(A free translation of the original in Portuguese)

Banco Safra S.A. and subsidiaries

Consolidated interim financial statements at March 31, 2012 and report on review

BANCO SAFRA S.A. AND SUBSIDIARIES (“CONSOLIDATED”)
BALANCE SHEET

(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Notes	SAFRA CONSOLIDATED 3,31,2012	3,31,2011
ASSETS			
CURRENT ASSETS		66,045,257	60,426,619
Cash	3(b) and 4	433,143	284,451
Interbank investments	3(c) and 4 and 5	17,357,199	19,738,828
Money market investments		15,207,217	18,448,218
Interbank deposits		1,179,055	1,104,479
Foreign currency investments		970,927	186,131
Securities and derivative financial instruments	3(d) and 6	9,210,953	10,124,033
Own portfolio		5,885,924	7,070,021
Subject to repurchase agreements		-	11,728
Derivative financial instruments	3(e) and 7	201,108	253,238
Restricted deposits - Brazilian Central Bank		149,526	140,525
Linked to guarantees		328,515	569,069
Securities pledged in guarantee of technical reserves	11(b)	2,645,880	2,079,452
Interbank and interdepartmental accounts		4,328,539	1,901,366
Payments and receipts pending settlement		523,013	599,034
Restricted deposits - Brazilian Central Bank	13(a)	3,801,689	1,294,477
Internal transfers of funds and other		3,837	7,855
Credit operations	3(g) and 8	30,542,674	26,594,126
Credit operations		31,067,561	26,933,626
(Allowance for loan losses)		(524,887)	(339,500)
Other receivables		4,073,861	1,739,825
Foreign exchange portfolio	9	3,303,130	1,218,157
Negotiation and intermediation of securities	13(b)	154,826	96,911
Other	13(c)	615,905	424,757
Other assets - prepaid expenses	3(h)	98,888	43,990
NON-CURRENT ASSETS		24,611,970	14,110,980
LONG-TERM RECEIVABLES		24,047,338	13,361,449
Interbank investments	3(c) and 4 and 5	1,454,429	24,284
Interbank deposits		1,454,429	24,284
Securities and derivative financial instruments	3(d) and 6	5,335,359	1,473,593
Own portfolio		4,547,310	1,386,392
Derivative financial instruments	3(e) and 7	115,232	87,201
Restricted deposits - Brazilian Central Bank		38,610	-
Linked to guarantees		634,207	-
Credit operations	3(g) and 8	16,746,327	11,346,042
Credit operations		17,487,305	11,820,159
(Allowance for loan losses)		(740,978)	(474,117)
Other receivables	13(c)	498,129	479,652
Foreign exchange portfolio	9	-	-
Other	13(c)	498,129	479,652
Other assets	3(h)	13,094	37,878
PERMANENT ASSETS		564,632	749,531
Investments	3(i) and 15(a) and (b)	323,980	473,693
Investments in subsidiary and associated companies:			
Domestic		-	10,385
Other investments		323,980	463,308
Property and equipment in use	3(i) and 15(c)	204,123	258,650
Property and equipment		233,158	287,840
Other		318,692	294,809
(Accumulated depreciation)		(347,727)	(323,999)
Intangible assets	3(i) and 15(c)	36,529	17,188
Intangible assets		62,615	37,906
(Accumulated amortization)		(26,086)	(20,718)
TOTAL ASSETS		90,657,227	74,537,599

(continued)

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

BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED")
BALANCE SHEET

(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Notes	SAFRA CONSOLIDATED 3,31,2012	3,31,2011
LIABILITIES			
CURRENT LIABILITIES		60,191,950	47,521,421
Deposits	3(k) and 10(a)	14,086,075	12,487,219
Demand deposits		742,509	950,972
Savings deposits		1,195,384	918,869
Interbank deposits		3,486,169	3,274,998
Time deposits		8,662,013	7,342,380
Money market funding	3(k) and 10(b)	24,206,652	20,483,895
Own portfolio		13,856,139	12,280,808
Third-party portfolio		10,350,513	8,203,087
Funds from acceptance and issuance of securities	3(k) and 10(c)	4,763,225	900,565
Funds from financial bills, bills of credit and similar notes		4,632,763	813,708
Securities issued abroad		130,462	86,857
Interbank and interdepartmental accounts		490,764	383,286
Receipts and payments pending settlement		301,131	259,001
Correspondents		1,657	1,542
Third-party funds in transit		183,399	122,224
Internal transfers of funds		4,577	519
Borrowings and onlendings	3(k) and 10(d)	7,394,880	6,863,920
Foreign borrowings		3,986,876	4,034,627
Transfer of financial assets		10,166	53,158
Domestic onlendings		3,397,838	2,776,135
Derivative financial instruments	3(e) and 7	3,146,149	2,296,327
Other payables		6,104,205	4,106,209
Collected taxes and other		1,380,101	1,694,474
Foreign exchange portfolio	9	3,454,055	1,265,287
Social and statutory	16(b)	9,941	5,363
Tax and social security	14(c)	326,878	243,805
Technical reserves - insurance and pension plan	3(l) and 11(a)	143,292	209,255
Negotiation and intermediation of securities	13(b)	137,911	86,054
Other	13(d)	652,027	601,971
NON-CURRENT LIABILITIES		24,208,592	21,157,243
LONG-TERM LIABILITIES		24,165,080	21,117,929
Deposits	3(k) and 10(a)	1,210,184	1,558,535
Interbank deposits		183,151	165,203
Time deposits		1,027,033	1,393,332
Money market funding	3(k) and 10(b)	3,366,721	3,953,069
Own portfolio		3,366,721	3,749,834
Unrestricted portfolio		-	203,235
Funds from acceptance and issuance of securities	3(k) and 10(c)	6,746,228	3,998,608
Funds from financial bills, bills of credit and similar notes		3,891,424	2,686,173
Securities issued abroad		2,854,804	1,312,435
Borrowings and onlendings	3(k) and 10(d)	5,001,824	3,930,663
Foreign borrowings		105,016	117,150
Transfer of financial assets		500	16,323
Domestic onlendings		4,896,308	3,797,190
Derivative financial instruments	3(e) and 7	552,760	1,612,650
Other payables		7,287,363	6,064,404
Foreign exchange portfolio	9	-	-
Tax and social security	14(c)	2,113,831	2,045,493
Technical reserves - insurance and pension plan	3(l) and 11(a)	2,507,468	1,885,595
Subordinated debt	3(k) and 10(e)	2,257,915	1,868,067
Other	13(d)	408,149	265,249
DEFERRED INCOME	3(o)	43,512	39,314
EQUITY	16	6,256,685	5,858,935
Capital		3,980,315	2,245,458
Capital reserves		-	72,723
Revenue reserves		2,270,128	3,533,867
Carrying value adjustments		6,242	6,887
TOTAL LIABILITIES AND EQUITY		90,657,227	74,537,599

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

BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED")
STATEMENT OF INCOME FOR THE PERIODS ENDED
MARCH 31

(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Notes	SAFRA CONSOLIDATED 2012	2011
INCOME FROM FINANCIAL INTERMEDIATION		2,550,536	2,246,125
Credit operations		1,613,932	1,289,049
Securities transactions		720,335	867,331
Financial income from insurance and pension plan operations	11(c)	69,775	49,151
Foreign exchange transactions	9	41,284	19,162
Compulsory investments	13(a)	105,210	21,432
EXPENSES ON FINANCIAL INTERMEDIATION		(1,604,336)	(1,420,090)
Derivative transactions		(162,289)	(57,439)
Funds obtained in the market		(1,227,452)	(1,214,386)
Borrowings and onlendings		(145,384)	(98,741)
Financial expenses with pension plan funds	11(c)	(68,454)	(45,822)
Financial assets sale or transfer operations		(757)	(3,702)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION BEFORE THE ALLOWANCE FOR LOAN LOSSES		946,200	826,035
RESULT FROM ALLOWANCE FOR LOAN LOSSES		(159,877)	(56,830)
Allowance for loan losses	3(g) and 8(b)	(189,562)	(79,858)
Recovery of credits written off	3(g) and 8(c)	29,685	23,028
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		786,323	769,205
OTHER OPERATING INCOME (EXPENSES)		(324,206)	(321,161)
Income from services rendered	13(e)	120,644	111,178
Income from bank fees	13(f)	56,095	43,340
Personnel expenses	13(g)	(268,859)	(250,778)
Administrative expenses	13(h)	(129,029)	(121,247)
Tax expenses	14(a-II)	(75,399)	(60,054)
Equity in the earnings of subsidiary and associated companies	15(a)	-	(236)
Results from insurance and pension plan operations	11(c)	26,785	21,096
Other operating income	13(i)	7,348	9,299
Other operating expenses	13(j)	(61,791)	(73,759)
OPERATING PROFIT		462,117	448,044
NON-OPERATING PROFIT		27	2,277
PROFIT BEFORE TAXATION		462,144	450,321
INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME	14(a-I)	(216,663)	(212,260)
PROFIT FOR THE PERIOD		245,481	238,061
Earnings per thousand shares in R$ (Note 3(a))		0.17	0.21

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

BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED")
STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED MARCH 31

(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Paid-up capital	Capital reserves	Revenue reserves	Carrying value adjustments	Retained earnings	Total
AT JANUARY 1, 2011	2,245,458	72,723	3,295,806	(245)	-	5,613,742
Carrying value adjustments - available-for-sale securities	-	-	-	7,132	-	7,132
Profit for the period	-	-	-	-	238,061	238,061
Allocation:						
Legal reserve	-	-	11,903	-	(11,903)	-
Special reserve	-	-	226,158	-	(226,158)	-
AT MARCH 31, 2011	2,245,458	72,723	3,533,867	6,887	-	5,858,935
AT JANUARY 1, 2012	3,980,315	-	2,024,647	10,697	-	6,015,659
Carrying value adjustments - available-for-sale securities	-	-	-	(4,455)	-	(4,455)
Profit for the period	-	-	-	-	245,481	245,481
Allocation:						
Legal reserve	-	-	12,274	-	(12,274)	-
Special reserve	-	-	233,207	-	(233,207)	-
AT MARCH 31, 2012	3,980,315	-	2,270,128	6,242	-	6,256,685

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

BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED")
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
MARCH 31

(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	SAFRA CONSOLIDATED	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
ADJUSTED PROFIT	726,866	646,736
Profit for the period	245,481	238,061
Adjustments to profit:		
Depreciation and amortization	10,362	9,223
Allowance for loan losses	189,562	79,858
Equity in the earnings of subsidiary and associated companies	-	236
Provisions for civil and labor contingencies	34,676	23,691
Provisions for legal, tax and social security obligations	30,122	83,407
Provision for current and deferred income taxes	216,663	212,260
CHANGES IN ASSETS AND LIABILITIES	(883,959)	490,080
(Increase) decrease in interbank investments	32,333	1,638,252
(Increase) decrease in securities	(3,095,314)	1,296,947
(Increase) decrease in derivative financial instruments (assets/liabilities)	511,242	(508,904)
(Increase) decrease in interbank and interdepartmental accounts (assets/liabilities)	1,364,547	(279,227)
(Increase) decrease in credit operations	(654,887)	(1,458,652)
(Increase) decrease in other receivables	119,579	226,970
(Increase) decrease in other assets	1,442	(14,819)
Increase (decrease) in deposits	(1,204,441)	(521,474)
Increase (decrease) in money market funding	268,983	(3,467,233)
Increase (decrease) in borrowings and on lendings	(658,319)	479,494
Increase (decrease) in funds from acceptance and issuance of securities	1,330,955	1,767,613
Increase (decrease) in foreign exchange portfolio (assets/liabilities)	282,043	(63,596)
Increase (decrease) in collected taxes and other	1,359,838	1,678,109
Increase (decrease) in other payables	(48,798)	(70,876)
Taxes paid	(493,162)	(212,524)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(157,093)	1,136,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	-	4
Securities available for sale	(3,055,533)	51,936
Securities held to maturity	(175,810)	(365)
Purchases of property and equipment in use	(5,178)	(7,491)
Sale of property and equipment in use	655	-
Purchases of other assets	(4,336)	(1,953)
Acquisition of investments	(465)	-
Sale of investments	-	69
Increase in intangible assets	(10,123)	(962)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(3,250,790)	41,238
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated debt	174,700	821,272
NET CASH PROVIDED BY FINANCING ACTIVITIES	174,700	821,272
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,233,183)	1,999,326
Cash and cash equivalents at the beginning of the period	9,411,583	10,553,427
Cash and cash equivalents at the end of the period	6,178,400	12,552,753
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,233,183)	1,999,326

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

BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED")
STATEMENT OF VALUE ADDED FOR THE PERIODS ENDED MARCH 31
(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	SAFRA CONSOLIDATED	
	2012	**2011**
Income	**2,601,558**	**2,376,485**
Financial operations	2,550,536	2,246,125
Banking services and income from bank fees	176,739	154,518
Result from allowance for loan losses	(159,877)	(56,830)
Result from insurance and pension plan	26,785	21,096
Other operating income	7,348	9,299
Non-operational profit	27	2,277
Expenses	**(1,666,127)**	**(1,493,849)**
Financial operations	(1,604,336)	(1,420,090)
Other operating expenses	(61,791)	(73,759)
Expenses from acquired inputs	**(105,224)**	**(100,414)**
Facilities	(7,059)	(5,349)
Data processing and telecommunications	(9,716)	(13,849)
Third party services	(23,643)	(21,231)
Financial system services	(9,988)	(8,420)
Surveillance services, security and transport	(8,156)	(7,630)
Legal and notary fees	(21,062)	(16,716)
Other	(25,600)	(27,219)
Gross value added	**830,207**	**782,222**
Retentions - depreciation and amortization	(10,362)	(9,223)
Net value added generated by the Company	**819,845**	**772,999**
Value added received through transfer - Equity in the earnings of subsidiary and associated companies	-	(236)
Total value added to distribute	**819,845**	**772,763**
Distribution of value added	**819,845**	**772,763**
Personnel	**232,926**	**217,560**
Remuneration and profit sharing	177,677	177,453
Benefits	17,900	17,265
Government Severance Indemnity Fund for Employees (FGTS)	9,453	10,427
Labor contingencies	22,736	10,515
Other	5,160	1,900
Taxes and contributions	**327,995**	**305,532**
Federal	316,357	294,133
State	336	211
Municipal	11,302	11,188
Remuneration on third parties' capital - rentals	**13,443**	**11,610**
Remuneration on own capital - profits reinvested for the period	**245,481**	**238,061**

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

(A free translation of the original in Portuguese)

1. OPERATIONS

Banco Safra S.A. and its subsidiaries are engaged in asset, liability and accessory operations inherent in the related authorized portfolios (commercial, including foreign exchange, housing loans, credit, consumer financing, investment and lease portfolios), and complementary activities among which are insurance operations, pension fund, brokerage and distribution of securities, management of credit cards and investment funds, and managed portfolios, in accordance with current legislation and regulations.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

a) Presentation of the Financial Statements

The financial statements of Banco Safra S.A. and subsidiaries ("Consolidated") have been prepared and are presented in conformity with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and in compliance with Brazilian Corporate Law, and reflect the changes introduced by Laws 11638/2007 and 11941/2009, and the standards and instructions of the National Monetary Council (CMN), the Brazilian Securities Commission (CVM), and the Superintendence of Private Insurances (SUSEP), as applicable.

The financial statements have been prepared considering leasing operations under the financial method. Thus, the financial result of these transactions is presented together with the credit operations in the Statement of Income.

The advances on foreign exchange contracts are presented in conjunction with the foreign exchange portfolio for credit operations. The presentation of foreign exchange gains and losses is adjusted so that income and expenses represent only the changes and differences in exchange rates applied to the foreign currency amounts .

The consolidated Financial Statements for Banco Safra S.A. were approved by the Board of Directors on 05.02.2012.

b) Consolidation

The Balance Sheet accounts and the income and expenses between the parent and subsidiary companies as well as the unrealized profits between the consolidated companies, were eliminated on consolidation.

The consolidated financial statements include Banco Safra and its subsidiaries shown below, highlighting:

	Participation (%)	
	3.31.2012	**3.31.2011**
Banco Safra (Cayman Islands) Limited (1)	100.00	100.00
J.Safra Corretora de Valores e Câmbio Ltda.	99.99	99.99
Safra Distribuidora de Títulos e Valores Mobiliários Ltda.	99.99	99.99
Safra Leasing S.A. - Arrendamento Mercantil	99.99	99.99
Banco J. Safra S.A.	99.99	99.99
J. Safra Participações Ltda. (2) (3)	90.98	90.98
Sercom Comércio e Serviços Ltda.	99.99	99.99
Safra Vida e Previdência S.A.	99.98	99.98
Safra Seguros Gerais S.A.	99.99	99.99

(1) Entities based abroad
(2) Proportional consolidation
(3) Formerly Safra Cia. Securitizadora de Créditos Imobiliários

c) Reclassifications for comparative purposes

Certain reclassifications were made in the period both in the Balance Sheet and in the Statement of Income. In the Balance Sheet these were basically within interbank credit transfers, and foreign deposit notes for interbank investments in securities and derivative instruments. In the Statement of Income, credit losses from leasing operations were reclassified. We highlight that the above reclassifications did not give rise to alteration in the net profit, nor the equity position, nor the profit per share.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Determination of profit

Profit is determined on the accrual basis of accounting which establishes that it should be included in the results of operations for the period in which they occur, simultaneously when they are correlated, regardless of receipt or payment.

The earnings per share for the period ended 3.31.12 were calculated based on the number of shares issued at the period end (1,459,485,718). For comparability purposes, the earnings per share for 3.31.2011 was calculated based on the equivalent amount of shares taking into consideration the movement in shares during the period.

b) Cash flow

I- Cash and cash equivalents: is represented by cash and deposits held at call with financial institutions, recorded in line item 'Cash', interbank deposits, units in investment funds, and fixed interest investments retrievable within 90 days, with an immaterial risk of market value variation. 'Cash equivalents' are amounts held for the purpose of settling short term cash obligations and not for investment or other purposes.

II- Cash flow statement: is prepared using the indirect method, in line with the criteria set out in Accounting Standard CPC 03 - *Cash flow statements*, approved by CMN Resolution 3604/2008. This standard foresees the cash flow statements being made up of amounts used for operating, investing, and financing purposes. These being:

- Operating activities are the main income generating activities of the entity that are neither investing nor financing activities. Included in this section are the funding activities that are carried out for the purposes of financial intermediation and other operational activities that are typical of a financial institution.

- Investing activities are those related to the buying and selling of long-term assets and other investments not included as cash equivalents, such as available-for-sale and held-to-maturity investments; and
- Financing activities are those that result in changes to the size and composition of the entity's and third parties' capital. Included in this section are structured funding activities aimed at raising resources to finance the Entity itself.

c) Interbank investments

These are stated at cost plus, when applicable, accrued income and monetary and foreign exchange rate variations up to the Balance Sheet date, on a pro rata basis.

d) Securities

In accordance with BACEN Circular 3068/2001, securities are classified according to management's intention into three specific categories:

- Trading securities: securities acquired to be actively and frequently traded. The securities are stated in current assets, regardless of their maturities and adjusted to market against income for the period;
- Available-for-sale: securities that can be traded but are not acquired to be actively and frequently traded or held to maturity. The income earned is recognized in the Statement of Income, and unrealized gains and losses arising from market value fluctuations are recognized in a specific account in equity, net of taxes;
- 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 income accrued.

The reconsideration of how securities are categorized occurs at the point of preparation of the half-year statements, taking into consideration their intended use and financial capacity, in accordance with procedures established by BACEN Circular 3068/2001.

e) Derivative financial instruments

Derivative financial instruments used to hedge exposures to risks through the change of certain characteristics of the financial assets and liabilities hedged that are considered highly effective and follow all the requirements of designation and documentation under BACEN Circular 3082/2002, are classified as accounting hedges according to their nature:

- Market risk hedge - hedged financial assets or liabilities and the related derivative financial instruments are recorded at market value, with the related gains or losses recognized in the Statement of Income; and
- Cash flow hedge - hedged financial assets or financial liabilities and the related derivative financial instruments are recorded at market value, with the related gains or losses, net of taxes, recognized in a specific account of equity entitled "Carrying value adjustments". The non-effective hedge portion is recognized directly in the Statement of Income.

Derivative financial instruments contracted at the request of third parties or on own behalf that fail to meet the accounting hedge criteria established by the Brazilian Central Bank, especially derivative financial instruments used to manage overall risk exposure, are recorded at market value, with gains and losses recognized directly in income.

f) Market value measurement

The market value measurement methodology (probable realizable value) of securities and derivative financial instruments is based on the economic scenario and pricing models developed by management and include gathering of average prices practiced in the market, applicable at the Balance Sheet date. Accordingly, when these items are financially settled, actual results may differ from estimates.

g) Credit operations and allowance for loan losses

These are recorded at present value based on the index and contractual interest rate, on a pro rata basis, calculated up to the Balance Sheet date and are recorded on the accrual basis until the 60th day overdue. Those transactions which are past due for more than 60 days, independent of their risk level rating, have their income recorded only when received.

The Bank records allowances for loan losses in conformity with the ratings established by CMN Resolution 2682/1999, which requires the classification of transactions in nine risk levels, from "AA" (minimum risk) to "H" (maximum risk), and also based on an analysis of outstanding transactions, periodically performed and reviewed by management, which considers, among others, the historical experience with borrowers, the economic scenario and global and specific portfolio risks.

The transactions classified in rating "H" remain under this rating for six months, when they are then written off against the existing allowance and controlled for five years in a memorandum account, no longer being included in the Balance Sheet.

Renegotiated transactions remain at least at the same risk level in which they were classified. Renegotiated transactions that had already been written off against the allowance and that were recorded in memorandum accounts are rated in risk level H, and any income from the renegotiation is only recognized when actually received. When a significant amount is paid or new material events justify changing a transaction's risk level, the transaction may be reclassified to a lower risk rating.

h) Derecognition of financial instruments

In accordance with CMN Resolution 3533/2008, 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 instrument control in order to determine its maintenance or not 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 credit operations.

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

i) Other assets

These correspond basically to assets not held for sale, especially those received as payment, and prepaid expenses, whose benefits or services are expected in the future.

j) Permanent assets

- Investments: investments in subsidiary and associated companies in which the Bank has significant influence or its interest is 20% or more of the voting capital are recorded by the equity method of accounting. Other investments refer basically to shares of companies in which the Bank, directly or indirectly, does not have significant influence or does not hold more than 20% of the voting capital are, therefore, stated at cost, adjusted by a provision for impairment. Dividends received from these investments are recognized within the result.
- Property and equipment in use: correspond to rights in tangible assets that are maintained or used in the Bank and its subsidiaries' activities, including those rights received as a result of transactions that transfer the risks, rewards, and control of such assets to the Bank. They are stated at cost, net of accumulated depreciation. Depreciation is calculated on the straight-line method at annual rates based on the economic useful lives of assets, as follows: properties in use - 4%; communication and security systems, facilities, aircraft, and furniture and fixtures - 10%; and vehicles and data processing equipment - 20%; and subject to impairment test.
- Intangible assets: correspond to rights in intangible assets that are maintained or used in the Bank and its subsidiaries' activities. Intangible assets with finite useful lives are amortized on the straight-line method over the estimated period in which they will generate economic benefits; and subject to impairment test.

k) Impairment of non-financial assets

CMN Resolution 3566/2008 provides the procedures applicable to the recognition, measurement and disclosure of impairment and requires compliance with CPC Technical Pronouncement 1 - *Impairment of assets*.

Impairment of non-financial assets is recorded as a loss when the book value of an asset or a cash generating unit is higher than its recoverable or realizable value. A cash-generating unit is the smallest identifiable group of assets which generates substantial cash flows irrespective of other assets and groups of assets. When applicable impairment losses are recorded in income for the period in which they were identified.

Non-financial assets are periodically reviewed for impairment, at least on an annual basis, to determine if there are any indications that the assets' recoverable 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 amounts recorded in property and equipment and intangible assets at March 31, 2012 and 2011.

l) Money market funding and borrowings and onlendings

The stated amounts include income, monetary adjustments (on a pro rata basis) and exchange variations, as applicable, incurred through the Balance Sheet date.

Incurred transaction costs, basically relating to amounts paid to third parties for intermediation, placement and distribution services for entity securities are accounted for against the securities and are recognized on a monthly basis to the appropriate expense account i.e. "pro rata temporis", except when the instruments are measured at fair value through the profit or loss.

m) Insurance and private pension plan operations

I - Technical reserves - insurance and pension plan

Insurance and private pension plan reserves are recorded based on technical actuarial notes, in accordance with criteria established by SUSEP and National Council of Private Insurances (CNSP) Resolutions 162/2006, 181/2007, 195/2008 and 204/2009:

- Provision for unearned premiums (PPNG): corresponds to the portion of insurance premiums retained corresponding to the non-elapsed risk period of the insurance contracts, on a pro rata basis. That reserve related to retrocession transactions is recognized based on information received from IRB Brasil Resseguros S.A. In addition, the Reserve for current risks not issued (RVNE) is recognized to cover risks that were not issued on the date of calculation;
- Provision for unsettled claims: based on estimates of indemnities relating to claims received until the end of the period, and monetarily restated according to SUSEP regulations;
- Reserves for unvested and vested benefits: represent the amount of the obligations assumed with the participants of the defined contribution plans PGBL and VGBL and are recognized according to the methodology established in a technical actuarial note approved by SUSEP;
- Reserve for incurred but not reported losses (IBNR): calculated based on actuarial studies and recorded to cover claims that have occurred but not notified by the insured party;
- Contribution deficiency reserve (PIC): recorded annually based on an actuarial valuation to cover occasional insufficiency of mathematical reserves for unvested and vested benefits;
- Premium deficiency reserve (PIP): consists of a prospective actuarial calculation, recognized in the event of insufficiency of the unearned premium reserve (PPNG);
- Administrative expenses reserve (PDA): recognized to cover the administrative expenses of the VGBL and PGBL pension plans and individual life insurance, calculated based on approved methodology in the technical actuarial note;

- Supplementary premium reserve (PCP): recognized on a monthly basis to supplement the PPNG, and its amount is equal to the difference, if positive, between the average of the sum of amounts calculated daily during the recognition month and the PPNG recorded, considering risks in force, whether written or not.

II - Liability adequacy test

The liability adequacy test, that came into force as a result of the SUSEP Circular 410/2010, is performed on a half yearly basis, and seeks to ensure the adequacy of the Entity's technical provisions. The test takes into account the minimum assumptions determined by SUSEP and by Safra's own internal actuaries.

At every consolidated financial reporting date the liability adequacy test is carried out to check the adequacy of the insurance liabilities net of related acquisition costs. To carry out this test, Safra uses the best estimates of cash flows, claims and administrative expenses. Any insufficiency is accounted for at first by reducing the deferred acquisition cost, and then, if necessary, by establishing a provision.

Long-term insurance contracts are measured according to assumptions made at the beginning of the contract. When the liability adequacy test requires the use of new assumptions, these are considered prospectively.

III - Calculation of insurance and reinsurance earnings

Insurance premiums, net of co-insurance premiums, as well as acquisition costs are recognized at the point of issue of the policy contract or invoice. Insurance premium income is recognized into the Statement of Income over the course of the policy risk period. This is achieved by establishing an unearned premium reserve, and a deferral of the acquisition costs.

Pension plan contributions are recognized as received.

Reinsurance premiums are deferred and recognized over the course of the cover period.

Income and expenses arising from insurance operations with DPVAT are recognized based on the information received from Seguradora Líder dos Consórcios do Seguro DPVAT S.A. (DPVAT is a centralized insurance consortium into which all car insurers are obliged to make a contribution).

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

The recognition, measurement and disclosure of contingent assets and liabilities and legal obligations is made in conformity with the criteria set forth in the CPC Technical Pronouncement 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution 3823/2009 and BACEN Circular 3429/2010, as described below:

(i) Contingent assets - are possible assets that have come about as a result of a past event but whose existence will only be confirmed by the occurrence or not of one or more uncertain future events that are not fully under the control of the entity. The contingent asset is not recognized in the accounts, but is disclosed in the notes when it is probable that the asset will be recognized. By extension, when evidence arises that makes the asset a practical certainty the asset is no longer contingent and is recognized in the accounts.

(ii) Contingent liabilities - a present (legal or constructive) obligation as a result of past events, in which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured, should be recognized by the entity as a provision. If the outflow of resources to settle the obligation is not probable or cannot be reliably measured, then a contingent liability is created instead of a provision. The contingent liability is not registered in the accounts but is disclosed in the notes, unless the likelihood of having to settle the obligation is remote.

Contingent liabilities also come about as a result of possible obligations arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not fully under the control of the entity. These possible obligations should also be disclosed.

Obligations are evaluated by Management, based on the best estimates and taking into consideration the opinion of legal advisors, who create a provision when the likelihood of a loss is considered probable; when the likelihood is considered possible, then this is disclosed. Obligations for which there is a remote chance of loss are neither provided for or disclosed.

(iii) Legal (tax and social security obligations) - refer to lawsuits challenging the legality or constitutionality of certain taxes. The amount under litigation is quantified, accrued and adjusted on a monthly basis.

The judicial deposits not linked to provisions for contingencies and legal obligations are updated on a monthly basis.

o) Taxes

Calculated at the rates below, considering the effective relevant legislation for each tax rate.

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

(1) Non-financial institution subsidiaries continue to be subject to a rate of 9% for this contribution;

(2) Non-financial institution subsidiaries that perform a non-cumulative calculation continue to be subject to PIS and COFINS rates of 1.65% and 7.6% respectively.

Law 11941/2009 created the Transition Tax Regime - RTT, which sought to neutralize the tax effects of the new accounting standards that were coming into force, as established by Law 11638/2007 and Law 11941/2009. The RTT therefore states that all legal entities as at 2010, in sum, "should continue to consider the accounting methods and criteria in force as at 12.31.2007 to be relevant for the purposes of tax calculations".

p) Deferred income

Refers to income received before fulfillment of the obligation that gave origin to it. The recognition, as effective income, will be recorded over the term of the transaction.

q) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that, in its best judgment, affect the amounts of certain financial and non-financial assets and liabilities, income and expenses and other transactions, such as: (i) the market value of certain financial assets and financial liabilities and derivative financial instruments; (ii) depreciation rates of property and equipment items; (iii) amortization of intangible assets; (iv) provisions required to cover risks of contingent liabilities; (v) tax credits; (vi) allowance for loan losses and (vii) insurance and pension plan technical reserves. The amounts of the possible liquidation of these assets and liabilities, financial or otherwise, may differ from those estimates.

4. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	3.31.2012	**3.31.2011**
Cash	433,143	284,451
Money market investments - own portfolio (1)	4,770,171	11,807,084
Interbank deposits	4,159	275,087
Foreign currency investments	970,927	186,131
Total	**6,178,400**	**12,552,753**

(1) *At 03.31.2011 includes operations through exclusive investment fund (note 6(b)).*

5. INTERBANK INVESTMENTS

	3.31.2012				3.31.2012
	Amounts by maturity				
	Up to 90 days	From 91 to 365 days	Over 365 days	Total	Total
Money market investments	**15,207,217**	**-**	**-**	**15,207,217**	**18,448,218**
Own portfolio - National Treasury	4,770,171	-	-	4,770,171	9,841,706
Own portfolio - Private entities	-	-	-	-	111,107
Securities under resell agreement - Third-party portfolio - National Treasury	10,437,046	-	-	10,437,046	8,288,840
Short position - National Treasury	**-**	**-**	**-**	**-**	206,565
Interbank deposits (1)	**405,089**	**773,966**	**1,454,429**	**2,633,484**	**1,128,763**
Foreign currency investments	**970,927**	**-**	**-**	**970,927**	**186,131**
Total at 3.31.2012	**16,583,233**	**773.966**	**1,454,429**	**18,811,628**	**19,763,112**
Total at 3.31.2011	**18,388,172**	**1,350,656**	**24,284**	**17,763,112**	

(1) R$ 960,000 (R$ 130,000 as at 3.31.2011) of this amount relate to operations between non-related financial institutions, which are held as guarantees against certain compulsory payments-on-account.

6. SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Breakdown by maturity by class:

	3.31.2012							3.31.2011
	Cost	**Mark-to-market**	**Market value**	**Without maturity**	**Up to 90 days**	**From 91 to 365**	**Over 365 days**	**Market value**
Trading securities	**7,943,580**	**1,424**	**7,945,004**	**2,678,946**	**-**	**5,266,058**	**-**	**8,980,735**
National Treasury	5,182,975	511	5,183,486	-	-	5,183,486	-	2,699,827
National Treasury Bills	3,458,191	1,882	3,460,073	-	-	3,460,073	-	301,078
National Treasury Notes	1,706,318	(1,386)	1,704,932	-	-	1,704,932	-	2,394,715
Financial Treasury Bills	18,466	15	18,481	-	-	18,481	-	4,034
Linked to Technical Reserve - Note 11 (b)	2,645,203	677	2,645,880	2,563,308-	-	82,572	-	2,079,452
National Treasury	81,895	677	82,572			82,572		65,880
Quotas of investment funds - PGBL and VGBL	2,493,229	-	2,493,229	2,493,229	-	-	-	1,948,503
Quotas of investment funds – DPVAT	70,079	-	70,079	70,079	-	-	-	65,069
Quotas of investment funds - (1)	-	-	-	-	-	-	-	4,197,949
Private entities – Shares	17,436	236	17,672	17,672	-	-	-	3,507
Foreign securities – Shares	97,966	-	97,966	97,966	-	-	-	-
Available-for-sale securities	**5,741,597**	**10,713**	**5,752,310**	**74,639**	**442,014**	**92,496**	**5,143,161**	**2,235,592**
National Treasury	3,483,966	3,382	3,487,348	-	-	41,579	3,445,769	31,959
National Treasury Bills	893,161	(1,531)	891,630	-	-	33,947	857,683	29,167
National Treasury Notes	2,590,805	4,913	2,595,718	-	-	7,632	2,588,086	2,792
Private entities	1,786,909	7,079	1,793,988	74,639	2,240	50,917	1,666,192	1,801,688
Debentures	997,141	-	997,141	-	-	26,352	970,789	884,646
Certificates of real estate receivables (CRI)	160,575	6,690	167,265	-	-	-	167,265	175,232
Shares	74,250	389	74,639	74,639	-	-	-	113,857
Bank Deposit Certificates	554,943	-	554,943	-	2,240	24,565	528,138	627,953
Foreign securities - Bank Deposit Certificates	470,722	252	470,974	-	439,774	-	31,200	401,945
Held-to-maturity securities	**532,658**	**-**	**532,658**	**-**	**277,038**	**178,654**	**76,966**	**40,860**
National Treasury	76,966	-	76,966	-	-	-	76,966	-
Private entities	328,312	-	328,312	-	149,658	178,654	-	30,922
Debentures	-	-	-	-	-	-	-	15,240
Promissory Notes	328,312	-	328,312	-	149,658	178,654	-	15,682
Foreign securities - Bank Deposit Certificates	127,380	-	127,380	-	127,380	-	-	9,938
Derivative financial instruments - Assets (Note 7)	**161,106**	**155,234**	**316,340**	**-**	**37,926**	**163,182**	**115,232**	**340,439**
Total at 3.31.2012	**14,378,941**	**167,371**	**14,546,312**	**2,753,585**	**756,978**	**5,700,390**	**5,335,359**	**11,597,626**
Total at 3.31.2011	**11,510,949**	**86,677**	**11,597,626**	**6,328,885**	**912,994**	**2,882,154**	**1,473,593**	

b) By type:

	3.31.2012					3.31.2011
	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 days	Total	Total
Own portfolio	**190,277**	**719,052**	**4,976,595**	**4,547,310**	**10,433,234**	**8,456,413**
National Treasury	-	-	4,747,024	2,849,918	7,596,942	2,010,465
National Treasury Bills	-	-	3,016,392	399,030	3,415,422	248,064
Financial Treasury Bills	-	-	18,058	-	18,058	18
National Treasury Notes	-	-	1,712,574	2,450,888	4,163,462	1,762,383
Private entities	92,311	151,898	229,571	1,666,192	2,139,972	6,034,065
Debentures	-	-	26,352	970,789	997,141	899,886
Shares	92,311	-	-	-	92,311	117,364
Promissory Notes	-	149,658	178,654	-	328,312	15,682
Quotas of investment funds (1)	-	-	-	-	-	4,197,949
Bank Deposit Certificates	-	2,240	24,565	528,138	554,943	627,952
Certificates of real estate receivables (CRI)	-	-	-	167,265	167,265	175,232
Foreign securities	97,966	567,154	-	31,200	696,320	411,883
Bank Deposit Certificates	-	567,154	-	31,200	598,354	411,883
Shares	97,966	-	-	-	97,966	-
Subject to repurchase agreements - National Treasury	**-**	**-**	**-**	**-**	**-**	**11,728**
Restricted deposits - National Treasury	**-**	**-**	**149,526**	**38,610**	**188,136**	**140,525**
National Treasury Notes	-	-	-	-	-	140,525
National Treasury Bills	-	-	149,526	38,610	188,136	-
Linked to guarantees - National Treasury (2)	**-**	**-**	**328,515**	**634,207**	**962,722**	**569,069**
National Treasury Bills	-	-	328,092	497,009	825,101	82,181
Financial Treasury Bills	-	-	423	-	423	4,016
National Treasury Notes	-	-	-	137,198	137,198	482,872
Insurance and pension plan guarantee reserves - (Note 11 (b))	**2,563,308**	**-**	**82,572**	**-**	**2,645,880**	**2,079,452**
National Treasury	-	-	82,572	-	82,572	65,880
Quotas of investment funds - DPVAT	70,079	-	-	-	70,079	65,069
Quotas of investment funds - PGBL and VGBL	2,493,229	-	-	-	2,493,229	1,948,503
Derivative financial instruments - Assets (Note 7)	**-**	**37,926**	**163,182**	**115,232**	**316,340**	**340,439**
Total at 3.31.2012	**2,753,585**	**756,978**	**5,700,390**	**5,335,359**	**14,546,312**	**11,597,626**
Total at 3.31.2011	**6,328,885**	**912,994**	**2,882,154**	**1,473,593**	**11,597,626**	**-**

(1) At 3.31.2012 Safra Group's exclusive funds were mainly represented by R$ 2,566,216 of securities under agreement to resell (guaranteed by Government Bonds) and structured fixed income transactions in the amount of R$ 776,353, both with Banco Safra S.A..

(2) Relates to derivative guarantees worth R$ 825,735 (R$ 454,858 at 3.31.2011) held in custody worth R$ 93,221 (R$ 75,547 at 3.31.2011) and amounts for civil and labor suits (Note 12(c-I)) worth R$ 43,766 (R$ 38,664 at 3.31.2011).

7. DERIVATIVE FINANCIAL INSTRUMENTS

The main purpose of the use of derivative financial instruments by Banco Safra and its subsidiaries is to provide to their customers products that hedge these customers' assets against risks from currency and interest rate fluctuations. Furthermore, these instruments are used by the Bank in the daily management of the risks assumed in its operations, including the hedging of the portfolio of fixed interest securities and operations defined by Management.

The main risks related to the derivative financial instruments are: credit risk, market risk, and liquidity risk, as defined below:

- Credit risk is the exposure to losses in the event of default by counterparties or by debtors of contracted amounts.
- Market risk is the exposure to fluctuations in interest rates, foreign exchange rates, commodity prices, stock market prices, and other values, and due to the type of product, volume of operations, terms and conditions of the agreement and underlying volatility.
- Liquidity risk is the risk arising from mismatches between negotiable assets and payable liabilities in transactions with derivative financial instruments that might affect the payment ability of the entity, taking into consideration the currencies and settlement terms of their assets and liabilities.

Banco Safra and its subsidiaries' positions are monitored by an independent control function, which uses a specific system to manage risk, including calculating the Value at Risk (VaR) with a confidence interval of 99 percent, stress tests, back testing, and other technical resources. The Group has a Market Risk Committee, consisting of high-ranked executives, which meets on a weekly basis to analyze the market conditions and a Treasury and Risk Committee, including members of the Executive Committee, which meets on a monthly basis to discuss detailed aspects of Market Risk management, as well as reviewing risk limits, stress scenarios, strategies and outcomes.

a) Asset and liability accounts

	3.31.2012						3.31.2011
	Cost	Mark-to-market	Market value	Up to 90 days	From 91 to 365 days	Over 365 days	Market value
Derivative financial instruments - Assets							
Non Deliverable Forward - NDF	**41,207**	**-**	**41,207**	**4,699**	**25,311**	**11,197**	**403**
Options premiums	**3,037**	**845**	**3,882**	**3,019**	**863**	**-**	**19,895**
Bovespa Index	1,028	21	1,049	186	863	-	19,529
Foreign Currency	2,009	824	2,833	2,833	-	-	366
Forward - Shares	**1,026**	**(83)**	**943**	**943**	**-**	**-**	**73,954**
Government Securities	-	-	-	-	-	-	69,161
Shares	1,026	(83)	943	943	-	-	4,793
Swap - Amounts receivable	**229,353**	**29,184**	**258,537**	**25,800**	**128,702**	**104,035**	**238,301**
Interest rate	24,972	4,293	29,265	1,132	7,727	20,406	92,166
Foreign Currency	204,381	24,891	229,272	24,668	120,975	83,629	146,135
Credit default swaps - CDS	**10,896**	**-**	**10,896**	**2,590**	**8,306**	**-**	**7,886**
Future	**-**	**875**	**875**	**875**	**-**	**-**	**-**
Total Assets at 3.31.2012	**285,519**	**30,821**	**316,340**	**37,926**	**163,182**	**115,232**	**340,439**
Total Assets at 3.31.2011	**260,155**	**80,284**	**340,439**	**101,471**	**151,767**	**87,201**	
Derivative financial instruments -							
Non Deliverable Forward - NDF	**(6,142)**	**-**	**(6,142)**	**(4,929)**	**(1,187)**	**(26)**	**(42,019)**
Options premiums *(1)*	**(3,088,173)**	**31,541**	**(3,056,632)**	**(1,010,717)**	**(1,776,623)**	**(269,292)**	**(3,265,653)**
Bovespa Index	(185)	639	454	462	(8)	-	(12,383)
Foreign Currency	(3,087,988)	30,902	(3,057,086)	(1,011,179)	(1,776,615)	(269,292)	(3,253,270)
Forward - Government Securities	**-**	**-**	**-**	**-**	**-**	**-**	**(69,160)**
Swap - Amounts payable *(1)*	**(567,388)**	**(65,349)**	**(632,737)**	**(63,022)**	**(286,273)**	**(283,442)**	**(527,794)**
Interest rate	(189,116)	(33,022)	(222,138)	(44,185)	(116,461)	(61,492)	(199,337)
Foreign Currency	(378,272)	(32,327)	(410,599)	(18,837)	(169,812)	(221,950)	(328,458)
Credit default swaps - CDS	**(2,845)**	**-**	**(2,845)**	**(2,845)**	**-**	**-**	**(2,075)**
Future	**-**	**(553)**	**(553)**	**(553)**	**-**	**-**	**(2,275)**
Total Liabilities at 3.31.2012	**(3,664,548)**	**(34,361)**	**(3,698,909)**	**(1,082,066)**	**(2,064,083)**	**(552,760)**	**(3,908,977)**
Total Liabilities at 3.31.2011	**(3,864,796)**	**(44,181)**	**(3,908,977)**	**(951,164)**	**(1,345,163)**	**(1,612,650)**	

(1) Includes premiums of structured fixed income transactions in the amount of R$ 3,084,331 (R$ 3,258,450 at 3.31.2011) - Note 10.

b) Composition of the derivative financial instrument portfolio by Notional Value:

		3.31.2012				3.31.2011
	Locations	Up to 90 days	From 91 to 365	Over 365 days	Notional	Notional amount
Non Deliverable Forward - NDF		**747.701**	**216.074**	**330.989**	**1.294.764**	**676.345**
Long positions	CETIP	738,191	216,045	330,989	1,285,225	658,975
Short positions	CETIP	9,510	29	-	9,539	17,369
Options premiums		**9,892,969**	**16,411,221**	**2,971,840**	**29,276,030**	**46,380,508**
Long positions		831,876	3,563	-	835,439	**5,796,663**
Bovespa Index	CETIP	11,932	3,563	-	15,495	5,139,721
Foreign Currency	BM&FBOVESPA	819,944	-	-	819,944	656,942
Short positions		9,061,093	16,407,658	2,971,840	28,440,591	**40,583,845**
Bovespa Index	CETIP	10,673	123	-	10,796	5,003,554
Foreign Currency	BM&FBOVESPA	9,050,420	16,407,535	2,971,840	28,429,795	35,580,291
Forward		**1,034**	**-**	**-**	**1,034**	**74,226**
Government Securities	BM&FBOVESPA	-	-	-	-	69,161
Shares	BM&FBOVESPA	1,034	-	-	1,034	4,793
Swap		**799,305**	**3,769,931**	**4,503,827**	**9,073,063**	**7,731,974**
Interest rate	BM&FBOVESPA	30,000	210,000	387,695	627,695	541,250
Interest rate	CETIP	653,649	1,845,008	1,099,108	3,597,765	3,575,183
Foreign Currency	CETIP	115,656	1,714,923	3,017,024	4,847,603	3,615,591
Future		**7,880,134**	**7,579,431**	**7,555,625**	**23,015,190**	**18,601,170**
Long positions		1,473,301	-	2,189,295	3,662,596	2,447,719
Interest rate	BM&FBOVESPA	1,360,978	-	2,189,295	3,550,273	2,060,326
Foreign Currency	BM&FBOVESPA	112,323	-	-	112,323	387,393
Short positions		6,406,833	7,579,431	5,366,330	19,352,594	16,153,451
Interest rate	BM&FBOVESPA	5,739,163	7,579,431	5,366,330	18,684,924	15,845,823
Foreign Currency	BM&FBOVESPA / CME	667,670	-	-	667,670	307,628
Credit default swaps - CDS	**-**	**289,386**	**161,728**	**-**	**451,114**	**268,312**
Foreign Exchange Coupon Swap -	**BM&FBOVESPA**	**-**	**447,065**	**-**	**447,065**	**-**
	CETIP	1.828.997	3.941.419	4.447.121	10.217.537	18.278.704
	BM&FBOVESPA	17,781,532	24,644,031	10,915,160	53,340,723	55,453,608
Total		**19.610.529**	**28.585.450**	**15.362.281**	**63.558.260**	**73.732.312**

c) Credit derivatives

Banco Safra makes use of derivative financial instruments of credit in order to offer their customers, through issuance of securities, opportunities to diversify their investment portfolios.

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

CONSOLIDATED		
	3.31.2012	**3.31.2011**
Risks Transferred (1)		
Credit swap whose underlying assets are:		
Securities	225,557	132,674
Risks Received (1)		
Credit swap whose underlying assets are:		
Securities	(225,557)	(135,638)
Net transferred exposure total	-	**-**
Net received exposure total	-	**(2,964)**

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

During the period there was no occurrence of a credit event related to the facts set forth in the agreements.

There was no significant effect on the calculation of Required Regulatory Capital (PRE) at March 31, 2012, in accordance with CMN Resolution 3490/2007. The credit risk exposures of Banco Safra are mitigated, as provided in Bacen Circular 3360/2007, by guarantee instruments contracted with customers.

d) Hedging of financial assets and financial liabilities

The aim of the designated hedge accounting applied by Safra is to protect against the effects of market interest rates (CDI or Libor) or exchange variations to assets and liabilities fair value (depending on their nature).

In this context, the Bank created a designated hedge portfolio for assets and liabilities with pre-determined rates, principally being items such as credit operations and funding. In order to protect the market value of the items that make up the above mentioned portfolio an amount of R$ 15,760,163 (R$ 11,065,818 at 3.31.2011) was designated as hedge of DI futures negotiated on the BM&FBOVESPA. The accumulated unrealized result (gain) by marking to market the hedged item was R$ 205,147 (R$ 37,018 at 3.31.2011) (Note 13(c)) and has been fully recognized in the result for the period.

In order to protect the market value of the pre-fixed funding carried out on 01.27.2011 for Grand Cayman Branch, by way of the issue of US$ 500,000 of Subordinated Debt (Note 10(e)) Safra negotiated a pre x Libor Swap with third parties for a six month period, designated as a fair value interest rate hedge. The market value of the hedged liability as at 3.31.2012 was R$ 1,020,681, given that the swap has exactly the same referential, currency, interest rate and expiry date as the original debt. The accumulated unrealized result (loss) by marking to market the hedged liability was R$ 101,579 (R$2,697 at 3.31.2011) and has fully been recognized in the result for the period.

In order to protect the market value of the pre-fixed funding carried out on 08.08.2011 by Banco Safra, by way of the issue of R$ 800,000 (Note 10(c)) DI futures contracts negotiated on the BM&FBOVESPA were designated as hedge derivatives. Their notional value as at 3.31.2012 was R$ 881,715. The market value of the hedged liability as at 3.31.12 was R$ 857,922. The accumulated unrealized result (loss) by marking to market the hedged liability was R$ 45,825 and has been fully recognized in the result for the period.

In order to protect the market value of the pre-fixed funding carried out on 05.16.2011 by Banco Safra, by way of the issue of US$300,000 (Note 10(c)), DI futures contracts negotiated on the BM&FBOVESPA were designated as hedge derivatives. Their notional value as at 3.31.2012 was R$ 569,450. The market value of the hedged liability as at 12.31.2011 was R$ 561,928. The accumulated unrealized result (loss) by marking to market the hedged liability was R$ 11,113 and has been fully recognized in the result for the period.

In order to protect the market value of the pre-fixed funding carried out for Grand Cayman Branch, by way of the issue of R$ 300,000 (Note 10(c)) DI futures contracts negotiated on the BM&FBOVESPA were designated as hedge derivatives. Their notional value as at 3.31.2012 was R$ 293,847. The market value of the hedged liability as at 3.31.12 was R$ 319,509. The accumulated unrealized result (loss) by marking to market the hedged liability was R$ 6,862 (gain of R$ 17,933 at 3.31.2011) and has been fully recognized in the result for the period.

The effectiveness of hedges designated by Safra for accounting purposes is in accordance with the parameters set out in BACEN Circular 3082/2002.

8. CREDIT PORTFOLIO

a) Credit operations per risk level and the related allowance:

CONSOLIDATED											
	3.31.2012										3.31.2011
Risk levels	**AA**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**	**Total**
Loans and discounted notes	12,729,486	2,251,824	803,920	538,109	454,292	332,643	86,355	28,011	245,418	17,470,058	14,756,948
Financing	6,987,056	167,163	30,453	1,301	79	3,597	1	6	5,479	7,195,135	4,968,622
Rural and agro-industrial financing	504,473	52,270	16,166	2,780	102	257	58	142	319	576,567	1,058,095
Housing loans	122,141	189,359	193	8,243	323	273	68	-	213	320,813	49,458
Advances on foreign exchange contracts	1,358,242	36,281	19,154	4,745	2,877	-	-	-	-	1,421,299	707,049
Onlendings BNDES/FINAME	5,845,960	1,323,581	604,164	254,297	144,841	29,275	10,501	4,011	42,784	8,259,414	6,518,680
BNDES/FINAME	5,627,450	1,304,669	595,097	242,919	139,404	27,129	10,379	2,935	40,048	7,990,030	5,995,878
FINAME - Leases	218,510	18,912	9,067	11,378	5,437	2,146	122	1,076	2,736	269,384	522,802
Direct consumer credit and leases	1,935,908	4,654,871	498,419	953,968	219,643	76,876	32,977	27,594	165,057	8,565,313	7,969,988
Direct consumer credit	1,554,856	4,300,212	465,644	902,061	164,250	60,110	27,969	24,160	122,914	7,622,176	5,503,278
Leases	381,052	354,659	32,775	51,907	55,393	16,766	5,008	3,434	42,143	943,137	2,466,710
Other receivables	2,878,426	1,718,667	65,160	60,652	19,264	995	103	822	2,178	4,746,267	2,724,945
Total transactions with credit characteristics	**32,361,692**	**10,394,016**	**2,037,629**	**1,824,095**	**841,421**	**443,916**	**130,063**	**60,586**	**461,448**	**48,554,866**	**38,753,785**
Guarantees and sureties										8,695,343	5,831,640
Total with guarantees and sureties at 3.31.2012	**32,361,692**	**10,394,016**	**2,037,629**	**1,824,095**	**841,421**	**443,916**	**130,063**	**60,586**	**461,448**	**57,250,209**	**44,585,425**
Allowance at 3.31.2012	**-**	**(52,183)**	**(20,811)**	**(124,995)**	**(232,904)**	**(221,913)**	**(91,031)**	**(60,580)**	**(461,448)**	**(1,265,865)**	
Total transactions with credit characteristics	**26,964,476**	**7,113,673**	**2,122,678**	**1,506,708**	**561,749**	**93,752**	**51,711**	**44,601**	**294,437**	**38,753,785**	
Guarantees and sureties										5,831,640	
Total with guarantees and sureties at 3.31.2011	**26,964,476**	**7,113,673**	**2,122,678**	**1,506,708**	**561,749**	**93,752**	**51,711**	**44,601**	**294,437**	**44,585,425**	
Allowance at 3.31.2011	**(109,592)**	**(50,436)**	**(47,332)**	**(86,128)**	**(119,891)**	**(38,046)**	**(30,213)**	**(37,542)**	**(294,437)**	**(813,617)**	

Non accrual amounts receivable greater than 60 days past due are R$ 767,574 (R$ 467,636 at 3.31.2011).

b) Allowance for loan losses:

The changes in the allowance for loan losses were as follows:

	CONSOLIDATED	
	3.31.2012	**3.31.2011**
Balance at the beginning of the period	1,318,083	802,050
Allowance recorded	189,562	79,858
Mandatory minimum allowance (CMN Resolution 2682/1999)	279,562	89,779
Additional allowance	(90,000)	(9,921)
Write-offs	(241,780)	(68,291)
Balance at the end of the period	**1,265,865**	**813,617**
Minimum allowance required (CMN Resolution 2682/1999)	913,265	537,838
Additional allowance	352,600	275,779

In recognizing the provision above, Banco Safra's Management does not consider only the minimum provisioning levels defined by CMN Resolution 2682/1999. In addition to the minimum provisioning levels, Banco Safra also thoroughly analyzes the risk of loan losses supported by an internal credit rating methodology widely tested and periodically re-evaluated and approved by Management.

c) Renegotiated loans and recovery of receivables

The balance of renegotiated loans in the period was R$ 293,092 (R$ 180,556 in 2011), and provision for loan losses was R$ 156,882 (R$ 124,579 in 2011).

The receivables recovered in the quarter amounted to R$ 29,685 (R$ 23,028 in 2011).

d) Breakdown of the portfolios by maturity:

	3.31.2012	**3.31.2011**
Past-due:		
Up to 14 days	1,201,935	858,317
From 15 to 60 days	934,607	650,799
From 61 to 90 days	263,333	81,670
From 91 to 180 days	297,432	190,187
Over 180 days	206,809	195,779
Subtotal past-due	**2,904,116**	**1,976,752**
Falling due:		
Up to 90 days	15,486,672	13,634,645
From 91 to 365 days	13,444,347	11,789,865
Over 365 days	16,719,731	11,352,523
Current subtotal	**45,650,750**	**36,777,033**
Total	**48,554,866**	**38,753,785**

e) Breakdown of the portfolios by activity:

	3.31.2012	3.31.2011
Private sector		
Rural	596,018	1,063,281
Industry	12,850,957	9,948,337
Commerce	12,473,952	9,383,427
Financial institutions	905,938	1,112,590
Services	15,219,342	11,794,500
Individuals	6,187,464	5,200,626
Housing	321,195	251,024
Total	**48,554,866**	**38,753,785**

9. FOREIGN EXCHANGE PORTFOLIO

	3.31.2012		3.31.2011	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange sales and purchases pending	2,228,527	1,296,754	1,022,978	215,110
Payables and receivables from foreign exchange	1,282,448	2,158,039	215,879	1,050,509
(-) Import financing - exchange rate contracted	-	(1,115)	-	(460)
Advances in local currency received	(207,845)	-	(20,700)	-
Other	-	377	-	128
Total	**3,303,130**	**3,454,055**	**1,218,157**	**1,265,287**
Net gains on foreign exchange transactions	**41,284**		**19,162**	

10. MONEY MARKET FUNDING, BORROWINGS AND ONLENDINGS, AND MANAGED FUNDS

At March 31 funds raised comprised the following:

	3.31.2012			3.31.2011		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Deposits (a)	14,086,075	1,210,184	15,296,259	12,487,219	1,558,535	14,045,754
Money market funding (b)	24,206,652	3,366,721	27,573,373	20,483,895	3.953.069	24,436,964
Funds from acceptance and issuance of securities (c)	4,763,225	6,746,228	11,509,453	900,565	3,998,608	4,899,173
Borrowings and onlendings (d)	7,394,879	5,001,824	12,396,704	6,863,920	3,930,663	10,794,583
Subordinated debt (e)	-	2,257,915	2,257,915	-	1,868,067	1,868,067
Structured fixed income transactions (1)	3,040,179	365,014	3,405,193	1,821,299	1,437,152	3,258,451
Total raised funds	**53,491,010**	**18,947,886**	**72,438,897**	**42,556,898**	**16,746,094**	**59,302,992**
Managed funds (2) (f)	39,177,702	-	39,177,702	41,951,413	-	41,951,413
Total managed funds	**92,668,712**	**18,947,886**	**111,616,599**	**84,508,311**	**16,746,094**	**101,254,405**

(1) Funds recorded in derivative financial instruments (Note 7(a)).

(2) Does not include investment funds in fund quotas and exclusive funds.

a) Deposits

	3.31.2012					3.31.2011
	Without maturity	**Up to 90 days**	**From 91 to 365 days**	**Over 365 days**	**Total**	**Total**
Demand deposits	742,509	-	-	-	742,509	950,972
Time deposits	-	2,861,839	5,800,174	1,027,033	9,689,046	8,735,712
Savings deposits	1,195,384	-	-	-	1,195,384	918,869
Interbank deposits	-	2,271,032	1,215,137	183,151	3,669,320	3,440,201
Total at 3.31.2012	**1,937,893**	**5,132,871**	**7,015,311**	**1,210,184**	**15,296,259**	**14,045,754**
Total at 3.31.2011	**1,869,841**	**3,674,085**	**6,943,293**	**1,558,535**	**14,045,754**	

b) Money market funding

	3.31.2012				3.31.2011
	Up to 90 days	**From 91 to 365 days**	**Over 365 days**	**Total**	**Total**
Own portfolio					
National Treasury	-	-	-	-	12,981
Own securities	4,551,610	9,304,529	3,366,721	17,222,860	16,017,661
Third-party portfolio					
Securities under agreement to repurchase - National Treasury	10,350,513	-	-	10,350,513	8,203,087
Unrestricted portfolio					
National Treasury	-	-	-	-	203,235
Total at 3.31.2012	**14,902,123**	**9,304,529**	**3,366,721**	**27,573,373**	**24,436,964**
Total at 3.31.2011	**13,513,842**	**6,970,053**	**3,953,069**	**24,436,964**	

c) Funds from acceptance and issuance of securities

	3.31.2012				3.31.2011
	Up to 90 days	**From 91 to 365 days**	**Over 365 days**	**Total**	**Total**
Funds from financial bills, bills of credit and similar notes	707,364	3,925,399	3,891,424	8,524,187	3,499,881
Financial bills	-	2,428,536	3,780,688	6,209,224	2,434,596
Agribusiness credit notes	643,732	1,324,122	19,896	1,987,750	782,032
Mortgage bills	21,316	112,037	-	133,353	115,198
Other	42,316	60,704	90,840	193,860	168,055
Securities issued abroad	94,571	35,891	2,854,804	2,985,266	1,399,292
Medium Term Note (Reais) - R$ 800,000 (1)	-	13,854	844,068	857,922	-
Medium Term Note (Dollar) - US$ 300,000 (1)	8,471	-	553,457	561,928	-
Medium Term Note (Reais) - R$ 300,000 (1)	-	15,868	303,641	319,509	-
Medium Term Note (Other)	86,100	6,213	1,156,298	1,248,611	1,399,292
Incurred transaction costs - Note 3 (k)	-	(44)	(2,660)	(2,704)	-
Total at 3.31.2012	**801,935**	**3,961,290**	**6,746,228**	**11,509,453**	**4,899,173**
Total at 3.31.2011	**314,740**	**585,825**	**3,998,608**	**4,899,173**	

(1) Designated hedge - Note 7 (d).

d) Borrowings and onlendings

	3.31.2012				3.31.2011
	Up to 90 days	**From 91 to 365 days**	**Over 365 days**	**Total**	**Total**
Foreign borrowings (1)	1,203,975	2,782,901	105,016	4,091,892	4,151,777
Transfer of financial assets	4,883	5,283	500	10,666	69,481
Domestic onlendings	1,155,400	2,242,438	4,896,308	8,294,146	6,573,325
National Treasury	22,826	38,138	-	60,964	67,397
BNDES	184,398	358,369	797,846	1,340,613	1,482,495
FINAME	948,176	1,845,931	4,098,462	6,892,569	5,023,433
Total at 3.31.2012	**2,364,258**	**5,030,622**	**5,001,824**	**12,396,704**	**10,794,583**
Total at 3.31.2011	**2,225,164**	**4,638,756**	**3,930,663**	**10,794,583**	

(1) Credit lines opened for import and export financing.

e) Subordinated debt

	Date		Accounting value at		
	Issue	**Maturity**	**3.31.2012**	**3.31.2011**	**Index**
Bank Deposit Certificates - CDB (1) (3)			**717,513**	**719,060**	
	2006	2016	77,513	719,060	106% of CDI
Financial bills - LF			**519,721**	**327,734**	
	2010	2016	132,357	117,017	IPCA + 7,19% to 7,7%
	2010 (1)	2016	200,073	200,099	114% of CDI
	2010 (2)	2020	12,053	10,618	IPCA + 7,27%
	2012 (4)	2019	74,818	-	IPCA + 6,14% to 6,28%
	2012 (4)	2019	100,420	-	114% of CDI
Medium term notes – Hedge - Note 7(d)	**2011** (1)	**2021**	**1,020,681**	**821,273**	US$ + 6.75%
	Total		**2,257,915**	**1,868,067**	

(1) Operations with half yearly interest payments.
(2) Operations with interest to be paid upon the settling of the contract.
(3) Of the amount issued R$ 1,468 (R$ 1,471 at 3.31.2011) is in the portfolio.
(4) The use of Subordinated Financial Bills as Tier II Regulatory Capital is in process of approval with BACEN.

f) Managed funds

The Safra Group is responsible for the management, administration and distribution of shares of investment funds, whose net assets at 3.31.2012, including funds managed by a company outside the Safra Group, totaled R$ 58,741,173 (R$ 61,717,466 at 3.31.2011), of which R$ 33,173,002 (R$ 36,369,245 at 3.31.2011) refers to financial investment funds, R$ 16,177,814 (R$ 15,761,273 at 3.31.2011) to share investment funds, R$ 6,085,663 (R$ 5,582,168 at 3.31.2011) to other investment funds, and R$ 3,304,694 (R$ 4,004,780 at 3.31.2011) to exclusive funds. Income from fund management, administration and share distribution fees, recorded in 'Income from services rendered', totals R$ 48,059 (R$ 46,062 in 2011) (Note 13 (e)).

11. INSURANCE AND PENSION PLAN OPERATIONS

a) Technical reserves

	CONSOLIDATED					
	INSURANCE		PENSION PLAN		TOTAL	
	3.31.2012	3.31.2011	3.31.2012	3.31.2011	3.31.2012	3.31.2011
Reserve for unvested and vested benefits	-	-	2,493,170	1,948,442	2,493,170	1,948,442
Provision for unearned premiums	49,666	43,706	-	-	49,666	43,706
Provision for unsettled claims	58,275	73,857	-	-	58,275	73,857
Reserve for incurred but not reported losses (IBNR)	31,820	13,812	-	-	31,820	13,812
Premium deficiency reserve - Benefits to be granted	-	-	9,773	10,010	9,773	10,010
Contribution deficiency reserve - Benefits to be granted	-	-	3,672	3,797	3,672	3,797
Supplementary premium reserve	1,502	328	-	-	1,502	328
Administrative expenses reserve	512	161	630	724	1,142	885
Other	-	-	1,740	45	1,740	45
Total	**141,775**	**131,864**	**2,508,985**	**1,962,986**	**2,650,760**	**2,094,850**

b) Securities pledge in guarantee of technical reserves

	CONSOLIDATED	
	3.31.2012	3.31.2011
Securities and derivatives	**2,645,880**	**2,079,452**
Quotas of investment funds - PGBL/VGBL	**2,493,229**	**1,948,503**
Private Securities	1,050,181	711,042
Bank Deposit Certificates - CDB (*)	472,242	444,775
Financial Bills	314,202	43,821
Debentures	116,774	90,754
Shares	93,655	129,655
Subject to repurchase agreements - Debentures	34,217	-
Promissory Notes	19,091	2,037
Government Securities	1,443,048	1,237,461
Financial Treasury Bills	411,860	427,687
National Treasury Notes	1,013,018	792,150
Other	18,170	17,624
Other securities	**152,651**	**130,949**
Government securities - National Treasury Bills	82,572	65,880
Quotas of investment funds - DPVAT agreement	70,079	65,069
Receivables from reinsurance operations - Note 13 (c)	**18,724**	**21,150**
Total	**2,664,604**	**2,100,602**

(*) Includes R$ 27,780 (R$ 89,184 at 3.31.2011) in subordinated CDB operations.

c) Results from insurance and pension plan operations

	CONSOLIDATED	
	3.31.2012	3.31.2011
Income from financial intermediation	**1,321**	**3,329**
Financial income from insurance and pension plan	69,775	49,151
Financial expenses on insurance and pension plan	(68,454)	(45,822)
Results from insurance and pension plan operations	**26,785**	**21,096**
Income from premiums and contributions - insurance and	122,455	154,181
Changes in technical reserves - insurance and pension plans	(64,819)	(103,935)
Claims expenses	(22,133)	(24,241)
Selling expenses	(7,838)	(4,927)
Other income and expenses	(880)	18
Income from services rendered (Note 13(e))	**6,176**	**5,124**
Income from management of pension plans	6,176	5,124
Total	**34,282**	**29,549**

d) Liability adequacy test

The liability adequacy test is carried out on a half yearly basis. The test performed on 12.31.2011 did not result in any required adjustments to the financial position.

12. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAX AND SOCIAL SECURITY

a) Contingent Assets

Are not recognized in the accounting records.

b) Contingent Liabilities

Contingent liabilities are as follows:

I - Civil lawsuits

Civil lawsuits are represented basically by indemnity claims for property and/or moral damages due to direct consumer credit operations, collections and loans, protests of notes, inclusion of customer data in the credit reporting agencies and understated inflation adjustments to saving accounts in connection with economic plans.

These lawsuits are evaluated when a court notification is received and reviewed periodically, and are quantified based on the judicial stage, evidence produced and considering the case law according to the legal counsel's assessment of the likelihood of loss. The provision is recorded at the full amount for proceedings classified as a probable loss.

II - Labor lawsuits

Lawsuits filed to claim alleged labor rights derived from the labor legislation specifically relating to financial institutions, especially overtime.

These are quantified when a court notification is received, estimated based on the value in discussion and accrued considering the historical percentage of losses of lawsuits (average cost) considered similar and usual.

III - Tax and social security lawsuits

Mainly represented by administrative proceedings and lawsuits related to municipal and federal taxes.

These are individually quantified when the notification of the proceedings is received, based on the amounts assessed and are accrued monthly. The provision is recorded at the full amount for proceedings classified as a probable loss.

c) The provisions recorded and the related changes for the periods are as follows:

I. Civil and Labor

CONSOLIDATED				
	01.01 to 03.31.2012			01.01 to 03.31.2011
	Civil	Labor	Total (1)	Total (1)
Opening balance	**222,786**	**165,749**	**388,535**	**255,014**
Monetary adjustment / Charges (2)	4,562	-	4,562	-
Changes in the period reflected in income (2)	11,940	22,736	34,676	23,691
New provisions	13,186	23,349	36,535	24,941
Reversals	(1,246)	(613)	(1,859)	(1,250)
Payments	(3,413)	(8,895)	(12,308)	(13,514)
Closing balance	**235,875**	**179,590**	**415,465**	**265,191**
Guarantee deposits (3)	34,705	37,210	71,915	
Guarantee securities (4)	1,341	42,425	43,766	
Total amounts guaranteed at 3.31.2012	**36,046**	**79,635**	**115,681**	
Guarantee deposits (3)	43,397	45,809	89,206	
Guarantee securities (4)	2,051	36,613	38,664	
Total amounts guaranteed at 3.31.2011	**45,448**	**82,422**	**127,870**	

(1) Note 13(d)
(2) Notes 13(j) - Civil contingencies and 13(g) - Labor contingencies
(3) Note 13(c)
(4) Note 6(b)

II. Tax and Social Security Contingencies and Legal Obligations

	01.01 to 03.31.2012			01.01 to 03.31.2011
	Tax and social security contingencies	Legal obligations	Total (1)	Total(1)
Opening balance	**586,760**	**642,282**	**1,229,042**	**838,628**
Monetary adjustment / Charges (2)	6,410	12,623	19,033	16,836
Changes in the period reflected in income(3)	10,729	360	11,089	66,547
Acquisitions in the period	776	-	776	-
Closing balance	**604,675**	**655,265**	**1,259,940**	**922,011**
Guarantee deposits at 3.31.2012 (4)	**32,840**	**10,244**	**43,084**	
Guarantee deposits at 3.31.2011 (4)	**28,882**	**10,244**	**39,126**	

(1) Note 14(c)
(2) Note 13(j)
(3) Tax and social security contingencies - Note 13(j); Legal obligations recognized within tax expenses.
(4) Note 13(c).

The main lawsuits involving tax and social security contingencies are as follows:

Tax and social security contingencies:

- Service tax (ISS) on lease transactions: several tax assessments and lawsuits related to the levy of this tax on lease transactions related to the location where the tax is levied and its taxable base, totaling R$ 241,292 (R$ 189,816 at 3.31.2011).
- Provisional Contribution on Financial Movements (CPMF) - Cash Management: tax assessment related to the product Cash Management, because the tax authorities claimed that there was settlement/payment of receivables, at the risk and expense of third parties, without the related credit in the beneficiary's account, and also, pursuant to Article 5, I, of Law 9311/1996, attributing the liability for payment of this tax to the Bank, an amount of R$ 97,289 (R$ 91,808 at 3.31.2011).

Legal obligations:

The extension of the calculation basis for PIS and COFINS, as incorporated by paragraph 1, article 3 of Law 9718/1998, lead to a provision of R$ 639,995 (R$ 490,891 at 3.31.2011), substantially guaranteed by a guarantee letter.

13. OTHER ACCOUNTS

a) Central Bank Deposits:

As at 3.31.2012, Central Bank deposits of R$ 3,801,689 (R$ 1,294,477 as at 3.31.2011) were substantially made up of compulsory collections. The gain arising from compulsory collections subject to remuneration was R$ 105,210 (R$ 21,432 in 2011), and has been disclosed in the Statement of Income as compulsory investments.

b) Negotiation and intermediation of securities:

	3.31.2012	**3.31.2011**
ASSETS	**154,826**	**96,911**
Debtors pending settlement *(1)*	57,198	25,195
Settlement and clearinghouse *(1)*	75,604	71,670
Financial assets and commodities pending settlement	4,628	-
Other	17,396	46
LIABILITIES	**137,911**	**86,054**
Creditors pending settlement *(1)*	52,604	17,380
Settlement and clearinghouse *(1)*	73,005	60,147
Financial assets and commodities pending settlement	11,465	7,894
Other	837	633

(1) Refers basically to transactions on stock exchanges recorded by J. Safra Corretora de Valores e Câmbio Ltda.

c) Other receivables:

	3.31.2012	3.31.2011
Deferred tax assets - Note 14(b-I)	273,435	223,215
Debtors for deposits in guarantee	194,710	258,237
Debtors for deposits in guarantee of tax and social security contingencies and legal obligations (1)	122,795	169,031
Debtors for deposits in guarantee of civil and labor contingencies - Note 12(c-I)	71,915	89,206
Taxes and contributions to be offset	54,678	50,684
Active operations to be processed	173,543	183,246
Assignment of loans receivable	6,503	21,244
Receivables from insurance and reinsurance operations- Note 11(b)	54,553	48,144
Equalization rate for credit operations	87,891	87,686
Mark-to-market of fixed rate portfolio	205,147	-
Other	63,574	31,953
TOTAL	**1,114,034**	**904,409**

(1) Payments linked to tax and social security contingencies and legal obligations are disclosed in Note 12 (c-II).

d) Other payables:

	3.31.2012	3.31.2011
Provision for contingent liabilities - civil and labor - Note 12 (c-I)	415,465	265,191
Provision for payments to be made	148,961	132,168
Foreign creditor amounts	119,763	66,276
Credit card administration obligations	87,735	100,365
Orders to release	33,326	12,879
Passive operations to be processed	29,480	14,543
Roll over of amounts to release	143,448	183,767
Mark-to-market of fixed rate portfolio	-	37,018
Other	81,998	55,013
Total	**1,060,176**	**867,220**

e) Income from services rendered:

	2012	2011
Custody and investment management fee (Note 10 (f))	48,059	46,062
Broker fees	5,542	4,803
Collections	16,805	16,123
Guarantees provided	32,016	25,877
Credit card operations	13,538	14,410
Exchange services	3,228	2,451
Other	1,456	1,452
Total	**120,644**	**111,178**

f) Income from bank fees:

	2012	2011
Charges on lending operations	22,414	6,882
Charges on DOC/TED transfers	3,472	3,391
Packages of services and registrations	16,733	25,205
Other current account services	13,476	7,862
Total	**56,095**	**43,340**

g) Personnel expenses:

	2012	2011
	2012	**2011**
Remuneration and profit sharing	177,677	177,453
Benefits	17,900	17,264
Payroll taxes	47,476	43,646
Labor contingencies - Note 12(c-I)	22,736	10,516
Dismissal of employees	3,070	1,899
Total	**268,859**	**250,778**

h) Administrative expenses:

	2012	2011
Facilities	7,059	5,349
Rentals	13,443	11,610
Publicity and advertising	3,659	1,850
Data processing and telecommunications	9,716	13,851
Outsourced services	23,643	20,685
Travel	4,982	2,486
Financial system services	9,988	8,420
Security and surveillance services	3,000	2,659
Transportation	5,156	4,972
Protection of information	12,902	18,787
Depreciation and amortization	10,362	9,223
Legal and notary fees	21,062	17,238
Other	4,057	4,117
Total	**129,029**	**121,247**

i) Other operating income:

	2012	2011
Recovery of charges and expenses	1,299	2,516
Rental income	2,455	3,314
Other	3,594	3,469
Total	**7,348**	**9,299**

j) Other operating expenses:

	2012	2011
Civil contingencies - Note 12 (c-I)	11,940	13,175
Tax and social security contingencies - Note 12 (a) and (c-II)	11,089	32,749
Monetary adjustment of tax and social security contingencies and legal obligations - Note 12 (c-II)	19,033	16,836
Monetary adjustment of civil contingencies - Note 12 (c-I)	4,562	
Other	15,167	10,999
Total	**61,791**	**73,759**

14. TAXES

a) Analysis of expenses for income tax and social contribution

I - Reconciliation of income tax and social contribution charges

	3.31.2012	3.31.2011
Profit before taxation	**462,144**	**450,321**
Charges (income tax and social contribution) at standard rates - Note 3(o)	(184,858)	(180,128)
Permanent (additions) deductions		
Equity in the earnings of subsidiary and associated companies in Brazil	-	(94)
Exchange gain (loss) on investments abroad	(4,093)	(4,670)
Dividends and interest on foreign debt bonds	36	12
Non-deductible expenses, net of non-taxable income	5,060	2,563
Deferred tax assets not recognized in the period	(32,808)	(29,943)
Income tax and social contribution for the period	**(216,663)**	**(212,260)**

II - Tax Expenses

	3.31.2012	3.31.2011
PIS / COFINS	53,762	46,979
Service tax (ISS)	6,503	6,704
Municipal real estate tax (IPTU)	4,606	4,430
Tax on financial transactions (IOF)	6,095	649
Other	4.433	1,292
Total	**75,399**	**60,054**

b) Deferred taxes

I - Origin of income tax and social contribution:

	Balance at 12.31.2011	Amount recorded	Amount realized	Balance at 3.31.2012	Balance at 3.31.2011
Provision for civil contingencies	89,065	6,229	(995)	94,299	66,214
Provision for labor contingencies	63,164	9,095	(3,514)	68,745	39,745
Adjustment to market value of trading securities	164	-	(164)	-	698
Other	23,666	265	(1,670)	22,261	16,077
Total deferred tax assets on temporary differences	**176,059**	**15,589**	**(6,343)**	**185,305**	**122,734**
Income tax and social contribution losses	85,812	10,587	(8,269)	88,130	100,464
Adjustment to market value of available-for-sale securities	-	-	-	-	17
Total deferred tax assets - Note 13 (c)	**261,871**	**26,176**	**(14,612)**	**273,435**	**223,215**

II- Deferred tax liabilities:

	3.31.2012	3.31.2011
Excess depreciation	840,790	1,090,903
Adjustment to market value of derivative financial instruments	429	26,583
Adjustment to market value of available-for-sale securities	4,264	5,996
Monetary adjustment of judicial deposits	8,408	-
Total - Note 14 (c)	**853,891**	**1,123,482**

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

Period	Deferred tax assets			Provision for deferred taxes and contributions	Net deferred taxes
	Temporary differences	Income tax and social contribution losses	Total		
2012	34,737	25,227	59,964	(334,620)	(274,656)
2013	40,683	42,709	83,392	(396,898)	(313,506)
2014	34,521	20,194	54,715	(118,590)	(63,875)
2015	34,521	-	34,521	(1,681)	32,840
2016	32,692	-	32,692	(1,681)	31,011
2017	8,151	-	8,151	(421)	7,730
Total	**185,305**	**88,130**	**273,435**	**(853,891)**	**(580,456)**
Present Value (*)	**161,603**	**81,114**	**242,670**	**(793,094)**	**(550,424)**

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

At 3.31.2012 unrecognized deferred tax amounts on temporary differences came to R$ 1,041,589 (R$ 659,484 at 3.31.2011).

c) The tax and social security obligations are shown below:

	3.31.2012	3.31.2011
Income tax and social contribution payable	228,587	144,721
Taxes and contributions payable	98,291	99,084
Provision for deferred taxes and contributions - Note 14 (b-II)	853,891	1,123,482
Tax and social security contingencies and legal obligations - Note 12 (c-II)	1,259,940	922,011
Total	**2,440,709**	**2,289,298**

15. PERMANENT ASSETS

a) Investments in associated companies - Consolidated

At March 31, 2011, these are represented by the interest held in Pastoril Agropecuária Couto Magalhães S.A. of R$ 10,385. Equity in the earnings of associated companies for the period ended 12.31.2011 was R$ (236).

At 3.31.2012 and 3.31.2011, other investments are mainly represented by shares and quotas of unrelated parties, stated at cost, in the amounts of R$ 316,733 and R$ 456,068, respectively.

b) Property and equipment in use and intangible assets:

CONSOLIDATED					
	3.31.2012				3.31.2011
	Annual depreciation/ amortization rate	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
Property and equipment in use:		**551,850**	**(347,727)**	**204,123**	**258.650**
Construction in progress - Furniture and equipment	-	4,324	-	4,324	3,296
Properties for use:		220,677	(112,930)	107,747	161,835
Land	-	56,641	-	56,641	73,067
Buildings	4%	164,036	(112,930)	51,106	88,768
Rental properties:		12,481	(10,134)	2,347	2,385
Land	-	2,263	-	2,263	2,263
Buildings	4%	10,218	(10,134)	84	122
Facilities, furniture and equipment in use:		72,117	(36,148)	35,969	35,484
Facilities	10%	46,590	(18,670)	27,920	26,571
Furniture and equipment	10%	25,527	(17,478)	8,049	8,913
IT and data processing equipment:		130,209	(107,822)	22,387	16,853
Communication system	10%	12,261	(9,898)	2,363	1,136
Data processing system	20%	117,948	(97,924)	20,024	15,717
Other:		112,043	(80,694)	31,349	38,797
Security system	10%	3,456	(2,394)	1,062	1,316
Transportation system	20%	108,587	(78,300)	30,287	37,481
Intangible assets:		**62,615**	**(26,086)**	**36,529**	**17,188**
Software	20%	62,528	(26,026)	36,502	17,142
Other		87	(60)	27	46

16. EQUITY

a) Shares

The capital of Banco Safra S.A. is represented by 730,695,526 common shares and 728,790,192 preferred shares of shareholders domiciled in Brazil, with no par value, totaling 1,459,485,718.

b) Dividends

The shareholders have a right to a minimum dividend equivalent to 1% of the capital corresponding to common and preferred shares, respectively.

In line item "Social and Statutory" is included the amount of R$ 9,941 (R$ 5,363 at 3.31.2011), which relates to dividends and interest on own capital payable from previous periods.

c) Capital and Revenue Reserves

	3.31.2012	3.31.2011
Capital reserves	**-**	**72,723**
Tax incentives	-	70,142
Other	-	2,581
Revenue reserves	**2,270,128**	**3,533,867**
Legal	116,873	448,133
Special	2,153,255	3,085,734

17. RISK MANAGEMENT

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

a) Credit risk

Banco Safra is exposed to credit risk, which is the risk that arises when a counterparty causes a financial loss by failing to meet a contractual obligation. Significant changes in the economy or in the financial health of a specific segment of industry that represent a concentration in the portfolio held by Banco Safra can result in losses that differ from those provided in the Balance Sheet date. Therefore, Banco Safra carefully controls the exposure to credit risk.

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

The Credit Risk Management Committee concentrates the Credit Risk governance to ensure a total vision across the entire credit life cycle. In order to ensure the necessary independence of the risk function, this committee comprises executive officers and superintendents responsible for Corporate Risk Management, Credit Analysis, Policies, Modeling and Portfolio Management, Monitoring, Collection and Validation. Depending on the nature of the issue, the Committee may refer it to the Board of Directors.

b) Market risk

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

Banco Safra tracks its total exposure to market risks, measured by the daily Value at Risk (VaR) at a 99% confidence level, adopting as a policy a maximum expected loss of less than 1% of its tier- 1 regulatory capital. To be able to comply with this regulation, the Bank sets targets for Treasury that are compatible with this risk exposure.

Banco Safra's market risk assessments also include the use of stress metrics, contemplating crises in historical periods and prospective stressed economic scenarios, in addition to the effects of stress among risk factor families. Additionally, stop loss limits are established.

The Market Risk area actively participates in the approval of new products or financial instruments that may introduce new risk factors for Treasury management. As it is responsible for mark-to-market pricing processes and result and risk calculation, the approval of the Market Risk area is required before new products are implemented.

The policies that govern market risk management - Market Risk Policy and Market Risk Limits Policy - are disclosed to Treasury, control and support areas (liquidity and market risk managers, internal audit, internal controls and compliance, liquidity and market risk validation and information technology) through the corporate intranet, in addition to the disclosure of the Market Risk management framework to the public.

c) Liquidity risk

Liquidity risk consists of the possibility that the Bank may not have sufficient financial resources to honor its commitments as a result of mismatches between payments and receipts, considering the different currencies and settlement terms of rights and obligations.

To manage liquidity risk, there are committees for the management of assets and liabilities, convened every month, with the objective of defining the liquidity strategies to be followed in a two-year horizon. Cash is monitored on a daily basis and reported to the responsible managers and officers.

Banco Safra submits to the Brazilian Central Bank the liquidity risk reports determined by CMN Resolution 2804/2000, with specifications established by BACEN Circular 3393/2008. These reports are prepared based on management information of the Investment Risk area to comply with the prevailing regulations.

The Investment Risk area uses statistics and projections on the behavior of payments and receipts to assess impacts on cash in a series of scenarios: planning or normality, run off, stress and hard stress and there is also the possibility of using an arbitrary scenario. The results from the application of these scenarios are discussed at the meetings of the Committee of Assets and Liabilities.

d) Capital management

Banco Safra's capital risk management objectives encompass a concept wider than "equity" and include the following aspects:

- Comply with the requirements established by the regulatory bodies of the bank markets where it operates;

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

- Maintain a solid capital base to support the development of its business.

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

The bank authority requires that each bank or group of bank institutions maintains a minimum regulatory capital ratio of 11%.

Banco Safra's regulatory capital is divided into two tiers (Note 19):

Tier I capital - share capital, retained earnings and reserves for the recognition of retained earnings.

Tier II capital - qualified subordinated debt and unearned income arising from the measurement at fair value of equity instruments available for sale.

The investments in associated companies are deducted from tier 1 and tier 2 capitals to reach the regulatory capital.

Risk-weighted assets are measured through a hierarchy of five risk weights determined according to the nature of each asset and its corresponding liability - in addition to reflecting estimated market, liquidity and credit risks and other associated risks - considering all possible guarantees. A similar treatment is adopted for the exposure that is not accounted for, with some adjustments being made to reflect the more contingent nature of potential losses.

e) Operating risk

Operating risk is the possibility of incurring losses from failure, deficiency or inadequate internal procedures, personnel and systems, or external events.

Operating risk also includes the legal risk associated with the inappropriateness or deficiency in agreements entered into by Banco Safra and its subsidiaries, as well as sanctions arising from non-compliance with legal provisions and damages to third parties arising from the activities performed by Banco Safra and its subsidiaries. The legal risk is assessed on a continuous basis by Banco Safra´s legal areas and specific Committees with that scope.

This definition excludes the risk of reputation or image as well as other risks, such as strategic or business risks.

The Operating Risk Area is an independent control unit, segregated from the internal audit. The Operating Risk Area is responsible for meeting the requirements arising from BACEN Resolution 3380/2006 on the need for identification, evaluation, monitoring, control and mitigation of operating risk, as well as for the preparation and maintenance of the Operating Risk Policy. It is also responsible for Internal Control and Compliance activities.

f) Sensitivity analysis (Trading and Banking portfolios)

In accordance with the classification criteria for operations foreseen within CMN Resolution 3464/2007 and BACEN Circular 3354/2007 and the New Capital Agreement of BASEL II, financial instruments are divided into Trading portfolio (Trading) and Structural portfolio (Banking).

The Trading portfolio consists of all operations, including derivatives, held for the purposes of trading or for hedging of other instruments used for this strategy. They are held for resale, obtainment of the price movement benefits, effective, expected or as the result of arbitrage. This portfolio has rigid limits defined by the risk controllers and are monitored on a daily basis.

The Banking portfolio covers all operations that do not fall into the Trading portfolio, and are typically, structural operations for the institutions business lines and the respective hedges that may or may not be made through the use of derivatives. As a result, the derivatives in this portfolio are not used for speculative purposes.

The sensitivity analysis below is a simulation and does take into consideration Management's ability to react were such circumstances to occur, which would certainly mitigate the losses that would be incurred. In addition to this, the impacts presented below do not represent accounting losses as the methodology used is not based on Safra's accounting practices.

Trading Portfolio				
		3.31.2012		
		Scenarios		
Risk factors	**Risk of variation in:**	**1**	**2**	**3**
Shares	Share price variation	(254)	(6,338)	(12,676)
Coupon and currencies	Foreign currency coupon rate and exchange rate variation	(649)	(16,708)	(34,176)
Fixed income	Variation in interest rates denominated in real	(383)	(9,324)	(18,138)
Options	Foreign currency coupon rate and exchange rate variation	(489)	(12,221)	(24,436)
	Total without correlation	**(1,775)**	**(44,591)**	**(89,426)**
	Total with correlation	**(1,311)**	**(32,987)**	**(66,217)**

Trading and Banking Portfolio				
		3.31.2012		
		Scenarios		
Risk factors	**Risk of variation in:**	**1**	**2**	**3**
Shares	Share price variation	(254)	(6,338)	(12,676)
Coupon and currencies	Foreign currency coupon rate and exchange rate variation	(481)	(12,831)	(27,019)
Fixed income	Variation in interest rates denominated in real	(9,284)	(220,509)	(418,828)
Options	Foreign currency coupon rate and exchange rate variation	(489)	(12,221)	(24,436)
	Total without correlation	**(10,508)**	**(251,899)**	**(482,959)**
	Total with correlation	**(10,476)**	**(250,959)**	**(480,805)**

The sensitivity analysis was carried out using the following scenarios:

- **Scenario 1:** Application of movements of one basis point in the interest rates, and 1% in price variations based on market information (BM&FBovespa, Anbima etc.). Example: the Real/Dollar exchange rate used was R$ 1.8434 and the 1 year pre-fixed rate was 8.98% per year.
- **Scenario 2:** Application of a movement of 25% in the respective curves or prices, based on the market. Example: the Real/Dollar rate used was R$ 2.2814 and the 1 year pre-fixed rate was 11.21% per year.
- **Scenario 3:** Application of a movement of 50% in the respective curves or prices, based on the market. Example: the Real/Dollar rate used was R$ 2.7377 and the 1 year pre-fixed rate was 13.46% per year.

g) Exchange rate exposure

The value of exposures to gold, foreign currency and assets and liabilities subject to exchange differences including derivatives financial instruments and permanent foreign investments, as presented to the legal authorities, are:

	3.31.2012	3.31.2011
Net national exposure	**54,574**	**66,564**
Bought	9,955,189	3,492,621
Sold	(9,900,615)	(3,426,057)
Net foreign exposure	**(123,282)**	**(129,699)**
Bought	8,364,221	5,778,412
Sold	(8,487,503)	(5,908,111)
Total net exposure	**(68,708)**	**(63,135)**

h) The risk management structures in relation to market, credit and operating risk are on the Banco Safra website (www.safra.com.br). The risk management report will be available at this address within the time period established by BACEN Circular 3477/2009.

18. RELATED-PARTY TRANSACTIONS

a) Management remuneration:

At the Stockholders General Meeting on 04.29.2011, the maximum Director's and Board members remuneration was established at R$ 109,000. Remuneration received by Management came to R$ 19,467 (R$ 18,493 in 2011).

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

b) Ownership interest:

Integral interest from Joseph Yacoub Safra.

c) Related-party transactions

Transactions between related parties are disclosed in accordance with CMN Resolution 3750/2009. These are arms length transactions, in the sense that their value, period of execution, and rates involved are the market average at the time of the transaction.

Transactions between consolidated companies were eliminated for the purposes of the consolidated financial statements and continue to be considered void of risk.

CONSOLIDATED	Assets/(Liabilities)		Revenues/(Expenses)	
	3.31.2012	3.31.2011	2012	2011
Cash	**129,349**	**67,614**	**12**	**4**
Banco Safra Luxemburgo	116,875	39,920	12	4
Safra National Bank of New York	12,474	27,694	-	-
Foreign currency investments	**961,691**	**150,154**	**583**	**226**
Banco Safra Luxemburgo	-	-	80	-
Safra National Bank of New York	961,691	150,154	503	226
Securities	**435,391**	**401,945**	**295**	**299**
Deposits - Other companies	**(447)**	**(959)**	**-**	**-**
Interbank deposits	**(1,089,637)**	**(372,059)**	**(7,343)**	**(1,548)**
Banco Safra Luxemburgo	(356,223)	(313,887)	(2,654)	(1,414)
Safra National Bank of New York	(260,925)	(58,172)	(1,906)	(58)
Banque J. Safra (Monaco)	(413,214)	-	(2,550)	-
Other companies	(59,275)	-	(233)	(76)
Securities issued abroad - Banco Safra Luxemburgo	**(57,386)**	**(50,353)**	**-**	**-**
Derivative financial instruments - Assets/(Liabilities) - Banco Safra Luxemburgo	**(3,155)**	**(7,049)**	**5,546**	**5,792**
Funds from acceptance and issuance of securities	**(90,840)**	**-**	**(2,459)**	**-**
Fundação Filantrópica Vicky e Joseph Safra	(58,362)	-	(1,544)	-
Portofino Repres. e Partic. Ltda.	(11,135)	-	(69)	-
Other companies	(21,343)	-	(734)	-
Negotiation and intermediation of securities	**(81)**	**(43)**	**-**	**-**
Rental expenses - Other companies			**(721)**	**(1,001)**

19. OPERATIONAL LIMITS

The institutions authorized to operate by the Brazilian Central Bank (BACEN) are required to maintain a regulatory capital above the minimum of 11% of the Required regulatory capital, in accordance with their operational risks. In addition, the National Monetary Council and the Brazilian Central Bank issued several regulations that establish the guidelines to calculate regulatory capital, which went into effect on July 1, 2008, for implementation of the criteria of the New Basel Accord (Basel II).

Based on the regulations mentioned in the paragraph above, Regulatory Capital (PR) at March 31, is as follows:

	CONSOLIDATED FINANCIAL GROUP		CONSOLIDATED	
	3.31.2012	**3.31.2011**	**3.31.2012**	**3.31.2011**
Regulatory Capital (PR)	**8,096,332**	**7,689,139**	**8,096,240**	**7,597,894**
Tier I	**6,217,401**	**5,838,000**	**6,217,310**	**5,838,000**
Equity	6,256,685	5,858,934	6,256,594	5,858,934
Deferred permanent assets excluded from tier I	(33,042)	(14,047)	(33,042)	(14,047)
Carrying value adjustment excluded from tier I	(6,242)	(6,887)	(6,242)	(6,887)
Tier II	**1,878,931**	**1,851,139**	**1,878,930**	**1,851,139**
Subordinated debt	1,872,688	1,844,252	1,872,688	1,844,252
Carrying value adjustment	6,243	6,887	6,242	6,887
Deductions - Quotas of investment fund	**-**	**-**	**-**	**(91,245)**
Required Regulatory Capital (PRE)	**7,093,694**	**5,261,045**	**6,952,110**	**5,247,433**
Credit risk - Exposures weighted by risk factors (PEPR)	**6,646,002**	**4,993,846**	**6,486,930**	**4,966,572**
Market risk	**183,149**	**102,006**	**183,149**	**102,006**
Trading portfolio interest rate exposure (PJUR)	157,532	96,888	157,532	96,888
Fixed rate denominated in Real (PJUR1)	7,386	11,296	7,386	11,296
Foreign currency coupon (PJUR2)	129,346	23,293	129,346	23,293
Price index coupon (PJUR3)	20,800	62,299	20,800	62,299
Operations subject to commodity price variation (PCOM)	9,849	3,263	9,849	3,263
Operations subject to stock price variation (PACS)	15,768	1,855	15,768	1,855
Operating risk (POPR)	**264,543**	**165,193**	**282,031**	**178,855**
Basel Index [PR*100/(PRE/0.11)]	**12.5**	**16.1**	**12.8**	**15.9**
Amount of PR calculated for covering the interest rate risk of operations not classified in the trading portfolio (RBAN)	**80,434**	**18,655**	**80,434**	**18,655**
Capital margin (PR-PRE-RBAN)	**922,204**	**2,409,439**	**1,063,696**	**2,331,806**

20. OTHER INFORMATION

a) Insurance policy

Despite Banco Safra and its subsidiaries having a reduced risk from the non-concentration of assets in one place, the Bank nonetheless has the policy of insuring these assets to a level necessary to cover any eventual claims.

b) Audit committee

The Audit Committee is made up of five members which are nominated by the Board. Four of these are directors of the Bank, with the other being independent. The Committee's aim is to monitor and accompany:

the effectiveness of internal controls, the quality and integrity of the financial statements, and the work of the internal and independent auditors.

21. SUBSEQUENT EVENTS

In the Shareholders meeting held on April 14, 2012, a capital reduction of Banco Safra S.A. was approved by transferring the investment in J. Safra Participações Ltda. with a value of R$ 110,875, to the controlling shareholder by way of the extinction of 25,917,737 shares. This transfers resulted in a reduction of R$ 109,277 in Permanent assets in the Consolidated balance sheet.

* * *

(A free translation of the original in Portuguese)

Report on Review of Consolidated Interim Financial Statements

To the Board of Directors and Stockholders
Banco Safra S.A.

Introduction

We have reviewed the consolidated balance sheet of Banco Safra S.A. and subsidiaries ("Consolidated") as at March 31, 2012, and the consolidated interim statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank, as well as for the presentation of this information as required by the Brazilian Central Bank. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements referred to above do not present fairly, in all material respects, the financial position of the Bank as at March 31, 2012, and its consolidated financial performance and consolidated cash flows for the three-month period then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank.

Other matters

Consolidated Statement of value added

We have also reviewed the consolidated interim statement of value added for the three-month period ended March 31, 2012, prepared under the responsibility of the Bank's management, presented as supplementary information. This statement has been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in a manner consistent with the consolidated interim financial statements taken as a whole.

São Paulo, May 03, 2012

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Luiz Antonio Fossa
Contador CRC 1SP196161/O-8