Safra

Tradição Secular de Segurança

Banco Safra S.A.

Consolidated Financial Statements
Period Ended December 31, 2019

Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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

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

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MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Banco Safra S.A. and its Subsidiaries ("Safra Consolidated") for the periods ended December 31, 2019 and 2018.

ECONOMIC SCENARIO

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

We believe that we saw a continuation of economic recovery in the 4Q19. It is worth noting that household consumption in this quarter also reaped the benefits from withdrawals of the Government Severance Indemnity Fund for Employees (FGTS), so the GDP growth for the period might stand at approximately 2.0% in annualized terms.

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

The credit stock, in turn, grew 6.5% in 2019, promoted by the good performance of operations with non-earmarked loans, especially directed at individuals. In relation to capital markets, the growth in fixed-income security issues in the Brazilian market is worthy of note, an expansion of 11% between 2018 and 2019, reaching R$ 245 billion.

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

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

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

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

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

Finally, a very relevant development in the second half of 2019 was the completion and approval of the pension reform, one of the main goals on the government's agenda. In November, the reform was ratified and the government estimates savings of approximately R$ 800 billion in the next ten years.

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

PERFORMANCE

Key Indicators

The financial and operating information below are shown based on consolidated figures for the periods ended December 31, 2019 and 2018.

R$ million (unless otherwise stated)

Profitability	Dec-19	Dec-18	Change %
Net Income of the Parent Company	2,211	2,146	*3.0%*
Equity of Parent Company	11,884	11,792	*0.8%*
Return on Average Equity - Annualized (%)	*18.1%*	*20.3%*	
Return on Average Assets - Annualized (%)	*1.2 %*	*1.2 %*	
Performance Indicators (%)			
Basel Ratio	*13.9%*	*14,4%*	
Credit Ratios (%)			
Non-Performing Loans (over 90 Days)	*0.6%*	*0.5%*	
Coverage Ratio (Balance of ALL/Transactions over 90 days past due)	*544.9%*	*849.4%*	
Ratio of Problem Assets (1)	*1.2 %*	*1.1%*	
Coverage Ratio for Problem Assets (1)	*322.5%*	*351.2%*	
NIM (2) after ALL	*3.9%*	*4.1%*	
Balance of ALL/Credit Portfolio	*3.2%*	*3.3%*	
Statement of Financial Position			
Total Assets	190,966	182,167	*4.8%*
Liquidity (3)	22,902	27,705	*(17.3)%*
Expanded Credit Portfolio	111,070	106,910	*3.9%*
Companies	83,970	85,558	*(1.9)%*
Individuals	27,099	21,352	*26.9%*
Funding Net of Compulsory	108,620	103,939	*4.5%*
Clients	84,264	79,028	*6.6%*
Market	24,356	24,911	*(2.2)%*
Credit Portfolio (4) / Funding Ratio (%)	*86.4%*	*83.1%*	
Raised and Managed Assets (5)	241,927	233,139	*3.8%*
Funds Raised and Managed	212,565	197,724	*7.5%*
Repurchase Agreements, Foreign Exchange and Collection of Taxes	29,362	35,415	*(17.1)%*
Material Data			
Conglomerate employees (individuals)	9,190	8,070	
Number of Branches and Points of Banking Services in the Country (units)	132	132	

(1) Problem Assets according to CMN Resolution 4,557 = transactions over 90 days past due; renegotiated transactions without any indication that they will be fully paid; and all transactions of business customers with judicial recovery or bankruptcy declared.
(2) NIM = financial margin after ALL / average interest-bearing assets.
(3) Liquidity = cash and cash equivalents + unrestricted government and corporate securities (own portfolio) – collection of taxes and similar.
(4) Does not include guarantees and sureties.
(5) Raised and Managed Assets = funds raised and managed + repurchase agreements, foreign exchange and collection of taxes.

The Bank has been making progresses in all businesses, which enable a greater diversification of its revenues and broadening of its customer base, comprising both business and individuals, exceeding the mark of 2.0 million customers.

For better analysis, we present below the statement of income reclassified for the foreign exchange variation effects of investments abroad, according to Note 19.c.(II) and the non-recurring income earned in the year 2019 in the amount of R$ 26 million in expenses.

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

R$ million

Reclassified statement of income	2019	2018
Gross income on financial intermediation before allowance for loan losses	**6,252**	**4,935**
Result of allowance for loan losses	(777)	13
Net income on financial intermediation	**5,475**	**4,949**
Other income from operations	2,227	2,130
Tax expenses of operations	(574)	(525)
Net income from operations	**7,127**	**6,554**
Operating expenses	(4,110)	(3,316)
Income before Taxes	**3,018**	**3,238**
Income Tax and Social Contribution	(806)	(1,092)
Net Income	**2,211**	**2,146**

Highlights

In the end of 2019, Banco Safra's net income amounted to R$ 2.2 billion, resulting in an annualized profitability of 18.1%. Total assets amounted to R$ 191.0 billion as at December 31, 2019 and equity reached R$ 11.9 billion. With growth of 3.9% in its expanded credit portfolio, and 4.5% in funding net of compulsory, it ended the year with a solid liquidity position amounting to R$ 22.9 billion and Basel ratio at 13.9%. The ongoing strategic initiatives justify the increase in operating expenses in 2019.

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

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

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

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

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

· Retail Business Operations and SafraPay-Digital – Combined with SafraPay operations, which is used as a door to access retail business customers, the Bank set a larger target group, including companies with annual revenues from R$ 1 million to R$ 10 million, as well as the segment of SafraPay-Digital, which services are 100% digitally purchased and targeted at customers with annual revenue of R$ 1 million or less.

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

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

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

Assets, Liabilities and Investment Management

- **Extended cash and cash equivalents**

The extended cash and cash equivalents include cash and cash equivalents, open market investments (own portfolio) with maximum term of 90 days, unrestricted government and corporate securities (own portfolio), which as at December 31, 2019 totaled R$ 22.9 billion, equivalent to 1.9 times equity, and were as follows:

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

- **Expanded Credit Portfolio**

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

The payroll advance loan and vehicle financing businesses presented portfolio growths of 30.3% in relation to December 31, 2018, maintaining the non-performing ratios at levels lower than those of the market. This performance is a result of our strategy based on new technologies, which provided economy of scale and further access to individual customers. Our growth is sustained by the agility in credit grant, without reducing security, and the building of relationship with customers and points-of-sales.

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

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

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

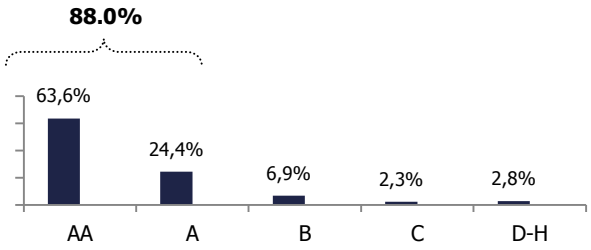
The non-performing loans ratio (transactions over 90 days past due) stood at 0.6% of the credit portfolio, being 0.1% for companies and 1.7% for individuals. Another important ratio to measure delinquency is the ratio of problem assets, which stood at 1.2% as at December 31, 2019.

Besides that, the Bank maintained its coverage levels well above the main private players, reaching 544.9% for transactions over 90 days past due as at December 31, 2019, 322.5% for problem assets and 98.0% for renegotiated credit transactions.

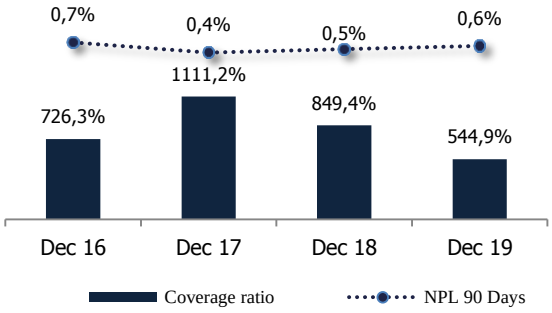
Another indicator of the credit portfolio quality is the total transactions rated AA and A, the best risk ratings according to the effective regulation, which total 88.0% of the total credit portfolio as at December 31, 2019. In relation to the allowance for loan losses, in the expanded perspective, in line with its conservative positioning, the Bank records allowances in addition to those required by the regulatory authority, totaling R$1.2 billion in the end of December 2019, which, added to the minimum required of R$ 2.1 billion, resulted in a total allowance for loan losses of R$ 3.3 billion, equivalent to 3.0% of the expanded credit portfolio.

Credit portfolio by rating

Dec-19



Coverage ratio and NPL90 Days



- **Investment management**

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

Also in the high net worth and Private Banking segments, the network of professionals widened, mainly through the Safra Top Advisor program, aimed at training and building the career of relationship managers, which reached 415 professionals and is has another 400 vacancies in 2020.

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

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

- **Equity and Basel**

Consolidated equity reached R$ 11.9 billion as at December 31, 2019, and capital ratio is at comfortable levels, as shown in the table below.

R$ million

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

(*) In Dec-18 refers to RBAN.

RATINGS

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

	MOODY'S	S&P Global
Global Scale – Local Currency – Long term	Ba2	BB-
Global Scale – Foreign Currency – Long term	Ba3	BB-
National Scale Brazil - Long Term	Aa1.br	brAAA
Outlook	Stable	Positive
Latest report	August 2019	December 2019

RISK AND CAPITAL MANAGEMENT

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

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

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

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

GOVERNANCE

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

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

The Advisory Committee has the duty of guiding, assisting and advising the Board of Directors in conducting the Company's businesses, suggesting strategies for the operations of the Company and its subsidiaries in several financial business lines. The Board of Directors is responsible for electing the members to the Advisory Committee, which will have a maximum of ten (10) members.

Banco Safra S.A has statutory committees, which perform their activities based on the provisions of their internal rules and the bylaws. Pursuant to the CMN Resolution 4,557/2017 the Superior Risk Committee is formed by a minimum of three (3) members and a maximum of ten (10) members, and its purpose is to assist the Board of Directors in the performance of its attributions related to the integrated risk and capital management.

The Audit Committee is a statutory body that reports to the Board of Directors and operate pursuant to the provisions of the National Monetary Council (CMN) Resolution 3,198, of May 27, 2004, and the SUSEP Resolution 321, of July 15, 2015, with the purpose to follow-up and strengthen the internal and external audit activities. The Audit Committee is formed by a minimum of three (3) and a maximum of six (6) members, of which at least three are executive officers of the Company.

The Corporate Governance Committee's purpose is to contribute towards the improvement in Safra Conglomerate's quality, compliance with its ethical and corporate values, the improvement in the relationship between the members of the Board of Directors, Executive Management, employees and the inspection and control bodies of its activities, in addition to promote synergy particularly between the risk and control areas and the several structures of Safra through interactions among the areas of Risks, Ombuds Office, Regulatory Compliance, Internal Controls, Compliance and Legal.

The Remuneration Committee, which is aimed at assisting the Board of Directors in conducting the key management personnel remuneration policy of the Company, under the terms of the CMN Resolution 3,921, of November 25, 2010, is formed by a minimum of three (3) and a maximum of five (5) members, with two-year term of office, and operates as a sole organizational component in the leading institution of Safra Financial Conglomerate.

Besides the structure of Statutory Committees, Banco Safra S.A. has delegated committees that provide support to the institution's operations, of which we highlight those of Capital Management, Finance and Treasury and Large Risks, among others, further strengthening Banco Safra's corporate governance structure.

SOCIAL RESPONSIBILITY

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

HUMAN RESOURCES

In the end of 2019, Safra had 9,190 employees, who have high quality medical and dental care, educational support, daycare, food basket, access to cultural and social activities promoted by the association of employees, among others.

The remuneration of personnel, plus charges and benefits, and not considering the termination and additional payroll expenses, totaled R$ 2.6 billion in 2019, the social benefits provided to employees and their dependents having reached R$ 217 million.

ACKNOWLEDGEMENTS

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

Approved by the Board of Directors.

São Paulo, February 4, 2020.

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

		CONSOLIDATED	
ASSETS	**Notes**	**12.31.2019**	**12.31.2018**
CURRENT ASSETS		123,482,758	123,060,957
Cash	3(b) and 4	1,312,970	699,893
Interbank investments	3(c), 4 and 5	6,164,877	16,051,303
Central Bank compulsory deposits	6	11,362,467	8,298,347
Investments linked to open market operations - Government securities	3(c) and (d), and 10(a)	28,472,607	34,682,102
Marketable securities	3(d) and 7(a)	20,581,796	13,948,798
Derivative financial instruments	3(d) and 7(c)	1,316,360	577,428
Funds guaranteeing technical reserves for insurance and private pension	7(b)	424,540	382,814
Credit portfolio	3(f) and 8	47,092,173	44,401,958
Credit portfolio		47,840,620	45,017,628
(Allowance for credit risks)		(748,447)	(615,670)
Other financial assets	12	5,609,609	3,164,555
Tax assets	16(b-I)	1,034,283	794,556
Other assets	14(a)	111,076	59,203
NON-CURRENT ASSETS		67,482,856	59,105,974
LONG-TERM RECEIVABLES		66,699,028	58,580,337
Interbank investments	3(c) and 5	1,532,306	1,433,801
Marketable securities	3(d) and 7(a)	848,484	1,315,701
Derivative financial instruments	3(d) and 7(c)	426,946	229,990
Funds guaranteeing technical reserves for insurance and private pension	7(b)	18,146,393	14,539,441
Credit portfolio	3(f) and 8	43,576,342	39,151,525
Credit portfolio		45,955,771	41,363,723
(Allowance for credit risk)		(2,379,429)	(2,212,198)
Other financial assets	12	55,455	39,417
Tax assets	16(b-I)	1,803,935	1,590,033
Other assets	14(a)	309,167	280,429
INVESTMENTS	3(h)	8,075	7,214
PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS	3(i) and 17	775,753	518,423
TOTAL ASSETS		**190,965,614**	**182,166,931**

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

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

		CONSOLIDATED	
LIABILITIES	**Notes**	**12.31.2019**	**12.31.2018**
CURRENT LIABILITIES		115,105,584	114,566,800
Open market funding - Government securities	3(c) and 10(b)	28,208,651	35,084,272
Funding	3(k) and 9(a)	66,523,473	61,617,562
Borrowings and onlending	3(k) and 9(a)	10,019,501	10,866,480
Derivative financial instruments	3(d) and 7(c)	1,299,868	539,041
Insurance and private pension operations	3(l) and 11(c)	342,961	303,125
Other financial liabilities	12	6,389,575	3,673,716
Subordinated debt	3(k) and 9(a)	384,336	917,706
Tax liabilities	16(b-I)	731,768	715,156
Provisions for contingent liabilities	3(m) and 15(c)	217,891	204,362
Other liabilities	14(b)	987,560	645,380
NON-CURRENT LIABILITIES		63,975,655	55,808,471
LONG-TERM LIABILITIES		63,975,655	55,808,471
Funding	3(k) and 9(a)	32,860,232	29,876,984
Borrowings and onlending	3(k) and 9(a)	2,504,847	2,562,614
Derivative financial instruments	3(d) and 7(c)	405,898	226,639
Insurance and private pension operations	3(l) and 11(c)	18,227,870	14,618,827
Subordinated debt	3(k) and 9(a)	7,689,026	6,396,563
Tax liabilities	16(b-I)	553,626	634,000
Provisions for contingent liabilities	3(m) and 15(c)	1,666,590	1,418,775
Other liabilities	14(b)	67,566	74,069
CONSOLIDATED EQUITY	18	11,884,375	11,791,660
TOTAL LIABILITIES AND EQUITY		**190,965,614**	**182,166,931**

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

BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")
STATEMENT OF INCOME FOR THE PERIODS ENDED DECEMBER 31 - NOTE 2(a)
ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED

		CONSOLIDATED	
	Notes	**2019**	**2018**
INCOME FROM FINANCIAL INTERMEDIATION	13(a)	15,940,873	14,381,549
Expanded credit portfolio operations		10,164,858	8,635,255
Transactions with marketable securities		4,001,057	4,588,260
Finance income from insurance and private pension operations	11(e)	1,276,035	828,569
Compulsory deposits	6	485,069	320,906
Other finance income		13,854	8,559
EXPENSES OF FINANCIAL INTERMEDIATION	13(b)	(9,865,024)	(9,297,912)
Open market funding - Government securities		(2,066,458)	(2,606,117)
Funding		(5,296,190)	(4,743,704)
Borrowings and onlending		(549,964)	(555,372)
Finance expenses from insurance and private pension operations	11(e)	(1,258,249)	(813,070)
Subordinated debt	9(a-IV)	(538,548)	(445,634)
Other finance expenses	15(c) and 16(b-I)	(155,615)	(134,015)
FINANCIAL INSTRUMENTS, NET	13(c) and 19(c-II(2))	72,090	(527,627)
GROSS INCOME ON FINANCIAL INTERMEDIATION BEFORE ALLOWANCE FOR LOAN LOSSES		6,147,939	4,556,010
ALLOWANCE FOR LOAN LOSSES		(777,720)	13,316
Expenses of allowance for credit risks	3(f) and 8(a-II)	(978,305)	(732,815)
Income from recovery of credits written-off as loss	3(f) and 8(d)	200,585	746,131
NET INCOME ON FINANCIAL INTERMEDIATION		5,370,219	4,569,326
OTHER INCOME FROM OPERATIONS		2,226,597	2,129,966
Revenue from service, bank fees and foreign exchange transactions	13(d)	1,947,731	1,875,354
Insurance, reinsurance and private pension operations	3(l) and 11(e)	278,866	254,612
TAX EXPENSES OF OPERATIONS	3(o), 16(a-II) and 19(c-II(2))	(562,569)	(487,705)
NET INCOME FROM OPERATIONS	19(c-II(2))	7,034,247	6,211,587
OTHER OPERATING INCOME (EXPENSES)		(4,445,821)	(3,316,238)
Personnel expenses	14(c)	(2,898,589)	(2,331,666)
Administrative expenses	14(d)	(1,142,239)	(725,962)
Other operating income (expenses)	15(c)	(404,993)	(258,610)
INCOME BEFORE TAXES		2,588,426	2,895,349
INCOME TAX AND SOCIAL CONTRIBUTION	3(o), 16(a-I) and 19(c-II(2))	(377,225)	(749,591)
NET INCOME		2,211,201	2,145,758
Earnings per share - Quantity of shares 15,300 (15,301 at 12.31.2018)		144.52	140.24

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

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

	Paid-up capital	Revenue reserves	Carrying value adjustment	Retained earnings	Total
AT JANUARY 1, 2018	**8,652,392**	**1,086,001**	**30,155**	**-**	**9,768,548**
Repurchase of treasury shares	-	(722)	-	-	(722)
Capital increase	774,296	(774,296)	-	-	-
With legal reserve	180,642	(180,642)	-	-	-
With special reserve	593,654	(593,654)	-	-	-
Carrying value adjustments - Available-for-sale securities	-	-	(23,722)	-	(23,722)
Net income for the period	-	-	-	2,145,758	2,145,758
Allocation:					
Legal reserve	-	107,288	-	(107,288)	-
Special reserve	-	650,914	-	(650,914)	-
Capital increase	1,289,354	-	-	(1,387,556)	(98,202)
Interest on capital	556,481	-	-	(654,683)	(98,202)
Dividends	732,873	-	-	(732,873)	-
					-
AT DECEMBER 31, 2018	**10,716,042**	**1,069,185**	**6,433**	**-**	**11,791,660**
Capital increase	757,479	(757,479)	-	-	-
With legal reserve	107,288	(107,288)	-	-	-
With special reserve	650,191	(650,191)	-	-	-
Carrying value adjustments - Available-for-sale securities	-	-	(3,880)	-	(3,880)
Net income for the period	-	-	-	2,211,201	2,211,201
Allocation:					
Legal reserve	-	110,560	-	(110,560)	-
Special reserve	-	282,563	-	(282,563)	-
Interest on capital	-	-	-	(729,606)	(729,606)
Dividends	-	(296,528)	-	(1,088,472)	(1,385,000)
AT DECEMBER 31, 2019	**11,473,521**	**408,301**	**2,553**	**-**	**11,884,375**

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

BANCO SAFRA S.A. E CONTROLADAS ("SAFRA CONSOLIDADO")
STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED DECEMBER 31 - NOTE 3(b)
ALL AMOUNTS IN THOUSANDS OF REAIS

	NOTES	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
ADJUSTED NET INCOME		2,939,876	2,176,379
Net income for the periods		2,211,201	2,145,758
Adjustments to net income:			
Depreciation, amortization and impairment	17(b)	152,283	91,289
Allowance for credit risk	8(a-II)	341,743	(213,759)
Foreign exchange gains (losses) on cash and cash equivalents		(16,991)	94,721
Provisions for contingent liabilities		294,799	193,569
Fair value adjustment of assets and liabilities	7(d)	174,730	(14,456)
Finance expenses on financing liabilities	9(a-IV)	371,428	318,818
Supplementary coverage (PCC) and related expenses reserve (PDR) - Net	11(d-II)	5,652	5,872
Provision for current and deferred income taxes	16(a-I)	377,225	749,591
Taxes paid		(972,194)	(1,195,024)
Current		(881,841)	(1,081,008)
Tax and social security contingent liabilities and legal obligations	15(c)	(34,502)	(68,746)
Special Tax Regularization Program - PERT	16(b-I)	(55,851)	(45,270)
CHANGES IN ASSETS AND LIABILITIES BY OPERATING ACTIVITIES		996,731	(3,124,320)
NET INVESTMENTS		(3,658,366)	(19,795,546)
In interbank investments		10,227,702	(10,224,057)
In open market investments and funding - Government securities (assets/liabilities)		(942,089)	410,589
In marketable securities (net)		(5,662,907)	7,908,260
In derivative financial instruments (assets/liabilities)		173,844	144,731
In credit portfolio		(7,709,683)	(17,917,636)
In other financial assets and liabilities		254,767	(117,433)
NET FUNDING		4,212,318	15,444,783
In funding		5,122,515	16,159,312
In borrowings and onlending		(904,746)	(706,662)
In insurance and private pension operations (assets/liabilities)		(5,451)	(7,867)
Funds guaranteeing technical reserves for insurance and private pension operations (assets)		(3,648,678)	(2,619,850)
Insurance and private pension operations (liabilities)		3,643,227	2,611,983
NET OTHER RECEIVABLES AND LIABILITIES		442,779	1,226,443
In foreign exchange gains (losses) on financing operations		146,139	692,896
In other		296,640	533,547
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		3,936,607	(947,941)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments		(812)	-
Acquisition of property and equipment in use	17(b)	(353,437)	(177,109)
Disposal of property and equipment in use	17(b)	9,527	3,076
Investment in intangible assets	17(b)	(68,435)	(49,750)
Disposal of intangible assets	17(b)	163	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(412,994)	(223,783)
CASH FLOWS FROM FINANCING ACTIVITIES			
Third-party funds		(371,216)	2,677,358
Funding	9(a-IV)	1,173,173	3,052,630
Liabilities for marketable securities abroad		87,333	1,699,952
Subordinated debt		1,085,840	1,352,678
Redemptions	9(a-IV)	(1,544,389)	(375,272)
Liabilities for marketable securities abroad		87,333	1,699,952
Subordinated debt		1,085,840	1,352,678
Own funds - Dividends and Interest on capital	18(b)	(2,114,606)	(98,202)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(2,485,822)	2,579,156
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,037,791	1,407,432
Cash and cash equivalents at the beginning of the period		4,295,467	2,982,756
Foreign exchange gains (losses) on cash and cash equivalents		16,991	(94,721)
Cash and cash equivalents at the end of the period	4	5,350,249	4,295,467
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,037,791	1,407,432

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

1. OPERATIONS

Banco Safra S.A. and its subsidiaries (collectively referred to as "Safra", "Safra Group", or "Bank"), with registered office at Avenida Paulista, 2.100, São Paulo – SP, Brazil, are engaged in asset, liability and accessory operations inherent in the related authorized portfolios by the Central Bank of Brazil (commercial, real estate loans, credit, financing and investment, and lease), including foreign exchange, repurchase agreement, rural credit, and securities portfolio management operations, as well as complementary activities among which are insurance, private pension, brokerage and distribution of securities, management of investment funds and managed portfolio operations, and operations in the payment institution market through the Safrapay brand, 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 February 04, 2020, 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), Central Bank of Brazil (BACEN), Brazilian Securities and Exchange Commission (CVM), National Council of Private Insurance (CNSP) and the Superintendence of Private Insurance (SUSEP), as applicable.

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

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

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

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

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

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

In the Statement of Income, we adopted the following presentation criteria:

- The foreign exchange gains or losses on investments abroad and the operations in foreign currency are shown in the line item "Financial instruments, net", together with the foreign exchange gains or losses on derivatives which provide their hedge, for better presentation of the effective coverage of foreign exchange exposure.
- The income from operations is shown net of direct costs. These costs are substantially represented by recovery, origination and maintenance of operations.

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

- Open market investments and funding (repurchase agreements) backed by government securities, started to be presented in a specific group of assets and liabilities, with segregation of their income; and
- Income from provided guarantees and sureties started to be shown together with income from expanded credit portfolio operations, they were previously stated in the line item "Revenue from service, bank fees and foreign exchange transactions".

For purposes of comparability, the balances and results arising from the criteria adopted in this period were reclassified in the comparative statements for the prior period, and did not change the total assets and liabilities, equity and net income for the periods ended December 31, 2019 and December 31, 2018.

b) Basis of consolidation

The asset and liability and income accounts between the parent company and its subsidiaries, as well as the unrealized gains and losses between the companies included in the consolidation, were eliminated in the consolidated financial statements. The Exclusive Investment Funds of the consolidated companies were consolidated. The securities and investments 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 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 the corresponding reporting date and are presented below:

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

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

Ownership interests %	12.31.2019	12.31.2018
Banco J. Safra S.A.	100.00	100.00
Safra Leasing S.A. – Arrendamento Mercantil	100.00	100.00
Banco Safra (Cayman Islands) Limited.[1]	100.00	100.00
Safra Corretora de Valores e Câmbio Ltda.	100.00	100.00
Safra Asset Management Ltda.	100.00	100.00
Safra Serviços de Administração Fiduciária Ltda.	100.00	100.00
Safra Vida e Previdência S.A.	100.00	100.00
Safra Seguros Gerais S.A.	100.00	100.00
Sercom Comércio e Serviços Ltda.	100.00	100.00
SIP Corretora de Seguros Ltda.	100.00	100.00

[1] Entity based abroad.

Additionally, we consolidated a non-financial entity, in which the controlling shareholder of the Bank himself holds a 0.6% interest in the capital, shown as a liability in these consolidated financial statements, in the line item "Other liabilities – Sundry".

c) Functional currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Income

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

b) Cash Flows

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

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

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

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

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

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

d) Marketable securities and derivative financial instruments

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

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

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

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

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

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

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

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

e) Fair value measurement

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

The process for pricing financial instruments stated at fair value complies with the provisions of CMN Resolution 4,277/2013, which establishes the minimum elements to be considered in the mark to the market process. Safra 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 credit risk

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

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

Renegotiated credit transactions are maintained at least in the same rating. Renegotiated transactions that had already been written-off are assigned "H" rating and any gain on renegotiation is only recognized when actually received. When a significant amount is amortized or new material facts 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 likelihood of incurring losses related to their realization, given the several factors that may make impossible the disposal of the asset, such as legal restrictions, lack of legal regularization, low likelihood of sale to generate short-term liquidity at fair value, among others.

The amount of the provision recorded for such Assets Not for Use is shown in the statement of financial position net of its corresponding assets. The provision expenses and the income recognized upon sale of Assets Not for Use (cash basis) are recognized in the line item "Allowance for loan losses" in the Statement of Income.

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

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

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

g) Derecognition of financial instruments

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

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

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

h) Investments

These are stated at cost, adjusted for impairment.

i) Property and equipment in use

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

j) Impairment – non-financial assets

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

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

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

Accordingly, in conformity with the above standards, Safra Group's Management is not aware of any material adjustments that might affect the ability to recover the non-financial assets at December 31, 2019 and December 31, 2018.

k) Funding, borrowings and onlending and subordinated debts

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

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

l) Insurance, reinsurance and private pension operations:

I - Receivables and payables from insurance and reinsurance operations

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

II - Credit risk

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

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

III - Technical reserves for insurance and private pension

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

a) Insurance:

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

b) Private pension:

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

c) Liability Adequacy Test (LAT):

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

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

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

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

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

IV - Income from insurance, reinsurance and private pension operations

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

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

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

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

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

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

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

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

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

n) Employee benefits

Recognized and evidenced according to CPC 33 (R1) – Employee benefits, regulated through CMN Resolution 4,424/2015, are categorized as follows:

I. Short-term and Long-term benefits

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

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

II. Termination benefits

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

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

III. Profit sharing

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

o) Taxes

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

Income tax	15.00%
Income tax surcharge	10.00%
Social contribution – Financial Institutions[1]	15.00%-20.00%
Social contribution – Non-financial Institutions	9%
Social Integration Program (PIS) [3]	0.65%
Social Contribution on Revenues (COFINS)[2]	4.00%
Service Tax (ISS)	Up to 5.00%

[1] Law 13,169, of October 6, 2015, temporarily changed the Social Contribution rate applicable to financial and equivalent institutions from 15% to 20% in the period between September 1, 2015 and December 31, 2018. From January 1, 2019, the applicable rate changed back to 15%. Banco Safra had not recognized the effect of the temporary 5% rate increase in the recognition of its deferred tax assets. Later on, the Constitutional Amendment 103, of November 11, 2019, changed again the Social Contribution rate applicable to banks from 15% to 20%. The new rate, which will come into effect as of March 1, 2020, will be applicable to any kind of bank, not being extendable to other financial institutions, which will continue to apply the 15% rate. As a result, the entities that shall adopt the new rate will calculate their current taxes at the rate of 20%, as of the aforementioned date. The deferred tax assets that are expected to be realized after March 1, 2020 were recognized by applying the new rate. [2]Non-financial subsidiaries under the non-cumulative calculation regime continue to pay PIS and COFINS at the rates of 1.65% and 7.6%, respectively. The PIS and COFINS rates levied on finance income are 0.65% and 4%, respectively.

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

The Deferred taxes represented by tax credits and deferred tax 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 ALL Required), and are recognized only when all the requirements for their recognition, established by CMN Resolution 3,059/2002, are met.

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

p) Use of accounting estimates

The preparation of financial statements requires Management to make certain estimates and adopt assumptions, on its best judgment, that affect the amounts of certain financial or non-financial assets and liabilities, income and expenses and other transactions, such as: (i) the fair value of certain financial assets and liabilities and derivative financial instruments; (ii) the depreciation rates of property and equipment items; (iii) amortizations of intangible assets; (iv) provisions required to cover possible risks arising from contingent liabilities; (v) deferred tax assets; (vi) allowance for credit risks; 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

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

5. INTERBANK INVESTMENTS

	12.31.2019						12.31.2018
	Amounts by maturity						
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Total	Total
Open market investments – Own portfolio – National Treasury	2,371,323	280,063	-	-	-	2,651,386	13,108,107
Interbank deposits[(2)]	152,259	200,438	1,404,676	127,630	-	1,885,003	2,168,799
Foreign currency investments[(1)]	2,758,785	402,009	-	-	-	3,160,794	2,208,198
Total at 12.31.2019	**5,282,367**	**882,510**	**1,404,676**	**127,630**	**-**	**7,697,183**	**17,485,104**
Total at 12.31.2018	**12,766,767**	**3,284,536**	**-**	**-**	**1,433,801**	**17,485,104**	

[(1)] Includes transactions with related parties – Note 20(b). Of this amount, R$ (1,923) refers to the fair value of transactions – Note 7(d).[(2)] Of this amount, R$ 241,770 (R$ 324,742 as at 12.31.2018) refers to operations linked to rural credit.

6. CENTRAL BANK COMPULSORY DEPOSITS

These are represented by compulsory deposits as shown below:

	12.31.2019	12.31.2018
Interest bearing [(1)]	10,824,037	8,120,053
Non-interest bearing	410,389	81,425
Abroad	128,041	96,869
Total	**11,362,467**	**8,298,347**

[(1)] The income from interest-bearing compulsory deposits is R$ 485,069 (R$ 320,906 in 2018), and shown in "Income from compulsory deposits" in statement of income for the period.

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

a) Marketable securities

I – By accounting classification:

	12.31.2019					12.31.2018
		Effects of Fair Value adjustment on:				
		Profit or loss				
	Amortized Cost	Trading securities	Accounting hedge – Note 7(e)	Equity – Note 18(d-I)	Fair Value	Fair Value
Securities portfolio	21,300,726	129,079	(1,826)	2,401	21,430,380	15,264,729
Government securities	18,913,688	128,810	-	-	19,042,498	12,598,184
National Treasury	18,520,254	131,198	-	-	18,651,452	12,381,303
National treasury bills	1,395,576	18,329	-	-	1,413,905	1,768,715
National treasury notes – Note 7(e)	2,129,241	110,920	-	-	2,240,161	23,482
Financial treasury bills	14,995,437	1,949	-	-	14,997,386	10,589,106
US government securities	393,434	(2,388)	-	-	391,046	216,881
Securities Issued by Financial Institutions	2,117,948	-	(1,826)	(168)	2,115,954	2,333,539
Investment fund quotas	102,713	-	-	-	102,713	106,171
Bank Deposit Certificate and other	1,310,188	-	-	-	1,310,188	1,249,856
Eurobonds	296,257	-	(1,826)	(168)	294,263	977,512
Fair value hedge – Note 7(e)	239,851	-	(1,826)	-	238,025	938,207
Other	56,406	-	-	(168)	56,238	39,305
Credit Link Notes	408,790	-	-	-	408,790	-
Securities issued by Companies	269,090	269	-	2,569	271,928	333,006
Shares	164,669	269	-	2,780	167,718	188,922
Eurobonds	104,421	-	-	(211)	104,210	144,084
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	-	(100)	-	-	(100)	(230)
Total securities portfolio as at 12.31.2019	**21,300,726**	**128,979**	**(1,826)**	**2,401**	**21,430,280**	**15,264,499**
Securities portfolio	15,208,739	37,710	11,325	6,955	15,264,729	
Government securities	12,561,624	36,560	-	-	12,598,184	
Securities issued by Financial Institutions	2,321,757	-	11,325	457	2,333,539	
Securities issued by Companies	325,358	1,150	-	6,498	333,006	
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	-	(230)	-	-	(230)	
Total securities portfolio as at 12.31.2018	**15,208,739**	**37,480**	**11,325**	**6,955**	**15,264,499**	

II – By maturity:

	12.31.2019						
		Amounts by maturity					
	Fair Value	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years
Securities portfolio	21,430,380	815,132	445,727	8,039,606	459,789	6,814,994	4,855,132
Government securities	19,042,498	585,922	445,675	6,729,470	459,789	6,196,839	4,624,803
Securities issued by Financial Institutions	2,115,954	212,818	52	1,310,136	-	438,881	154,067
Securities issued by Companies	271,928	16,392	-	-	-	179,274	76,262
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(100)	(100)	-	-	-	-	-
Total securities portfolio as at 12.31.2019	**21,430,280**	**815,032**	**445,727**	**8,039,606**	**459,789**	**6,814,994**	**4,855,132**
Trading securities – Note 3(d)	20,465,184	698,472	445,675	8,039,606	459,789	6,196,839	4,624,803
Available-for-sale securities	965,096	116,560	52	-	-	618,155	230,329

	12.31.2018						
		Amounts by maturity					
	Fair Value	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years
Securities portfolio	15,264,729	367,928	1,005,796	491,606	6,609,050	1,556,631	5,233,718
Government securities	12,598,184	263,201	1,005,796	483,703	5,331,687	668,837	4,844,960
Securities issued by Financial Institutions	2,333,539	81,377	-	7,903	1,241,953	613,548	388,758
Securities issued by Companies	333,006	23,350	-	-	35,410	274,246	-
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(230)	(230)	-	-	-	-	-
Total securities portfolio as at 12.31.2018	**15,264,499**	**367,698**	**1,005,796**	**491,606**	**6,609,050**	**1,556,631**	**5,233,718**
Trading securities – Note 3(d)	13,948,798	367,698	1,005,796	483,703	6,565,331	668,837	4,857,433
Available-for-sale securities	1,315,701	-	-	7,903	43,719	887,794	376,285

III – By characteristic:

	12.31.2019							12.31.2018
		Linked to				Accounting classification of securities:		
	Own portfolio	Restricted repurchase agreements and Securities related to unrestricted repurchase agreements	Provided guarantees (1)	Central Bank (2)	Total	Trading	Available for sale	Total
Securities portfolio	17,077,076	-	3,546,157	807,147	21,430,380	20,465,284	965,096	15,264,729
Government securities	14,738,190	-	3,497,161	807,147	19,042,498	19,042,498	-	12,598,184
Securities issued by Financial Institutions	2,066,958	-	48,996	-	2,115,954	1,412,849	703,105	2,333,539
Securities issued by Companies	271,928	-	-	-	271,928	9,937	261,991	333,006
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(100)	-	-	-	(100)	(100)	-	(230)
Total securities portfolio as at 12.31.2019	**17,076,976**	**-**	**3,546,157**	**807,147**	**21,430,280**	**20,465,184**	**965,096**	**15,264,499**
Investments linked to open market funding – Government securities – Own portfolio – Note 10(a)	-	926,038	-	-	926,038	926,038	-	7,735,085
Other credit risk instruments – Note 8(a-I)	7,867,335	6,133,427	-	-	14,000,762	151,570	13,849,192	14,561,822
Fair value hedge – Note 7(e)	4,535,077	4,298,206	-	-	8,833,283	-	8,833,283	8,768,920
Other	3,332,258	1,835,221	-	-	5,167,479	151,570	5,015,909	5,792,902
Total as at 12.31.2019	**24,944,311**	**7,059,465**	**3,546,157**	**807,147**	**36,357,080**	**21,542,792**	**14,814,288**	**37,561,406**
Total securities portfolio as at 12.31.2018	**12,602,002**	**-**	**1,900,911**	**761,586**	**15,264,499**	**13,948,798**	**1,315,701**	
Investments linked to open market funding – Government securities – Own portfolio – Note 10(a)	-	7,735,085	-	-	7,735,085	7,735,085	-	
Other credit risk instruments – Note 8(b)	9,384,578	5,177,244	-	-	14,561,822	-	14,561,822	
Fair value hedge – Note 7(e)	5,827,691	2,941,229	-	-	8,768,920	-	8,768,920	
Other	3,556,887	2,236,015	-	-	5,792,902	-	5,792,902	
Total as at 12.31.2018	**21,986,580**	**12,912,329**	**1,900,911**	**761,586**	**37,561,406**	**21,683,883**	**15,877,523**	

(1) Refers to guarantee of derivative financial instrument transactions made in stock exchange in the amount of R$ 2,863,376 (R$ 1,599,483 as at 12.31.2018), realized in the clearing and depository corporation in the amount of R$ 602,287 (R$ 228,897 as at 12.31.2018) and civil and labor appeals - Note 15(c) in the amount of R$ 80,494 (R$ 72,531 as at 12.31.2018). (2) It is mainly represented by transactions linked to the funds from savings accounts in the amount of R$ 807,032 (R$ 761,477 as at 12.31.2018).

In the period ended December 31,2019, there was no reclassification among the categories of marketable securities.

b) Funds guaranteeing technical reserves for insurance and private pension

I. Breakdown

	12.31.2019							12.31.2018
		Amounts by maturity						
	Fair Value	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Fair Value
Private pension	18,146,393	1,656,047	3,717,273	4,002,854	1,332,452	3,571,550	3,866,217	14,539,441
Investment fund quotas	88,694	88,694	-	-	-	-	-	-
Repurchase agreements – Government securities	20,805	-	-	-	-	20,805	-	22,859
Marketable securities – securities portfolio	18,141,496	1,671,955	3,717,273	4,002,854	1,332,452	3,550,745	3,866,217	14,517,672
Government securities – National Treasury	14,655,998	515,944	1,728,899	3,666,798	1,327,395	3,550,745	3,866,217	14,072,346
National Treasury Bills	3,984,603	-	1,218,808	1,514,356	535,619	715,820	-	4,274,131
Financial Treasury Bills	5,569,971	515,944	359,423	2,019,701	629,890	1,545,308	499,705	6,486,655
National Treasury Notes	5,101,424	-	150,668	132,741	161,886	1,289,617	3,366,512	3,311,560
Corporate securities	3,485,498	1,156,011	1,988,374	336,056	5,057	-	-	445,326
Shares	1,156,011	1,156,011	-	-	-	-	-	233,990
Bank certificates of deposit	860,547	-	729,533	131,014	-	-	-	138,864
Debentures	198,651	-	172,015	21,579	5,057	-	-	72,472
Financial bills	1,270,289	-	1,086,826	183,463	-	-	-	-
Other	(104,602)	(104,602)	-	-	-	-	-	(1,090)
Insurance - Government securities –National Treasury – National Treasury Bills	243,011	-	243,011	-	-	-	-	214,479
DPVAT fund quotas – Government securities	181,529	181,529	-	-	-	-	-	168,335
Total as at 12.31.2019 – Note 11(b)	**18,570,933**	**1,837,576**	**3,960,284**	**4,002,854**	**1,332,452**	**3,571,550**	**3,866,217**	**14,922,255**
Total as at 12.31.2018 – Note 11(b)	**14,922,255**	**435,727**	**1,513,579**	**3,255,529**	**1,656,239**	**4,805,343**	**3,255,838**	

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

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

(1) Traded on B3.

c) Derivative financial instruments (assets and liabilities)

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

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

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

I - Asset and liability accounts:

1) By type of operation

	12.31.2019									12.31.2018
				Amounts by maturity						
Assets	**Amortized cost**	**Fair Value adjustment – Note 7(d)**	**Fair Value**	**Up to 90 days**	**From 91 to 365 days**	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Fair Value**
Non Deliverable Forward – NDF	**37,362**	**17,365**	**54,727**	**35,049**	**18,709**	**915**	**54**	**-**	**-**	**37,085**
Option premiums	**647,213**	**8,405**	**655,618**	**441,305**	**84,804**	**125,333**	**3,228**	**948**	**-**	**124,485**
Bovespa Index	70,752	96,818	167,570	30,944	68,339	66,556	1,280	451	-	63,648
Foreign currency	45,780	5,412	51,192	42	1,879	48,353	918	-	-	26,517
Interbank Deposit (DI) Index	392,634	(166,282)	226,352	219,246	2,871	3,395	343	497	-	1,650
Shares	138,047	72,457	210,504	191,073	11,715	7,029	687	-	-	32,670
Forward – Purchase receivable – Government securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**133,519**
Swap – Amounts receivable	**816,294**	**164,011**	**980,305**	**315,663**	**368,174**	**20,150**	**5,075**	**7,992**	**263,251**	**443,783**
Interest rate	108,233	(17,518)	90,715	47,967	12,278	11,427	1,464	2,812	14,767	99,107
Foreign currency	693,936	179,256	873,192	267,696	346,975	2,251	2,606	5,180	248,484	344,676
Other	14,125	2,273	16,398	-	8,921	6,472	1,005	-	-	-
Credit derivatives - CDS	**52,833**	**-**	**52,833**	**46,351**	**6,482**	**-**	**-**	**-**	**-**	**68,735**
Regulatory Adjustments – CMN Resolution 4,277/2013 – Note 3(e)	**-**	**(177)**	**(177)**	**(177)**	**-**	**-**	**-**	**-**	**-**	**(189)**
Total as at 12.31.2019	**1,553,702**	**189,604**	**1,743,306**	**838,191**	**478,169**	**146,398**	**8,357**	**8,940**	**263,251**	**807,418**
Total as at 12.31.2018	**831,078**	**(23,660)**	**807,418**	**387,933**	**189,495**	**82,014**	**23,416**	**12,715**	**111,845**	

	12.31.2019									12.31.2018
				Amounts by maturity						
Liabilities	**Amortized cost**	**Fair Value adjustment – Note 7(d)**	**Fair Value**	**Up to 90 days**	**From 91 to 365 days**	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Fair Value**
Non Deliverable Forward – NDF	**(51,238)**	**(22,395)**	**(73,633)**	**(33,171)**	**(34,940)**	**(5,516)**	**(6)**	**-**	**-**	**(34,726)**
Option premiums	**(575,019)**	**63,292**	**(511,727)**	**(260,136)**	**(113,320)**	**(126,326)**	**(7,083)**	**(4,862)**	**-**	**(96,758)**
Bovespa Index	(79,830)	(100,967)	(180,797)	(27,523)	(68,480)	(76,844)	(3,678)	(4,272)	-	(62,943)
Foreign currency	(84,912)	7,439	(77,473)	(11,286)	(25,828)	(38,382)	(1,762)	(215)	-	(20,372)
Interbank Deposit (DI) Index	(378,846)	161,247	(217,599)	(214,897)	(1,730)	(132)	(465)	(375)	-	(12,591)
Shares	(31,431)	(4,427)	(35,858)	(6,430)	(17,282)	(10,968)	(1,178)	-	-	(852)
Forward – sales deliverable – Foreign currency	**-**	**(10,522)**	**(10,522)**	**(10,522)**	**-**	**-**	**-**	**-**	**-**	**(133,519)**
Swap – amounts payable	**(860,109)**	**(206,110)**	**(1,066,219)**	**(371,092)**	**(433,022)**	**(12,764)**	**(25,547)**	**(125,550)**	**(98,244)**	**(432,417)**
Interest rate	(75,463)	(215,850)	(291,313)	(5,232)	(36,739)	(15,203)	(26,497)	(120,949)	(86,693)	(150,561)
Foreign currency	(784,646)	9,740	(774,906)	(365,860)	(396,283)	2,439	950	(4,601)	(11,551)	(281,856)
Credit derivatives – CDS	**(37,044)**	**-**	**(37,044)**	**(15,749)**	**(21,295)**	**-**	**-**	**-**	**-**	**(59,896)**
Regulatory Adjustments – CMN Resolution 4,277/2013 – Note 3(e)	**-**	**(6,621)**	**(6,621)**	**(6,621)**	**-**	**-**	**-**	**-**	**-**	**(8,364)**
Total as at 12.31.2019	**(1,523,410)**	**(182,356)**	**(1,705,766)**	**(697,291)**	**(602,577)**	**(144,606)**	**(32,636)**	**(130,412)**	**(98,244)**	**(765,680)**
Total as at 12.31.2018	**(816,483)**	**50,803**	**(765,680)**	**(336,421)**	**(202,620)**	**(93,358)**	**(30,153)**	**(4,117)**	**(99,011)**	

2) By counterparty at fair value

	Assets		**Liabilities**	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Financial institutions	1,032,484	359,026	(926,748)	(312,306)
B3	-	53,499	(10,522)	(25,469)
Legal entities	603,306	170,375	(523,747)	(231,444)
Individuals	107,693	224,707	(238,128)	(188,097)
Credit risk – Notes 3(f) and 8(a) and Regulatory Adjustments - CMN Resolution 4,277/2013 – Note 3(e)	(177)	(189)	(6,621)	(8,364)
Total	**1,743,306**	**807,418**	**(1,705,766)**	**(765,680)**

II - Breakdown by notional amount:

1) By type of operation

	12.31.2019							12.31.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Non Deliverable Forward – NDF	**2,051,827**	**2,248,018**	**202,051**	**4,440**	**-**	**-**	**4,506,336**	**2,017,608**
Long position	1,678,480	1,552,255	199,024	4,440	-	-	3,434,199	1,711,984
Short position	373,347	695,763	3,027	-	-	-	1,072,137	305,624
Options	**165,143,832**	**22,978,707**	**70,761,296**	**335,413**	**72,403**	**-**	**259,291,651**	**11,907,557**
Long position	86,444,698	11,696,102	35,529,274	5,058	2,370	-	133,677,502	5,643,582
Shares	812,936	204,575	50,229	-	-	-	1,067,740	172,781
Interbank Deposit (DI) Index	75,703,197	11,132,725	34,292,000	-	-	-	121,127,922	2,600,782
Bovespa Index	9,549,613	212,707	147,360	5,058	2,370	-	9,917,108	426,988
Foreign currency	378,952	146,095	1,039,685	-	-	-	1,564,732	2,443,031
Short position	78,699,134	11,282,605	35,232,022	330,355	70,033	-	125,614,149	6,263,975
Shares	732,806	-	-	-	-	-	732,806	172,781
Interbank Deposit (DI) Index	77,432,477	11,141,293	34,051,450	327,500	68,000	-	123,020,720	4,533,598
Bovespa Index	251,359	87,770	123,105	-	-	-	462,234	127,669
Foreign currency	282,492	53,542	1,057,467	2,855	2,033	-	1,398,389	1,429,927
Forward – Obligations for sales to be delivered	**4,159,481**	**4,210,066**	**-**	**-**	**-**	**-**	**8,369,547**	**149,891**
Foreign currency	4,159,481	4,210,066	-	-	-	-	8,369,547	-
Government securities	-	-	-	-	-	-	-	149,891
Swap								
Assets	22,559,776	21,689,969	1,089,429	201,060	908,263	2,335,214	48,783,711	32,254,344
Interest rate	494,024	1,839,530	968,990	170,264	539,307	653,644	4,665,759	3,706,425
Foreign currency	22,065,752	19,686,603	45,332	23,604	368,956	1,681,570	43,871,817	28,544,432
Other	-	163,836	75,107	7,192	-	-	246,135	3,487
Liabilities	22,559,776	21,689,969	1,089,429	201,060	908,263	2,335,214	48,783,711	32,254,344
Interest rate	392,352	1,587,450	905,930	183,160	566,676	2,101,549	5,737,117	4,569,124
Foreign currency	22,167,424	20,102,519	183,499	17,900	341,587	233,665	43,046,594	27,685,220
Futures	**67,504,938**	**40,443,348**	**10,820,401**	**6,160,641**	**4,524,489**	**2,324,652**	**131,778,469**	**78,857,305**
Long position	45,857,483	260,871	-	-	3,158,696	741,203	50,018,253	8,695,173
Interest rate	-	103,809	-	-	2,492,347	640,537	3,236,693	5,992,971
Currency coupon	23,871,025	157,062	-	-	666,349	100,666	24,795,102	2,041,774
Foreign currency	21,063,480	-	-	-	-	-	21,063,480	296,611
Bovespa Index	922,978	-	-	-	-	-	922,978	363,817
Short position	21,647,455	40,182,477	10,820,401	6,160,641	1,365,793	1,583,449	81,760,216	70,162,132
Interest rate	21,578,110	25,047,153	10,076,006	3,782,352	663,380	-	61,147,001	44,604,581
Currency coupon	-	9,058,611	505,376	2,140,240	681,823	1,559,733	13,945,783	16,129,751
Foreign currency	45,718	6,076,713	239,019	238,049	20,590	23,716	6,643,805	9,301,954
Bovespa Index	23,627	-	-	-	-	-	23,627	125,846
Credit derivatives – CDS –Received risk – Note 7(c-III)	**2,088,001**	**4,434**	**-**	**-**	**-**	**-**	**2,092,435**	**2,150,420**

	12.31.2019							12.31.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Structured funding – Note 9(a-II)	**2,744,347**	**18,437,826**	**2,223,712**	**590,069**	**615,207**	**19,402**	**24,630,563**	**7,928,319**
Option premiums	2,220,058	17,292,110	2,195,136	259,072	58,784	-	22,025,160	5,282,758
Long position – Interbank Deposit (DI) Index	103,177	371,520	726,584	223,947	35,698	-	1,460,926	-
Short position	2,116,881	16,920,590	1,468,552	35,125	23,086	-	20,564,234	5,282,758
Shares	85,625	385,914	135,784	6,567	-	-	613,890	-
Bovespa Index	30,285	246,081	253,268	18,699	23,086	-	571,419	2,344,747
Foreign currency	2,000,971	16,288,595	1,079,500	9,859	-	-	19,378,925	2,938,011
Swap – Assets/Liabilities – Interest rate	-	11,199	28,576	330,997	556,423	19,402	946,597	547,470
Credit derivatives - CDS – Transferred risk – Note 7(c-III)	524,289	1,134,517	-	-	-	-	1,658,806	2,098,091
TOTAL as at 12.31.2019	**266,252,202**	**110,012,368**	**85,096,889**	**7,291,623**	**6,120,362**	**4,679,268**	**479,452,712**	**135,265,444**
TOTAL as at 12.31.2018	**49,870,006**	**48,578,431**	**16,410,899**	**9,374,402**	**5,555,611**	**5,476,095**	**135,265,444**	

2) Trading location by counterparties

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

III - Credit derivatives - CDS

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

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

	12.31.2019	12.31.2018
Credit swap whose underlying assets – Marketable securities [(1)]		
Received risks	2.092.435	2.150.420
Transferred risks	(1.658.806)	(2.098.091)
Total net of exposure received/(transferred)	**433.629**	**52.329**

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

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

No material effect was produced on the calculation of minimum requirements of regulatory capital at 12.31.2019, according to CMN Resolution 4,193/2013.

d) Developments of changes in fair value adjustments

	01.01. to 12.31.2019				
		Changes in the period			
			Effects on:		
	Opening balance	Foreign exchange gains or losses and Other	Profit (loss) – Note 13(c)	Equity – Note 18(d-I)	Closing balance
Interbank investments – Foreign currency investments – Note 5	-	-	(1,923)	-	(1,923)
Trading securities and Obligations related to unrestricted securities	2,971	(67)	(187,549)	-	(184,645)
Trading securities	203,296	(67)	(68,099)	-	135,130
Securities portfolio – Note 7(a-I)	37,480	(67)	91,566	-	128,979
Investment linked to open market funding – Government securities – Note 10(a)	165,816	-	(159,665)	-	6,151
Obligations related to unrestricted securities – Note 10(b)	(200,325)	-	(119,450)	-	(319,775)
Available-for-sale securities – Note 7(a-I) and 18(d-I)	8,323	-	-	(5,922)	2,401
Derivative financial instruments (Assets/Liabilities) – Note 7(c-I)	27,143	(722)	(19,173)	-	7,248
Fair Value hedge – Note 7(e)	334,375	9,850	33,915	-	378,140
Fixed Portfolio	114,488	-	(45,182)	-	69,306
Repurchase agreements – fixed rate	5,152	-	3,151	-	8,303
IPCA Portfolio	92,907	-	181,254	-	274,161
Eurobonds	50,096	7,445	22,328	-	79,869
Funding – Note 9(a)	16,073	1,747	(70,644)	-	(52,824)
Subordinated debt – Note 9(a)	55,659	658	(56,992)	-	(675)
Total as at 12.31.2019	**372,812**	**9,061**	**(174,730)**	**(5,922)**	**203,144**
Total as at 12.31.2018	**384,135**	**14,763**	**14,456**	**(40,542)**	**372,812**
Trading securities and Obligations related to unrestricted securities	113,575	(171)	(110,921)	-	2,483
Available-for-sale securities [(1)] – Note 7(a-I) and 18(d-I)	48,865	-	-	(40,542)	8,323
Derivative financial instruments (Assets/Liabilities)	(15,578)	1,351	41,858	-	27,631
Fair Value hedge – Note 7(e)	237,273	13,583	83,519	-	334,375

e) Hedge of financial assets and liabilities

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

	Fair Value		MTM being hedge – Note 7(d)		Hedge derivative	Notional amount	
Strategy – Market Risk Hedge	**12.31.2019**	**12.31.2018**	**12.31.2019**	**12.31.2018**	**instrument**	**12.31.2019**	**12.31.2018**
Fixed Portfolio	37,756,182	29,671,079	69,306	114,488	Futures DI1	(29,908,516)	(25,690,853)
Assets – Credit operations – Note 8(a-I)	45,274,162	35,566,355	541,569	342,047			
Liabilities – Funding – Note 9(a)	(7,517,980)	(5,895,276)	(472,263)	(227,559)			
Deposits	(257,511)	(130,024)	(2,030)	(1,507)			
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes	(4,916,963)	(4,503,102)	(316,694)	(165,151)			
Structured funding – Certificate of structured operations	(1,723,914)	(875,100)	(20,404)	(14,665)			
Subordinated debt	(619,592)	(387,050)	(133,135)	(46,236)			
Repurchase agreements – fixed rate	14,195,412	12,671,112	8,303	5,152	Futures DI1	(16,573,515)	(9,364,500)
Investments in repurchase agreements	14,195,412	12,744,526	8,303	5,333			
Open market funding	-	(73,414)	-	(181)			
IPCA Portfolio [1]	2,916,210	1,669,136	274,161	92,907	Futures DAP + Swap IPCA, Net	(3,325,506)	(1,655,150)
Assets – Other credit risk instruments – Note 8(b)	5,727,606	4,702,310	546,910	213,699			
Liabilities – Funding – Note 9(a)	(2,811,396)	(3,033,174)	(272,749)	(120,792)			
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes	(1,267,770)	(1,459,334)	(95,453)	(45,415)			
Subordinated debt	(1,543,626)	(1,573,840)	(177,296)	(75,377)			
Eurobonds	2,881,745	5,004,817	79,869	50,096	Swap Fixed x Libor	(3,576,551)	(5,335,310)
Marketable securities – Available for sale – Note 7(a-I) – Securities issued by financial institutions	238,025	938,207	(1,826)	11,325			
Other credit risk instruments – Note 8(b)	2,643,720	4,066,610	81,695	38,771			
Funding – Note 9(a)	(2,614,941)	(3,394,549)	(52,824)	16,073		2,953,412	3,716,529
Liabilities for marketable securities abroad	(1,722,598)	(2,036,927)	(48,561)	3,175		2,044,196	2,246,606
US$ 500,000 – 02.08.2018	(1,722,598)	(1,701,188)	(48,561)	4,355	Swap Fixed x Libor	2,044,196	1,905,670
CHF 100,000 – 12.12.2014	-	(335,739)	-	(1,180)	Swap Fixed x Libor	-	340,936
Structured funding - Structured CD – Note 9(a)	(892,343)	(1,357,622)	(4,263)	12,898	Swap Fixed x Libor	909,216	1,469,923
Subordinated debt – Note 9(a)	(3,233,218)	(3,163,691)	(675)	55,659		3,280,079	3,237,654
US$ 500,000 – 01.27.2011	(2,010,130)	(2,001,314)	6,383	49,502	Swap Fixed x Libor	2,063,601	2,043,458
US$ 300,000 – 06.06.2014	(1,223,088)	(1,162,377)	(7,058)	6,157	Swap Fixed x Libor	1,216,478	1,194,196
Total	**51,901,389**	**42,457,904**	**378,140**	**334,375**		**(47,150,597)**	**(35,091,630)**

[1] As at December31, 2018, Banco Safra designated derivative financial instruments indexed to the Broad National Consumer Price Index (IPCA) for hedging purposes. This strategy is aimed at economically hedging the fair value of assets and liabilities from the risk of fluctuation of such index. The hedged assets and liabilities, which used to be recognized at amortized cost, are recognized at fair value in income, totaling R$ (3,325,506) (R$ (1,655,150) as at 12.31.2018), represented by derivative instruments in the amount of R$ (2,293,230) (R$ (2,918,521) as at 12.31.2018) and Government securities – NTN-B in the amount of R$ 660,384 (R$ 1,958,419 as at 12.31.2018) – Note 7(a-I) and Note 10(a) and R$ (1,692,660) (R$ (695,048) as at 12.31.2018) – Note 10(b).

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

8. CREDIT PORTFOLIO

a) Expanded credit portfolio and allowance for credit risk

I - Breakdown

	12.31.2019						12.31.2018			
	Amortized cost	Fair Value adjustment	Amortized cost and Fair Value	Allowance for credit risk			Amortized cost	Fair Value adjustment	Amortized cost and Fair Value	Allowance for credit risk
				Minimum Required	Additional	Total				Total
Credit portfolio	92,626,217	1,170,174	93,796,391	(1,933,557)	(1,034,465)	(2,968,022)	85,785,466	595,885	86,381,351	(2,827,868)
Credit operations	79,266,015	529,614	79,795,629	(1,931,746)	(932,320)	(2,864,066)	71,477,482	342,047	71,819,529	(2,722,330)
Other credit risk instruments – Note 7(a-III)	13,360,202	640,560	14,000,762	(1,811)	(102,145)	(103,956)	14,307,984	253,838	14,561,822	(105,538)
Debentures	7,381,281	546,910	7,928,191				7,686,978	213,699	7,900,677	
Eurobonds – Fair value hedge	2,562,025	81,695	2,643,720				4,027,838	38,771	4,066,609	
Promissory Notes	1,641,757	8,891	1,650,648				1,390,040	-	1,390,040	
Certificate of agribusiness receivables, rural certificates and Other	1,775,139	3,064	1,778,203				1,203,128	1,368	1,204,496	
Guarantees and sureties	17,273,417	-	17,273,417	(194,073)	(159,854)	(353,927)	20,528,525	-	20,528,525	(151,989)
Expanded credit portfolio as at 12.31.2019	**109,899,634**	**1,170,174**	**111,069,808**	**(2,127,630)**	**(1,194,319)**	**(3,321,949)**	**106,313,991**	**595,885**	**106,909,876**	**(2,979,857)**
Expanded credit portfolio as at 12.31.2018	**106,313,991**	**595,885**	**106,909,876**	**(1,622,267)**	**(1,357,590)**	**(2,979,857)**				

II - Changes in allowance for credit risk

	Total allowance at 01.01.2019	Foreign exchange gains or losses abroad	(Increase) /Reversal	Write-down of loss	Total allowance at 12.31.2019
Minimum allowance required	(1,622,267)	(349)	(1,141,576)	636,562	(2,127,630)
Credit portfolio	(1,470,278)	(349)	(1,099,492)	636,562	(1,933,557)
Credit operations	(1,458,623)	(349)	(1,098,860)	626,086	(1,931,746)
Operations with companies	(966,748)	(349)	(244,400)	285,729	(925,768)
Consumer loan and finance operations	(491,875)	-	(854,460)	340,357	(1,005,978)
Other credit risk instruments	(11,655)	-	(632)	10,476	(1,811)
Guarantees and sureties – Note 8(f)	(151,989)	-	(42,084)	-	(194,073)
Additional allowance	(1,357,590)	-	163,271	-	(1,194,319)
Total allowance of the expanded credit portfolio as at 12.31.2019 – Note 8(a-I)	**(2,979,857)**	**(349)**	**(978,305)**	**636,562**	**(3,321,949)**
Total allowance of the expanded credit portfolio as at 12.31.2018 – Note 8(a-I)	**(3,191,923)**	**(1,693)**	**(732,815)**	**946,574**	**(2,979,857)**
Minimum allowance required	(1,996,187)	(1,693)	(570,961)	946,574	(1,622,267)
Credit operations	(1,500,257)	(2,646)	(562,858)	607,138	(1,458,623)
Other credit risk instruments	(353,223)	953	1,179	339,436	(11,655)
Guarantees and sureties	(142,707)	-	(9,282)	-	(151,989)
Additional allowance	(1,195,736)	-	(161,854)	-	(1,357,590)

b) Credit portfolio and allowance by risk level

Risk levels	12.31.2019										12.31.2018
	AA	A	B	C	D	E	F	G	H	Total	Total
Credit operations	**45,809,250**	**22,853,970**	**6,281,379**	**2,175,321**	**505,035**	**182,150**	**908,199**	**112,059**	**968,266**	**79,795,629**	**71,819,529**
Operations with companies	43,497,728	3,284,095	4,127,003	1,118,295	338,364	72,002	46,618	60,107	651,643	53,195,855	50,932,499
Borrowings, Financing and Discounted receivables	21,747,938	2,026,250	2,835,304	920,168	294,160	63,760	39,669	57,404	583,560	28,568,213	25,937,845
Foreign trade	15,992,361	750,749	934,067	142,035	38,744	8,159	-	840	9,681	17,876,636	18,284,776
Directed Credit – Rural and agroindustrial financing	2,281,227	235,801	210,551	24,264	3,958	-	-	1,809	26,277	2,783,887	2,534,093
Onlending – BNDES/FINAME and Other	2,582,645	201,104	102,684	12,094	1,313	-	-	-	10,792	2,910,632	3,313,893
Lease	893,557	70,191	44,397	19,734	189	83	6,949	54	924	1,036,078	842,337
Other credits	-	-	-	-	-	-	-	-	20,409	20,409	19,555
Consumer loan and finance operations	2,311,522	19,569,875	2,154,376	1,057,026	166,671	110,148	861,581	51,952	316,623	26,599,774	20,887,030
Payroll advance loan	159,276	8,398,472	183,166	35,213	23,260	20,569	15,290	14,747	124,316	8,974,309	8,420,471
Direct consumer credit	1,023,720	11,121,809	1,895,327	1,007,424	135,998	88,357	56,912	36,335	180,053	15,545,935	10,676,070
Personal credit	1,128,526	49,594	75,883	14,389	7,413	1,222	789,379	870	12,254	2,079,530	1,790,489
Other credit risk instruments	13,841,187	2,337	155,619	1,619	-	-	-	-	-	14,000,762	14,561,822
Total portfolio as at 12.31.2019	**59,650,437**	**22,856,307**	**6,436,998**	**2,176,940**	**505,035**	**182,150**	**908,199**	**112,059**	**968,266**	**93,796,391**	**86,381,351**
Past due [1]	-	-	389,662	321,499	173,835	148,453	76,610	55,672	545,195	1,710,926	1,121,311
Not past due [2]	59,650,437	22,856,307	6,047,336	1,855,441	331,200	33,697	831,589	56,387	423,071	92,085,465	85,260,040
Minimum allowance required	(3,237)	(118,605)	(94,973)	(98,141)	(55,159)	(58,015)	(458,662)	(78,499)	(968,266)	(1,933,557)	(1,470,278)
Additional allowance	(226,006)	(106,148)	(135,357)	(118,168)	(95,611)	(33,042)	(286,654)	(33,479)	-	(1,034,465)	(1,357,590)
Total allowance of the credit portfolio as at 12.31.2019	**(229,243)**	**(224,753)**	**(230,330)**	**(216,309)**	**(150,770)**	**(91,057)**	**(745,316)**	**(111,978)**	**(968,266)**	**(2,968,022)**	**(2,827,868)**
Total portfolio as at 12.31.2018	**58,756,679**	**19,284,163**	**4,706,600**	**1,462,340**	**969,905**	**81,039**	**77,568**	**53,355**	**989,702**	**86,381,351**	
Past due [1]	-	-	281,617	215,768	124,929	58,158	39,004	30,574	371,261	1,121,311	
Not past due[2]	58,756,679	19,284,163	4,424,983	1,246,572	844,976	22,881	38,564	22,781	618,441	85,260,040	
Minimum allowance required	(3,727)	(100,246)	(72,738)	(65,264)	(134,345)	(26,601)	(40,196)	(37,459)	(989,702)	(1,470,278)	
Additional allowance	(257,554)	(88,935)	(67,635)	(97,118)	(774,043)	(33,400)	(23,019)	(15,886)	-	(1,357,590)	
Total allowance of the credit portfolio as at 12.31.2018	**(261,281)**	**(189,181)**	**(140,373)**	**(162,382)**	**(908,388)**	**(60,001)**	**(63,215)**	**(53,345)**	**(989,702)**	**(2,827,868)**	

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

c) Allowance for credit risk in the period

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

	12.31.2019					
	Credit portfolio			Minimum allowance required		
	Past due	Not past due	Total	Past due	Not past due	Total
Credit operations	1,710,926	78,084,703	79,795,629	(702,138)	(1,229,608)	(1,931,746)
Operations with companies	462,027	52,733,828	53,195,855	(298,065)	(627,703)	(925,768)
Borrowings, financing and discounted receivables	375,805	28,192,408	28,568,213	(264,915)	(542,120)	(807,035)
Foreign trade	50,804	17,825,832	17,876,636	(11,973)	(32,265)	(44,238)
Directed credit – Rural, agroindustrial and Real estate	6,118	2,777,769	2,783,887	(4,695)	(29,022)	(33,717)
Onlending – BNDES/FINAME and Other	12,655	2,897,977	2,910,632	(3,969)	(10,072)	(14,041)
Lease	4,801	1,031,277	1,036,078	(669)	(5,659)	(6,328)
Other credit	11,844	8,565	20,409	(11,844)	(8,565)	(20,409)
Consumer loan and finance operations	1,248,899	25,350,875	26,599,774	(404,073)	(601,905)	(1,005,978)
Payroll advance loan	289,846	8,684,463	8,974,309	(127,142)	(69,159)	(196,301)
Direct consumer credit	929,081	14,616,854	15,545,935	(265,234)	(133,445)	(398,679)
Personal credit	29,972	2,049,558	2,079,530	(11,697)	(399,301)	(410,998)
Other credit risk instruments – Note 7(a-III)	-	14,000,762	14,000,762	-	(1,811)	(1,811)
Total as at 12.31.2019	**1,710,926**	**92,085,465**	**93,796,391**	**(702,138)**	**(1,231,419)**	**(1,933,557)**
Total as at 12.31.2018	**1,121,311**	**85,260,040**	**86,381,351**	**(453,202)**	**(1,017,076)**	**(1,470,278)**

II - Changes in the minimum allowance required for credit portfolio

	Total allowance at 01.01.2019	Foreign exchange gains or losses abroad	(Increase)/ Reversal	Write-down of loss	Total allowance at 12.31.2019
Credit operations	(1,458,623)	(349)	(1,098,860)	626,086	(1,931,746)
Operations with companies	(966,748)	(349)	(244,400)	285,729	(925,768)
Borrowings, financing and discounted receivables	(786,893)	-	(251,026)	230,884	(807,035)
Foreign trade	(70,329)	(349)	17,906	8,534	(44,238)
Directed credit – Rural, agroindustrial and Real estate	(53,387)	-	18,002	1,668	(33,717)
Onlending – BNDES/FINAME and Other	(25,841)	-	8,022	3,778	(14,041)
Lease	(10,743)	-	(875)	5,290	(6,328)
Other credits	(19,555)	-	(36,429)	35,575	(20,409)
Consumer loan and finance operations	(491,875)	-	(854,460)	340,357	(1,005,978)
Other credit risk instruments	(11,655)	-	(632)	10,476	(1,811)
Total minimum allowance required as at 12.31.2019 – Note 8(c-I)	**(1,470,278)**	**(349)**	**(1,099,492)**	**636,562**	**(1,933,557)**
Total minimum allowance required as at 12.31.2018 – Note 8(c-I)	**(1,853,480)**	**(1,693)**	**(561,679)**	**946,574**	**(1,470,278)**

d) Renegotiated transactions and credit recoveries

	Portfolio	Allowance	%
Past due	114,762	(114,081)	99.4
Past due transactions:			
From 15 to 30 days	64,071	(63,780)	99.5
From 31 to 60 days	35,084	(34,899)	99.5
From 61 to 90 days	11,840	(11,704)	98.9
From 91 to 180 days	3,639	(3,570)	98.1
From 181 to 365 days	128	(128)	100.0
Not past due	276,868	(269,540)	97.4
Past due – up to 14 days past	1,319	(1,276)	96.7
Falling due:			
From 01 to 90 days	30,943	(28,760)	92.9
From 91 to 365 days	75,984	(72,546)	95.5
Over 365 days	168,622	(166,958)	99.0
Total as at 12.31.2019	**391,630**	**(383,621)**	**98.0**
Total as at 12.31.2018	**463,537**	**(453,950)**	**97.9**

The credit recoveries written off as loss for the period amounted to R$ 200,585 (R$ 746,131 in 2018).

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

	12.31.2019	12.31.2018
PAST DUE	**1,710,926**	**1,121,311**
Past due transactions:		
From 15 to 30 days	529,618	357,714
From 31 to 60 days	396,258	287,932
From 61 to 90 days	239,213	132,250
From 91 to 180 days	311,014	186,831
From 181 to 365 days	234,823	156,584
NOT PAST DUE	**92,085,465**	**85,260,040**
Past due – Up to 14 days past due	230,559	333,755
Falling due:		
From 01 to 30 days	8,998,996	10,156,513
From 31 to 60 days	8,049,074	7,863,692
From 61 to 90 days	4,658,815	4,516,858
From 91 to 180 days	11,576,930	11,070,162
From 181 to 365 days	13,400,370	10,431,002
From 1 to 2 years	15,439,660	12,854,888
From 2 to 3 years	9,247,359	8,745,071
From 3 to 5 years	10,754,178	8,348,650
Over 5 years	9,729,524	10,939,449
TOTAL	**93,796,391**	**86,381,351**

The balance of transactions more than 60 days past due, non-accrued, amounts to R$ 785,050 (R$ 475,665 as at 12.31.2018) and more than 90 days past due amounts to R$ 545,837 (R$ 343,415 as at 12.31.2018).

f) Credit commitments (off balance)

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

	12.31.2019	12.31.2018
Guarantees, sureties and other guarantees provided [(1)]	17,273,417	20,528,525
AA	16,827,165	19,969,113
A	187,691	267,967
B	89,500	115,477
C	37,059	22,532
D	500	6,605
F	7,124	-
H	124,378	146,831
Granted limits [(2)]	15,794,239	14,836,198
Total	**33,067,656**	**35,364,723**
Contractual term:		
Up to 90 days	13,066,046	12,945,673
From 91 to 365 days	8,498,276	9,691,963
From 1 to 2 years	5,211,751	4,556,176
From 2 to 3 years	1,717,108	1,653,757
From 3 to 5 years	2,523,319	3,147,026
Over 5 years	2,051,156	3,370,128

[(1)] Guarantees, sureties and other guarantees provided generate an income of R$ 261,187 (R$ 340,698 in 2018) – Note 13(a). [(2)] Basically refer to credit limits granted but not used, characterized by the option for cancellation by Safra, the average term being 90 days.

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

a) Funding, borrowings and onlending and subordinated debt

I - By counterparty and pricing

	12.31.2019					
	Amount by counterparty			Amount by pricing		
	Customer funds	Market funds	Total	At Amortized Cost	Fair Value – Note 7(e)	Total
Funding	90,507,784	8,875,921	99,383,705	88,602,606	10,781,099	99,383,705
Open market deposits and funding – Corporate securities	10,046,945	521,058	10,568,003	10,568,003	-	10,568,003
Funds from acceptance and issue of securities and Time deposits	75,614,633	6,285,401	81,900,034	73,735,192	8,164,842	81,900,034
Structured funding – Note 7(c-II(1))	4,846,206	2,069,462	6,915,668	4,299,411	2,616,257	6,915,668
Borrowings and onlending	-	12,524,348	12,524,348	12,524,348	-	12,524,348
Subordinated debt	4,319,560	3,753,802	8,073,362	2,676,926	5,396,436	8,073,362
Total funding, borrowings and onlending and subordinated debt	**94,827,344**	**25,154,071**	**119,981,415**	**103,803,880**	**16,177,535**	**119,981,415**
Managed funds			74,436,949			74,436,949
Consolidated private pension funds [1]			18,146,393			18,146,393
Total managed funds as at 12.31.2019			**212,564,759**			**212,564,759**

	12.31.2018					
	Amount by counterparty			Amount by pricing		
	Customer funds	Market funds	Total	At Amortized Cost	Fair Value – Note 7(e)	Total
Funding	82,965,107	8,529,439	91,494,546	81,106,567	10,387,979	91,494,546
Open market deposits and funding – Corporate securities	8,277,570	858,048	9,135,618	9,135,618	-	9,135,618
Funds from acceptance and issue of securities and Time deposits	71,609,177	4,652,173	76,261,350	68,131,963	8,129,387	76,261,350
Structured funding – Note 7(c-II(1))	3,078,360	3,019,218	6,097,578	3,838,986	2,258,592	6,097,578
Borrowings and onlending	-	13,429,094	13,429,094	13,429,094	-	13,429,094
Subordinated debt	3,873,175	3,441,094	7,314,269	2,189,688	5,124,581	7,314,269
Total funding, borrowings and onlending and subordinated debt	**86,838,282**	**25,399,627**	**112,237,909**	**96,725,349**	**15,512,560**	**112,237,909**
Managed funds			70,945,346			70,945,346
Consolidated private pension funds [1]			14,539,441			14,539,441
Total managed funds as at 12.31.2018			**197,722,696**			**197,722,696**

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

II - By maturity

	12.31.2019							12.31.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Funding	33,228,584	33,294,889	13,594,771	11,985,046	6,458,990	821,425	99,383,705	91,494,546
Open market deposits and funding – Corporate securities	8,974,355	1,586,678	6,970	-	-	-	10,568,003	9,135,618
Deposits	4,539,451	377,684	6,897	-	-	-	4,924,032	4,364,112
Demand deposits	1,601,650	-	-	-	-	-	1,601,650	1,293,058
Savings deposits	2,801,323	-	-	-	-	-	2,801,323	2,213,006
Interbank deposits [1]	136,478	377,684	6,897	-	-	-	521,059	858,048
Open market funding – Corporate securities – Debentures	4,434,904	1,208,994	73	-	-	-	5,643,971	4,771,506
Funds from acceptance and issue of securities and Time deposit	23,503,407	29,057,348	12,188,485	11,182,265	5,190,657	777,872	81,900,034	76,261,350
Time deposits	16,888,878	19,620,614	1,556,550	653,471	34,522	2,426	38,756,461	15,893,941
Funds from financial bills, bills of credit and similar notes	6,614,529	9,436,734	10,631,935	10,528,794	3,433,537	775,446	41,420,975	58,330,482
Financial bills	3,579,231	5,068,319	8,435,240	8,765,591	1,521,457	208,875	27,578,713	26,345,922
Commercial leasing bills	2,135,322	2,142,092	748,111	134,545	6,415	6,980	5,173,465	22,902,223
Agribusiness credit notes	718,275	2,092,762	1,301,632	1,457,848	1,834,871	559,591	7,964,979	8,009,730
House loan bills, mortgage bills and other	181,701	133,561	146,952	170,810	70,794	-	703,818	1,072,607
Liabilities for marketable securities abroad	-	-	-	-	1,722,598	-	1,722,598	2,036,927
CHF 100,000-12.12.2014-Fixed (1.5% p.a.)-Hedge – Note 7(e) [2]	-	-	-	-	-	-	-	335,739
US$ 500,000-02.08.2018-Fixed (4.12% p.a.)-Hedge – Note 7(e) [2]	-	-	-	-	1,722,598	-	1,722,598	1,701,188
Structured funding – Note 7(c-II(1))	750,822	2,650,863	1,399,316	802,781	1,268,333	43,553	6,915,668	6,097,578
Fixed income [3]	100,296	824,556	51,617	-	-	-	976,469	189,048
Certificate of structured operations	293,307	1,252,378	1,147,552	565,806	595,150	17,745	3,871,938	2,889,312
Structured CD	357,219	573,929	200,147	236,975	673,183	25,808	2,067,261	3,019,218
Hedge – Note 7(e)	40,929	289,391	67,484	147,438	321,723	25,378	892,343	1,357,622
Other	316,290	284,538	132,663	89,537	351,460	430	1,174,918	1,661,596
Borrowings and onlending	2,488,457	7,531,044	993,337	517,211	587,251	407,048	12,524,348	13,429,094
Foreign borrowings [4]	1,252,717	6,831,907	302,303	-	-	-	8,386,927	9,606,688
Domestic onlending	319,040	699,137	691,034	517,211	587,251	407,048	3,220,721	3,603,970
National Treasury	128,650	161,032	19,293	-	-	-	308,975	323,489
BNDES	98,077	284,943	368,466	288,592	340,146	252,922	1,633,146	1,538,918
FINAME	92,313	253,162	303,275	228,619	247,105	154,126	1,278,600	1,741,563
Others borrowings	916,700	-	-	-	-	-	916,700	218,436
Subordinated debt	80,212	304,124	2,399,199	152,507	1,022,492	4,114,828	8,073,362	7,314,269
Total funding, borrowings and onlending, and subordinated debt as at 12.31.2019	**35,797,253**	**41,130,057**	**16,987,307**	**12,654,764**	**8,068,733**	**5,343,301**	**119,981,415**	**112,237,909**
Total funding, borrowings and onlending, and subordinated debt as at 12.31.2018	**29,540,171**	**43,861,577**	**15,911,747**	**10,834,646**	**8,179,668**	**3,910,100**	**112,237,909**	
Funding	27,826,195	33,791,367	14,648,616	7,871,046	6,823,795	533,527	91,494,546	
Borrowings and onlending	1,274,150	9,592,330	967,384	612,672	687,999	294,559	13,429,094	
Subordinated debt	439,826	477,880	295,747	2,350,928	667,874	3,082,014	7,314,269	

[1] Of this amount, R$ 357,833 (R$ 440,111 as at 12.31.2018) refers to operations linked to rural credit. [2] Includes incurred transaction costs of R$ (5,279) (R$ (3,507) as at 12.31.2018) – Note 3(k). [3] Transactions made with derivative financial instruments – Options. [4] Credit facilities for financing imports and exports.

III - Subordinated debt

(1) Breakdown of balance by security and rate

Securities/Rates	12.31.2019	12.31.2018
Financial bills – LF	**4,840,144**	**4,150,578**
- CDI (100% to 115.35%) + (interest from 0.69% p.a. to 1.62% p.a.)	2,622,767	2,132,552
- IGPM + (interest from 6.21% p.a. to 6.68% p.a.)	3,671	9,752
- IPCA + (interest from 3.64% p.a. to 8.82% p.a.) – Hedge – Note 7(e)	1,543,626	1,573,840
- Fixed (7.77% p.a. to 17.66% p.a.)	619,592	387,050
- Selic (109% to 110.5%)	50,488	47,384
"Medium term notes" – Hedge – Note 7(e)	**3,233,218**	**3,163,691**
- US$ 500,000 to 6.75% p.a.	2,010,130	2,001,314
- US$ 300,000 to 7.52% p.a. – Perpetual – Note 19(b)	1,223,088	1,162,377
Total (1)	**8,073,362**	**7,314,269**

(2) Breakdown of balance by characteristic and maturity

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

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

IV - Changes

	01.01. to 12.31.2019							
					Recognition in income			
	Opening balance	**Foreign exchange gains or losses abroad**	**Net financial change**	**Interest paid – Financial transactions**	**Interest – Note 13(b)**	**Change in Fair Value adjustment – Note 7(d)**	**Total income**	**Closing balance**
Funding	91,494.546	484,131	1,864,195	(33,663)	5,296,190	278,306	5,574,496	99,383,705
Open market funding – Corporate securities	9,135,618	14,120	1,069,853		348,593	(181)	348,412	10,568,003
Funds from acceptance and issue of securities and Time deposits	76,261,350	368,448	402,279		4,645,726	255,894	4,901,620	81,900,034
Time deposits	15,893,941	265,779	21,369,952		1,226,266	523	1,226,789	38,756,461
Funds from financial bills, bills of credit and similar notes	58,330,482	-	(20,446,619)		3,335,532	201,580	3,537,112	41,420,975
Payables for marketable securities abroad	2,036,927	102,669	(521,054)	(33,663)	83,928	53,791	137,719	1,722,598
Structured funding – Note 7(c-II(1))	6,097,578	101,563	392,063		301,871	22,593	324,464	6,915,668
Borrowings and onlending	13,429,094	425,146	(1,879,856)		549,964	-	549,964	12,524,348
Subordinated debt	7,314,269	42,282	149,838	(217,385)	538,548	245,810	784,358	8,073,362
Total funding, borrowings and onlending, and subordinated debt as at 12.31.2019	**112,237,909**	**951,559**	**134,177**	**(251,048)**	**6,384,702**	**524,116**	**6,908,818**	**119,981,415**
Total funding, borrowings and onlending, and subordinated debt as at 12.31.2018	**89,119,344**	**973,333**	**16,325,923**	**(206,858)**	**5,744,710**	**281,457**	**6,026,167**	**112,237,909**
Funding	69,790,468	308,352	16,467,613	(6,227)	4,769,988	164,352	4,934,340	91,494,546
Borrowings and onlending	14,135,756	224,826	(1,460,576)	-	529,088	-	529,088	13,429,094
Subordinated debt	5,193,120	440,155	1,318,886	(200,631)	445,634	117,105	562,739	7,314,269

b) Managed funds

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

	12.31.2019	**12.31.2018**
Managed funds and Consolidated private pension funds	92,583,343	85,484,787
Managed funds [1]	74,436,949	70,945,346
Consolidated private pension funds – Note 11(b)	18,146,393	14,539,441
Funds of investment in quotas	125,510,326	104,582,147
Consolidated exclusive funds	6,390,079	8,388,324
Total net assets of funds	**224,483,747**	**198,455,258**
Total managed portfolio	**2,721,288**	**1,560,993**
Total managed funds	**227,205,035**	**200,016,251**

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

The revenue from fund management, administration and distribution of such fund quotas, recorded in the heading "Revenue from service, bank fees and foreign exchange transactions", totals R$ 1,059,316 (R$ 1,059,680 in 2018) – Note 13(d). In 2018, income from related parties is included in the amount of R$ 73,454, the revenue totals R$ 1,133,134 – Note 20(b).

10. OPEN MARKET INVESTMENT AND FUNDING – GOVERNMENT SECURITIES

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

	12.31.2019							12.31.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365	From 1 to 2	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Own portfolio – Subject to repurchase agreements	-	359,889	566,149	-	-	-	926,038	7,735,085
Restricted – Note 7(a-III) [1]	-	359,889	566,149	-	-	-	926,038	7,717,541
National Treasury Bills	-	-	449,598	-	-	-	449,598	330,513
National Treasury Bills	-	-	116,551	-	-	-	116,551	2,757,725
National Treasury Notes	-	359,889	-	-	-	-	359,889	4,629,303
Open market investments – National Treasury Notes – Note 7(e)	-	-	-	-	-	-	-	17,544
Third-party portfolio – Open market investments – National Treasury	21,860,710	5,685,859	-	-	-	-	27,546,569	26,947,017
Third-party portfolio	20,046,594	4,831,635	-	-	-	-	24,878,229	21,196,482
Short position	2,757,591	857,397	-	-	-	-	3,614,988	5,750,535
Total as at 12.31.2019	**21,860,710**	**6,045,748**	**566,149**	**-**	**-**	**-**	**28,472,607**	**34,682,102**
Total as at 12.31.2018	**26,949,280**	**1,335,226**	**863,997**	**1,247,511**	**3,055,389**	**1,230,699**	**34,682,102**	

[1] Includes the Fair value adjustment in the amount of R$ 6,151 (R$ 165,816 as at 12.31.2018) – Note 7(d).

b) Open market funding - Government securities (Liabilities)

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

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

11. INSURANCE, REINSURANCE AND PRIVATE PENSION OPERATIONS

a) Receivables from insurance and reinsurance operations

	12.31.2019	12.31.2018
Premiums receivable amount – Note 11(a-I(2))	89,927	54,335
Premiums receivable – Note 11(a-I(1))	88,554	53,515
Premiums of risks in force and not issued	5,030	1,964
Credit risk	(3,657)	(1,144)
Operating receivables from insurance and reinsurance	2,086	4,358
Gross amount	6,925	9,066
Credit risk	(4,839)	(4,708)
Reinsurance assets – Technical reserves – Note 11(a-II)	38,285	35,734
Deferred acquisitions costs	(864)	270
Total – Note 12	**129,434**	**94,697**

I. Premiums receivable

(1) Breakdown

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

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

(2) Changes during the period

	01.01. to 12.31.2019	01.01. to12.31.2018
Opening balance	**54,335**	**52,428**
(+) Written premiums and risks in force but not issued[1]	325,845	275,399
(-) Receipts	(296,203)	(278,933)
(+) Change in credit risks	(2,512)	1,144
(+) Interest on receipt of premiums	8,462	4,297
Closing balance	**89,927**	**54,335**

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

(3) Change in credit risk

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

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

II. Reinsurance assets – Technical reserves - Change

	01.01. to 12.31.2019					01.01. to 12.31.2018
	PPNG	PSL [1]	IBNR	PCC [2]	TOTAL	TOTAL
Opening balance	**21,517**	**4,815**	**2,895**	**6,507**	**35,734**	**38,490**
Changes in technical reserves	(2,909)	4,934	(650)	2,097	3,472	1,978
Recovery	-	(1,075)	-	-	(1,075)	(4,924)
Inflation adjustment	-	154	-	-	154	190
Closing balance	**18,608**	**8,828**	**2,245**	**8,604**	**38,285**	**35,734**

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

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

	12.31.2019	12.31.2018
Marketable securities – Notes 3(d) and 7(b)	**18,570,933**	**14,922,255**
Quotas of funds PGBL/VGBL – Note 9(f)	**18,146,393**	**14,539,441**
Quotas of funds	88,694	-
Repurchase agreements	20,805	22,859
Marketable securities	18,141,496	14,517,672
Other	(104,602)	(1,090)
Other securities	**424,540**	**382,814**
Quotas of funds – Linked to Technical Reserve	243,011	214,479
Quotas of investments funds – DPVAT agreement	181,529	168,335
Receivables from reinsurance operations – Note 11(a-II) [1]	**19,677**	**14,217**
Credit rights – Insurance premium receivable	**20,009**	**11,005**
Total – Note 11(c-I(2))	**18,610,619**	**14,947,477**

[1] The amount shown net of Unearned Premium Reserve of R$ (18,608) (R$ (21,517) as at 12.31.2018), was not offered as asset to reduce technical reserves.

c) Insurance and private pension operations (liabilities)

The insurance and private pension operations are as follows:

	12.31.2019	12.31.2018
Technical reserves – Note 11(c-I(1))	18,554,380	14,900,972
Private pension	18,170,565	14,561,873
Insurance	202,574	170,884
DPVAT agreement [1]	181,241	168,215
Payables for insurance and reinsurance operations	12,515	16,857
Commissions and other insurance liabilities	4,652	4,374
Credit risk	(716)	(251)
Total	**18,570,831**	**14,921,952**

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

I. Technical reserves

(1) Breakdown

	INSURANCE		PRIVATE PENSION		TOTAL	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018	12.31.2019	12.31.2018
PMBAC and PMBC	-	-	18,145,499	14,539,406	18,145,499	14,539,406
PPNG	152,258	128,191	-	-	152,258	128,191
PSL	17,613	17,410	-	-	17,613	17,410
DPVAT agreement	181,241	168,215	-	-	181,241	168,215
IBNR	4,485	5,034	-	-	4,485	5,034
Other technical reserves – Note 11(d-I)	28,218	20,249	22,146	22,156	50,364	42,405
PCC	28,218	20,249	2,584	2,824	30,802	23,073
PDR	-	-	19,528	19,332	19,528	19,332
PEF	-	-	34	-	34	-
Reserves for redemptions to be processed	-	-	2,920	311	2,920	311
Total	**383,815**	**339,099**	**18,170,565**	**14,561,873**	**18,554,380**	**14,900,972**

(2) Coverage

	12.31.2019	12.31.2018
Funds guaranteeing technical reserves for insurance and private pension operations – Note 11(b)	18,610,619	14,947,477
Technical reserves – Note 11(c-I(1))	(18,554,380)	(14,900,972)
Coverage surplus	**56,239**	**46,505**

(3) Changes in the technical reserve for private pensions

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

(4) Change in the technical reserves for insurance

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

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

I – Breakdown

	12.31.2019	12.31.2018
Assets – Reinsurance assets – Note 11(a-II)	**8,604**	**6,507**
Liabilities	**(50,364)**	**(42,405)**
Technical reserves – Insurance – Personal – Note 11(c-I(1))	(28,218)	(20,249)
Technical reserves – Private Pension – Note 11(c-I(1))	(22,146)	(22,156)
Supplementary coverage (PCC) and related expenses reserve (PDR) - Net	**(41,760)**	**(35,898)**

II – Effects on income

	2019	2018
Reinsurance operations – Note 11(a-II)	2,097	(261)
Insurance operations – Note 11(c-I(4))	(7,798)	(1,374)
Changes in insurance and private pension – Note 11(c-I(3))	49	(3,614)
Supplementary coverage (PCC) and related expenses reserve (PDR) – Net – Note 13(e)	**(5,652)**	**(5,249)**

e) Insurance and private pension operations

	2019	2018
Income from financial intermediation	17,786	15,499
Finance income from insurance and private pension operations– Note 13(a)	1,276,035	828,569
Finance expenses from insurance and private pension operations– Note 13(b) [1]	(1,258,249)	(813,070)
Income from insurance, reinsurance and private pension operations – Note 13(e)	278,866	254,612
Income from private pension fund management services – Note 9(b)	158,781	104,867
Total	**455,433**	**374,978**

[1] Substantially represented by technical reserve for private pension – Note 11(c-I(3)).

12. OTHER FINANCIAL ASSETS AND LIABILITIES

	12.31.2019		12.31.2018	
	ASSETS	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Foreign exchange portfolio – Note 12(a)	1,113,478	1,132,603	246,424	319,446
Collection of taxes and similar	-	21,140	-	12,702
Negotiation and intermediation of securities – Note 12(b)	1,174,761	1,270,527	680,304	644,195
Interbank and interdepartmental transactions	12	183,201	62	223,762
Amounts receivable/(payable) – Acquirer	3,164,862	3,224,251	2,033,967	2,024,190
Other	211,951	557,853	243,215	449,421
Provision for guarantees and sureties – Notes 8(a-I and II) and 8(f)	-	194,073	-	151,989
Receivables from insurance and reinsurance operations – Note 11(a)	129,434	-	94,697	-
Credit card administration obligations	-	279,491	-	236,048
Other	82,517	84,289	148,518	61,384
Total	**5,665,064**	**6,389,575**	**3,203,972**	**3,673,716**

a) Foreign exchange portfolio

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

[1] The foreign exchange gains on advance on foreign exchange contract transactions – Nota3(f) amount to R$ 30,170 (R$ 64,570 as at 12.31.2018) and was shown in the line item Credit portfolio– Credit operations – Nota8.

b) Negotiation and intermediation of securities

	12.31.2019		12.31.2018	
	ASSETS	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Funds from customers – Brokerage firm [1]	847,757	859,443	508,147	630,403
Cash from registry and settlement	426,547	397,514	301,527	300,515
Pending settlements	382,482	285,256	56,289	273,421
Financial assets and commodities pending settlement	38,728	176,673	150,331	49,266
Financial assets and commodities pending settlement	327,004	411,084	172,157	20,993
Total	**1,174,761**	**1,270,527**	**680,304**	**644,195**

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

13. REVENUE, EXPENSES AND INCOME FROM OPERATIONS

a) Financial intermediation income

	2019	2018
Interbank investments – Own position	842,482	608,935
Open market investments	651,516	458,967
Interbank deposits	116,759	111,659
Investments abroad	74,207	38,309
Income from Central Bank compulsory deposits	485,069	320,906
Income from marketable securities operations	3,158,575	3,979,325
Open market deposits and funding - Government securities	1,768,620	1,859,350
Marketable securities – Security portfolio	1,389,955	2,119,975
Government securities	1,288,165	2,020,846
Securities issued by Financial institutions and Companies	101,790	99,129
Finance income from insurance and private pension operations – Note 11(e)	1,276,035	828,569
Expanded credit portfolio operations	10,164,858	8,635,255
Credit portfolio	9,903,671	8,294,557
Credit operations	8,744,475	7,382,340
Other credit risk instruments	1,159,196	912,217
Guarantees provided and Guarantees and sureties - Note 8(f)	261,187	340,698
Other finance income	13,854	8,559
Total interest income	**15,940,873**	**14,381,549**

b) Financial intermediation expenses

	2019	2018
Transactions with funding	(5,296,190)	(4,743,704)
Open market deposits and funding – Corporate securities	(1,507,876)	(1,015,192)
Funds from acceptance and issue of securities and Time deposits – Note 9(a-IV)	(3,419,460)	(3,359,324)
Structured funding – Note 9(a-IV)	(301,871)	(319,717)
Direct Funding Expenses	(66,983)	(49,471)
Market funding operations – Government securities	(2,066,458)	(2,606,117)
Own portfolio	(217,946)	(494,764)
Third-party's portfolio	(1,495,849)	(1,192,700)
Obligations related to unrestricted securities	(352,663)	(918,653)
Borrowings and onlending – Note 9(a-IV)	(549,964)	(555,372)
Finance expenses from insurance and private pension operations – Note 11(e)	(1,258,249)	(813,070)
Subordinated debt – Note 9(a-IV)	(538,548)	(445,634)
Other finance expenses	(155,615)	(134,015)
Total interest expenses	**(9,865,024)**	**(9,297,912)**

c) Income from derivative financial instruments

	2019	2018
Foreign Exchange gains or losses on investment abroad and foreign currency transactions	(118,046)	(342,518)
Foreign investments – Over Hedge – Note 19(c-II(2))	(104,395)	(382,469)
Transactions in foreign currencies	(13,651)	39,951
Derivatives (Accrual) – Swap/Futures/Others – Note 3(d)	(129,206)	(217,226)
Realized and unrealized income from financial instruments	319,342	32,117
Fair value adjustments of marketable securities and derivative financial instruments in income – Not Realized – Note 7(d)	(174,730)	14,456
Fair value adjustments of futures transactions	(50,634)	(78,289)
Profit/(Loss) – Realized	544,706	95,950
Trading and derivatives	332,051	123,447
Available-for-sale	212,655	(27,497)
Total – Note 19(c-II(2))	**72,090**	**(527,627)**

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

	2019	2018
Income from managed assets	1,274,215	1,291,241
Management and custody services of investment fund and portfolio administration– Note 9(b)	1,059,316	1,059,680
Brokerage, custody and income from security placement	214,899	231,561
Credit operations	337,858	198,961
Credit operations	405,356	291,340
Direct costs with credit operations	(67,498)	(92,379)
Foreign exchange transactions and services	145,541	158,924
Current account and collection services	190,117	226,228
Total	**1,947,731**	**1,875,354**

e) Insurance, reinsurance and private pension operations

	2019	2018
Revenue from retained premiums, net	278,859	260,491
Premium revenue – Note 11(a-I(2))	307,566	253,618
Change in technical reserves	(28,707)	6,873
Claim revenue and expenses	(4,482)	(1,567)
Acquisition costs	14,943	2,948
Credit risk – Note 11(a-I(3))	(2,132)	527
Gains and losses on supplementary reserve – Note 11(d-II)	(5,652)	(5,873)
Other income and expenses[1]	(2,670)	(1,914)
Total – Note 11(e)	**278,866**	**254,612**

[1] Includes the income net of DPVAT agreement.

14. OTHER ASSET, LIABILITY AND INCOME ACCOUNTS

a) Other assets

	12.31.2019	12.31.2018
Debtors for deposits in guarantee of contingent liabilities	309,167	280,429
Tax and social security contingent liabilities and legal obligations[(1)]	174,602	168,938
Civil, labor – Note 15(c)	134,565	111,491
Prepaid expenses and others	108,060	47,092
Sundry	3,016	12,111
Total	**420,243**	**339,632**

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

b) Other liabilities

	12.31.2019	12.31.2018
Provision for payables	718,960	566,484
Deferred income	67,566	74,069
Social and statutory	18,281	17,979
Liability transactions to be processed	217,921	35,523
Sundry	32,398	25,394
Total	**1,055,126**	**719,449**

c) Personnel expenses

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

d) Administrative expenses

	2019	2018
Data processing and telecommunications [(1)]	(493,725)	(270,226)
Maintenance costs – Note 20 [(1)]	(200,322)	(193,796)
Publicity and advertising	(210,574)	(38,650)
Travel	(83,823)	(84,135)
Third-party services	(39,841)	(39,951)
Surveillance, security and transport services	(48,026)	(52,304)
Financial system services	(19,254)	(12,653)
Other	(46,674)	(34,246)
Total	**(1,142,239)**	**(725,962)**

[(1)]Includes depreciation and amortization expenses of property and equipment and intangible assets– Note 17(b).

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

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

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

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

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

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

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

c) The provisions recognized and the related changes are as follows:

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

[1] Recorded in "Other financial expenses". (2) The changes in the civil, tax and labor contingencies are recorded in "Other operating expenses". As at December 31, 2019, the amount of R$ 363,302 was recognized, of which R$ 273,502 of tax contingencies, related to the levy of INSS on Profit Sharing, and R$ 89,800 of labor contingencies, related to the dispute on the adjustment index. Additionally, in 2019, the reversal of R$ 126,765 in civil lawsuits was made, related to the reversal of the provision for economic plans. (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 in the amount of R$ 33,168 (R$ 40,308 as at 12.31.2018); Accident Prevention Factor (FAP) – Dispute over the legality of FAP, in the amount of R$ 38,489 (R$ 29,577 as at 12.31.2018); levy of INSS on Profit Sharing in the amount of R$ 273,502. (ii) ISS on Banking Activities: several tax assessment notices and lawsuits related to the levy of tax on revenue from banking activities other than price for provided service, in the amount of R$ 51,845 (R$ 78,059 as at 12.31.2018); (iii) Deductibility of loan portfolio in the amount of R$ 47,442 (R$ 49,061 as at 12.31.2018); (iv) Levy of PIS and COFINS on income from interest on capital in the amount of R$ 99,888 (R$ 99,888 as at 12.31.2018); (v) PER/DCOMPs not ratified by the Federal Revenue Service of Brazil in the amount of R$ 55,085 (R$ 59,067 as at 12.31.2018); (vi) Good Law (used, but not ratified) recognized in the amount of R$ 25,286.(4) In 2018, the change refers to the merger process recorded in a company involved in the corporate restructuring authorized by BACEN carried out on 04.13.2018.(5) Note 13(a). (6) Note 7(a-III).

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

16. TAXES

a) Breakdown of income tax and social contribution expenses

I – Reconciliation of income tax and social contribution expenses

	2019	2018
Profit before income tax and social contribution	**2,588,426**	**2,895,349**
Charges (income tax and social contribution) at standard rates – Note 3(o)	(1,035,371)	(1,302,907)
Permanent (additions) deductions	**658,146**	**553,316**
Effect of foreign exchange gains or losses on investments abroad	55,830	188,848
Interest on capital – Note 18(b)	291,843	294,607
Non-deductible expenses, net of non-taxed income	73,483	43,659
Deferred tax assets for rate increase – Note 16(b-II(1))	228,147	-
Deferred tax assets not recognized in the period / recognized in previous periods and other	8,843	26,202
Income tax and social contribution for the period – Note 19(c-II(2))	**(377,225)**	**(749,591)**

II – Tax expenses of operations

	2019	2018
PIS / COFINS	(467,456)	(390,912)
Service tax (ISS)	(95,113)	(96,793)
Total – Note 19(c-II(2))	**(562,569)**	**(487,705)**

b) Deferred tax assets and liabilities

I – Breakdown

	12.31.2019	12.31.2018
Tax assets	**2,838,218**	**2,384,589**
Current – Taxes and contributions loss carryforwards	202,165	215,957
Deferred – Deferred tax assets – Note 16(b-II(1))	2,636,053	2,168,632
Tax liabilities	**1,285,394**	**1,349,156**
Current	1,143,423	1,105,568
Income tax and social contribution payable	432,234	381,859
Taxes and contributions collectible	185,648	176,536
Special Tax Regularization Program (PERT) [1]	525,541	547,173
Deferred–Tax liabilities – Note 16(b-II(2))	141,971	243,588

[1] Refers to the debits payable in installments established by Law 13,496/2017,and consolidated through a non-financial company. The adjustment effects in the period amounted to R$ (34,220) (R$ (31,625) in 2018) and are recorded as contra-entry to income in the line item "Other finance expenses".

II – Change and realization of deferred tax assets and liabilities

(1) Deferred tax assets - Origin of income tax and social contribution tax credits

	Balance at 01.01.2019	Increase / (Reversal)	Realization	Other changes [1]	Balance at 12.31.2019	Balance at 12.31.2018
Allowance for credit risk	949,045	621,024	(307,549)	139,652	1,402,172	949,045
Provision for contingent liabilities – Note 15	630,502	209,138	(103,669)	64,894	800,865	630,502
Fair Value adjustment of financial instruments	78,489	(37,104)	-	18,067	59,452	78,489
Other	173,349	42,380	(18,224)	19,761	217,266	173,349
Total deferred tax assets for temporary differences	**1,831,385**	**835,438**	**(429,442)**	**242,374**	**2,479,755**	**1,831,385**
Tax loss and social contribution loss carryforwards	337,247	(149,587)	(31,362)	-	156,298	337,247
Total at 12.31.2019	**2,168,632**	**685,851**	**(460,804)**	**242,374**	**2,636,053**	**2,168,632**
Total at 12.31.2018	**1,798,383**	**391,331**	**(367,023)**	**345,941**	**2,168,632**	

(2) Deferred tax liabilities

	01.01 to 12.31.2019			
	Opening balance	Increase / (Reversal)	Other changes [1]	Closing balance
Excess depreciation	168,483	(36,559)	-	131,924
Fair Value adjustment of financial instruments	68,449	(82,062)	13,615	2
Other	6,656	2,776	612	10,044
Total at 12.31.2019	**243,588**	**(115,845)**	**14,227**	**141,970**
Total at 12.31.2018	**300,748**	**57,160**	**243,588**	**243,588**

[1] As at December 31, 2019, the other changes in deferred tax assets and liabilities are represented by the recognition of R$ 228,147 related to the increase in the CSLL rate from 15% to 20%, as established in the Constitutional Amendment 103/19. [2] In 2018, the change refers to the merger process recorded in a company involved in the corporate restructuring authorized by BACEN carried out on 04.13.2018.

The balance of deferred tax assets for temporary differences, not recognized, in the amount of R$ 537,444 (R$ 543,036 as at 12.31.2018), refers to deferred tax assets arising from the recognition of Additional ALL – Note 8.

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

	Deferred tax assets				
Realization year	Temporary differences	Tax and social contribution loss carryforwards	Total	Provision for deferred taxes and contributions	Net deferred taxes
2020	691,236	32,748	723,984	(56.772)	667,212
2021	924,338	32,893	957,231	(29.423)	927,808
2022	351,893	33,686	385,579	(20.752)	364,827
2023	205,281	34,498	239,779	(13.583)	226,196
2024	135,434	21,515	156,949	(11.692)	145,257
2025 to 2029	171,573	958	172,531	(9.748)	162,783
Total	**2,479,755**	**156,298**	**2,636,053**	**(141.970)**	**2,494,083**
Present Value [1]	**2,305,329**	**144,035**	**2,449,364**	**(131.973)**	**2,317,391**

[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.

17. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown

	12.31.2019			12.31.2018		
	Cost	Accumulated depreciation / amortization	Property and equipment, net	Cost	Accumulated depreciation / amortization	Property and equipment, net
Property and equipment	854,149	(237,505)	616,644	545,641	(168,568)	377,073
Facilities, furniture and equipment in use	231,732	(58,264)	173,468	202,993	(49,060)	153,933
IT and data processing equipment	556,421	(147,612)	408,809	269,060	(86,669)	182,391
Other	65,996	(31,629)	34,367	73,588	(32,839)	40,749
Intangible assets- Software	282,522	(123,413)	159,109	232,430	(91,080)	141,350
Total [1]	**1,136,671**	**(360,918)**	**775,753**	**778,071**	**(259,648)**	**518,423**

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

b) Changes

	Property and equipment		Intangible assets		Total	
	2019	2018	2019	2018	2019	2018
Opening balance	**377,073**	**253,193**	**141,350**	**133,957**	**518,423**	**387,150**
Acquisitions	353,437	177,109	68,435	49,750	421,872	226,859
Write-off	(9,527)	(3,076)	(163)	-	(9,690)	(3,076)
Foreign exchange gains or losses and transfers	(1,843)	(1,240)	(726)	19	(2,569)	(1,221)
Change in the period reflected in income	(102,496)	(48,913)	(49,787)	(42,376)	(152,283)	(91,289)
Depreciation / amortization expenses – Note 14(d)	(98,629)	(48,913)	(49,787)	(42,376)	(148,416)	(91,289)
Installation, furniture and equipment for use	(14,384)	(13,072)	-	-	(14,384)	(13,072)
IT and data processing equipment	(76,835)	(28,436)	(49,787)	(42,376)	(126,622)	(70,812)
Other	(7,410)	(7,405)	-	-	(7,410)	(7,405)
Impairment [1]	(3,867)	-	-	-	(3,867)	-
Closing balance	**616,644**	**377,073**	**159,109**	**141,350**	**775,753**	**518,423**

[2] Recorded in the line item "Other operating income".

18. EQUITY

a) Shares

Banco Safra S.A.'s capital is represented by 15,300 (15,301 as at 12.31.2018) registered shares, with no par value, out of which 7,650 (7,651 as at 12.31.2018) are common shares, which comprise classes "A","D" and "J" with 2,142 shares each and class "E" with 1,224 shares and 7,650 (7,650 as at 12.31.2018) preferred shares.

At the Extraordinary Shareholders' Meeting held on February 13, 2019, a resolution was taken to increase the company's capital in the amount of R$ 757,479, with revenue reserves, approved by Letter 5313/2019-BCB/Deorf/GTSP2 issued by the Central Bank of Brazil on March 22, 2019.

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

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

b) Dividends and Interest on capital

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

In the meetings of the Executive Board and the Board of Directors, dividends and interest on capital were declared and paid as follows:

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

[3] Paid in the period.

c) Revenue reserves

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

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

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

I- Changes in adjustment of the financial assets

	01.01.to 12.31.2	01.01.to 12.31.2
Opening balance	**6,433**	**30,155**
Adjustment from changes in fair value – Note 18(d-II)	(3,880)	(23,722)
Available-for-sale securities – Note 7(d)	(5,922)	(40,542)
Change in fair value in the period	46,876	(2,525)
Transfer of category – For trading – Government securities	-	(16,679)
Profit /(loss) on sale of securities	(52,798)	(21,338)
Tax effect	2,042	16,820
Closing balance	**2,553**	**6,433**
Gross amount – Notes 7(a-I) e (d)	2,401	8,323
Tax effect	152	(1,890)

II- Statement of comprehensive income

	2019	2018
Net Income	**2,211,201**	**2,145,758**
Available-for-sale financial assets – Nota18(d-I)	(3,880)	(23,722)
Net change in unrealized gains / (losses)	30,712	(18,157)
Change in fair value in the period	46,876	(2,525)
Transfer of category – For trading – Government securities	-	(16,679)
Tax effect	(16,164)	1,047
Realized gains transferred to income for the period	(34,592)	(5,565)
Profit /(loss) on sale of securities	(52,798)	(21,338)
Tax effect	18,206	15,773
Comprehensive income	**2,207,321**	**2,122,036**

19. RISK AND CAPITAL MANAGEMENT

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

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

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

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

a) Credit risk

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

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

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

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

I. Credit risk measurement

- Credit operations and other financial assets with credit characteristics

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

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

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

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

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

- Government securities, interbank investments and other debt securities

The Limit Committee of Financial Institutions, which meets quarterly, approves, sets and monitors the credit limits by counterparty for Financial Institutions in treasury, foreign exchange and asset management operations and monitors the credit quality.

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

II. Control of risk limits and mitigation policies

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

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

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

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

Other specific control and mitigation measures are described below:

- Guarantees

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

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

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

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

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

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

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

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

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

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

- Derivatives

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

- Credit commitments (off balance)

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

III. Impairment loss policies

The level of allowance for impairment loss is part of the credit risk management and measurement process. Allowances for impairment losses are recognized for purposes of preparation of the financial reports considering both the minimum allowance level established by CMN Resolution 2,682/1999 and the additional allowance for credit – Note 3(f).

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

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

Maximum exposure	12.31.2019	12.31.2018
Financial assets	**89,276,776**	**91,459,725**
Interbank investments – Note 5	7,697,183	17,485,104
Central Bank compulsory deposits – Note 6	11,362,467	8,298,347
Investments linked to open market funding – Government securities – Note 10(a)	28,472,607	34,682,102
Marketable securities – Note 7(a-I)	21,430,280	15,264,499
Derivative financial instruments – Note 7(c)	1,743,306	807,418
Funds guaranteeing technical reserves for insurance and private pension – Note 7(b)	18,570,933	14,922,255
Expanded credit portfolio – Note 8(a)	**111,069,808**	**106,909,876**
Credit portfolio	93,796,391	86,381,351
Credit operations	79,795,629	71,819,529
Operations with companies	53,195,855	50,932,499
Consumer loan and finance operations	26,599,774	20,887,030
Other credit risk instruments	14,000,762	14,561,822
Guarantees and sureties (off balance) – Note 8(f)	17,273,417	20,528,525
Granted limits (off balance) – Note 8(f)	**15,794,239**	**14,836,198**
TOTAL	**216,140,823**	**213,205,799**
Allowance for credit risk – Expanded credit portfolio – Note 8(a)	**(3,321,949)**	**(2,979,857)**
Total net maximum exposure – Note 19(a-VIII)	**212,818,874**	**210,225,942**

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

V. Quality of the financial assets subject to credit risk

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

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

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

	12.31.2019	12.31.2018
Financial guarantees	9,347,463	8,425,844
Machineries and vehicles	15,658,355	11,609,770
Other guarantees [1]	3,185,101	3,578,933
Total [2]	**28,190,919**	**23,614,547**

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

VI. Credit operations and renegotiated financial instruments

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

VII. Repossession of guarantees

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

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

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

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

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

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

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

	12.31.2019				12.31.2018
	Financial assets	**Expanded credit portfolio**	**Granted limits**	**TOTAL**	**TOTAL**
Financial institutions	10,324,893	151,570	-	10,628,034	7,183,903
Governments	76,608,159		-	76,608,159	83,162,935
Industry and trade	396,236	53,229,532	7,304,118	60,929,886	61,287,978
Services	1,839,795	28,395,593	3,670,159	33,905,547	30,246,996
Individuals	107,693	24,804,465	4,165,830	29,077,988	24,489,331
Other customers	-	4,488,648	654,132	5,142,780	6,834,656
Total	**89,276,776**	**111,069,808**	**15,794,239**	**216,292,394**	**213,205,799**
Allowance for credit risk – Expanded credit portfolio – Note 8(a)	-	(3,321,949)	-	(3,321,949)	(2,979,857)
Total net as at 12.31.2019 – Note 19(a-IV)	**89,276,776**	**107,747,859**	**15,794,239**	**212,970,445**	**210,225,942**
Total net as at 12.31.2018 – Note 19(a-IV)	**91,459,725**	**103,930,019**	**14,836,198**	**210,225,942**	

- Expanded credit portfolio concentration

	12.31.2019	**12.31.2018**
01st to 10thlargest customer	14,512,244	16,664,091
11thto 50thlargest customer	19,741,314	21,022,144
51stto 100thlargest customer	10,801,237	11,788,399
100 largest customers	**45,054,795**	**49,474,634**
Other customers	66,015,013	57,435,242
Total expanded credit portfolio	**111,069,808**	**106,909,876**
Allowance for credit risk – Expanded credit portfolio – Note 8(a)	(3,321,949)	(2,979,857)
Total	**107,747,859**	**103,930,019**

b) Liquidity risk

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

I. Liquidity risk management process

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

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

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

II. Funding approach

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

III. Cash flows of non-derivatives

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

	12.31.2019						
Liabilities	**60 days**	**90 days**	**180 days**	**360 days**	**720 days**	**Over 720 days**	**TOTAL**
Funding	20,685,558	12,543,026	12,109,582	21,185,307	13,594,771	19,265,461	99,383,705
Open market deposits and funding – corporate securities – Note 9(a-I)	7,086,001	1,888,354	1,258,103	328,575	6,970	-	10,568,003
Funds from acceptance and issue of securities and time deposits – Note 9(a-I)	13,096,670	10,406,737	9,631,877	19,425,471	12,188,485	17,150,794	81,900,034
Structured funding – Note 9(a-I) [1]	502,887	247,935	1,219,602	1,431,261	1,399,316	2,114,667	6,915,668
Borrowings and onlending – Note 9(a-I)	551,244	1,937,213	2,390,983	5,140,061	993,337	1,511,510	12,524,348
Funds guaranteeing technical reserves for insurance and private pension – Note 7(b)	-	-	-	-	-	18,146,393	18,146,393
Subordinated debt – Note 9(b)	69,341	10,871	32,668	271,456	2,399,199	5,289,827	8,073,362
Liquidity	**21,306,143**	**14,491,110**	**14,533,233**	**26,596,824**	**16,987,307**	**44,213,191**	**138,127,808**

[1] Of this amount, R$ 189,048 (R$ 976,469 as at 12.31.2018) are recorded in Derivative financial instruments – Note 7(c).

IV. Cash flow of derivatives

	12.31.2019						
	60 days	**90 days**	**180 days**	**360 days**	**720 days**	**Over 720 days**	**TOTAL**
Assets	**704,009**	**134,359**	**389,854**	**88,315**	**144,880**	**282,065**	**1,743,482**
Non Deliverable Forward – NDF	31,312	3,737	7,710	10,999	915	54	54,727
Options	426,674	14,631	42,322	42,482	124,575	4,935	655,619
Swap – Amounts receivable	235,013	80,650	333,340	34,834	19,390	277,076	980,303
Credit derivative	11,010	35,341	6,482	-	-	-	52,833
Liabilities	**(541,664)**	**(149,007)**	**(465,462)**	**(137,114)**	**(143,916)**	**(261,982)**	**(1,699,145)**
Non Deliverable Forward – NDF	(17,935)	(15,237)	(26,624)	(8,315)	(5,516)	(6)	(73,633)
Options	(239,800)	(20,336)	(49,955)	(63,365)	(125,673)	(12,598)	(511,727)
Forward	(10,522)	-	-	-	-	-	(10,522)
Swap – Amounts payable	(273,407)	(97,685)	(367,588)	(65,434)	(12,727)	(249,378)	(1,066,219)
Credit derivative	-	(15,749)	(21,295)	-	-	-	(37,044)

V. Items not recorded in the statement of financial position

As described in Note 8(f), the off statement of financial position items are: 1) guarantees and sureties that have a history of very low losses and 2) for the credit limits granted and not used there is a contractual maturity term (total of 90 days) for use, and Safra may suspend the limit at any time. Therefore, Safra understands that the positions do not exert material impacts on liquidity.

c) Market risk

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

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

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

Banco Safra's Market Risk Committee, formed by the CRO, Executive Officers and Superintendents, which meets at least quarterly to take resolutions on methodology and new product issues that involve Treasury strategies. It addresses Market Risk management aspects, by setting and reviewing operating limits, following up metrics in effect, besides taking resolutions on possible extrapolations of limits or notices and approval of New Treasury Strategy Products.

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

I. Sensitivity analysis (Trading and Banking portfolios)

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

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

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

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

Trading portfolio at 12.31.2019

		Scenarios		
Risk factors	**Risk of Change in:**	**1**	**2**	**3**
Stocks	Stock price	(7,962)	(199,055)	(398,111)
Commodities	Commodity price	(10)	(256)	(512)
Currency	Foreign currency quote	(6,046)	(151,132)	(302,264)
Fixed income	Interest rates denominated in real	(5)	(4,051)	(7,962)
Coupon	Interest rates in foreign currency	(7)	(129)	(335)
Options	Market value of options	(1,323)	(41,652)	(83,128)
	Total	**(15,353)**	**(396,275)**	**(792,312)**

Trading and Banking portfolio at 12.31.2019

		Scenarios		
Risk factors	**Risk of Change in:**	**1**	**2**	**3**
Stocks	Stock price	(7,962)	(199,055)	(398,111)
Commodities	Commodity price	(10)	(256)	(512)
Currency	Foreign currency quote	(5,186)	(129,644)	(259,288)
Fixed income	Interest rates denominated in real	(705)	(98,324)	(191,363)
Coupon	Interest rates in foreign currency	(543)	(33,270)	(66,003)
Options	Market value of options	(1,323)	(41,652)	(83,128)
	Total	**(15,729)**	**(502,201)**	**(998,405)**

The sensitivity analysis was carried out using the following scenarios:

- **Scenario 1:** Stress of one basis point in the interest rates, and 1% in price changes based on market information (B3, Anbima etc.). Example: the Real / Dollar rate used was R$ 4.0586 and the 1 year fixed rate was 4.57% p.a.
- **Scenario 2:** Stress of 25% in the respective curves or prices, based on the market. Example: the Real / Dollar rate used was R$ 5.0230 and the 1 year fixed rate was 5.70% p.a.
- **Scenario 3:** Stress of 50% in the respective curves or prices, based on the market. Example: the Real / Dollar rate used was R$ 6.0276 the 1 year fixed rate was 6.84% p.a.

II. Foreign exchange risk

Safra is exposed to the effects of fluctuations in exchange rates on its exposures and cash flows denominated in foreign currencies or linked to foreign exchange changes. The foreign exchange risk is monitored daily through the determination of the foreign exchange exposure in foreign currency.

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

PER CURRENCY	**12.31.2019**			
Assets	**BRL**	**Strong currencies** [1]	**Other currencies**	**Total**
Cash – Note 4	303,839	1,003,548	5,583	1,312,970
Central Bank compulsory deposits – Note 6	11,234,425	128,042	-	11,362,467
Investments linked to open market funding – Government securities – Note 10(a)	28,472,607	-	-	28,472,607
Interbank investments, Marketable securities, and Derivative financial instruments	23,232,380	7,242,023	396,366	30,870,769
Funds guaranteeing technical reserves for insurance and private pension operations – Note 7(b)	18,570,933	-	-	18,570,933
Credit portfolio – Note 8(a)	80,841,100	9,826,915	500	90,668,515
Tax assets	2,831,398	6,820	-	2,838,218
Other financial assets and Other assets	5,266,746	818,404	157	6,085,307
Investment, Property and equipment, and Intangible assets	783,804	24	-	783,828
Total Assets	**171,537,232**	**19,025,776**	**402,606**	**190,965,614**
Long position – Futures foreign currency coupon – Note 7(c-II(1))	13,945,783	24,529,882	-	38,475,665
Futures	804,379	1,148,313	47,688	2,000,380
NDF – Note 7(c-II(1))	1,072,137	3,434,199	-	4,506,336
Foreign currency option	979,782	-	-	979,782
SWAP and SCS	21,345,358	7,504,180	-	28,849,538
Off Balance – Derivative financial instruments – Assets	**38,147,439**	**36,616,574**	**47,688**	**74,811,701**
Total Assets as at 12.31.2019 (A)	**209,684,671**	**55,642,350**	**450,294**	**265,777,315**
Liabilities				
Open market funding – Government securities – Note 10(a)	28,208,651	-	-	28,208,651
Funding, Borrowings and onlending, Subordinated debt and derivative financial instruments	103,708,131	17,979,050	-	121,687,181
Insurance and private pension operations – Note 11(c)	18,570,831	-	-	18,570,831
Tax liabilities and provisions for contingencies	3,159,851	10,024	-	3,169,875
Other financial liabilities and Other liabilities	6,322,488	1,121,812	401	7,444,701
Total Liabilities	**159,969,952**	**19,110,886**	**401**	**179,081,239**
Short position-Foreign currency coupon – Note 7(c-II(1))	24,529,882	13,945,783	-	38,475,665
Futures	1,196,001	802,416	1,963	2,000,380
NDF – Note 7(c-II(1))	3,033,523	1,072,137	400,676	4,506,336
Foreign currency option	-	979,782	-	979,782
SWAP and SCS	7,504,180	21,345,358	-	28,849,538
Off Balance – Derivative financial instruments – Liabilities	**36,263,586**	**38,145,476**	**402,639**	**74,811,701**
Total Liabilities as at 12.31.2019 (B)	**196,233,538**	**57,256,362**	**403,040**	**253,892,940**
Net exposure – Equity (C) = (A) – (B)	**13,451,133**	**(1,614,012)**	**47,254**	**11,884,375**
" Over Hedge" of Investment Abroad – Note 19(c-II(2))	(2,121,565)	2,121,565	-	-
Net position – Long/(Short) as at 12.31.2019	**11,329,568**	**507,553**	**47,254**	**11,884,375**
Net position – Long/(Short) as at 12.31.2018	**11,440,972**	**336,298**	**14,390**	**11,791,660**

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

(2) "Over Hedge" of investments abroad

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

The foreign exchange gains or losses of the excess of purchased derivatives ("Over Hedge") are recorded as derivative income, as provided in the rules, affecting the gross financial margin of the entity. Given the economic rationale of the operation, the statement of income lines, reclassified considering the foreign exchange hedge strategy adopted by Safra is as:

	2019			2018		
	Recorded	**Over hedge adjustment**	**Adjusted balance**	**Recorded**	**Over hedge adjustment**	**Adjusted balance**
NET INCOME (EXPENSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS – Note 13(c)	72,090	104,395	176,485	(527,627)	379,444	(148,183)
TAX EXPENSES OF OPERATIONS – Note 16(a-II)	(562,569)	(11,345)	(573,914)	(487,705)	(37,107)	(524,812)
NET INCOME FROM OPERATIONS	**7,034,247**	**93,050**	**7,127,297**	**6,211,587**	**342,337**	**6,553,924**
INCOME BEFORE TAXES	**2,588,426**	**93,050**	**2,681,476**	**2,895,349**	**342,337**	**3,237,686**
INCOME TAX AND SOCIAL CONTRIBUTION – Note 16(a-I)	(377,225)	(93,050)	(470,275)	(749,591)	(342,337)	(1,091,928)
NET INCOME	**2,211,201**	**-**	**2,211,201**	**2,145,758**	**-**	**2,145,758**

d) Fair value of financial assets and liabilities

I. Methodology for determining fair value

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

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

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

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

	12.31.2019[1]		
	Level 1	**Level 2**	**Total**
Marketable securities – Note 7(a-III) [2]	**19,978,473**	**2,377,945**	**22,356,418**
Securities portfolio – Note 7(a-I)	**19,052,435**	**2,377,945**	**21,430,380**
Government securities	19,042,498	-	19,042,498
Securities issued by Financial Institutions	-	2,115,954	2,115,954
Securities issued by Companies	9,937	261,991	271,928
Own portfolio –open market deposits and funding – Government securities – Note 10(a)	**926,038**	**-**	**926,038**
Other credit risk instruments – Note 8(b)	**-**	**14,000,762**	**14,000,762**
(-)Securities designated to Hedge Market Risk [3]	**-**	**(2,881,745)**	**(2,881,745)**
Funds guaranteeing technical reserves for insurance and private pension – Note 7(b)	**16,257,354**	**2,313,579**	**18,570,933**
Private pension	15,832,814	2,313,579	18,146,393
Repurchase agreements	20,805	88,694	109,499
Government securities – National Treasury	14,655,998	-	14,655,998
Corporate securities	1,156,011	2,329,487	3,485,498
Other	-	(104,602)	(104,602)
Securities – Government securities – National Treasury – National Treasury Bills	243,011	-	243,011
DPVAT fund quotas – Government securities	181,529	-	181,529
Derivative financial instruments – Assets – Note 7(c-I(1))	**-**	**1,743,306**	**1,743,306**
Non Deliverable Forward – NDF	-	54,727	54,727
Option premiums	-	655,618	655,618
Forward – Government securities	-	-	-
Swap – amounts receivable	-	980,305	980,305
Credit derivatives (CDS)	-	52,833	52,833
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	-	(177)	(177)
Derivative financial instruments – Liabilities – Note 7(c-I(1))	**(10,522)**	**(1,695,244)**	**(1,705,766)**
Non-deliverable forwards (NDF)	-	(73,633)	(73,633)
Option premiums	-	(511,727)	(511,727)
Forward – Government securities	(10,522)	-	(10,522)
Swap – amounts payable	-	(1,066,219)	(1,066,219)
Credit derivatives (CDS)	-	(37,044)	(37,044)
Regulatory adjustments – CMN Resolution 4,277/2013	-	(6,621)	(6,621)
Obligations related to unrestricted repurchase agreements – Government securities – Note 10(b)	**(3,624,043)**	**-**	**(3,624,043)**
Strategy – Market risk hedge – Note 7(e)	**-**	**51,901,390**	**51,901,390**
Fixed rate portfolio	-	37,756,182	37,756,182
Assets – Credit portfolio – Note 8(a-I)	-	45,274,162	45,274,162
Liabilities – Funding	-	(7,517,980)	(7,517,980)
Repurchase agreements – fixed rate	-	14,195,412	14,195,412
IPCA portfolio	-	2,916,210	2,916,210
Assets – Other credit risk instruments – Note 8(b) [3]	-	5,727,606	5,727,606
Liabilities – Funding	-	(2,811,396)	(2,811,396)
Eurobonds [3]	-	2,881,745	2,881,745
Marketable securities – Available for sale – Note 7(a-I)	-	238,025	238,025
Other credit risk instruments – Note 8(b)	-	2,643,720	2,643,720
Funding	-	(2,614,941)	(2,614,941)
Liabilities for marketable securities abroad – Note 9(a)	-	(892,343)	(892,343)
Structured funding – Structured CD – Note 9(a)	-	(1,722,598)	(1,722,598)
Subordinated debt – Medium term notes – Note 9(a)	-	(3,233,218)	(3,233,218)

[1] No transaction was classified into level3. [2] Of these amounts, R$ 20,465.284 refer to trading securities (R$ 19,052,435 classified in level 1 and R$ 1,412,849 in level 2) and R$ 965,096 refer to available-for-sale securities (R$ 965,096 classified in level 1) [3] Reclassification of the amount related to the securities designated to hedge market risk (Eurobonds) – Note 7(e).

III. Financial instruments not measured at fair value

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

	12.31.2019		12.31.2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	1,312,970	1,312,970	699,893	699,893
Interbank investments	7,697,183	7,697,183	17,485,104	17,485,104
Central Bank compulsory deposits	11,362,467	11,362,467	8,298,347	8,298,347
Credit portfolio – At amortized cost	42,177,416	42,177,416	46,422,997	46,422,997
Total financial assets	**62,550,036**	**62,550,036**	**72,906,341**	**72,906,341**
Financial liabilities – At amortized cost	101,126,954	101,135,537	94,535,661	94,535,661
Funding	88,602,606	88,611,189	81,106,567	81,106,567
Financial institution deposits and open market funding	10,568,003	10,569,082	9,135,618	9,135,618
Funds from acceptance and issue of securities and Time deposits	73,735,192	73,741,116	68,131,963	68,131,963
Structured funding –Fixed rate	4,299,411	4,300,991	3,838,986	3,838,986
Borrowings and onlending	12,524,348	12,524,348	13,429,094	13,429,094
Funds guaranteeing technical reserves for insurance and private pension	18,570,831	18,570,831	14,921,952	14,921,952
Subordinated debt – At amortized cost	2,676,926	2,677,138	2,189,688	2,189,688
Total financial liabilities	**122,374,711**	**122,383,506**	**111,647,301**	**111,647,301**

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

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

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

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

	12.31.2019		
	Level 1	Level 2	Total
Cash	1,312,970	-	1,312,970
Interbank investments	7,697,183	-	7,697,183
Central Bank compulsory deposits	11,362,467	-	11,362,467
Credit portfolio – At amortized cost	-	42,177,416	42,177,416
Total financial assets	**20,372,620**	**42,177,416**	**62,550,036**
Financial liabilities – At amortized cost	12,524,348	88,611,189	101,135,537
Funding	-	88,611,189	88,611,189
Interbank deposits and open market funding – Corporate securities	-	10,569,082	10,569,082
Funds from acceptance and issue of securities and Time deposits	-	73,741,116	73,741,116
Structured funding – Fixed rate	-	4,300,991	4,300,991
Borrowings and onlending	12,524,348	-	12,524,348
Funds guaranteeing technical reserves for insurance and private pension	18,570,831	-	18,570,831
Subordinated debts – At amortized cost	-	2,677,138	2,677,138
Total financial liabilities	**31,095,179**	**91,288,327**	**122,383,506**
	12.31.2018		
	Level 1	**Level 2**	**Total**
Total financial assets	26,483,344	46,422,997	72,906,341
Total financial liabilities	28,351,046	83,296,255	111,647,301

a) Operational risk

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

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

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

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

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

b) Underwriting risk

The underwriting risk is the possibility of incurring losses which may be contrary to the Safra'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.

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

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

I - Creation of new products;

II - Devising of acceptance policies;

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

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

V - Technical support to customers and representatives.

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

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

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

Gross written premiums by geographical region are as follows:

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

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

[(1)] The concentration of risk does not consider the DPVAT, policies in force but not issued and retrocession totaling R$ 18,742(R$ 29,184 in 2018).

c) Capital management

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

It includes the following aspects:

- Fulfillment of the regulatory requirements of the banking markets where it operates;

- Safeguard its operating capacity so that it continues providing return to stockholders and benefits to other stakeholders; and

- Maintenance of a solid capital base to support the development and sustainability of its business.

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

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

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

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

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

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

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

20. RELATED-PARTY TRANSACTIONS

a) Management remuneration:

In corporate documents recorded for 2019, the annual total management's remuneration was set at R$ 147,350 (R$ 138,200 in 2018). The remuneration received by management amounts to R$ (104,859)(R$ (119,791) in 2018).

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

b) Related-party transactions

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

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

	Assets / (Liabilities)		Income / (Expenses)	
	12.31.2019	12.31.2018	2019	2018
Cash – Note 4	**239,311**	**224,897**	**(9)**	**1**
Grupo J. Safra Sarasin	212,401	207,274	(199)	1
Safra National Bank of New York	26,910	17,623	190	-
Foreign currency investments – Note 5 – Safra National Bank of New York	**2,488,151**	**1,677,401**	**49,693**	**35,459**
Credit operations [2]	**30,195**	**-**	**115**	**-**
Other assets and liabilities, net	**61,260**	**(964)**	**15,936**	**3,676**
Demand deposits /savings deposits – Note 9(a)	**(3,338)**	**(15,163)**	**-**	**-**
Time deposits – Note 9(a)	**(1,151,148)**	**(603,245)**	**(16,796)**	**(15,348)**
Grupo J. Safra Sarasin	(309,753)	(230,563)	(1,508)	(1,365)
Safra National Bank of New York	(841,395)	(372,682)	(15,288)	(13,983)
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes – Institutos Safra – Note 9(a)	**(129,645)**	**(126,754)**	**(11,894)**	**(11,300)**
Subordinated debts – Note 9(a) – Entities abroad owned by the controlling shareholders [3]	**(1,223,088)**	**(1,162,377)**	**(86,469)**	**(77,280)**
Administrative expenses	**-**	**-**	**(101,032)**	**(113,268)**
Rental expenses – Note 14(d)	**-**	**-**	(100,875)	(113,058)
Exton Participações Ltda.	**-**	**-**	(40,678)	(39,634)
J. Safra Participações Ltda.	**-**	**-**	(24,163)	(21,467)
Kiama S.A.	**-**	**-**	(17,424)	(33,575)
Lebec Participações Ltda.	**-**	**-**	(9,911)	(10,013)
Other companies	**-**	**-**	(8,699)	(8,369)
Other	**-**	**-**	(157)	(210)
Rental income – Casablanc Representação e Participação Ltda.	**-**	**-**	**102**	**102**
Operations with investment funds – Note 9(b)				
Open market investments – Government securities – Note 10	-	-	51	4,907
Open market funding – Government securities – Note 10	(20,547,666)	(26,875,397)	(743,255)	(767,623)
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes – Financial bills [1] – Note 9(a)	(2,120,783)	(2,137,055)	(74,233)	(76,734)
Revenue from management and administration of investment funds	-	-	1,059,316	1,133,134
Consolidated companies – Note 9(b)	-	-	1,059,316	1,059,680
Related parties – Note 9(b)	-	-	-	73,454

[1] Of this amount, R$ 118,015(R$ 386,882 as at 12.31.2018) refers to subordinated financial bills. [2] Transactions performed pursuant to Resolution CMN 4,693/2018. [3] Securities held in trust in Grupo J. Safra Sarasin.

21. OTHER INFORMATION

a) Insurance policy

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

b) Audit committee

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

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

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SUMMARY REPORT OF AUDIT COMMITTEE

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

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

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

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

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

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

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

d) Examination of the Ombuds report about measures for correcting or improving procedures and routines, as a result of the analysis of the complaints received regarding the first half of 2019;

e) Participation of the independent members of this Audit Committee in the Operational and Compliance Risk Management Committee (CGROC), where the following themes were addressed: (i) Operational Risk; (ii) International Operational Risk; (iii) Social and Environmental Risk; (iv) Internal Controls; (v) IT Internal Controls; and (vi) Business Continuity Management;

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

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

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

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

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

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

In view of the results of the works it carried out, the Audit Committee recommends that the Board of Directors approve the consolidated financial statements dated February 4, 2020, related to the period ended December 31, 2019.

São Paulo, February 4, 2020.

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

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

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

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Opinion

We have audited the accompanying consolidated financial statements of Banco Safra S.A. and its subsidiaries ("Consolidated" or "Banco Safra"), which comprise the consolidated balance sheet as at December 31, 2019, and the related consolidated statements of income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Safra S.A. and its subsidiaries as at December 31, 2019, and 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 Banco Safra and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

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

1. *Hedge accounting*

Why is it a KAM?

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

How the KAM was addressed in our audit?

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

Conclusion from the assessment

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

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

Why is it a KAM?

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

How the KAM was addressed in our audit?

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

Conclusion from the assessment

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

3. *Fair value of financial instruments*

Why is it a KAM?

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

How the KAM was addressed in our audit?

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

Conclusion from the assessment

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

4. *Information technology environment*

Why is it a KAM?

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

How the KAM was addressed in our audit?

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

Conclusion from the assessment

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

Other information accompanying the consolidated 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 2019's Annual Report, which should be provided after this report date.

Our opinion on the consolidated financial statements does not cover the Management Report and the 2019'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 consolidated 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 in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in such other information obtained prior to this report date, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

São Paulo, February 5, 2020

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Luiz Carlos Oseliero Filho
Engagement Partner

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