain future talent, the Young Apprentice Program engaged 32 second- and third-year high school students and undergraduates to begin a career at one of the largest Brazilian banks.

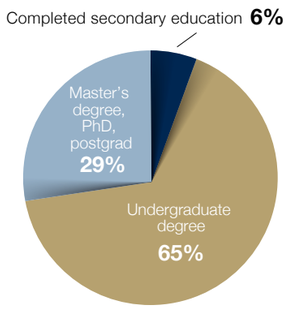
Education and training

Safra values the development, education and training of its professionals. It therefore offers financial support for staff to pursue undergraduate degrees, MBAs and graduate studies at the best universities, as well as full funding for the ANBIMA CPA 10 and CPA 20 examinations required for financial market professionals to obtain mandatory certification. In 2017 about 10% of the bank's staff received financial support of this kind.

A Career Cycle Program introduced in 2017 maps and evaluates the performance of each member of staff to assure the assertiveness and meritocratic fairness of the training, financial assistance and promotions offered to all employees.

The bank also invests in learning and development via face-to-face and online training. Nineteen new courses were offered in 2017. Because the courses are designed by Safra's executives, they are highly applicable, efficient, and compliant with the bank's values and principles.

Educational attainment of Team Safra in 2017



Training indicators in 2017

Other highlights include the Commercial Management Training Program, specially created to prepare commercial managers for future leadership positions, and the new Integration Program consisting of two weeks of full-time training for newly hired managers and account executives. The sales forces of both Safra and SafraPay (Banco Safra's merchant acquirer and online payment processing platform) undergo a process of institutional immersion, learning in theory and practice all about the workings of the business areas that make Safra an example of fast growth combined with solidity.

Health

Safra's Health Program has an annual calendar that is constantly enhanced and includes a voluntary campaign against influenza under which employees and their families are immunized with the quadrivalent flu vaccine, the most complete vaccine for this purpose on the market. Besides setting up a special clinic in its head office building to vaccinate employees and their spouses and children, Safra provides a day of recreation for these families, with games and special decorations for the children.

Another important annual campaign is Pink October for breast and cervical cancer prevention, which in 2017 offered checkups and specially designed educational communication. The Blue November prostate cancer prevention initiative, in turn, took blood samples for men over 40, prescribed urology tests, and offered information about the disease from an on-site medical team. The Antenatal Course provided guidance for future mothers on labor, breastfeeding and baby care.

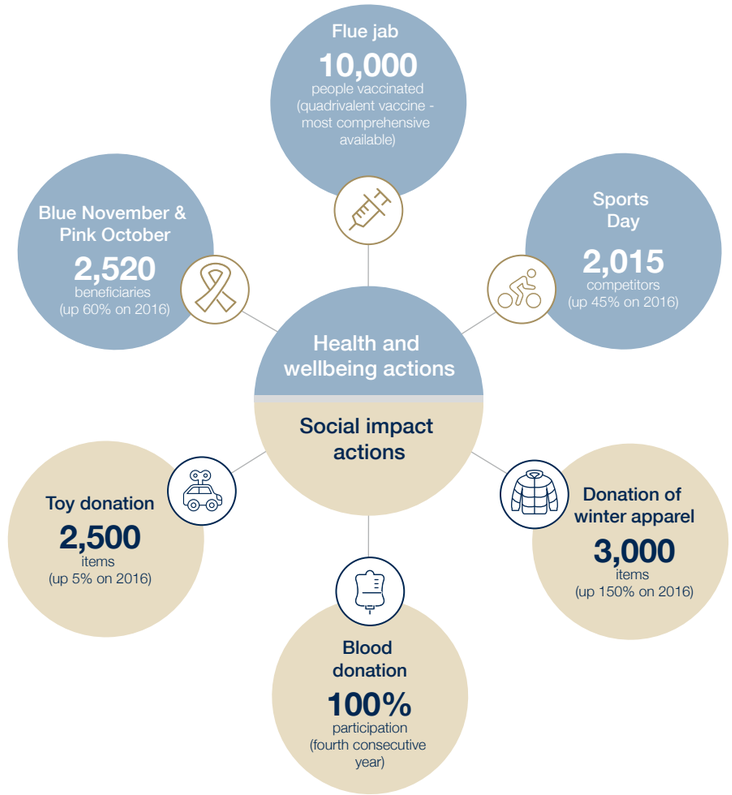
Two other highly important campaigns were for blood donation, organized in partnership with São Paulo's Syrian-Lebanese Hospital, which in 2017 proudly achieved 100% enrollment for the fourth year running, and the Anti-Tobacco Program with counseling and free medication to help people stop smoking.

Wellbeing

Safra takes action of various kinds during the year to provide positive experiences for its staff. In 2017 it unveiled a bicycle parking space for employees who work at headquarters and commute by bike, promoting this sustainable alternative form of transportation and also encouraging staff to get more exercise.

Another highlight was the Annual Day to Visit My Parent's Workplace, which opens Safra's doors to employees' children so they can get to know the institution. In 2017 the theme was cultural diversity. The children played games and engaged in educational activities enabling them to learn about the history, clothing, cuisine and other dimensions of the different cultures that have contributed to Brazil's national identity.

Safra's employee association signed deals with a record number of companies for discounts in a range of areas including healthcare, fitness, education, apparel and meals, among others. The association organizes an extensive calendar of sporting and cultural events with activities for staff and dependants throughout the year and in all the cities where the bank operates.



Engagement: the social impact of Safra's human resources actions and the number of people participating grow year by year.

Teatro Amazonas - **Manaus/AM**

Financial statements

Balance sheet

R$ 000		CONSOLIDATED	
ASSETS	**Notes**	**12.31.2017**	**12.31.2016**
CURRENT AND NON-CURRENT ASSETS		160,459,501	154,787,526
Cash	3(b) and 4	535,052	468,132
Interbank investments	3(c) and 4 and 5	37,044,949	46,813,833
Open market investments		33,670,060	44,070,112
Interbank deposits		1,411,828	1,802,153
Foreign currency investments		1,963,061	941,568
Central Bank compulsory deposits	6	4,442,980	2,503,007
Marketable securities	3(d) and 7(a)	54,702,125	48,928,804
Own portfolio		25,359,134	22,269,413
Subject to repurchase agreements - Open market		15,007,169	15,053,595
Restricted deposits - Brazilian Central Bank		509,529	455,219
Subject to guarantees		1,523,888	2,200,727
Funds guaranteeing technical reserves for insurance and private pension	10(b)	12,302,405	8,949,850
Derivative financial instruments	3(d) and 7(b)	504,266	710,214
Transactions with credit characteristics	3(f) and 8	58,057,210	50,235,257
Credit operations		60,377,076	52,473,352
Other credits		275,891	312,509
(Allowance for loan losses)		(2,595,757)	(2,550,604)
Other financial assets	11	2,366,949	2,623,712
Foreign exchange portfolio	11(a)	1,146,563	1,988,735
Negotiation and intermediation of securities	11(b)	401,248	532,122
Interbank and interdepartmental transactions		57	634
Sundry		819,081	102,221
Other receivables		2,355,492	2,173,510
Deferred taxes	15(b)	1,798,384	1,865,089
Sundry	13(a)	557,108	308,421
Other assets – Prepaid expenses	3(h)	56,447	36,109
INVESTMENTS	3(i)	6,881	6,509
PROPERTY AND EQUIPMENT IN USE	3(j) and 16	253,193	194,623
INTANGIBLE ASSETS	3(k) and 16	133,957	93,816
TOTAL ASSETS		**160,459,501**	**154,787,526**

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

R$ 000		CONSOLIDATED	
LIABILITIES	**Notes**	**12.31.2017**	**12.31.2016**
CURRENT AND NON-CURRENT LIABILITIES		150,690,953	145,279,821
Deposits	3(m) and 9(a)	12,673,060	9,913,108
Demand deposits		895,691	545,439
Savings deposits		1,932,484	1,584,793
Interbank deposits		570,162	934,579
Time deposits		9,274,723	6,848,297
Open market funding	3(m) and 9(b)	54,123,032	73,833,247
Own portfolio		23,122,962	36,913,493
Third party portfolio		31,000,070	36,919,754
Funds from acceptance and issue of securities	3(m) and 9(c)	39,831,372	22,566,865
Funds from financial bills, bills of credit and similar notes		39,475,119	21,056,485
Liabilities for marketable securities abroad		356,253	1,510,380
Structured funding	3(m) and 9(d)	6,346,783	7,393,795
Borrowings and onlending	3(m) and 9(e)	14,135,756	11,921,456
Foreign borrowings		8,860,882	5,848,233
Domestic onlending		5,237,111	6,019,072
Other borrowings		37,763	54,151
Derivative financial instruments	3(d) and 7(b)	469,756	577,560
Insurance and supplementary pension operations	3(n) and 10(c)	12,304,097	8,967,082
Other financial liabilities	11	2,944,844	3,237,787
Foreign exchange portfolio	11(a)	1,148,365	2,054,699
Collection of taxes and similar		16,341	23,550
Interbank and interdepartmental transactions		283,671	250,485
Negotiation and intermediation of securities	11(b)	594,266	569,620
Other		902,201	339,433
Subordinated debt	3(m) and 9(f)	5,193,120	4,510,166
Other liabilities		2,628,625	2,315,845
Social and statutory		16,219	14,871
Taxes and social security contributions	3(o) and 15(c)	421,646	358,540
Deferred tax liabilities	3(q) and 15(b-II)	300,748	247,479
Provisions for contingencies	3(o) and 14(c)	1,350,894	1,242,565
Sundry	13(b)	539,118	452,390
DEFERRED INCOME	3(r)	40,508	42,910
EQUITY	17	9,768,548	9,507,705
Share capital – Country		8,652,392	8,652,392
Revenue reserves		1,086,001	837,650
Carrying value adjustments		30,155	17,663
TOTAL LIABILITIES AND EQUITY		**160,459,501**	**154,787,526**

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

Statement of income

R$ 000		CONSOLIDATED	
	Notes	2017	2016
INCOME FROM FINANCIAL INTERMEDIATION	12(a)	16,726,899	18,235,819
Credit operations		6,801,231	6,785,333
Transactions with marketable securities		8,611,279	10,176,554
Financial income from insurance and pension plan operations	10(e)	1,040,507	1,030,425
Compulsory deposits	6	261,329	229,545
Other financial income		12,553	13,962
EXPENSES OF FINANCIAL INTERMEDIATION	12(b)	(12,485,206)	(14,060,254)
Funds obtained in the market		(10,767,121)	(12,449,245)
Borrowings and onlending		(555,228)	(501,031)
Financial expenses from insurance and private pension operations	10(e)	(1,018,809)	(1,002,832)
Other interest expenses	14(c)	(144,048)	(107,146)
DERIVATIVE FINANCIAL INSTRUMENTS	12(c) e 18(i-II)	50,197	924,064
GROSS INCOME ON FINANCIAL INTERMEDIATION BEFORE ALLOWANCE FOR LOAN LOSSES		4,291,890	5,099,629
RESULT OF ALLOWANCE FOR LOAN LOSSES		(333,551)	(1,338,824)
Allowance for loan losses	3(f) and 8(a-II)	(1,039,704)	(1,808,856)
Recovery of credits written-off as loss	3(f) and 8(d)	706,153	470,032
NET INCOME ON FINANCIAL INTERMEDIATION		3,958,339	3,760,805
OTHER INCOME FROM OPERATIONS		2,157,019	1,959,494
Foreign exchange transactions		109,154	114,578
Revenue from service and bank fees	12(d)	1,807,651	1,592,538
Insurance, reinsurance and private pension operations	3(n) and 12(e)	240,214	252,378
TAX EXPENSES OF OPERATIONS	15(a-II) and 18(i-II)	(430,980)	(457,192)
NET INCOME FROM OPERATIONS	18(i-II)	5,684,378	5,263,107
OTHER OPERATING INCOME (EXPENSES)		(3,045,894)	(2,661,185)
Personnel expenses	13(c)	(2,037,754)	(1,653,759)
Administrative expenses	13(d)	(775,200)	(662,468)
Other operating income		5,314	5,742
Other operating expenses	14(c)	(238,254)	(350,700)
INCOME BEFORE TAXES		2,638,484	2,601,922
INCOME TAX AND SOCIAL CONTRIBUTION	3(q), 15(a-I) and 18(i-II)	(723,903)	(903,669)
NET INCOME		**1,914,581**	**1,698,253**
Earnings per share – Shares 15.301 (15.301 at 12.31.2016)		**125.13**	**110.99**

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

Statement of changes in equity

(Note 17)

R$ 000	Paid-up capital	Revenue reserves	Carryinge value adjustment	Retained earnings	Total
AT JANUARY 1, 2016	**4,262,392**	**4,701,705**	**(49,248)**	**–**	**8,914,849**
Increase capital	4,390,000	(4,390,000)	–	–	–
Carrying value adjustments –					
Available-for-sale securities	–	–	66,911	–	66,911
Net income for the period	–	–	–	1,698,253	1,698,253
Allocation:					
Legal reserve	–	84,913	–	(84,913)	–
Special reserve	–	441,032	–	(441,032)	–
Interest on own capital	–	–	–	(672,308)	(672,308)
Dividends	–	–	–	(500,000)	(500,000)
AT DECEMBER 31, 2016	**8,652,392**	**837,650**	**17,663**	**–**	**9,507,705**
Carrying value adjustments –					
Available-for-sale securities	–	–	12,492	–	12,492
Net income for the period	–	–	–	1,914,581	1,914,581
Allocation:					
Legal reserve	–	95,729	–	(95,729)	–
Special reserve	–	152,622	–	(152,622)	–
Interest on own capital	–	–	–	(655,138)	(655,138)
Dividends	–	–	–	(1,011,092)	(1,011,092)
AT DECEMBER 31, 2017	**8,652,392**	**1,086,001**	**30,155**	**–**	**9,768,548**

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

Statement of cash flows

(Note 3(b))

R$ 000		CONSOLIDATED	
	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
ADJUSTED NET INCOME		2,180,707	2,058,939
Net income for the periods		1,914,581	1,698,253
Adjustments to net income:			
Depreciation and amortization	13(d)	66,636	51,614
Allowance for loan losses		186,379	74,986
Allowance for loan losses	8(a-II)	1,039,704	1,808,856
Write off of loss	8(a-II)	(853,325)	(1,733,870)
Foreign exchange gains (losses) on cash and cash equivalents		(51,445)	(5,400)
Provision for contingent		148,725	162,851
Civil, labor and other	14(c)	185,314	120,220
Tax, social security contingencies and legal obligations	14(c)	(36,589)	42,631
Adjustment to market value of trading securities, derivative financial instruments and hedge	7(c)	(178,016)	(334,987)
Interbank deposits, Trading securities and Obligations related to unrestricted repurchase agreements		(90,874)	19,499
Derivative financial instruments (assets and liabilities)		(9,187)	44,279
Fair value hedge		(77,955)	(398,765)
Financial expenses on liabilities of financing		217,765	476,057
Interest payable on debts related to marketable securities abroad	9(c-II)	36,397	98,662
Interest payable subordinated debt	9(f-III)	181,368	377,395
Provision for current and deferred income taxes	15(a-I)	723,903	903,669
Taxes paid		(847,821)	(968,104)
Current		(805,605)	(823,389)
Tax and social security contingent liabilities and legal obligations	14(c)	(42,216)	(144,715)
CHANGES IN ASSETS AND LIABILITIES		1,278,731	(3,206,635)
In short-term interbank investments (assets/liabilities)		565,154	(4,925,494)
In securities (Net)		(1,969,942)	8,086,116
Trading securities (assets)		(1,214,404)	2,898,780
Available-for-sale securities (assets)	7(a-IV)	(905,385)	1,029,147
Open market funding - Government securities and Securities issued (liabilities)		149,847	4,158,189
In derivative financial instruments (assets/liabilities)		110,301	(306,144)
In Central Bank compulsory deposits		(1,939,973)	(212,717)
In Transactions with credit characteristics		(8,328,876)	(3,567,132)
In other financial assets and liabilities		1,724	275,125
In other assets		(217,484)	436,991

(continued)

R$ 000		CONSOLIDATED	
	Notes	2017	2016
In deposits		2,759,269	2,666,230
Time deposits		2,425,743	2,761,553
Other		333,526	(95,323)
In structured funding		(1,050,767)	(570,529)
In borrowings and onlending		2,214,300	(4,700,058)
Foreign borrowings		3,012,649	(4,230,650)
Domestic onlending		(781,961)	(161,727)
Other borrowings		(16,388)	(307,681)
In funds from financial bills, bills of credit and similar notes, and open market funding - Own portfolio - Own securities		8,731,675	919,005
In insurance and private pension operations		(15,540)	29,686
Funds guaranteeing technical reserves for insurance and private pension operations (assets)		(3,352,555)	(2,364,793)
Insurance and private pension operations (liabilities)		3,337,015	2,394,479
In other liabilities		282,295	(280,332)
In foreign exchange gains (losses) on operations of financing		136,595	(1,057,382)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		3,459,438	(1,147,696)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment in use	16(b)	(89,532)	(67,156)
Disposal of property and equipment in use	16(b)	1,896	1,124
Investment in intangible assets	16(b)	(77,711)	(65,366)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(165,347)	(131,398)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities for marketable securities abroad	9(c-II)	(1,303,682)	(1,295,460)
Funding		–	124,436
Redemptions		(1,303,682)	(1,419,896)
Subordinated debt – Funding	9(f-III)	461,766	(924,442)
Funding		461,766	286,412
Redemptions		–	(1,210,854)
Dividends and Interest on capital paid	17(b)	(1,666,230)	(1,172,308)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(2,508,146)	(3,392,210)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		785,945	(4,671,304)
Cash and cash equivalents at the beginning of the period		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 period	4	2,982,756	2,145,366
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		785,945	(4,671,304)

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

Statement of Value Added

R$ 000		CONSOLIDATED	
	Notes	2017	2016
Revenue		**18,939,429**	**21,125,119**
Financial intermediation	12(a)	16,726,899	18,235,819
Derivative financial instruments	12(c)	50,197	924,064
Other income from operations		2,157,019	1,959,494
Other operating income		5,314	5,742
Expenses		**(13,057,011)**	**(15,749,778)**
Financial intermediation	12(b)	(12,485,206)	(14,060,254)
Result of allowance for loan losses		(333,551)	(1,338,824)
Other operating expenses		(238,254)	(350,700)
Expenses from acquired inputs		**(579,728)**	**(480,921)**
Facilities	13(d)	(48,477)	(31,176)
Data processing and telecommunications	13(d)	(93,334)	(66,541)
Third-party services	13(d)	(59,813)	(53,609)
Financial system services	13(d)	(74,240)	(66,887)
Surveillance, security and transport services	13(d)	(49,267)	(44,146)
Legal and notary fees	13(d)	(126,390)	(105,520)
Other	13(d)	(128,207)	(113,042)
Gross value added		**5,302,690**	**4,894,420**
Retentions - depreciation and amortization	13(d)	(66,636)	(51,614)
Total value added to be distributed		**5,236,054**	**4,842,806**
Distribution of value added		**5,236,054**	**4,842,806**
Personnel		**1,792,606**	**1,432,178**
Remuneration and profit sharing	13(c)	1,368,605	1,141,345
Benefits	13(c)	127,882	110,979
Government Severance Indemnity Fund for Employees (FGTS)	13(c)	69,753	59,588
Other	13(c)	226,366	120,266
Taxes and contributions		**1,400,030**	**1,582,441**
Federal		1,320,273	1,512,008
Municipal		79,757	70,433
Distribution – Third parties capital – Rentals	13(d)	**128,837**	**129,934**
Distribution – Capital		**1,914,581**	**1,698,253**
Dividends and Interest on capital paid	17(b)	1,666,230	1,172,308
Profits reinvested for the period		248,351	525,945

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

BOARD OF EXECUTIVE OFFICERS **José Manuel da Costa Gomes – Accountant – CRC nº 1SP219892/O-0**

Notes to the financial statements at 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", "Entity", and/or "Bank") are engaged in asset, liability and accessory operations inherent in the related authorized lines of business (commercial, including foreign exchange, real estate loans, credit, financing and investment, and lease), and complementary activities among which are insurance, private pension, brokerage and distribution of securities, management of investment funds and managed portfolios operations, in compliance with current legislation and regulations.

2. Presentation of the financial statements

a) Presentation of the financial statements

The consolidated financial statements of Banco Safra S.A. and subsidiaries ("CONSOLIDATED"), approved by the Board of Directors and Audit Committee on January 24, 2018, have been prepared and are presented following the accounting practices adopted in Brazil, in accordance with Law 6,404/1976 (Brazilian Corporate Law) and the respective changes introduced by Laws 11,638/2007 and 11,941/2009, associated with the rules established by the National Monetary Council (CMN), Brazilian Central Bank (BACEN), Brazilian Securities and Exchange Commission (CVM), National Council of Private Insurance (CNSP) and the Superintendence of Private Insurance (SUSEP), as applicable. Lease operations are presented under the Financial Method, that is, at present value in the Statement of Financial Position with their respective financial income presented in the heading Credit Operations in Statement of Income. 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.

Based on the provisions of the sole paragraph of article 7 of BACEN Circular 3,068/2001, marketable securities classified into trading securities – Note 3(d) are presented in the Statement of Financial Position, in Current Assets, regardless of their maturity dates.

Advances on foreign exchange contracts are presented together with credit operations. The presentation of foreign exchange transactions gains or losses takes into account the income and expenses arising from the differences in exchange rates applied to foreign currency.

In 2017, the tax expenses directly related to banking operations, previously classified in the line item "Other Operating Income (Expenses)" in the Statement of Income, will be shown separately in order to comprise the Income from Banking Operations. This modification has effects only among the lines of the statement of income, and, accordingly, does not affect the previously disclosed net income. In the Statement of Cash Flows, the transactions with marketable securities classified into available for sale are shown in "Operating Activities", previously shown in "Investing Activities". This change does not affect the balances of Cash and Cash Equivalents in the periods.

b) Basis of consolidation

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

The entities based overseas, basically represented by the branches in the Cayman Islands and Luxembourg, are shown consolidated in the financial statements. The consolidated balances of these entities, excluding the amounts of transactions among them, were translated at the foreign exchange rate ruling at December 31 are presented below:

	Assets	Liabilities	Equity	Net Income
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 consolidated financial statements comprise Banco Safra and its subsidiaries, including exclusive investment funds fully consolidated, highlighting:

	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.

c) Functional currency

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

3. Significant accounting policies

a) Income

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

b) Cash Flows

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

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

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

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

c) Interbank investments

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

d) Marketable securities and derivative financial instruments

In accordance with the Brazilian Central Bank (BACEN) Circular 3,068/2001, marketable securities are classified according to Management's intention into three specific categories:

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

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

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

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

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

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

e) Market value measurement

The methodology adopted for measuring market value (probable realization value) of marketable securities and derivative financial instruments is based on the economic

scenario and pricing models developed by Management, which include the gathering of average prices practiced in the market, applicable at the Statement of financial position reporting date. Accordingly, when these items are financially settled, the actual results could differ from the estimates.

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

f) Expanded credit portfolio and allowance for loan losses

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

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

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

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

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

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

To recognize the allowance for loan losses, Safra considers all transactions classified into the expanded credit portfolio concept – Note 8(a).

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

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

g) Derecognition of financial instruments

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

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

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

h) Other assets

These comprise the following prepaid expenses, which correspond to the use of resources whose benefits or services will occur in future periods.

i) Investments

These are stated at cost, adjusted for impairment.

j) Property and equipment in use

These correspond to own tangible assets and leasehold improvements, aimed at maintaining the entity's operations or that have such purpose for a period over one fiscal year. These are recognized at cost, net of the respective accumulated depreciation and adjusted for impairment. Such depreciations are calculated using straight-line method at annual rates based on the economic useful lives of assets, as follows: properties in use and facilities in own properties - 4%; communication and security systems, aircrafts, furniture, equipment and fixtures - 10%; and vehicles and data processing equipment - 20%.

k) Intangible assets

These correspond to identifiable non-monetary assets without physical substance, acquired or developed by the institution, aimed at maintaining the entity or exercised for this purpose. They are recognized at cost, and adjusted for impairment. The amortization of intangible assets with finite lives is recognized, monthly and on straight-line basis, over their estimated useful lives, the annual rate applied to software acquisitions and development being up to 20%, considering the contract period.

l) Impairment – non-financial assets

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

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

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

Accordingly, in conformity with the above standards, Safra Group's management is not aware of any material adjustments that might affect the ability to recover the non-financial assets at 12.31.2017 and 2016.

m) Funding and borrowings and onlending

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

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

n) Insurance, reinsurance and private pension operations

I. Receivables and payables from insurance and reinsurance operations

- Premiums receivable – refer to financial resources flowing as receipt of premiums related to insurance, recorded on the policy issue dates;
- Reinsurance assets – 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 recovered assets, since the existence of a contract does not exempt from 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 income, when incurred. Commissions, on the other hand, are deferred, being recognized in income in proportion to the recognition of the revenues from premiums, that is, for the term corresponding to the insurance contract. Operations with insurers/reinsurers: the receivables basically refer to amounts receivable from claims of coinsurance and reinsurance operations. The payables refer to the portion of premiums to be passed on to insurers/reinsurers, in view of the coinsured/reinsured operations. These are recorded on the policy issue date and settled when premiums are received from insureds; and
- Insurance brokers: refer to the commissions payable to brokers. These are recorded on the policy issue date, and settled when premiums are received from insureds.

II. Credit Risk

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

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

III. Technical reserves for insurance and private pension

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

a) Insurance:

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

b) Private pension:

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

c) Liability Adequacy Test (LAT):

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

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

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

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

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

IV. Income from insurance, reinsurance and private pension operations

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

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

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

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

The recognition, measurement and disclosure of provisions, contingent assets and liabilities, and legal obligations are made according to the criteria established in Technical Pronouncement CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved

by CMN Resolution 3,823/2009 and BACEN Circular Letter 3,429/2010, as described below:

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

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

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

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

p) Employee benefits

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

I. Short-term and Long-term benefits

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

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

II. Termination benefits

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

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

III. Profit sharing

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

q) Taxes

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

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

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

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

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

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

[1] Law 13,169, of 10.6.2015, temporarily increased the Social Contribution rate applicable to financial and similar institutions from 15% to 20% over the period between 9.1.2015 and 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. Safra did not recognize the effect of the 5% rate increase in the recognition of its deferred tax asset - Note 15(b-I), in view of the current macroeconomic outlook, which brought uncertainties about the effective net realization in the effective period of such rate increase.

[2] Non-financial subsidiaries continue to be subject to a rate of 9% for this contribution.

[3] Non-financial subsidiaries under the non-cumulative calculation regime continue to pay PIS and COFINS at the rates of 1.65% and 7.6%, respectively. The PIS and COFINS rates levied on finance income are 0.65% and 4%, respectively.

r) Deferred income

These refer to the income received before the maturity of the obligation that generates it, and which appropriation, as actual income, depends only on the elapse of the term.

s) Use of accounting estimates

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

4. Cash and cash equivalents

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

5. Interbank Investments

	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 [1]	**26,467,668**	**7,202,392**	**–**	**–**	**33,670,060**	**44,070,112**
Own portfolio – National Treasury	728,902	2,008,861	–	–	2,737,763	3,625,528
Third-party portfolio – National Treasury [2]	12,309,582	–	–	–	12,309,582	21,993,516
Short position – National Treasury [2]	13,429,184	5,193,531	–	–	18,622,715	18,451,068
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**
Regulatory adjustments – CMN Resolution 4,277/2013	**(524)**	**–**	**–**	**–**	**(524)**	**–**
Total at 12.31.2017	**28,439,266**	**7,268,248**	**1,337,435**	**–**	**37,044,949**	**46,813,833**
Total at 12.31.2016	**35,878,606**	**9,732,565**	**1,102,336**	**100,326**	**46,813,833**	**44,070,112**

[1] Includes transactions with related parties – Note 19(c).
[2] Backing for open market funding – Note 9(b).
[3] Of this amount, R$ 65,856 (R$ 202,459 as at 12.31.2016) refers to operations linked to rural credit.

6. Central Bank Compulsory Deposits

Central bank compulsory deposits are as follows:

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

[1] The income from interest-bearing compulsory deposits is R$ 261,329 (R$ 229,545 in 2016), and shown in "Income from compulsory deposits" in statement of income for the period.

7. Portfolio of marketable securities and derivative financial instruments

a) Marketable securities

I. By accounting classification

	12.31.2017						12.31.2016
		Effects of market value adjustment on:			Accounting classification of securities:		
	Adjusted cost	Profit or loss	Equity	Market value	Trading	Available-for-sale	Market value
Securities Portfolio	**42,640,807**	**163,701**	**48,865**	**42,853,373**	**31,338,762**	**11,514,611**	**40,264,040**
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	14,808,918	136,615	2	14,945,535	14,942,296	3,239	14,541,682
National Treasury Notes	12,689,371	52,143	45,510	12,787,024	10,005,456	2,781,568	10,974,098
Financial Treasury Bills	5,162,298	570	352	5,163,220	4,958,080	205,140	5,691,420
Brazil – Abroad	55,913	–	(1,425)	54,488	–	54,488	–
United States	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 certificate	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 7(d)	333,547	(3,503)	–	330,044	–	330,044	–
Securities Issued by Companies	**8,186,474**	**(22,063)**	**4,426**	**8,168,837**	**43,451**	**8,125,386**	**7,598,694**
Shares	189,100	–	4,914	194,014	–	194,014	208,938
Investment fund quotas	43,451	–	–	43,451	43,451	–	–
Other credit risk instruments – Note 8(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 7(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 certificates, and others	162,806	–	9	162,815	–	162,815	811,237
Linked to technical reserves for insurance and private pension – Note 10(b)	**12,299,194**	**3,211**	**–**	**12,302,405**	**12,302,405**	**–**	**8,949,850**
Credit risk – Notes 3(f) and 8(a)	**–**	**(453,459)**	**–**	**(453,459)**	**–**	**(453,459)**	**(284,636)**
Regulatory Adjustments – CMN Resolution 4,277/2013 – Note 3(e)	**–**	**(194)**	**–**	**(194)**	**(194)**	**–**	**(450)**
Total at 12.31.2017	**54,940,001**	**(286,741)**	**48,865**	**54,702,125**	**43,640,973**	**11,061,152**	**48,928,804**
Total at 12.31.2016	**48,908,545**	**(4,013)**	**24,272**	**48,928,804**	**38,628,807**	**10,299,997**	
Securities Portfolio	39,958,695	281,073	24,272	40,264,040	29,679,407	10,584,633	
Government Securities	30,984,926	285,470	18,304	31,288,700	28,258,360	3,030,340	
Securities Issued by Financial Institutions	1,377,138	–	(492)	1,376,646	1,174,809	201,837	
Securities Issued by Companies	7,596,631	(4,397)	6,460	7,598,694	246,238	7,352,456	
Linked to technical reserves for insurance and private pension – Note 10(b)	8,949,850	–	–	8,949,850	8,949,850	–	
Credit risk – Notes 3(f) and 8(a)	–	(284,636)	–	(284,636)	–	(284,636)	
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	–	(450)	–	(450)	(450)	–	

II. Per 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	42,853,373	598,366	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	8,168,837	303,224	735,350	2,152,265	835,924	2,036,647	2,105,427
Linked to technical reserves for insurance and private pension – Note 10(b)	12,302,405	165,024	225,480	–	–	–	11,911,901
Credit risk – Notes 3(f) and 8(a)	(453,459)	(453,459)	–	–	–	–	–
Regulatory Adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(194)	(194)	–	–	–	–	–
Total at 12.31.2017	**54,702,125**	**309,737**	**5,026,986**	**10,951,862**	**1,845,375**	**16,993,231**	**19,574,934**
Trading securities	43,641,167	503,619	3,800,310	8,039,552	899,075	13,441,003	16,957,608
Available-for-sale securities	11,514,611	259,771	1,226,676	2,912,310	946,300	3,552,228	2,617,326
Credit risk – Notes 3(f) and 8(a)	(453,459)	(453,459)	–	–	–	–	–
Regulatory Adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(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	40,264,040	760,982	3,092,974	10,758,271	4,836,846	12,062,929	8,752,038
Government Securities	31,288,700	591,533	2,757,078	9,733,346	3,042,260	9,110,574	6,053,909
Securities Issued by Financial Institutions	1,376,646	137,935	65,693	–	121,602	1,051,416	–
Securities Issued by Companies	7,598,694	31,514	270,203	1,024,925	1,672,984	1,900,939	2,698,129
Linked to technical reserves for insurance and private pension – Note 10(b)	8,949,850	321,240	–	–	–	–	8,628,610
Credit risk – Notes 3(f) and 8(a)	(284,636)	(284,636)	–	–	–	–	–
Regulatory Adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(450)	(450)	–	–	–	–	–
Total at 12.31.2016	**48,928,804**	**797,136**	**3,092,974**	**10,758,271**	**4,836,846**	**12,062,929**	**17,380,648**
Trading securities	38,629,257	1,036,166	1,548,738	9,795,733	1,784,552	9,924,843	14,539,225
Available-for-sale securities	10,584,633	46,056	1,544,236	962,538	3,052,294	2,138,086	2,841,423
Credit risk – Notes 3(f) and 8(a)	(284,636)	(284,636)	–	–	–	–	–
Regulatory Adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(450)	(450)	–	–	–	–	–

III. Per characteristic

	12.31.2017							12.31.2016
		Linked to						
	Own Portfolio	Restricted repurchase agreements – Note 9(b)	Securities related to unrestricted repurchase agreements – Note 9(b)	Subject to guarantees provided [1]	Central Bankl	Funds guaranteeing technical reserves for insurance and private pension operations – Note 10 (b)	Total	Total
Securities Pportfolio	25,812,787	11,237,416	3,769,753	1,523,888	509,529	–	42,853,373	40,264,040
Government Securities	19,135,364	8,615,482	3,769,753	1,145,069	509,529	–	33,175,197	31,288,700
National Treasury	18,855,946	8,615,482	3,769,753	1,145,069	509,529	–	32,895,779	31,207,200
Brazil – Abroad	54,488	–	–	–	–	–	54,488	–
United States	224,930	–	–	–	–	–	224,930	81,500
Securities Issued by Financial Institutionss	1,509,339	–	–	–	–	–	1,509,339	1,376,646
Securities Issued by Companies	5,168,084	2,621,934	–	378,819	–	–	8,168,837	7,598,694
Shares	194,014	–	–	–	–	–	194,014	208,938
Investment fund quotas	–	–	–	43,451	–	–	43,451	
Other credit risk instruments – Note 8(a-I)	4,974,070	2,621,934	–	335,368	–	–	7,931,372	7,389,756
Linked to technical reserve for insurance and private pension – Note 10(b)	–	–	–	–	–	12,302,405	12,302,405	8,949,850
Credit risk – Notes 3(f) e 8(a)	(453,459)	–	–	–	–	–	(453,459)	(284,636)
Regulatory Adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(194)	–	–	–	–	–	(194)	(450)
Total at 12.31.2017	**25,359,134**	**11,237,416**	**3,769,753**	**1,523,888**	**509,529**	**12,302,405**	**54,702,125**	**48,928,804**
Total at 12.31.2016	**22,269,413**	**12,045,316**	**3,008,279**	**2,200,727**	**455,219**	**8,949,850**	**48,928,804**	

[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 – Note 14(c) in the amount of R$ 74,566 (R$ 97,520 as at 12.31.2016).

IV. 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	**10,584,633**	**11,507,135**
Foreign exchange variations abroad	62,724	(575,911)
Acquisition in the period	10,143,463	13,576,323
Sales in the period	(7,157,933)	(9,994,852)
Redemptions and receipt of interest	(3,241,574)	(5,271,274)
Profit or loss	1,098,705	1,236,567
Interest income	1,001,618	1,275,683
Dividend income	24,245	12,876
Profit (loss) on sale – Note 12(a)	93,301	(38,976)
Eurobonds – Market value hedge	5,007	(57,126)
Other securities – Note 17(d-I and II)	88,294	18,150
Changes in fair value for the period – Eurobonds – Market value hedge – Note 7(c)	(20,459)	(13,016)
Adjustments from changes in fair value – Note 7(c)	24,593	106,645
Balance at the end of the period	**11,514,611**	**10,584,633**

During the period ended 12.31.2017 and 2016, there was no reclassification between the categories of securities.

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 and 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 7(d)):
  - credit operations and funding contracted at fixed rates and other funding – Notes 8 and 9; and
  - investments abroad – together with interbank transactions for future settlement, the foreign currency derivatives are employed to minimize the effects on income of exposure to the foreign exchange variations of investments abroad. These derivatives are contracted with a higher value to include their tax effects - „over hedge".

The positions of Banco Safra and subsidiaries are monitored by an independent control area, which uses a specific risk management system, with calculation of VaR (Value at Risk) with confidence level at 99%, stress tests, back testing and other technical resources. The Group has a Market Risk Committee, formed by high-ranking executives, which meets weekly to discuss about the economic outlook, and a Treasury and Risk Committee, formed by the Executive Committee members, which meets quarterly to thoroughly discuss about the market risk management aspects, as well as review the risk limits, strategies and 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	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	–	–	**52,291**
Bovespa Index	24,968	5,954	30,922	33	25,390	5,499	–	–	–	3,281
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**
Credit risk – Notes 3(f) and 8(a)	–	**(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**	**710,214**
Total at 12.31.2016	**685,598**	**24,616**	**710,214**	**124,392**	**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)**
Purchases payable – Foreign currency	–	10,085	10,085	10,085	–	–	–	–	–	(1,089)
Sales deliverable – Foreign currencya	–	(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)**
Regulatory Adjustments - CMN Resolution 4,277/2013 – Note 3(e)	–	**(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 market value

	Asset		Liability	
	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	22,449	(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 3(f) and 8(a)	(241)	(182)	–	–
Regulatory Adjustments - CMN Resolution 4,277/2013	–	–	(6,657)	(1,385)
Total	**504,266**	**710,214**	**(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 – NDF	**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
Options	**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 for sales 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 – Received risk – Note 7(b-III)	**2,271,107**	**–**	**–**	**–**	**–**	**–**	**2,271,107**	**2,201,934**
Structured operations – Note 9	**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 location by counterparties

	12.31.2017					12.31.2016
Location	**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 makes use of derivative financial instruments of credit in order to offer its customers, through issue of Structured CD – Note 9(d), opportunities to diversify their investment portfolios.

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

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

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

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

No material effect was produced on the calculation of minimum requirements of regulatory capital at 12.31.2017, according to CMN Resolution 4,193/2013.

c) Developments of changes in mark-to-market adjustments

	01.01 to 12.31.2017				
		Changes in the period			
			Effects on		
	Balance at beginning of the period	Foreign change gains and losses	Profit (loss)	Equity – Note 17(d-I)	Balance at the end of the period
Trading securities and Obligations related to unrestricted securities	26,400	(38)	91,142	–	117,504
Trading securities	286,362	(38)	(93,846)	–	192,478
Obligations related to unrestricted securities	(259,962)	–	184,988	–	(74,974)
Available-for-sale securities [1] – Note 7(a-IV) and 17(d-I)	24,272	–	–	24,593	48,865
Gov. securities	18,303	–	–	27,562	45,865
Eurobonds	(1,694)	–	–	(228)	(1,922)
Other securities	7,663	–	–	(2,741)	4,922
Derivative financial instruments (assets/liabilities) [2]	(23,197)	–	14,517	–	(8,680)
Regulatory Adjustments - CMN Resolution 4,277/2013 – Note 3(e)	(2,018)	–	(5,598)	–	(7,616)
Interbank deposits	–	–	(524)	–	(524)
Marketable securities and interbank deposits	(450)	–	256	–	(194)
Derivative financial instruments (assets/liabilities) [2]	(1,568)	–	(5,330)	–	(6,898)
Market value hedge – Note 7(d)	157,977	1,341	77,955	–	237,273
Fixed portfolio	106,826	–	93,425	–	200,251
Marketable securities – Available-for-sale securities – Eurobonds [1] – Note 7(a-IV)	(4,910)	(197)	(20,459)	–	(25,566)
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	**183,434**	**1,303**	**178,016**	**24,593**	**387,346**

[1] The mark-to-market adjustment of available-for-sale securities totals R$ 23,299 (R$ 19,361 as at 12.31.2016) – Note 7(a-I).

[2] The mark-to-market adjustment of derivative financial instruments totals R$ (15,578) (R$ (24,764) in 2016) – Note 7(b-I(1)), including Regulatory Adjustments - CMN Resolution 4,277/2013.

d) Hedge of financial assets and liabilities

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

	Market value		MTM being hedged Note 7(c)		Hedge derivative instrument	Notional amount	
Strategy –Market Risk Hedge	**31,12,2017**	**31,12,2016**	**31,12,2017**	**31,12,2016**	**de *"hedge"***	**12,31,2017**	**12,31,2016**
Fixed portfolioé	23,508,213	14,811,594	200,251	106,826		(23,591,587)	(15,140,449)
Assets [1]	26,655,428	18,648,270	279,417	177,203			
Interbank deposits – Note 5	–	324,060	–	137			
Credit portfolio – Note 8(a-I)	26,655,428	18,324,210	279,417	177,066			
Liabilities [1]	(3,147,215)	(3,836,676)	(79,166)	(70,377)			
Deposits – Note 9(a)	(172,117)	(92,140)	(1,077)	(394)			
Open market funding – Own securities – Note 9(b)	(63,913)	(347,833)	(1,415)	(2,530)			
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes	(2,160,562)	(2,984,837)	(57,867)	(70,803)			
Certificate of structured operations	(638,026)	(346,363)	(7,783)	(2,744)			
Subordinated debt	(112,597)	(65,503)	(11,024)	6,094			
Marketable securities – Available for sale – Eurobonds – Note 7(a-I)	1,984,135	970,808	(25,566)	(4,910)	Swap Libor x Fixed	(2,071,595)	(982,486)
Structured CD – Note 9(d)	(1,608,884)	(1,770,410)	16,984	15,862	Swap Libor x Fixed	1,708,389	1,849,865
Liabilities for marketable securities abroad - Note 9(c) [2]	(290,014)	(1,444,694)	(3,229)	(4,526)		295,938	1,523,634
R$ 300,000 – 04.05.2007	–	(259,277)	–	992	Futures DI	–	306,126
CHF 350,000 – 03.27.2014	–	(904,115)	–	(142)	Swap Libor x Fixed	–	905,694
CHF 100,000 – 12.12.2014	(290,014)	(281,302)	(3,229)	(5,376)	Swap Libor x Fixed	295,938	311,814
Subordinated debt – Note 9(f) [2]	(2,745,687)	(2,739,043)	48,833	44,725		2,603,947	2,719,902
US$ 500,000 – 01.27.2011	(1,754,954)	(1,757,910)	41,982	43,038	Swap Libor x Fixed	1,658,111	1,741,048
US$ 300,000 – 06.06.2014	(990,733)	(981,133)	6,851	1,687	Swap Libor x Fixed	945,836	978,854
Total	**20,847,763**	**9,828,255**	**237,273**	**157,977**		**(21,054,908)**	**(10,029,534)**

[1] The fixed-rate portfolio totals R$ 22,955,049 (R$ 19,720,320 as at 12.31.2016) in assets and R$ (3,095,715) (R$ 3,770,900 as at 12.31.2016) in liabilities, when not considering the mark-to-market adjustment in the amount of R$ 279,417 (R$ 177,066 in 2016) and R$ (79,166) (R$ 70,377 in 2016) and the adjustments in the calculation basis of the market value of operations comprising the market risk hedge strategy in the amount of R$ (3,420,961) (R$ 1,573,176 in 2016) and R$ 27,666 (R$ 4,601 in 2016), respectively. These adjustments basically correspond to the exclusion of the operations over 60 days past due, and installments falling due on the first business day subsequent to the calculation date.

[2] Refer to the funding indexed to fixed rates.

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

8. Credit portfolio

a) Expanded credit portfolio and allowance for loan losses

I. Breakdown

12.31.2017						
				Allowance for Loan Losses		
	Adjusted cost	Mark-to-market adjustment	Market value	Minimum Required	Additional	Total
Expanded credit portfolio	**87,461,376**	**256,866**	**87,718,242**	**(1,996,187)**	**(1,195,736)**	**(3,191,923)**
Transactions with credit characteristics	68,327,473	256,866	68,584,339	(1,853,480)	(1,195,736)	(3,049,216)
Credit operations - Note 8(b)	60,097,659	279,417	60,377,076	(1,499,989)	(1,095,500)	(2,595,489)
Other credit risk instruments – Note 7(a-I and III)	7,953,923	(22,551)	7,931,372	(353,223)	(100,236)	(453,459)
Other credits – Notes 3(f)	275,891	–	275,891	(268)	–	(268)
Guarantees and sureties – Note 8(h)	19,133,903	–	19,133,903	(142,707)	–	(142,707)

12.31.2016						
				Allowance for Loan Losses		
	Adjusted cost	Mark-to-market adjustment	Market value	Minimum Required	Additional	Total
Expanded credit portfolio	**77,547,128**	**170,193**	**77,717,321**	**(1,832,896)**	**(1,169,631)**	**(3,002,527)**
Transactions with credit characteristics	60,005,424	170,193	60,175,617	(1,665,790)	(1,169,631)	(2,835,421)
Credit operations - Note 8(b)	52,296,286	177,066	52,473,352	(1,499,052)	(1,051,500)	(2,550,552)
Other credit risk instruments – Note 7(a-I and III)	7,953,923	(22,551)	7,931,372	(353,223)	(100,236)	(453,459)
Other credits – Notes 3(f)	312,509	–	312,509	(52)	–	(52)
Guarantees and sureties – Note 8(h)	17,541,704	170,193	17,541,704	(167,106)	(1,169,631)	(167,106)

II. Changes in allowance for loan losses

	Total allowance as at 01.01.2017	Foreign exchange variations abroad	(Increase) / Reversal	Write-off of Loss	Total allowance as at 01.01.2017
Minimum Allowance Required	(1,832,896)	(3,017)	(1,013,599)	853,325	(1,996,187)
Credit operations	(1,499,052)	(712)	(853,550)	853,325	(1,499,989)
Other credit risk instruments – Note 7(a)	(166,686)	(2,305)	(184,232)	–	(353,223)
Other credits – Notes 3(f) and 8(a-I)	(52)	–	(216)	–	(268)
Guarantees and sureties - Note 8(h)	(167,106)	–	24,399	–	(142,707)
Additional Allowance	(1,169,631)	–	(26,105)	–	(1,195,736)
Credit operations	(1,051,500)	–	(44,000)	–	(1,095,500)
Other credit risk instruments – Note 7(a)	(118,131)	–	17,895	–	(100,236)
Total allowance of the expanded credit portfolio as at 12.31.2017 – Note 8(a-I)	**(3,002,527)**	**(3,017)**	**(1,039,704)**	**853,325**	**(3,191,923)**
Total allowance of the expanded credit portfolio as at 12.31.2016 – Note 8(a-I)	**(2,927,541)**	**–**	**(1,808,856)**	**1,733,870**	**(3,002,527)**
Minimum allowance required	(1,692,842)	–	(1,873,924)	1,733,870	(1,832,896)
Additional allowance	(1,234,699)	–	65,068	–	(1,169,631)

b) Breakdown of the portfolio and allowance of credit operations by risk level

	12.31.2017										12.31.2016
Risk levels	**AA**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**	**Total**
Borrowings, Discounted receivables and Portfolios acquired	17,528,840	1,091,377	1,293,842	427,971	485,094	22,471	41,490	51,078	759,830	21,701,993	19,137,679
Foreign trade	16,269,939	341,582	338,338	60,450	8,377	3,757	2,010	5,547	46,980	17,076,980	16,290,522
Directed Credit	1,973,860	139,636	95,526	16,797	3,695	–	1,735	5,966	150,607	2,387,822	2,321,870
Rural and agroindustrial financing	1,825,697	96,343	45,685	13,587	2,111	–	–	–	393	1,983,816	1,646,427
Real estate	148,163	43,293	49,841	3,210	1,584	–	1,735	5,966	150,214	404,006	675,443
Onlending	4,816,377	89,154	56,288	13,302	11,456	151	1,487	48	55,432	5,043,695	5,814,939
Financing and Consumption	1,429,192	11,615,259	406,188	152,392	60,653	33,675	31,350	16,650	129,671	13,875,030	8,720,714
Payroll advance loan	1,970	5,810,345	117,266	14,267	10,332	6,928	5,303	4,735	52,777	6,023,923	3,391,343
Direct consumer credit	513,584	5,626,641	257,520	124,213	40,973	24,780	12,582	10,163	55,487	6,665,943	3,915,687
Lease	741,087	140,109	18,193	10,738	7,375	1,724	12,967	1,147	15,845	949,185	1,230,339
Other	172,551	38,164	13,209	3,174	1,973	243	498	605	5,562	235,979	183,345
Other credits	–	716	–	240	–	–	–	–	11,183	12,139	10,562
Total portfolio at 12.31.2017	**42,018,208**	**13,277,724**	**2,190,182**	**671,152**	**569,275**	**60,054**	**78,072**	**79,289**	**1,153,703**	**60,097,659**	**52,296,286**
Past due [1]	–	–	267,576	124,354	58,820	32,566	27,738	23,348	529,982	1,064,384	1,167,484
Not past due [2]	42,018,208	13,277,724	1,922,606	546,798	510,455	27,488	50,334	55,941	623,721	59,033,275	51,128,802
Minimum allowance required	(6,235)	(68,366)	(32,656)	(30,823)	(83,166)	(20,239)	(42,826)	(61,974)	(1,153,704)	(1,499,989)	
Specific [1]	–	–	(2,730)	(3,801)	(6,594)	(10,185)	(14,617)	(17,104)	(529,981)	(585,012)	
General [2]	(6,235)	(68,366)	(29,926)	(27,022)	(76,572)	(10,054)	(28,209)	(44,870)	(623,723)	(914,977)	
Additional allowance	(153,046)	(62,724)	(29,556)	(338,857)	(440,412)	(26,482)	(27,128)	(17,295)	–	(1,095,500)	
Total allowance at 12.31.2017	**(159,281)**	**(131,090)**	**(62,212)**	**(369,680)**	**(523,578)**	**(46,721)**	**(69,954)**	**(79,269)**	**(1,153,704)**	**(2,595,489)**	
Total portfolio at 12.31.2016	**39,187,086**	**8,561,664**	**1,801,905**	**962,582**	**264,717**	**80,917**	**223,440**	**32,759**	**1,181,216**	**52,296,286**	
Past due [1]	–	–	161,720	172,856	72,487	55,001	166,334	20,939	518,147	1,167,484	
Not past due [2]	39,187,086	8,561,664	1,640,185	789,726	192,230	25,916	57,106	11,820	663,069	51,128,802	
Minimum allowance required	(4,870)	(43,066)	(28,582)	(43,635)	(35,495)	(24,442)	(114,759)	(22,987)	(1,181,216)	(1,499,052)	
Specific [1]	–	–	(1,635)	(6,901)	(7,649)	(16,544)	(83,371)	(14,657)	(518,147)	(648,904)	
General [2]	(4,870)	(43,066)	(26,947)	(36,734)	(27,846)	(7,898)	(31,388)	(8,330)	(663,069)	(850,148)	
Additional allowance	(140,974)	(41,173)	(23,482)	(503,134)	(189,453)	(43,695)	(99,820)	(9,769)	–	(1,051,500)	
Total allowance at 12.31.2016	**(145,844)**	**(84,239)**	**(52,064)**	**(546,769)**	**(224,948)**	**(68,137)**	**(214,579)**	**(32,756)**	**(1,181,216)**	**(2,550,552)**	

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

c) Allowance for loan losses over the period

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

	12.31.2017					
	Credit Portfolio			**Minimum Allowance Required**		
	Past due	**Not past due**	**Total**	**Specific**	**General**	**Total**
Borrowings, Discounted receivables and Portfolios acquired	295,783	21,406,210	21,701,993	(228,024)	(727,722)	(955,746)
Foreign Trade	106,885	16,970,095	17,076,980	(34,768)	(32,072)	(66,840)
Directed Credit	150,983	2,236,839	2,387,822	(145,477)	(15,162)	(160,639)
Rural and Agroindustrial Financing	544	1,983,272	1,983,816	(54)	(2,621)	(2,675)
Real Estate	150,439	253,567	404,006	(145,423)	(12,541)	(157,964)
Onlending	46,293	4,997,402	5,043,695	(21,450)	(39,263)	(60,713)
Financing and Consumption	454,240	13,420,790	13,875,030	(145,326)	(99,530)	(244,856)
Payroll advance loan	109,500	5,914,423	6,023,923	(55,461)	(37,046)	(92,507)
Direct consumer credit	303,319	6,362,624	6,665,943	(70,696)	(47,823)	(118,519)
Lease	35,457	913,728	949,185	(15,019)	(11,579)	(26,598)
Other	5,964	230,015	235,979	(4,150)	(3,082)	(7,232)
Other Credits	10,200	1,939	12,139	(9,967)	(1,228)	(11,195)
Total at 12.31.2017	**1,064,384**	**59,033,275**	**60,097,659**	**(585,012)**	**(914,977)**	**(1,499,989)**
Total at 12.31.2016	**1,167,484**	**51,128,802**	**52,296,286**	**(648,904)**	**(850,148)**	**(1,499,052)**

II. Changes in the minimum allowance required for credit operations

	Total allowance at 01.01.2017	**Foreign exchange variations abroad**	**(Increase)/ Reversal**	**Write-offs of Loss**	**Total allowance at 12.31.2017**
Borrowings, Discounted receivables and Portfolios acquired	(1,064,322)	–	(501,449)	610,025	(955,746)
Foreign Trade	(36,914)	(712)	(44,506)	15,292	(66,840)
Directed Credit	(19,132)	–	(184,598)	43,091	(160,639)
Rural and Agroindustrial Financing	(1,719)	–	(1,875)	919	(2,675)
Real Estate	(17,413)	–	(182,723)	42,172	(157,964)
Onlending	(165,725)	–	67,434	37,578	(60,713)
Financing and Consumption	(210,404)	–	(175,853)	141,401	(244,856)
Payroll advance loan	(53,076)	–	(85,284)	45,853	(92,507)
Direct consumer credit	(95,973)	–	(87,905)	65,359	(118,519)
Lease	(56,349)	–	2,977	26,774	(26,598)
Other	(5,006)	–	(5,641)	3,415	(7,232)
Other Credits	(2,555)	–	(14,578)	5,938	(11,195)
Total Minimum Allowance Required at 12.31.2017 – Note 8(c-I)	**(1,499,052)**	**(712)**	**(853,550)**	**853,325**	**(1,499,989)**
Total Minimum Allowance Required at 12.31.2016 – Note 8(c-I)	**(1,572,442)**	**–**	**(1,660,480)**	**1,733,870**	**(1,499,052)**

d) Renegotiated transactions and credit recoveries

	Portfolio	**Allowance**	**%**
Past Due	**111,468**	**111,288**	**99.8**
Past due transactions:			
From 15 to 30 days	48,948	48,944	100.0
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	100.0
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**

The credit recoveries for the period amounted to R$ 706,153 (R$ 470,032 in 2016).

e) Breakdown of the portfolio by maturity of credit operations

	12.31.2017	12.31.2016
PAST DUE	**1,064,384**	**1,167,484**
Past due transactions:		
From 15 to 30 days	353,089	284,629
From 31 to 60 days	347,909	255,884
From 61 to 90 days	129,820	275,814
From 91 to 180 days	135,490	233,233
From 181 to 365 days	98,076	117,924
NOT PAST DUE	**59,033,275**	**51,128,802**
Past due – Up to 14 days past due	146,464	114,065
Falling due:		
From 1 to 30 days	7,562,195	6,810,414
From 31 to 60 days	6,008,007	5,046,907
From 61 to 90 days	3,821,156	3,699,536
From 91 to 180 days	10,998,211	9,044,213
From 181 to 365 days	9,683,252	7,764,889
From 1 to 2 years	9,284,048	9,121,173
From 2 to 3 years	5,377,852	4,746,425
From 3 to 5 years	4,638,709	3,661,476
Over 5 years	1,513,381	1,119,704
TOTAL	**60,097,659**	**52,296,286**

The balance of transactions more than 60 days past due, non-accrued, amounts to R$ 363,386 (R$ 626,971 as at 12.31.2016) and more than 90 days past due amounts to R$ 233,566 (R$ 351,157 as at 12.31.2016).

f) Breakdown of credit portfolio by sector

	12.31.2017	12.31.2016
Private Sector:		
Rural	1,668,851	1,821,413
Industry	16,336,800	15,567,042
Commerce	11,684,915	10,178,771
Financial Intermediation	365,604	564,848
Other Services	15,107,141	14,015,434
Individuals	13,369,138	8,327,313
Housing	1,565,210	1,821,465
Total	**60,097,659**	**52,296,286**

g) Credit concentration

	12.31.2017	12.31.2016
01st to 10th largest customers	10,320,929	11,656,917
11th to 50th largest customers	8,896,039	8,586,480
51st to 100th largest customers	4,918,352	4,609,900
100 largest customers	**24,135,321**	**24,853,297**
Other customers	35,962,338	27,442,989
Total	**60,097,659**	**52,296,286**

h) Credit commitments (off balance)

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
AA	18,736,516	17,132,514
A	104,529	113,061
B	87,623	22,040
C	47,665	18,156
D	13,221	105,883
E	14,538	–
F	–	9,068
H	129,811	140,982
Granted limits [3]	17,574,667	14,634,728
Total	**36,708,570**	**32,176,432**
Contractual Term:		
Up to 90 days	15,258,325	13,347,083
From 91 to 365 days	9,123,999	8,265,782
From 1 to 2 years	4,193,049	2,603,601
From 2 to 3 years	1,436,034	1,358,554
From 3 to 5 years	2,947,930	2,515,994
Over 5 years	3,749,233	4,085,418

[1] The amount of the allowance recognized for Guarantees, sureties and other guarantees provided is R$ (142,707) (R$ (167,106) as at 12.31.2016) – Notes 3(f), 8(a) and 11.
[2] The guarantees provided generated an income amounting to R$ 346,731 (R$ 338,363 in 2016) – Note 12(d).
[3] Basically refer to credit limits granted but not used, characterized by the option for cancellation by Safra, the average term being 90 days.

9. Funding, borrowings and onlending and managed assets

	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 customers	**18,102,700**	**23,205,371**	**16,664,295**	**5,533,405**	**1,663,594**	**1,417,870**	**66,587,235**	**54,533,169**
Deposits [1] (a)	5,186,081	4,533,687	1,131,289	168,738	12,315	525	11,032,635	8,264,056
Open market funding (b)	6,563,084	4,122,653	235,600	2,815	4,292	–	10,928,444	19,501,633
Own securities	4,410,809	3,715,433	135,092	2,642	4,292	–	8,268,268	17,980,105
Private Securities – Debentures	2,152,275	407,220	100,508	173	–	–	2,660,176	1,521,528
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes (c)	5,756,885	12,842,076	13,691,370	4,818,765	1,005,112	519,809	38,634,017	20,394,332
Structured funding – Note 7(b-II(1))(d)	596,650	1,706,955	820,522	287,747	176,613	20,668	3,609,155	4,620,122
Fixed income [2]	577,884	372,724	180,419	25,322	–	–	1,156,349	2,548,335
Certificate of structured operations	18,766	1,334,231	640,103	262,425	176,613	20,668	2,452,806	2,071,787
Subordinated debt (f)	–	–	785,514	255,340	465,262	876,868	2,382,984	1,753,026
Funds from market	**3,203,414**	**11,566,794**	**2,270,740**	**1,368,533**	**2,792,860**	**1,329,786**	**22,532,127**	**21,273,854**
Deposits (a)	492,155	1,078,844	63,825	5,601	–	–	1,640,425	1,649,052
Interbank deposits	86,922	467,186	13,827	2,227	–	–	570,162	934,579
Time deposits	405,233	611,658	49,998	3,374	–	–	1,070,263	714,473
Structured funding – Structured CD – Note 7(b-II(1))(d)	520,444	453,593	705,046	616,177	433,037	9,331	2,737,628	2,773,673
Open market funding – Own securities (b)	10,827	–	–	–	–	–	10,827	–
Funds from acceptance and issue of securities (c)	2,563	434,697	578,319	174,410	7,366	–	1,197,355	2,172,533
Liabilities for marketable securities abroad	–	66,239	290,014	–	–	–	356,253	1,510,380
Funds from financial bills, bills of credit and similar notes	2,563	368,458	288,305	174,410	7,366	–	841,102	662,153
Subordinated debt (f)	52,659	–	–	944	1,714,364	1,042,169	2,810,136	2,757,140
Borrowings and onlending (e)	2,124,766	9,599,660	923,550	571,401	638,093	278,286	14,135,756	11,921,456
Total funding	**21,306,114**	**34,772,165**	**18,935,035**	**6,901,938**	**4,456,454**	**2,747,656**	**89,119,362**	**75,807,023**
Open market funding [3] (b)	37,973,759	5,210,002	–	–	–	–	43,183,761	54,331,614
Consolidated private pension funds [4] (g)	–	–	–	–	–	–	11,911,901	8,628,610
Managed funds (g)	–	–	–	–	–	–	71,018,607	58,038,378
Total managed assets at 12.31.2017	**59,279,873**	**39,982,167**	**18,935,035**	**6,901,938**	**4,456,454**	**2,747,656**	**215,233,631**	**196,805,625**
Total managed assets at 12.31.2016	**60,590,105**	**39,437,539**	**15,468,270**	**7,242,949**	**5,048,372**	**2,351,403**	**196,805,626**	

[1] Não inclui depósitos a prazo com o mercado, depósitos interfinanceiros. [2] Operações realizadas com instrumentos financeiros derivativos – Opções. [3] Não inclui títulos de emissão própria.
[4] Registrado em passivos com operações de seguros e previdência complementar – Nota 10(b).

a) Deposits

	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
Demand deposits	895,691	–	–	–	–	–	895,691	545,439
Savings deposits	1,932,484	–	–	–	–	–	1,932,484	1,584,793
Interbank deposits [1]	86,922	467,186	13,827	2,227	–	–	570,162	934,579
Time deposits	2,763,139	5,145,345	1,181,287	172,112	12,315	525	9,274,723	6,848,297
Total as at 12.31.2017	**5,678,236**	**5,612,531**	**1,195,114**	**174,339**	**12,315**	**525**	**12,673,060**	**9,913,108**
Total as at 12.31.2016	**3,891,070**	**4,917,045**	**958,514**	**138,979**	**7,433**	**67**	**9,913,108**	

[1] Of this amount, R$ 373,929 (R$ 526,113 as at 12.31.2016) refers to operations linked to rural credit.

b) Open market 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	Total	Total
Own Portfolio	18,757,602	4,122,653	235,600	2,815	4,292	23,122,962	36,913,493
Own securities	4,421,636	3,715,433	135,092	2,642	4,292	8,279,095	17,980,105
Subject to repurchase agreements	14,335,966	407,220	100,508	173	–	14,843,867	18,933,388
Restricted	10,653,045	407,220	100,508	173	–	11,160,946	11,917,267
Government Securities– National Treasury – Note 7(a-II)	8,500,770	–	–	–	–	8,500,770	10,395,739
Corporate Securities – Debentures	2,152,275	407,220	100,508	173	–	2,660,176	1,521,528
Unrestricted – Government securities – National Treasury – Note 7(a-II)	3,682,921	–	–	–	–	3,682,921	7,016,121
Thirty-party Portfolio – Note 5	25,790,068	5,210,002	–	–	–	31,000,070	36,919,754
Repurchase agreements – Government Securities – National Treasury	12,311,415	–	–	–	–	12,311,415	18,336,326
Obligations related to unrestricted securities [1]	13,478,653	5,210,002	–	–	–	18,688,655	18,583,428
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	8,262,432
Total at 12.31.2017	**44,547,670**	**9,332,655**	**235,600**	**2,815**	**4,292**	**54,123,032**	**73,833,247**
Total at 12.31.2016	**50,260,492**	**20,456,079**	**2,771,335**	**338,908**	**6,433**	**73,833,247**	

[1] The amount of mark-to-market adjustment is R$ 74,974 (R$ 259,962 as at 12.31.2016) – Note 7(c).

c) Funds from acceptance and issue of securities

I. Breakdown

	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 financial bills, credit bills and similar notes	5,759,448	13,210,534	13,979,675	4,993,175	1,012,478	519,809	39,475,119	21,056,485
Financial bills	1,045,812	3,347,319	10,196,481	3,381,756	630,672	53,780	18,655,820	12,880,974
Agribusiness credit notes	902,341	1,637,117	1,716,296	1,038,126	328,625	464,757	6,087,262	6,257,950
Mortgage bills	33,181	76,021	128,186	103,457	–	–	340,845	394,403
House loans bills	130,171	415,502	398,116	48,224	9,827	–	1,001,840	1,522,109
Commercial leasing bills	3,647,943	7,734,575	1,540,596	421,612	43,354	356	13,388,436	–
Debentures	–	–	–	–	–	916	916	1,049
Liabilities for marketable securities abroad	–	66,239	290,014	–	–	–	356,253	1,510,380
R$ 300,000 – 04.05.2007 – Fixed (10.75% p.a.) – Hedge – Note 7(d) [1]	–	–	–	–	–	–	–	259,277
CHF 450,000 – 03.27. and 12.12.2014 – Fixed (1.5% p.a. to 1.85% p.a.) – Hedge – Note 7(d) [1]	–	–	290,014	–	–	–	290,014	1,185,417
US$ 20,000 – 06.18.2013 – Fixed (3.3% p.a.)	–	66,239	–	–	–	–	66,239	65,686
Total at 12.31.2017	**5,759,448**	**13,276,773**	**14,269,689**	**4,993,175**	**1,012,478**	**519,809**	**39,831,372**	**22,566,865**
Total at 12.31.2016	**4,054,011**	**6,241,805**	**5,893,870**	**4,580,854**	**1,292,574**	**503,751**	**22,566,865**	

[1] Includes incurred transaction costs of R$ (910) (R$ (2,445) as at 12.31.2016) – Note 3(m).

II. 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
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 variations abroad	–	97,754	97,754	–	(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)	(27,615,317)	(16,777,362)	(1,419,896)	(18,197,258)
Interest paid	(192)	–	(192)	–	(16,098)	(16,098)
Appropriation to income	2,725,863	51,802	2,777,664	2,755,724	121,001	2,876,725
Interest – Note 12(b)	2,726,610	36,397	2,763,006	2,741,249	114,760	2,856,009
Variation in mark-to-market adjustment – Note 7(d)	(747)	15,405	14,658	14,475	6,241	20,716
At the end of the period	**39,475,119**	**356,253**	**39,831,372**	**21,056,485**	**1,510,380**	**22,566,865**

d) 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 operations	18,766	1,334,231	640,103	262,425	176,613	20,668	2,452,806	2,071,787
Structured CD	520,444	453,593	705,046	616,177	433,037	9,331	2,737,628	2,773,673
Hedge – Note 7(d)	–	–	866,297	377,569	357,182	7,836	1,608,884	1,770,410
Non Hedge	520,444	453,593	(161,251)	238,608	75,855	1,495	1,128,744	1,003,263
Total at 12.31.2017	**1,117,094**	**2,160,548**	**1,525,568**	**903,924**	**609,650**	**29,999**	**6,346,783**	**7,393,795**
Total at 12.31.2016	**1,267,326**	**2,559,964**	**1,878,092**	**838,896**	**849,517**	**–**	**7,393,796**	

e) Borrowings and onlending

	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
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	6,019,072
National Treasury	154,828	97,896	13,828	–	–	–	266,552	262,895
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
Others 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**	**11,921,456**
Total at 12.31.2016	**1,065,325**	**5,262,646**	**3,966,458**	**631,036**	**629,322**	**366,669**	**11,921,456**	

[1] Credit facilities for financing imports and exports.

f) Subordinated debt

I. Breakdown of balance by security and rate

Securities/rates	12.31.2017	12.31.2016
Financial bills – LF	**2,447,433**	**1,771,123**
– Interbank Deposit Certificate (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
– Fixed (10.60% p.a. to 17.66%p.a.)	112,596	65,503
– Selic	44,266	39,895
Medium term notes – Hedge – Note 7(d)	**2,745,687**	**2,739,043**
– US$ 300,000 to 7.00% p.a. – Perpetual – Note 19(c)	990,733	981,133
– US$ 500,000 to 6.75% p.a.	1,754,954	1,757,910
Total [1]	**5,193,120**	**4,510,166**

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

II. Breakdown of balance by characteristic and maturity

	12.31.2017				12.31.2016
	Approved at BACEN		In process		
Securities	Without termination clause	With termination clause	of approval at BACEN [1]	Total	Total
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).

III. Movements

	01.01 to 12.31.2017	01.01 to 12.31.2016
At the beginning of the period	**4,510,166**	**5,745,425**
Foreign exchange variations 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 12(b)	361,622	500,569
Variation in mark-to-market adjustment (hedge) – Note 7(d)	979	(10,398)
At the end of the period	**5,193,120**	**4,510,166**

g) Managed funds

Safra Group, together with related party companies, is responsible for administering, managing and distributing 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(b)	11,911,901	8,628,610
Total equity of funds	**189,458,421**	**134,469,435**
Total equity of managed portfolio	**710,801**	–

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

The revenue from fund management, administration and distribution of such fund quotas, recorded in the heading "Revenue from services", totals R$ 845,846 (R$ 690,703 in 2016) – Note 12(d). When the income from related parties is included, in the amount of R$ 73,621 (R$ 83,299 in 2016) – Note 19(c) the income totals R$ 919,467 (R$ 774,002 in 2016).

10. 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 10(a-I)	49,224	25,138
Premiums of risks in force and 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 10(a-II)	38,490	28,045
Deferred acquisitions costs	1,331	6,273
Total – Note 11	**100,938**	**66,817**

I. Premiums receivable

1) Breakdown

	12.31.2017			12.31.2016
	PAST DUE [1]	NOT PAST [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 to120 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**
Polices past due:	2,289			
From 61 to 90 days	2,270			
From 91 to 121 days	3			
Over 365 days	16			

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

2) Changes during the period

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

[1] Does not include amounts of coinsurance premium to be passed on 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 DPVAT of 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 insurance companies	Operations with reinsurance companies	Payables for insurance and reinsurance operations [1]	Total [2]	Total
At the beginning of the period	**(2,735)**	**(1,018)**	**(3,715)**	**724**	**(6,744)**	**(7,465)**
Increase/(Reversal)	446	431	(189)	(39)	649	721
At the end of the period	**(2,289)**	**(587)**	**(3,904)**	**685**	**(6,095)**	**(6,744)**

[1] Includes transfers of premiums/commissions to brokers, and insurance and reinsurance companies, and IOF on unpaid premiums. [2] Note 12(e).

II. Reinsurance assets – Technical reserves – Change

	01.01 to 12.31.2017					01.01 to 12.31.2016
	PPNG	PSL [1]	IBNR	PCC [2]	Total	Total
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
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 10(d).

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

	12.31.2017	12.31.2016
Marketable securities and derivative financial instruments – Note 7(a)	**12,302,405**	**8,949,850**
Quotas of funds - PGBL/VGBL	**11,911,901**	**8,628,610**
Repurchase agreements	86,715	31,728
Debentures	35,056	31,728
National Treasury Bills	51,659	–
Corporate Securities	515,438	608,394
Bank Deposit Certificates (CDB)	115,769	105,142
Financial bills	250,778	398,511
Debentures	72,960	75,567
Shares	75,931	29,174
Government Securities – National Treasury	11,320,952	7,991,596
National Treasury Bills (LTN)	3,588,281	2,832,212
Financial Treasury Bills (LFT)	4,599,967	3,672,012
National Treasury Notes (NTN)	3,132,704	1,487,372
Quotas of investment funds – FIDC	–	136
Other	(11,204)	(3,244)
Other securities	**390,504**	**321,240**
Quotas of funds – Linked to Technical Reserve	225,480	181,217
Government securities – National treasury – National Treasury Bills	225,480	180,050
Other	–	1,167
Quotas of investments funds – DPVAT agreement	165,024	140,023
Receivables from reinsurance operations – Note 10(a-II) [1]	**15,760**	**17,856**
Credit rights – Insurance premium receivable	**12,146**	**10,502**
Total	**12,330,311**	**8,978,208**

[1] The amount shown net of Unearned Premium Reserve 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 insurance and private pension operations are as follows:

	12.31.2017	12.31.2016
Technical reserves – Note 10(c-I(1))	12,272,792	8,942,553
Private pension	11,930,334	8,645,862
Insurance	177,655	156,699
DPVAT agreement [1]	164,803	139,992
Payables for insurance and reinsurance operations	22,480	11,463
Commissions and other insurance liabilities	9,451	13,628
Credit risk – Note 10(a-I(3))	(626)	(562)
Total	**12,304,097**	**8,967,082**

[1] Comprised by 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		Private Pension		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
Supplementary reserve – Note 10(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 for insurance and private pension operations – Note 10(b)	12,330,311	8,978,208
Technical reserves – Note10(c-I(1))	(12,272,792)	(8,942,553)
Coverage surplus	**57,519**	**35,655**

3) Changes in the mathematical reserve for private pensions

	01.01 to 12.31.2017	01.01 to 12.31.2016
At the beginning of the period	**8,645,862**	**6,308,275**
Contributions	1,219,868	743,506
Net transfers accepted	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
Supplementary coverage (PCC) and related expenses reserve (PDR) – Note 10(d)	1,246	10,473
Others	–	(55)
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 legal	Sub Total	PCC – Note 10(d-II)	Total
At the beginning of the period	**117,601**	**4,477**	**17,945**	**22,422**	**16,675**	**156,698**
Incurred 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
At the end of the period	**136,794**	**9,300**	**12,632**	**21,932**	**18,929**	**177,655**

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

I. Breakdown

	12.31.2017	12.31.2016
Assets – Reinsurance assets - Note 10(a-II)	**6,768**	**6,189**
Liabilities	**(37,432)**	**(33,931)**
Technical reserves – Insurance – Personal – Note 10(c-I(1))	(18,929)	(16,675)
Technical reserves – Private Pension – Note 10(c-I(1))	(18,503)	(17,256)
Supplementary coverage (PCC) and related expenses reserve (PDR) – Net	**(30,664)**	**(27,742)**

II. Effects on income

	2017	2016
Reinsurance operations - Note 10(a-II)	**579**	**6,189**
Insurance operations - Note 10(c-I(4))	**(2,194)**	**(11,809)**
Gains and losses on private pension - Note 10(c-I(3))	(1,246)	(10,473)
Supplementary coverage (PCC) and related expenses reserve (PDR) – Net – Note 12(e)	**(2,861)**	**(16,093)**

e) Insurance and private pension operations

	2017	2016
Income from financial intermediation	21,698	27,593
Finance income from insurance and private pension operations – Note 12(a)	1,040,507	1,030,425
Finance expenses from insurance and private pension operations – Note 12(b) [1]	(1,018,809)	(1,002,832)
Income from insurance, reinsurance and private pension operations – Note 12(e)	240,214	252,378
Income from private pension fund management services – Note 9(g)	24,383	73,780
Total	**286,295**	**353,751**

[1] Substantially represented by mathematical adjustment of insurance.

11. Other financial assets and liabilities

	12.31.2017		12.31.2016	
	Ativo	Passivo	Ativo	Passivo
Foreign exchange portfolio – Note 11(a)	1,146,563	1,148,365	1,988,735	2,054,699
Collection of taxes and similar	–	16,341	–	23,550
Negotiation and intermediation of securities – Note 11(b)	401,248	594,266	532,122	569,620
Interbank and interdepartmental transactions	57	283,671	634	250,485
Other	819,081	902,201	102,221	339,433
Provision for guarantees and sureties – Notes 8(a-I e II) and 8(h)	–	142,707	–	167,106
Income receivable – Commission on funds, 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 10(a)	100,938	–	66,817	–
Credit card administration obligations	–	198,974	–	154,181
Other	1,347	34,125	1,945	18,146
Total	**2,366,949**	**2,944,844**	**2,623,712**	**3,237,787**

[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	991,734	1,051,509
Foreign Exchange variations [1]	(1,200)	–	(59,627)	–
Interbank for ready settlement	774,140	774,140	978,010	978,010
Other	13,496	13,496	73,351	73,499
Receivables for foreign exchange sales (M.N.) and Foreign Exchange sales pending settlement (M.E.)	360,127	360,729	997,001	1,003,190
Foreign exchange variations	–	(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	30,985	26,716
Total	**1,146,563**	**1,148,365**	**1,988,735**	**2,054,699**

[1] The foreign exchange gains on advance on foreign exchange contract transactions - Note 3(f) amount to R$ 38,549 (R$ 7,591 as at 12.31.2016) and was shown in the line item Other credits – Credit operations - Note 8.

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

12. Revenue, expenses and income from operations

a) Financial intermediation income

	2017	2016
Credit operations	6,801,231	6,785,333
Marketable securities	8,611,279	10,176,554
Interbank investments – Own position	928,040	1,435,518
Open market investments – Own portfolio	749,398	1,182,030
Interbank deposits	166,275	247,963
Investments abroad	12,367	5,525
Interbank investments – Third-party's position	4,324,884	3,499,600
Third party's portfolio	3,182,039	1,769,099
Short position	1,142,845	1,730,501
Marketable securities	3,358,355	5,241,436
Government securities	2,507,614	4,269,202
Securities issued by Financial institutions and Companies	751,999	757,100
Securities issued abroad	74,497	202,258
Dividends	24,245	12,876
Financial income from insurance and private pension operations – Note 10(e)	1,040,507	1,030,425
Income from compulsory deposits	261,329	229,545
Other financial income	12,553	13,962
Total interest income	**16,726,899**	**18,235,819**

b) Financial intermediation expenses

	2017	2016
Funds obtained in the market	(10,767,121)	(12,449,245)
Deposits	(740,950)	(581,430)
Own issue – Open-market funding	(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)
Obligations related to unrestricted securities	(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 9(c-II)	(2,726,610)	(2,741,249)
Liabilities for marketable securities abroad – Note 9(c-II)	(36,397)	(114,760)
Subordinated debt – Note 9(f-III)	(361,622)	(500,569)
Structured funding	(468,163)	(523,605)
Borrowings and onlending	(555,228)	(501,031)
Borrowings abroad	(138,327)	(125,409)
Domestic onlending	(398,166)	(315,891)
Other borrowings	(18,735)	(59,731)
Finance expenses from insurance and private pension operations – Note 10(e)	(1,018,809)	(1,002,832)
Other financial expenses – Note 14(c)	(144,048)	(107,146)
Total interest expenses	**(12,485,206)**	**(14,060,254)**

c) Income from derivative financial instruments

	2017	2016
Sub-total – Derivatives	(104,264)	421,579
Swap	119,393	438,239
Futures	(152,811)	168,313
Foreign exchange variations	(15,618)	(53,995)
Investments abroad	106,822	(452,958)
Operations	(122,440)	398,963
Other	(55,228)	(130,978)
Subtotal – Realized and unrealized income	154,461	502,485
Mark-to-market adjustment of securities and derivatives in income – Note 7(c)	175,185	334,952
Mark-to-market adjustment not realized in Futures operations	(74,833)	(92,531)
Profit/(Loss) in the sale of securities - Realized	54,109	260,064
Trading	(39,192)	265,423
Available-for-sale – Note 7(a-IV)	93,301	(38,976)
Derivatives	–	33,617
Total – Note 18(i-II)	**50,197**	**924,064**

d) Revenue from service and bank fees

	2017	2016
Revenue from services	**1,531,449**	**1,369,110**
Investment fund management and administration services - Note 9(f)	845,846	690,703
Portfolio brokerage, custody and administration services	169,233	134,459
Portfolio custody and administration services	29,408	21,394
Security placement	90,088	73,820
Brokerage fees	49,737	39,245
Collection	91,326	89,377
Guarantees provided– Note 8(h)	346,731	338,363
Credit card operations	45,433	65,061
Foreign exchange services	30,727	50,174
Other	2,153	973
Income from bank fees	**276,202**	**223,428**
Credit operations	44,616	54,298
DOC/TED transfers	12,819	13,577
Packages of services and registrations	174,538	143,123
Other current account services	44,229	12,430
Total	**1,807,651**	**1,592,538**

e) Insurance, reinsurance and private pension operations

	2017	2016
Revenue from retained premiums, net	277,453	277,017
Premium revenue – Note 10 (a-I(2))	284,106	284,151
Change in technical reserves	(6,653)	(7,134)
Claim expenses	(4,394)	(36)
Acquisition costs – Note 19(c)	(3,205)	(10,645)
Credit risk – Note 10(a-I(3))	649	721
Reinsurance contingencies – Note 14(c)	(25,913)	–
Gains and losses on supplementary reserve – Note 10(d-II)	(3,658)	(16,139)
Supplementary coverage reserve	(1,591)	(448)
Related expenses reserve	(2,067)	(15,691)
Other income and expenses	(718)	1,460
Total – Note 10(e) [1]	**240,214**	**252,378**

[1] Includes the income net of DPVAT agreement.

13. Other asset, liability and income accounts

a) Other receivables – Sundry

It is substantially comprised of Debtors for deposits in guarantee of contingent liabilities in the amount of R$ 276,578 (R$ 238,767 as at 12.31.2016), of which R$ 145,709 (R$ 143,275 as at 12.31.2016) related to Tax and social security contingent liabilities and legal obligations, and R$ 130,869 (R$ 95,492 as at 12.31.2016) related to Civil and Labor and Taxes and contributions to be offset in the amount of R$ 272,736 (R$ 84,515 as at 12.31.2016).

b) Other liabilities – Sundry

	12.31.2017	12.31.2016
Provision for payables	466,784	349,775
Liability transactions to be processed	36,478	43,900
Other	35,856	58,715
Total	**539,118**	**452,390**

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 19(c)	(177,314)	(161,110)
Depreciation and amortization – Note 16(b)	(66,636)	(51,614)
Data processing and telecommunications	(93,334)	(66,541)
Attorney 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)**

14. Contingent assets and liabilities and legal obligations – tax and social security

a) Contingent Assets

There is no contingent asset to be disclosed.

b) Provisions and contingents liabilities

These are quantified as follows:

I. Civil Lawsuits

Are represented mainly by indemnity claims for pecuniary damage and/or pain and suffering due to issues related to direct consumer credit operations, collections and loans, protests of notes, inclusion of customer data in credit restriction databases and elimination of inflation effects in connection with economic plans on savings account balances. 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 updated quarterly and multiplied by the amount of lawsuits in progress in the portfolio on the last business day of the month. The special lawsuits are individually evaluated concerning the likelihood of loss, and are periodically reviewed and quantified based on progress, on the evidence submitted and/or case law in accordance with the evaluation of management and internal legal counsel. A provision is recognized for lawsuits classified as a probable loss.

II. Labor Claims

are filed to claim alleged labor rights derived from the labor legislation specifically relating to professional category, especially overtime. These labor claims are evaluated when a court notice is received, and are classified as technically evaluated. The claims are evaluated individually by likelihood of loss, and are periodically reviewed and quantified based on progress, on the evidence submitted and case law in accordance with the evaluation of management and internal legal counsel. A provision is recognized insofar as the probability of loss is considered probable, and readjusted by a nonlinear regression between the technical evaluation and the history of payments over the last two years. This regression is recalculated every six months. Claims that have been filed more than four years ago and that do not have judicial deposit or restricted government bonds are 100% accrued and adjusted for inflation. The provision arising from the technical evaluation is readjusted by the amounts of the judicial deposits. The full amount of the deposits is provisioned by in cash and 85% of the amount of the deposits in government bonds and 65% of sureties and surety bonds. Additionally, from April 2016, if there is any deposit pledged in guarantee in excess of 30%, 65% of the total deposit will be provisioned.

III. Tax and Social Security Proceedings

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

IV. Other Risks

Contingent liabilities quantified and provisioned per individual evaluation, basically represented by Salary Variations Compensation Fund (FCVS) provisions and Reinsurance.

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

	01.01 to 12.31.2017					01.01 to 12.31.2016
	Civil	Labor	Tax and social security contingent liabilities and legal obligations [3]	Other	Total	Total
At the beginning of the period 01.01.2017	**388,359**	**338,356**	**438,129**	**77,721**	**1,242,565**	**1,224,238**
Adjustment/Charges [1]	26,592	26,014	23,218	20,067	95,891	66,030
Changes in the period reflected in income [2]	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)
Payment	(69,004)	(134,190)	(42,216)	–	(245,410)	(386,695)
Other changes	–	–	723	1,097	1,820	779
At the end of the period at 12.31.2017	**418,932**	**447,117**	**360,047**	**124,798**	**1,350,894**	**1,242,565**
Guarantee deposits [4]	41,050	89,819	35,103	–	165,972	
Guarantee securities [5]	–	74,566	–	–	74,566	
Total amounts guaranteed at 12.31.2017	**41,050**	**164,385**	**35,103**	–	**240,538**	
Guarantee deposits [4]	40,502	54,990	35,039	–	130,531	
Guarantee securities [5]	1,752	95,768	–	–	97,520	
Total amounts guaranteed at 12.31.2016	**42,254**	**150,758**	**35,039**	–	**228,051**	

[1] Recorded in "Other financial expenses". [2] The changes in the civil, tax and labor contingencies are recorded in "Other operating expenses" and other contingencies are recorded in "Insurance, reinsurance and private pension operations" – Note 12(d). [3] 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 14(d). [4] Note 13(a). [5] Note 7(a-III).

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 and tax and social security proceedings 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 14(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.

15. 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	**2,638,484**	**2,601,922**
Charges (income tax and social contribution) at standard rates – Note 3(q)	(1,187,317)	(1,170,865)
Permanent (additions) deductions	**463,414**	**267,195**
Effect of foreign exchange variations in investments abroad	17,104	(203,831)
Interest on capital	294,812	302,538
Non-deductible expenses, net of non-taxable income	21,151	48,629
Deferred tax assets not recognized in the period / recognized in previous periods and other	130,347	119,859
Income tax and social contribution for the period – Note 18(i-II)	**(723,903)**	**(903,669)**

II. Tax expenses of operations

	2017	2016
PIS / COFINS	(351,223)	(386,759)
Service tax (ISS)	(79,757)	(70,433)
Total – Note 18(i-II)	**(430,980)**	**(457,192)**

b) Deferred Taxes

I. Origin of deferred income tax and social contribution assets

	Balance at 01.01.2017	Increase / (Reversal)	Realization	Balance 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
Allowance for loan losses	1,231,736	218,732	(324,732)	1,125,736
Other	149,142	20,992	(15,937)	154,197
Total deferred tax assets for temporary differences	**1,821,219**	**390,962**	**(452,593)**	**1,759,588**
Tax loss and social contribution loss carryforwards	43,870	(5,074)	–	38,796
Total deferred tax assets at 12.31.2017	**1,865,089**	**385,888**	**(452,593)**	**1,798,384**
Total deferred tax assets at 12.31.2016	**1,653,371**	**958,711**	**(746,993)**	**1,865,089**

The balance of deferred tax assets for temporary differences, not recognized at the rate of 40%, amounted to R$ 502,406 (R$ 467,852 as at 12.31.2016), and refers to deferred tax assets arising from the recognition of an Additional ALL (credit operations and other credit risk instruments).

The effect of the temporary 5% increase in the social contribution rate on deferred tax assets – Note 3(q), if recognized, would amount to R$ 224,435 (R$ 228,038 as at 12.31.2016).

II. Deferred tax liabilities

	12.31.2017	12.31.2016
Excess depreciation	204,823	188,988
Market-to-market adjustment of derivative financial instruments	56,601	31,879
Market-to-market adjustment of available-for-sale securities – Note 17(d-I)	18,710	6,609
Other	20,614	20,003
Total	**300,748**	**247,479**

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

	Deferred tax assets				
Realization year	Temporary differences	Tax and social contribution loss carryforwards	Total	Provision for deferred taxes and contributions	Net deferred taxes
2017	577,030	29,118	606,148	(89,475)	516,673
2018	722,469	9,678	732,147	(36,818)	695,329
2019	155,926	–	155,926	(34,172)	121,754
2020	156,633	–	156,633	(19,055)	137,578
2021	78,861	–	78,861	(20,250)	58,611
2022 a 2026	68,669	–	68,669	(100,978)	(32,309)
Total	**1,759,588**	**38,796**	**1,798,384**	**(300,748)**	**1,497,636**
Present value [1]	**1,608,680**	**36,914**	**1,645,594**	**(260,965)**	**1,384,629**

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

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

c) The tax and social security obligations are shown below

	12.31.2017	12.31.2016
Income tax and social contribution payable	271,910	233,092
Taxes and contributions collectible	149,736	125,448
Total	**421,646**	**358,540**

16. Property and equipment in use 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, neto
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
Construction 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
Write-offs of disposals	(1,896)	(1,124)	–	–
Foreign exchange variations and transfers	(1,080)	(2,047)	(180)	111
Depreciation / amortization expenses – Note 13(d)	(29,066)	(23,667)	(37,570)	(27,947)
Balance at the end of the period	**253,193**	**194,623**	**133,957**	**93,816**

17. 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 shares – Note 19(b).

b) Dividends and Interest on capital

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

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

[3] Paid in the period.

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

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

I. Changes in adjustment of the financial assets

	01.01 to 12.31.2017	01.01 to 12.31.2016
At the beginning of the period	**17,663**	**(49,248)**
Adjustments from changes in fair value – Note 17(d-II)	12,492	66,911
Available-for-sale securities – Note 7(c)	24,593	106,645
Change in fair value in the period	112,887	124,795
Profit /(loss) on sale of securities – Note 7(a-IV)	(88,294)	(18,150)
Tax effect	(12,101)	(39,734)
At the end of the period	**30,155**	**17,663**
Gross amount – Note 7(c)	48,865	24,272
Tax effect – Note 15(b)	(18,710)	(6,609)

II. Statement of comprehensive income

	2017	2016
Net income	**1,914,581**	**1,698,253**
Available-for-sale financial assets – Note 17(d-I)	12,492	66,911
Net change in unrealized gains / (losses)	57,341	78,299
Change in fair value in the period	112,887	124,795
Tax effect	(55,546)	(46,496)
Realized gains transferred to income for the period	(44,849)	(11,388)
Profit /(loss) on sale of securities - Note 7(a-IV)	(88,294)	(18,150)
Tax effect	43,445	6,762
Comprehensive income	**1,927,073**	**1,765,164**

18. 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 operational, liquidity and market 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.

On Banco Safra's website (www.safra.com.br), information on the frameworks for managing credit, market, liquidity and operational risks and risk management is available. The risk management report will be available on this website according to the schedule of the Central Bank Circular 3,678/2013.

a) Credit risk

Banco Safra is exposed to credit risk, which is the risk that arises when a counterparty causes 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 Banco Safra can result in losses that differ from those provisioned at the Statement of Financial Position reporting date. Therefore, Banco Safra carefully controls and revaluates the exposure to credit risk on ongoing basis.

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

The Credit Risk Management Committee concentrates the Credit Risk governance to ensure an overview of the entire credit 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.

b) Market risk

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

Banco Safra maintains its total exposure to market risks measured by the daily Value at Risk (VaR) at a 99% confidence level, adopting as a policy a maximum expected loss of less 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.

Banco Safra's market risk assessments also include 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 mark-to-market pricing processes and determining income and risk calculation, 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 Standard – are formulated according to the CMN Resolution 4,277/2013, observing the minimum requirements to be imposed in the process of pricing the financial instruments stated at market value, and are disclosed to Treasury, and control and support area managers (liquidity and market risk, internal audit, internal controls and compliance, liquidity and market risk validation and information technology managers) through the corporate intranet, in addition to the disclosure of the Market Risk management framework to public access.

c) Liquidity risk

Liquidity risk consists of the possibility that the institution is not able to efficiently meet its expected and unexpected current and future obligations, including those arising from the link to guarantees, not affecting its daily operations, and nor incurring significant losses.

To manage liquidity risk, committees for the management of assets and liabilities meet 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.

Banco Safra submits to the Brazilian Central Bank the liquidity risk reports provided in CMN Resolution 4,090/2012, with specifications established by BACEN Circular 3,749/2015. These reports are prepared by the Investment Risks area to comply with the prevailing regulations.

The Liquidity Coverage Ratio (LCR), which corresponds to the short-term liquidity ratio (up to 30 days) started to be disclosed to the market as provided by BACEN Circular 3,678/2013.

The Investment Risk area uses statistics and projections on the development of payments and receipts to assess impacts on cash over time in a series of

scenarios: basic, run off, stress and hard stress and there is also the possibility of using an arbitrary scenario. The results from the use of these scenarios are discussed at the meetings of the Committee of Assets and Liabilities.

d) 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.

e) Operational risk

According to CMN Resolution 3,380/06, operational risk is the possibility of incurring losses from failure, deficiency or inadequacy of internal procedures, personnel and systems, or external events. Operational risk also includes the legal risk, inherent in SAFRA's activities, as well as sanctions arising from non-compliance with legal provisions and indemnity against damages to third parties arising from the activities performed by SAFRA. The legal risk is assessed on a continuous basis by SAFRA's legal areas and specific Committees. From this definition, the reputation or image risks and the strategic or business risks are excluded.

The Operational Risk Area is an independent control unit segregated from the one that performs internal audit. It is responsible for meeting the requirements arising from CMN Resolution 3,380/06 on the need for identification, assessment, monitoring, control and mitigation of operational risk, as well as for establishing, disseminating, and updating the policy on Operational Risk. It is also responsible for the Internal Controls and Compliance activities, and for establishing the responsibilities of relevant outsourced service providers, as well as the guidelines of the "Outsourced Services Management" Policy.

f) Sensitivity analysis (Trading and Banking portfolios)

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

Trading Portfolio comprises all operations, including derivatives, held with the intent of trading or hedging other financial instruments of this strategy. They are transactions for resale, obtaining price difference benefits, either actual or expected, or for arbitrage. This portfolio has strict limits 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 banking operations of the institution's business lines and the respective hedges that may or may not be made through the use of derivative financial instruments. As a result, the derivatives in this portfolio are not used for speculative purposes.

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

Trading portfolio at 12.31.2017

		Scenarios		
Risk Factors	**Risk of Variation in**	**1**	**2**	**3**
Shares	Variation in share prices	(3,145)	(78,623)	(157,245)
Commodities	Variation in commodity prices	(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	Variation in the market value of options	(140)	(10,016)	(19,883)
	Total without correlation	**(3,843)**	**(122,183)**	**(242,396)**
	Total with correlation	**(2,502)**	**(38,111)**	**(77,907)**

Trading and Banking portfolio at 12.31.2017

		Scenarios		
Risk Factors	**Risk of Variation in**	**1**	**2**	**3**
Ações	Variation in share prices	(3,145)	(78,623)	(157,245)
Commodities	Variation in commodity prices	(9)	(222)	(445)
Cupom e moedas	Foreign currency coupon rate and foreign exchange rate variation	(1,892)	(54,693)	(109,356)
Renda fixa	Variation in interest rates denominated in real	(1,490)	(254,282)	(494,887)
Opções	Variation in the market value of options	(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 (B3, 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.

g) 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.

h) Market value of financial assets and liabilities

I. Methodology for calculating market value:

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

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

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

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

	12.31.2017 [1]		
	Level 1	**Level 2**	**Total**
Securities Portfolio [2] – Note 7(a-I)	**33,175,347**	**9,678,026**	**42,853,373**
Government securities	33,175,197	–	33,175,197
Securities issued by Financial Institutions	150	1,509,189	1,509,339
Securities issued by Companies	–	8,168,837	8,168,837
(–) Securities designated to Hedge Market Risk [3]	–	**(1,984,135)**	**(1,984,135)**
Linked to technical reserve of insurance and private pension – Note 10(b) [2]	**11,912,006**	**390,399**	**12,302,405**
Derivative financial instruments – Assets – Note 7(b-I(1))	**3,199**	**501,067**	**504,266**
Non-deliverable forwards (NDF)	–	4,257	4,257
Option premiums	–	214,305	214,305
Swaps – amounts payable	–	234,054	234,054
Credit derivatives (CDS)	–	48,692	48,692
Futures	3,199	–	3,199
Credit risk – Notes 3(f) and 8(a)	–	(241)	(241)
Derivative financial instruments – Liabilities – Note 7(b-I(1))	**(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)
Swaps – amounts payable	–	(177,315)	(177,315)
Credit derivatives (CDS)	–	(49,539)	(49,539)
Regulatory adjustments – CMN Resolution 4,277/2013	–	(6,657)	(6,657)
Obligations related to unrestricted repurchase agreements – Gov. securities – Note 9(b)	**(18,688,655)**	–	**(18,688,655)**
Strategy – Market risk hedge – Note 7(d)	–	**20,847,763**	**20,847,763**
Fixed rate portfolio		23,508,213	23,508,213
Assets	–	26,655,428	26,655,428
Liabilities	–	(3,147,215)	(3,147,215)
Marketable securities – Available for sale – Eurobond [3]	–	1,984,135	1,984,135
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)

[1] No transaction was classified into level 3.
[2] Of these amounts, R$ 43,641,167 refer to trading securities (R$ 41,884,126 classified in level 1 and R$ 1,757,041 in level 2), and R$ 11,614,511 refer to available-for-sale securities (R$ 3,044,435 classified in level 1 and R$ 8,470,146 in level 2).
[3] Reclassification of the amount related to securities designated to hedge market risk (Eurobonds).

i) Foreign exchange exposure

The amounts of exposure to gold, foreign currency, and assets and liabilities subject to foreign exchange variations, including derivative financial instruments and permanent investments abroad, reported to the legal authorities are:

I. Statement of financial position

PER CURRENCY		12.31.2017		
Assets	**BRL**	**US$**	**Other**	**Total**
Cash	216,742	188,415	129,895	535,052
Interbank investments	35,081,888	1,963,061	–	37,044,949
Central Bank compulsory deposits	4,374,652	–	68,328	4,442,980
Marketable securities	52,344,459	2,357,666	–	54,702,125
Derivative financial instruments	267,853	229,025	7,388	504,266
Transactions with credit characteristics	46,505,488	11,222,184	329,538	58,057,210
Other financial assets	1,534,650	806,928	25,371	2,366,949
Other receivables	2,354,937	555	–	2,355,492
Other assets	56,432	15	–	56,447
Investment	6,875	6	–	6,881
Property and equipment and Intangible assets	387,047	103	–	387,150
Total assets	**143,131,023**	**16,767,958**	**560,520**	**160,459,501**
Long position- Future foreign exchange coupon -Note 7(b-II(1))	14,507,688	9,186,561	–	23,694,249
Futures	685,617	276,651	–	962,268
NDF – Note 7(b-II(1))	300,364	1,027,965	–	1,328,329
Foreign Exchange swap	14,157,825	15,071,332	716,163	29,945,320
Off Balance – Assets	**29,651,494**	**25,562,509**	**716,163**	**55,930,166**
Total assets at 12.31.2017 (A)	**172,782,517**	**42,330,467**	**1,276,683**	**216,389,667**

Liabilities	**BRL**	**US$**	**Other**	**Total**
Deposits	11,143,348	1,509,280	20,432	12,673,060
Open market funding	54,123,032	–	–	54,123,032
Funds from acceptance and issue of securities	39,475,119	65,525	290,728	39,831,372
Structured funding	2,459,316	3,864,810	22,657	6,346,783
Borrowings and onlending	5,274,874	8,662,849	198,033	14,135,756
Derivative financial instruments	188,450	269,608	11,698	469,756
Insurance and private pension operations	12,304,097	–	–	12,304,097
Other financial liabilities	2,419,259	520,048	5,537	2,944,844
Subordinated debt	4,202,387	990,733	–	5,193,120
Other liabilities	2,628,456	169	–	2,628,625
Deferred income	40,508	–	–	40,508
Total liabilities	**134,258,846**	**15,883,022**	**549,085**	**150,690,953**
Short position – Future foreign exchange coupon – Note 7(b-II(1))	9,186,561	14,507,688	–	23,694,249
Futures	276,651	639,831	45,786	962,268
NDF - Note 7(b-II(1))	1,027,965	300,364	–	1,328,329
Foreign exchange swap	15,787,495	13,564,858	592,967	29,945,320
Off Balance – Liabilities	**26,278,672**	**29,012,741**	**638,753**	**55,930,166**
Total Liabilities at 12.31.2017 (B)	**160,537,518**	**44,895,763**	**1,187,838**	**206,621,119**
Net exposure – Equity (C) = (A) – (B)	**12,244,999**	**(2,565,296)**	**88,845**	**9,768,548**
" Over Hedge" of investment abroad – Note 18(i-II)	(2,110,111)	2,110,111	–	–
Net position – Long/(Short) at 12.31.2017	**10,134,888**	**(455,185)**	**88,845**	**9,768,548**
Net position – Long/(Short) at 12.31.2016	**9,519,087**	**(1,748)**	**(9,634)**	**9,507,705**

II. "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 variations of the excess of purchased derivatives ("Over Hedge") are recorded as derivative income, as provided in the rules, affecting the gross financial margin of the entity.

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

		2017		2016
	Recorded	***Over hedge adjustment***	**Adjusted balance**	**Adjusted balance**
INCOME (EXPENSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS – NOTE 12(C)	50,197	30,320	80,517	513,344
TAX EXPENSES OF OPERATIONS – NOTE 15(A-II)	(430,980)	(2,965)	(433,945)	(417,027)
NET INCOME FROM OPERATIONS	**5,684,378**	**27,355**	**5,711,733**	**4,892,552**
INCOME BEFORE TAXES	**2,638,484**	**27,355**	**2,665,839**	**2,231,367**
INCOME TAX AND SOCIAL CONTRIBUTION – Note 15(a-I)	(723,903)	(27,355)	(751,258)	(533,114)
NET INCOME	**1,914,581**	**–**	**1,914,581**	**1,698,253**

	2016		
	Recorded	***Over hedge adjustment***	**Adjusted balance**
INCOME (EXPENSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS – NOTE 12(C)	924,064	(410,720)	513,344
TAX EXPENSES OF OPERATIONS – NOTE 15(A-II)	**(457,192)**	**40,165**	**(417,027)**
NET INCOME FROM OPERATIONS	5,263,107	(370,555)	4,892,552
INCOME BEFORE TAXES	**2,601,922**	**(370,555)**	**2,231,367**
INCOME TAX AND SOCIAL CONTRIBUTION – Note 15(a-I)	(903,669)	370,555	(533,114)
NET INCOME	**1,698,253**	**–**	**1,698,253**

19. Related-party transactions

a) Management remuneration

Corporate documents recorded for 2017, established the annual total management's remuneration 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 benefits, or share-based payment arrangements for any key management personnel.

b) Ownership interest – Note 17(a)

Shareholders	**Amounts**	**(%)**
Joseph Yacoub Safra (resident abroad)	15,296	99.97
Noncontrolling interests	5	0.03
Total	**15,301**	**100.00**

c) Related-party transactions

Transactions between related parties are disclosed in accordance with CMN Resolution 3,750/2009. These are arm's length transactions, in the sense that their amounts, terms and average rates are those usual in the market on the respective dates.

Intercompany transactions were eliminated for the purposes of the consolidated financial statements and continue to be considered void of risk.

	Assets/(Liabilities)		Income/(Expenses)	
	12.31.2017	12.31.2016	2017	2016
Cash – Note 4	**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 5 – Safra National Bank of New	**1,665,024**	**863,677**	**4,408**	**2,151**
Demand deposits /savings deposits – Note 9(a)	**(13,404)**	**(11,822)**	–	–
Interbank deposits o – Grupo J. Safra Sarasin	**–**	(22,448)	**–**	346
Time deposits – Note 9(a)	**(988,065)**	**(701,287)**	**(3,323)**	**(9,275)**
Grupo J. Safra Sarasin	(253,230)	(149,936)	(1,429)	(2,791)
Safra National Bank of New York	(734,835)	(551,351)	(1,894)	(6,484)
Open-market funding – Debentures – Note 9(b)	**(576)**	**(17,520)**	**(632)**	**(926)**
Funds from acceptance and issue of securities – Note 9(c)	**(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 (Assets and Liabilities) – Note 11(b)	**158**	**14,904**	–	–
Safra Securities	324	15,217	–	–
Other companies	(166)	(313)	–	–
Subordinated debts –Note 9(f) – Andromeda Global Strategy Fund Ltd. – Fundo exclusivo	**(990,733)**	**(981,133)**	**(67,273)**	**(65,343)**
Commission on insurance – Canárias Corretora de Seguros S.A.	**(13)**	**–**	**(98)**	**18**
Other income from services	–	–	**2,196**	**1,741**
Administrative expenses	–	–	**(109,251)**	**(105,313)**
Rental expenses – Nota 13(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**
Operations with investment funds – Note 9(g)				
Open market investments – Gov. securities – Note 5	1,686,513	–	41,901	514,805
Open market funding – Gov. securities – Note 9(b)	(15,256,997)	(25,086,695)	(2,257,485)	(1,971,230)
Funds from acceptance and issue of securities - Financial bills (1) – Note 9(c)	(1,107,351)	(672,706)	(45,159)	(98,276)
Subordinated debt – Bank deposit certificate – Note 9(g)	–	–	–	(23,427)
Revenue from management and administration of investment funds	–	–	919,467	774,002
Consolidated companies – Note 9(g)	–	–	845,846	690,703
Related parties – Note 9(g)	–	–	73,621	83,299

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

20. 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.

Summary report of audit committee

The Audit Committee ("Committee") of Banco Safra S/A, hereinafter referred to as "SAFRA", is a permanent statutory body that operates in accordance with the National Monetary Council Resolution (CMN) No. 3,198, of May 27, 2004, and the National Council of Private Insurance (CNSP) Resolution No. 312, of June 16, 2014.

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

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

Among the evaluation and oversight works carried out in the second half of 2017, the Committee held periodic monthly meetings with agendas established beforehand, as follows:

a) Holding of meetings with the Internal and External Audits aimed at analyzing the works performed by them;
b) Approval of the Financial Statements of Banco Safra and its subsidiaries;
c) Examination of the Ombuds report about measures for correcting or improving procedures and routines, as a result of the analysis of the complaints received;
d) Ratification from the Executive Officer responsible for the Ombuds Service that there was no case of whistleblowing of material frauds over the period;
e) Meeting with the Brazilian Central Bank (BACEN), receiving the Inspection of Rating 2017 – SCR, for reporting the issues discussed and/or resolved during the Audit Committees held in 2017;
f) Approval of the planning of Audit Committee meetings for the year 2018;
g) Approval of the work plan of the Internal and External Audits for the year 2018;
h) Participation of the independent members of this Audit Committee in the Operational and Compliance Risk Management Committee (CGROC), where the following themes were addressed: 1) Integrated Risk Management (GIR); 2) Regulatory Compliance; 3) Social and Environmental Risk and Reputation Risk; 4) Internal Controls; 5) Money Laundering Prevention (PLD); 6) SafraPay Compliance; and 7) Insurance and Private Pension Compliance;
i) Presentation of the Money Laundering Prevention (PLD/FT) works;
j) Keeping up with, follow-up and monthly reporting of the issues pointed out by Regulatory Bodies, the External Audit, the Operational Risk, Internal Controls and Compliance areas, by means of the Regular Internal Controls Committee (CCI); and
k) Keeping up with and follow-up of the results of the inspections of the Brazilian Central Bank (BACEN).

In view of the results of the works it carried out, the Audit Committee recommends that the Board of Directors approve the consolidated financial statements dated January 24, 2018, related to the period ended December 31, 2017.

São Paulo, January 24, 2018.

Independent auditor's report

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 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 accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil (BACEN).

Basis for opinion

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

Key audit matters (KAM)

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

Hedge Accounting

Why is a KAM?

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

How the KAM was addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding, together with Management, the hedge

and macro hedge strategies implemented at Safra; (b) analyzing the designation documentation and policies prepared by Management with respect to hedging structures, including the hedged risk description, and detailed transaction information, stressing the risk management process and methodology applied to assess the hedge effectiveness since the transaction inception; (c) analyzing the hedge structure effectiveness tests designed by Management; and (d) reviewing the financial statements, considering the minimum disclosures required, as shown in note 7 to the financial statements.

Conclusion from the assessment

Considering the policy, the criteria adopted to meet the strategies and the processes of effectiveness analysis of the structures and the hedge accounting disclosures made by Management, the result of our procedures was considered appropriate.

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.f) and 8 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 audi 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.

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 note 3.e) 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.

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 matters

Statements of value added ("DVA")

The consolidated statement of value added (DVA) for the year ended December 31, 2017, prepared under Management's responsibility and presented as supplemental information, has been subject to audit procedures performed in conjunction with audit of the financial statements of the Bank and its Subsidiaries. For the purposes of forming our opinion, we assess whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, this statement of value added has been properly prepared in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and is consistent with the consolidated financial statements taken as a whole.

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

Management is responsible for such other information that comprises the Management Report, obtained prior to this report date, and the 2017's Annual Report, which should be provided after this report date.

Our opinion on the financial statements does not cover the Management Report and the 2017's Annual Report and we do not express, and will not express, any form of audit conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of such other information obtained prior to this report date, 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 financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, 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 financial statements, unless Management either intends to liquidate the Company 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty with respect to events or conditions that may raise significant doubt with respect to the Company's 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 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 Company's inability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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, January 24, 2018

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Auditores Independentes - CRC nº 2SP011609 /O-8

Marcelo Luis Teixeira Santos
Engagement Partner - CRC nº 1 PR 050377/O-6

Pampulha - **Belo Horizonte / MG**

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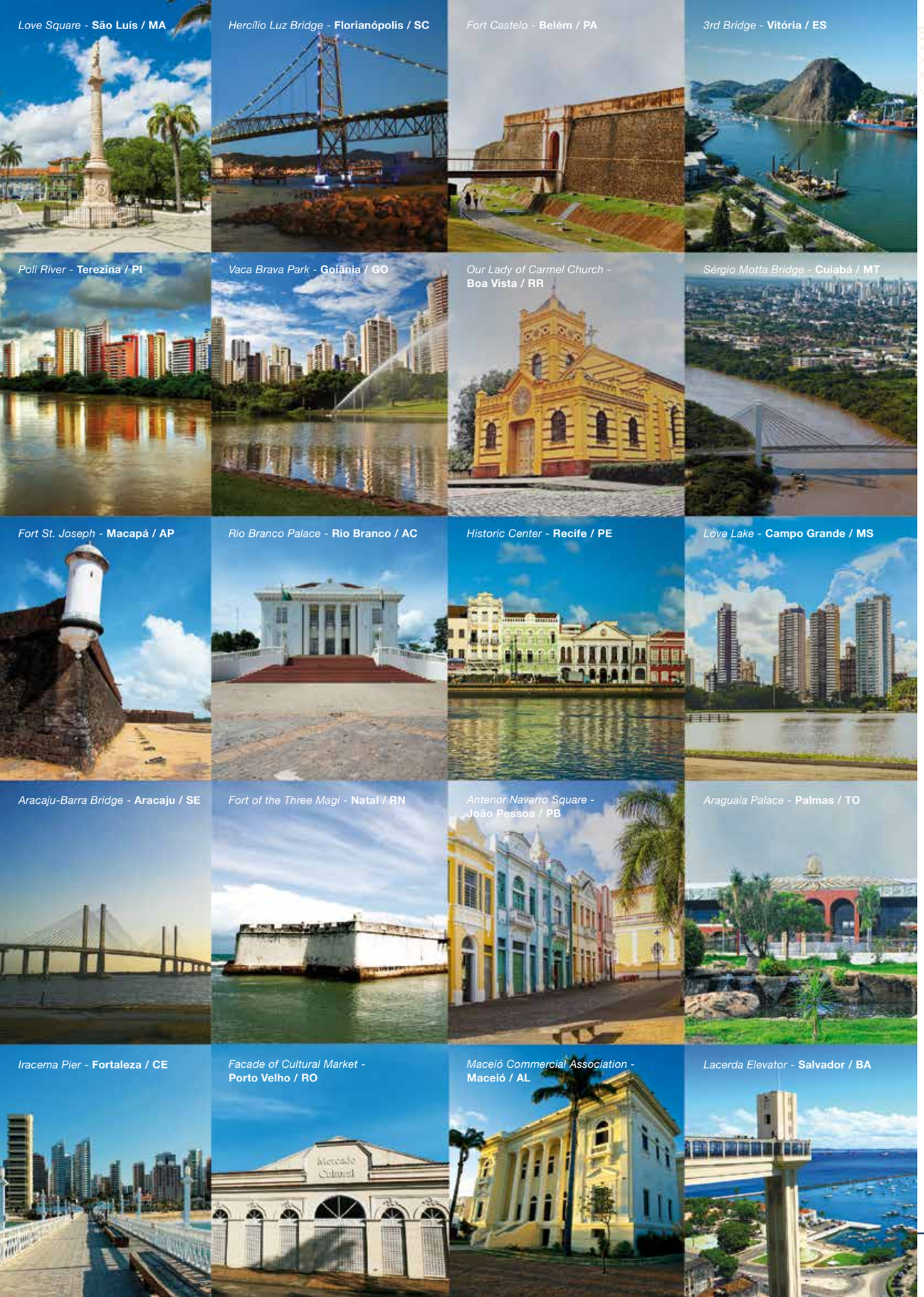
Av. Cel. Colares Moreira, 07 loja 01
Tels.: (98) 2109.9655
(98) 2109.9620
CEP: 65075-440

VITÓRIA (ES)
Av. N. Sra. dos Navegantes, 451
Tels.: (27) 2121.1720
(27) 2121.1750
CEP: 29050-335

BRANCHS OUTSIDE BRAZIL

CAYMAN ISLANDS
P. O. 1353, Harbour Place, 5th Floor, 103 South Church Street, George Town, Grand Cayman KY1-1108 - Cayman Islands

LUXEMBOURG
17–21, Boulevard Joseph II
L-1840, Luxembourg



Banco Safra S.A.

Safra

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president

Alberto Corsetti

Alberto Joseph Safra

David Joseph Safra

Rossano Maranhão Pinto

Silvio Aparecido de Carvalho

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chief executive officer

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Eduardo Pinto de Oliveira

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Hiromiti Mizusaki

Jayme Srur

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