

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

Banco Safra S.A.

*Financial Statements for the Six-Month
Periods Ended June 30, 2010 and 2009 and
Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Banco Safra S.A.
São Paulo, SP

1. We have audited the accompanying individual and consolidated balance sheets of Banco Safra S.A. and Banco Safra S.A. and subsidiaries as of June 30, 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the six-month periods then ended, all expressed in Brazilian reais and prepared under the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Bank and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by the management of the Bank and its subsidiaries, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Banco Safra S.A. and Banco Safra S.A. and subsidiaries as of June 30, 2010 and 2009, and the results of their operations, the changes in shareholders' equity and their cash flows for the six-month periods then ended, in conformity with accounting practices adopted in Brazil, applicable to financial institutions authorized to operate and regulated by the Central Bank of Brazil (BACEN).
4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, August 12, 2010



DELOITTE TOUCHE TOHMATSU
Auditores Independentes



Celso de Almeida Moraes
Engagement Partner

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

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

**BALANCE SHEETS
AS OF JUNE 30, 2010 AND 2009
(In thousands of Brazilian reais – R\$)**

	Notes	BANCO SAFRA S.A.		SAFRA CONSOLIDATED	
		2010	2009	2010	2009
ASSETS					
CURRENT ASSETS		46,378,580	41,177,490	57,070,042	47,829,616
Cash and cash equivalents		665,268	264,858	746,622	302,504
Interbank investments	5	22,609,854	20,722,593	20,944,881	18,972,314
Money market investments		18,532,176	15,095,323	18,532,176	15,095,323
Interbank deposits		3,116,891	3,110,761	1,451,918	1,360,482
Foreign currency investments		961,369	2,517,123	961,369	2,517,123
(Valuation allowance)		(582)	(614)	(582)	(614)
Securities and derivatives financial instruments	6	2,542,374	5,147,547	12,723,885	11,257,734
Own portfolio		1,760,991	1,566,324	11,887,166	7,586,921
Linked to repurchase agreements		41,862	2,769,516	41,862	2,769,515
Derivatives financial instruments		72,864	86,950	68,903	78,984
Linked to Central Bank of Brazil and other		206,193	240,515	206,193	240,515
Linked to guarantees		460,464	462,147	519,761	559,704
Linked to trading portfolio operations		-	22,095	-	22,095
Interbank accounts		1,183,758	816,396	1,184,057	817,564
Payments and receipts pending settlement		212,135	194,060	212,135	194,060
Restricted deposits:					
Central Bank of Brazil		905,495	621,843	905,794	622,093
Financial Housing System (SFH)		23	464	23	464
Interbank onlendings		66,105	-	66,105	-
Correspondents		-	29	-	947
Interbranch accounts		4,541	3,407	4,541	3,407
Internal transfers of funds		4,541	3,407	4,541	3,407
Lending receivables	7	14,984,350	10,483,896	15,910,845	10,659,322
Lending receivables:					
Public sector		2,107	-	2,107	-
Private sector		15,353,710	10,860,291	16,300,919	11,053,262
(Allowance for loan losses)		(371,467)	(376,395)	(392,181)	(393,940)
Leasing operations	7	605,525	162,096	1,893,924	2,007,611
Lease receivables - private sector		655,867	189,396	2,018,154	2,201,154
(Allowance for doubtful lease receivables)		(50,342)	(27,300)	(124,230)	(193,543)
Other receivables	7, 9	3,730,544	3,569,962	3,607,168	3,802,019
Receivables for guarantees honored		910	5,061	912	5,061
Foreign exchange portfolio		2,169,895	2,003,415	2,169,895	2,003,415
Income receivable		393,068	209,878	3,610	1,817
Trading account		12,890	739	157,030	118,298
Other		1,182,500	1,431,181	1,304,544	1,753,875
(Allowance for losses on other receivables)		(28,719)	(80,312)	(28,823)	(80,447)
Other assets		52,366	6,735	54,119	7,141
Prepaid expenses		52,366	6,735	54,119	7,141

(Continues)

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

BALANCE SHEETS

AS OF JUNE 30, 2010 AND 2009

(In thousands of Brazilian reais – R\$)

	Notes	BANCO SAFRA S.A.		SAFRA CONSOLIDATED	
		2010	2009	2010	2009
ASSETS					
NONCURRENT ASSETS		25,854,979	21,388,325	13,391,521	13,648,996
LONG-TERM ASSETS		22,765,652	17,714,206	12,609,714	12,843,714
Interbank investments	5	569,077	567,293	288,520	289,680
Money market investments		145,799	-	145,799	-
Interbank deposits		423,309	368,078	142,752	90,465
Foreign currency investments		-	199,279	-	199,279
(Valuation allowance)		(31)	(64)	(31)	(64)
Securities and derivatives financial instruments	6	14,467,366	11,950,539	1,481,887	3,443,848
Own portfolio		1,499,714	2,994,165	1,208,130	3,299,579
Linked to repurchase agreements		12,699,248	8,813,059	-	8,673
Derivatives financial instruments		268,404	143,315	228,082	135,596
Linked to guarantees		-	-	45,675	-
Lending operations	7	6,069,820	4,298,090	7,046,799	4,476,056
Lending operations:					
Public sector		3,325	-	3,325	-
Private sector		6,219,377	4,402,092	7,206,113	4,582,469
(Allowance for loan losses)		(152,882)	(104,002)	(162,639)	(106,413)
Leasing operations	7	1,067,765	462,864	2,904,383	3,969,490
Lease operations - private sector		1,102,749	486,191	2,969,078	4,104,145
(Allowance for doubtful lease receivables)		(34,984)	(23,327)	(64,695)	(134,655)
Other receivables	7, 9	582,947	433,159	868,743	651,759
Foreign exchange portfolio		130	-	130	-
Income receivable		-	67	-	67
Other		583,618	434,315	869,447	652,915
(Allowance for losses on other receivables)		(801)	(1,223)	(834)	(1,223)
Other assets		8,677	2,261	19,382	12,881
Other assets		18,967	10,305	35,513	24,351
(Allowance for losses on other receivables)		(10,290)	(8,044)	(16,131)	(11,470)
PERMANENT ASSETS		3,089,327	3,674,119	781,807	805,282
Investments	11	3,014,508	3,598,743	474,756	473,479
Investments in associates and subsidiaries					
Domestic		2,331,456	2,895,922	13,283	12,145
Foreign		226,530	246,411	-	-
Other investments		461,140	458,079	478,957	474,614
(Allowance for losses)		(4,618)	(1,669)	(17,484)	(13,280)
Fixed assets	10	47,408	49,073	277,980	302,948
Real estate		7,276	7,276	317,804	315,987
Other fixed assets		157,808	152,088	280,625	281,887
(Accumulated depreciation)		(117,676)	(110,291)	(320,449)	(294,926)
Deferred charges		5,915	7,468	6,031	9,317
Organization and expansion costs		17,527	17,527	18,240	26,085
(Accumulated amortization)		(11,612)	(10,059)	(12,209)	(16,768)
Intangibles		21,496	18,835	23,040	19,538
Intangible assets		37,934	36,090	39,478	39,543
(Accumulated amortization)		(16,438)	(17,255)	(16,438)	(20,005)
TOTAL ASSETS		72,233,559	62,565,815	70,461,563	61,478,612

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

BALANCE SHEETS

AS OF JUNE 30, 2010 AND 2009

(In thousands of Brazilian reais – R\$)

	Notes	BANCO SAFRA S.A.		SAFRA CONSOLIDATED	
		2010	2009	2010	2009
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES		53,030,337	42,004,090	48,715,954	38,328,880
Deposits	12	17,499,079	15,577,706	12,147,635	11,065,602
Demand deposits		1,003,398	784,018	990,655	779,022
Savings deposits		807,476	917,433	807,476	917,433
Interbank deposits		7,956,491	7,891,108	2,783,716	3,518,331
Time deposits		7,686,392	5,950,175	7,520,466	5,815,844
Other deposits		45,322	34,972	45,322	34,972
Deposits received under Securities repurchase agreements	13	25,016,863	17,224,338	25,002,163	17,194,439
Own portfolio		11,133,609	9,000,412	11,133,609	9,000,412
Third parties portfolio		13,883,254	8,201,884	13,868,554	8,171,985
Trading portfolio		-	22,042	-	22,042
Funds from acceptance and issuance of securities		570,694	429,890	593,266	429,884
Real estate notes		155,642	104,280	178,214	104,274
Securities issued abroad		415,052	325,610	415,052	325,610
Interbank accounts		313,561	293,147	308,469	282,867
Pending settlement		307,165	279,908	307,165	279,910
Correspondents		6,396	13,239	1,304	2,957
Interbranch accounts		153,680	104,861	153,680	104,861
Third-party funds in transit		153,512	104,690	153,512	104,690
Internal transfers of funds		168	171	168	171
Borrowings:		2,911,372	1,999,061	2,911,372	1,999,061
Domestic borrowings - official institutions		-	391,392	-	391,392
Foreign borrowings	14	2,911,372	1,607,669	2,911,372	1,607,669
Domestic onlendings - official institutions	15	196,520	213,661	620,420	668,553
National Treasury		36,478	54,074	36,478	54,074
National Social and Economic Development Bank (BNDES)		44,837	38,473	44,837	38,473
National Equipment Financing Authority (FINAME)		115,205	121,114	539,105	576,006
Derivatives Financial Instruments	24	3,064,324	2,676,969	3,040,042	2,457,449
Derivatives Financial Instruments		3,064,324	2,676,969	3,040,042	2,457,449
Other payables	16	3,304,244	3,484,457	3,938,907	4,126,164
Collected taxes and other		1,060,311	1,928,361	1,062,109	1,928,562
Foreign exchange portfolio		1,547,180	879,488	1,547,180	879,488
Social and statutory		5,455	4,302	5,456	4,302
Taxes and social security		180,009	40,035	408,938	355,425
Technical reserves - insurance		-	-	171,981	129,233
Trading account		6,474	1,832	151,362	119,371
Other		504,815	630,439	591,881	709,783

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

**BALANCE SHEETS
AS OF JUNE 30, 2010 AND 2009**

(In thousands of Brazilian reais – R\$)

	Notes	BANCO SAFRA S.A.		SAFRA CONSOLIDATED	
		2010	2009	2010	2009
LIABILITIES AND SHAREHOLDERS' EQUITY					
NONCURRENT LIABILITIES		19,203,222	20,561,725	21,745,609	23,149,732
LONG-TERM LIABILITIES		14,059,668	15,953,822	16,602,055	18,541,829
Deposits	12	1,561,864	3,460,487	1,561,864	3,460,487
Interbank deposits		227,801	15,014	227,801	15,014
Time deposits		1,334,063	3,445,473	1,334,063	3,445,473
Deposits received under securities repurchase agreements	13	1,635,788	2,604,049	1,635,788	2,604,049
Own portfolio		1,635,788	2,604,049	1,635,788	2,604,049
Funds from acceptance and issuance of securities		1,752,011	1,651,845	1,599,472	1,465,895
Real estate notes		73,245	15,108	301,769	203,142
Debentures		-	-	962	-
Securities issued abroad		1,678,766	1,636,737	1,296,741	1,262,753
Borrowings:		332,106	233,397	332,106	233,397
Foreign borrowings	14	332,106	233,397	332,106	233,397
Domestic onlendings - official institutions	15	3,887,530	2,573,047	4,347,961	3,022,024
National Social and Economic Development Bank (BNDES)		1,012,676	153,595	1,012,676	153,595
National Equipment Financing Authority (FINAME)		2,874,854	2,419,452	3,335,285	2,868,429
Derivatives Financial Instruments	24	2,887,194	3,602,864	2,714,851	3,706,591
Derivatives Financial Instruments		2,887,194	3,602,864	2,714,851	3,706,591
Other payables	16	2,003,175	1,828,133	4,410,013	4,049,386
Taxes and social security		948,259	671,491	1,904,120	1,875,793
Technical reserves - insurance		-	-	1,429,217	996,050
Subordinated debt	21	775,929	698,827	775,929	698,827
Other		278,987	457,815	300,747	478,716
DEFERRED INCOME		26,432	28,640	26,432	28,640
Deferred income		26,432	28,640	26,432	28,640
SHAREHOLDERS' EQUITY	22	5,117,122	4,579,263	5,117,122	4,579,263
Capital:					
Residents in Brazil					
Capital		2,007,958	2,007,958	2,007,958	2,007,958
Capital reserves		72,723	72,723	72,723	72,723
Profit reserves		2,021,657	1,080,989	2,021,657	1,080,989
Valuation adjustments to equity		(2,987)	(178)	(2,987)	(178)
Retained earnings		1,017,771	1,417,771	1,017,771	1,417,771
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		72,233,559	62,565,815	70,461,563	61,478,612

The accompanying notes are an integral part of these financial statements

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

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

STATEMENTS OF INCOME FOR THE SIX-MONTH PERIODS ENDED

JUNE 30, 2010 AND 2009

(In thousands of Brazilian reais – R\$)

	Notes	BANCO		SAFRA CONSOLIDATED	
		2010	2009	2010	2009
INCOME FROM FINANCIAL INTERMEDIATION		3,356,579	3,059,059	3,413,628	3,304,183
Lending operations		1,444,157	979,407	1,544,823	1,015,408
Leasing operations		104,849	55,662	312,484	496,062
Securities transactions		1,575,215	1,881,223	1,484,000	1,767,843
Foreign exchange transactions		218,112	136,554	58,075	18,657
Compulsory investments		14,246	6,213	14,246	6,213
EXPENSES ON FINANCIAL INTERMEDIATION		(2,514,416)	(2,360,442)	(2,253,594)	(2,399,137)
Derivative transactions		(220,090)	(537,344)	(216,012)	(515,819)
Funding transactions		(1,961,473)	(1,454,964)	(1,723,116)	(1,330,973)
Borrowings, assignments and onlendings		(298,367)	(241,858)	(289,372)	(385,789)
Financial assets sale and transfer operations		(23,770)	(71,306)	(23,770)	(71,306)
Allowance for losses on loans, leases and other receivables		(10,716)	(54,970)	(1,324)	(95,250)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		842,163	698,617	1,160,034	905,046
OTHER OPERATING INCOME (EXPENSES)		(202,390)	(232,204)	(401,943)	(328,964)
Income from services provided	26.a	157,722	113,424	234,323	153,270
Income from bank fees		32,470	29,808	54,137	38,370
Personnel expenses		(334,113)	(291,187)	(410,215)	(352,149)
Other administrative expenses	26.b	(239,786)	(244,869)	(267,864)	(276,544)
Tax expenses	26.c	(19,284)	(19,710)	(43,297)	(38,560)
Equity in associates and subsidiaries	11	204,118	168,029	451	9,888
Results on insurance operations		-	-	38,117	29,314
Other operating income	26.d	130,354	195,512	153,033	324,694
Other operating expenses	26.e	(133,871)	(183,211)	(160,628)	(217,247)
INCOME FROM OPERATIONS		639,773	466,413	758,091	576,082
NONOPERATING INCOME (EXPENSES)		(5,937)	(1,849)	(3,157)	1,761
INCOME BEFORE TAXES ON INCOME		633,836	464,564	754,934	577,843
INCOME TAX AND SOCIAL CONTRIBUTION	25	(121,597)	(11,832)	(242,695)	(125,111)
Provision for income tax and social contribution		(121,597)	(11,832)	(242,695)	(125,111)
NET INCOME		512,239	452,732	512,239	452,732
Number of paid-up shares: 1,085,948 (1,085,948 in 2009)					
- Earnings per share (in reais)		471.70	416.90	471.70	416.90

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

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

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIODS ENDED

JUNE 30, 2010 AND 2009

(In thousands of Brazilian reais – R\$)

	Capital	Capital reserves	Profit reserves		Valuation adjustments	Retained earnings	Total	
			Legal	For capital increase				Retained
BALANCES AS OF JANUARY 1, 2009	2,007,958	72,723	338,262	50,977	239,018	(422)	1,417,771	4,126,287
Adjustment to fair value - available-for-sale securities	-	-	-	-	-	244	-	244
Net Income	-	-	-	-	-	-	452,732	452,732
Allocation:								
Reserves	-	-	22,637	-	430,095	-	(452,732)	-
BALANCES AS OF JUNE 30, 2009	2,007,958	72,723	360,899	50,977	669,113	(178)	1,417,771	4,579,263
BALANCES AS OF JANUARY 1, 2010	2,007,958	72,723	383,826	50,977	1,074,615	(1,324)	1,317,771	4,906,546
Adjustment to fair value - available-for-sale securities	-	-	-	-	-	(1,663)	-	(1,663)
Net Income	-	-	-	-	-	-	512,239	512,239
Allocation:								
Reserves	-	-	17,766	-	494,473	-	(512,239)	-
Dividends	-	-	-	-	-	-	(300,000)	(300,000)
BALANCES AS OF JUNE 30, 2010	2,007,958	72,723	401,592	50,977	1,569,088	(2,987)	1,017,771	5,117,122

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

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

**STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2010 and 2009**

(In thousands of Brazilian reais – R\$)

	BANCO SAFRA S.A.		SAFRA CONSOLIDATED	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
ADJUSTED NET INCOME FOR THE SIX-MONTH PERIOD	404,652	337,575	619,306	586,389
Net income for the six-month period	512,239	452,732	512,239	452,732
Adjustments to net income:				
Depreciation and amortization	8,567	10,459	19,334	19,297
Valuation allowance for interbank investments	192	350	192	350
Allowance for loan losses	137,097	24,296	154,000	35,176
Allowance for doubtful lease operations	(77,286)	1,844	(103,581)	31,244
Allowance for losses on other receivables	(49,095)	28,830	(49,095)	28,830
Allowance for losses for repossessed assets	(5,261)	2,330	(3,824)	3,195
Equity in associates	(204,118)	(168,029)	(451)	(9,888)
Adjustment to fair value - securities and derivatives financial instruments	(1,663)	244	(1,663)	244
Allowance for investment losses	4	48	162	96
Deferred income	3,803	8,602	3,803	8,602
Deferred taxes	80,173	(24,131)	88,190	16,511
CHANGES IN ASSETS AND LIABILITIES	(1,041,952)	(241,820)	(149,853)	(789,926)
(Increase) decrease in interbank investments	(3,455,298)	(15,445,054)	(2,079,391)	(15,454,928)
(Increase) decrease in securities and derivatives financial instruments	(1,678,270)	10,621,791	687,653	12,309,335
(Increase) decrease in derivatives financial instruments	29,144	(607,542)	33,358	(808,780)
(Increase) decrease in interbank and interbranch accounts (assets/liabilities)	(84,113)	412,393	(88,888)	377,560
(Increase) decrease in lending operations	(2,661,874)	464,981	(3,958,024)	401,397
(Increase) decrease in leasing operations	656,797	116,263	1,347,540	840,636
(Increase) decrease in other receivables	56,660	2,059,159	20,486	1,914,706
(Increase) decrease in other assets	(18,353)	4,464	(19,760)	4,618
Increase (decrease) in deposits	1,960,680	2,396,248	30,008	(169,069)
Increase (decrease) in money market	1,306,809	3,204,269	1,301,106	3,231,869
Increase (decrease) in onlending operations	1,240,628	(1,560,757)	1,205,913	(1,731,421)
Increase (decrease) in deposits received under securities repurchase agreements	438,494	(1,371,365)	390,074	(1,078,751)
Increase (decrease) in other payables	1,166,744	(536,670)	980,072	(627,098)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(637,300)	95,755	469,453	(203,537)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	1,095,000	-	-	-
Sale of property and equipment	27,080	17,478	27,385	23,096
Purchase of repossessed assets	-	(1,369)	-	(2,234)
Sale of other fixed assets	4,632	-	3,195	-
Acquisition of investments	(317)	(236,562)	(355)	-
Sale of investments	-	37,120	-	81,381
Purchase of property and equipment	(33,783)	(24,364)	(36,439)	(24,364)
Increase in deferred assets	-	-	-	36
Increase in intangible assets	(4,861)	(4,865)	(5,848)	(4,896)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,087,751	(212,562)	(12,062)	73,019
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends and interest on capital paid	(300,000)	-	(300,000)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(300,000)	-	(300,000)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,451	(116,807)	157,391	(130,518)
Cash and cash equivalents at beginning of six-month period	514,817	381,665	589,231	433,022
Cash and cash equivalents at end of six-month period	665,268	264,858	746,622	302,504
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,451	(116,807)	157,391	(130,518)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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1. OPERATIONS

Banco Safra S.A. (the “Bank”) is engaged in asset, liability and accessory operations inherent in the related authorized portfolios (commercial, including foreign exchange, 1st and 8th regions mortgage loan, credit, financing, investment, and lease portfolios), according to current legislation and regulations. Transactions are conducted within the context of a group of financial institutions part of the Safra Group, which operate on an integrated basis in the financial markets, using a single operating structure. The benefits resulting from services rendered as well as related operating and administrative costs are absorbed by the entities, either jointly or individually, on a practicable and reasonable basis.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements of Banco Safra S.A. and Banco Safra S.A. and Subsidiaries (Consolidated) have been prepared and are presented in conformity with accounting practices adopted in Brazil and in compliance with Brazilian Corporate Law, and reflect the changes introduced by Law 11638/07 and Law 11941/09, and the standards and instructions of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN), the Brazilian Securities and Exchange Commission (CVM), and the Private Insurance Authority (SUSEP), as applicable.

In consolidation, intercompany balances and transactions and unrealized profits have been eliminated. Non-controlling interests have been excluded from shareholders' equity and net income and recorded in a specific account in the consolidated financial statements. Equity increases in subsidiaries not recorded in income are presented in the consolidated statement of income, under the caption “Other operating income”.

The Central Bank of Brazil (BACEN) established in its Resolution 3786, regulated by Circular Letter 3472, that the preparation and disclosure of annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), are mandatory for fiscal years ending beginning December 31, 2010.

In order to adopt the international accounting reporting standards, the Accounting Pronouncements Committee (CPC) issued some standards, and related interpretations, that will be applicable to financial institutions only when approved by the Central Bank of Brazil (BACEN). The accounting pronouncements already approved by BACEN include the following:

- CMN Resolution 3566/08 - Impairment of Assets
- CMN Resolution 3604/08 - Statement of Cash Flow
- CMN Resolution 3750/09 - Related Party Disclosures
- CMN Resolution 3823/09 - Reserves, Contingent Assets and Contingent Liabilities

It is not possible to estimate when other accounting pronouncements (CPCs) will be approved by BACEN. The Safra Group is assessing the accounting effects resulting from the adoption of IFRS and will complete this process within the timeframe defined by the Central Bank.

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The Bank and the consolidated financial statements have been prepared considering the leasing operations under the financial method, as shown below:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Leasing portfolio	504,083	5,625	549,268	138,073
Leased property and equipment	4,121,555	1,571,818	10,883,880	12,347,534
Guaranteed residual value	(2,867,022)	(901,856)	(6,445,916)	(6,180,308)
Leasing portfolio at present value	1,758,616	675,587	4,987,232	6,305,299
Lease income	1,040,709	268,528	2,274,334	2,292,870
Lease expenses	(935,860)	(212,866)	(1,961,850)	(1,796,808)
Lease income, net	104,849	55,662	312,484	496,062

The Cayman Islands branch has been consolidated into the Bank's financial statements and its balances, excluding the amounts of transactions with the head office, have been translated at the exchange rate prevailing as of June 30, as follows: Assets R\$4,073,970 (R\$ 2,068,719 at June 30, 2009), Liabilities R\$ 3,835,158 (R\$ 2,434,935 at June 30, 2009) and Shareholders' Equity R\$ 238,811 (R\$ 218,041 at June 30, 2009). Net income for the six-month period was R\$ 14,463 (R\$ 6,996 at June 30, 2009).

For purposes of comparability of the financial statements for the six-month period ended June 30, 2010 and in compliance with the changes to the chart of accounts of the subsidiaries pursuant to current legislation, the Group's Management decided to reclassify rental revenue of 2009 and 2010 from nonoperating income to other operating income, revenue and expenses from foreign exchange fluctuation on the investments abroad to results from derivative transactions in 2010 and 2009 and the results from insurance operations previously shown as other operating income and expenses to results from insurance operations in 2010 and 2009. These reclassifications did not result in significant changes when compared with the six-month period ended June 30, 2009.

The consolidated financial statements include the accounts of the companies listed in note 11 and their subsidiaries.

3. SIGNIFICANT ACCOUNTING PRACTICES**a) Revenue and expense recognition**

Revenues and expenses are recognized on the accrual basis.

b) Cash and cash equivalents

Under Resolution 3604/08 of the National Monetary Council, cash and cash equivalents are represented by cash and deposits in financial institutions, recorded under the captions "cash and cash equivalents", "interbank investments", and "trading securities", immediately convertible into cash and subject to immaterial risk of change in their fair value. Among the available funds with these features, only funds held for the purpose of meeting short-term cash commitments and not for investment or other purposes are classified as cash equivalents.

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c) Securities

Under BACEN Circular 3068, of November 8, 2001, and supplementary regulation, securities are classified according to management's intent into three specific categories: trading securities, available-for-sale securities and held-to-maturity securities.

Trading securities are stated in current assets, regardless of their maturities, at fair value, and realized and unrealized gains and losses are recognized in the statement of income. Available-for-sale securities are recorded at fair value; the income earned is recognized in the statement of income, and unrealized gains and losses arising from fair value fluctuations are recognized in a specific account of shareholders' equity, net of taxes. Realized gains and losses are recognized in the statement of income, as a contra entry to a specific account of shareholders' equity, net of taxes. Held-to-maturity securities are stated at cost, plus income earned.

d) Current and long-term assets, except securities and derivatives financial instruments

Stated at cost, plus, when applicable, income, monetary and exchange variations earned through the balance sheet date. When necessary, valuation allowances were recognized for adjustment to realizable value. The allowances for loan losses, doubtful lease receivables, and losses on other receivables are based on the analysis of outstanding positions conducted by management to conclude on their adequate amount, and takes into consideration the economic scenario and the overall and specific risks of each portfolio, as well BACEN's regulations.

e) Permanent assets

Stated at cost, restated through June 31, 1995, considering the following: (i) depreciation of property, plant and equipment under the straight-line method at annual rates based on the economic useful lives of assets, as follows: real estate - 4%; communication and security systems, facilities, aircraft, furniture and fixtures - 10%; vehicles and data processing equipment - 20%; (ii) accounting for direct and indirect subsidiaries under the equity method; (iii) allowance for losses considered permanent losses on "other investments"; and (iv) amortization of deferred charges under the straight-line method at the annual rates of 20% for expenses on system purchase and development, 10% for facilities and adaptation of facilities and, based on the lease agreement period, for leasehold improvements.

The intangible assets correspond to rights acquired that are maintained or used in the operations of the Bank and its subsidiaries. Intangible assets with finite useful lives are generally amortized on a straight-line basis over the estimated period they will generate economic benefits.

f) Impairment of non financial assets

BACEN Resolution 3566/08, which became effective on July 1, 2008, provides for the procedures applicable to the recognition, measurement and disclosure of impairment and requires compliance with CPC Technical Pronouncement 1, of September 14, 2007.

Impairment of nonfinancial assets is recorded as a loss when the book value of an asset or a cash generating unit is higher than the recoverable or realization value. A cash generating unit is the smallest identifiable group of assets which generates substantial cash flows independently from other assets and groups of assets. Impairment losses are recorded in the income for the period in which they were identified, when applicable.

Nonfinancial assets, except those recorded under "Other assets" and "Other receivables - tax credits", should be 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.

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Accordingly, in conformity with the standards above, Safra Group's management, except for the provision for depreciation for vehicles and other assets, related to repossessed assets, is not aware of any material adjustments that might affect the ability to recover the amounts recognized in property, plant and equipment, deferred charges and intangible assets at June 30, 2010.

g) Current and long-term liabilities

The stated amounts include, when applicable, income, monetary adjustments (on a daily pro rata basis) and exchange variations incurred through the balance sheet date. The provision for income tax is calculated at the statutory rate of 15% of taxable income, plus a 10% surtax on certain limits, and include tax incentives, whose option is reported in the income tax return. The social contribution tax rate is calculated at the statutory rate of 15% of taxable income for financial, insurance and pension plan institutions, and 9% for non-financial companies.

h) Contingent assets and liabilities, and legal, tax and social security obligations

The recognition, measurement and disclosure of contingent assets and contingent 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 National Monetary Council (CMN) Resolution 3823/2009, as described below:

- (i) Contingent assets - are not recognized in the financial statements, except when there is evidence that they will materialize and when they are no longer subject to appeals.
- (ii) Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal counsel and Management, the risk of loss on an administrative or judicial proceeding is considered probable, with a probable cash outflow to settle these obligations, and whenever the amounts involved can be reliably measured. Contingent liabilities classified as possible loss by the legal counsel and probable loss by the Management are recognized and disclosed in notes to the financial statements, and those classified as remote loss do not require provision or disclosure.
- (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.

i) Derivatives financial instruments

Derivatives are classified on the acquisition date according to Management's intent to use them for hedging or not.

Derivatives used to hedge exposures to risks or change the characteristics of financial assets and liabilities, and which are: (i) highly correlated in terms of changes in their fair value in relation to the fair value of the hedged item, both at the beginning and throughout the life of the contract; and (ii) considered effective in the mitigation of the risk associated to the exposure to be hedged, are classified as hedges according to their nature:

- (a) Market risk hedge - hedged financial assets or liabilities and the related derivatives are recorded at fair value, with related gains or losses recognized in the statement of income.
- (b) Cash flow hedge - hedged financial assets or financial liabilities and the related derivatives are recorded at fair value, with related gains or losses, net of taxes, recognized in a specific account of shareholders' equity, entitled "valuation adjustments". The non effective hedge portion is recognized directly in the statement of income.

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Derivatives contracted at the request of third parties or on own behalf that fail to meet the accounting hedge criteria set forth by the Central Bank of Brazil, especially derivatives used to manage global risk exposure, are recorded at fair value, with gains and losses recognized directly in the statement of income.

j) Income from insurance operations

Insurance and co-insurance premiums, net of ceded co-insurance and reinsurance premiums, and the related cost to sell, are recorded when the related policies or invoices are issued, and are recognized in the statement of income over the lives of the policies, by recognizing an unearned premium reserve and deferring selling expenses.

The unearned premium reserve (PPNG) is recognized to cover future claims related to the risks in force at the calculation base date. A risks in force not yet written reserve (RVNE) is recognized and added to the unearned premium reserve to cover risks that have not been written at the calculation base date, according to the criteria established by the National Council of Private Insurance (CNSP) Resolution 162/2006, with additions and changes contained in Resolution 195/2008 established by the National Council of Private Insurance (CNSP).

Income from pension fund contributions is recognized when received.

Originating expenses, such as commissions on premiums written, discounts on premiums and other costs incurred to obtain insurance contracts, are deferred over the lives of the policies and recorded monthly, in the same proportion of the recognized earned premium reserve, i.e., over the risk period.

Accepted co-insurance and retrocession transactions are recorded based on information received from other insurance companies and IRB Brasil Resseguros S.A., respectively.

k) Insurance reserves

The unearned premium reserve (PPNG) is recognized by the portion of insurance premiums retained corresponding to the non-elapsed risk period of the insurance contracts, on a pro rata basis, as prescribed by CNSP Resolution 162/06.

The unearned premium reserve related to retrocession transactions is recognized based on information received from IRB Brasil Resseguros S.A.

The reserve for claims payable is based on estimates of indemnities, net of ceded reinsurance and co-insurance recoveries, when claims are reported, based on claims notices received and inflation adjusted according to SUSEP regulations.

The reserves for unvested benefits 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 technical actuarial notes approved by SUSEP.

The reserve for incurred but not reported losses (IBNR) for the mandatory insurance against personal injury caused by automotive land vehicles (DPVAT) line is recognized based on amounts calculated and informed by the administrator of the DPVAT agreement, with the monthly capitalization of the income earned by the investment portfolio of the assets held in guarantee of IBNR. The IBNR reserve for retrocession transactions is recognized based on information received from IRB Brasil Resseguros S.A. The IBNR for other insurance lines is recognized based on technical actuarial studies prepared by an actuary, according to technical actuarial notes approved by SUSEP.

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The contribution deficiency reserve (PIC), calculated annually based on the actuarial valuation, is recognized to meet departures from the technical bases of the reserves for unvested benefits and vested benefits.

The premium deficiency reserve (PIP) consists of a prospective actuarial calculation, intended to determine the sufficiency and insufficiency of the unearned premium reserve (PPNG) balance to cover claims and administrative expenses to be incurred related to risks in force at the calculation base date.

The administrative expenses reserve (PDA) is recognized to cover the administrative expenses of the VGBL and PGBL pension plans and individual life insurance, and is calculated based on a methodology approved in a technical actuarial note, in conformity with CNSP Resolution 162/06, with additions and changes contained in Resolution 195/2008 established by the National Council of Private Insurance (CNSP).

The supplementary premium reserve (PCP) is recognized on a monthly basis to supplement the PPNG, and its amount is equal to the difference, if positive, between the mean of the sum of amounts calculated daily during the recognition month and the recognized PPNG, considering risks in force, whether written or not, pursuant to CNSP Resolutions 162/06 and 181/07.

l) Fair value measurement

The fair value measurement methodology (probable realizable value) of securities and derivatives is based on the economic scenario and pricing models developed by management and include capturing average market prices, data disclosed by different professional associations, stock exchanges and commodities and futures exchanges, applicable at the balance sheet date. Therefore, when these items are financially settled, actual results may differ from estimates.

m) 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 nonfinancial assets and liabilities, revenues and expenses and other transactions, as follows: (i) the fair value of some financial assets and financial liabilities and derivatives; (ii) depreciation rates of property, plant and equipment items; (iii) amortization of deferred charges and intangible assets; (iv) allowances required to cover possible risk of contingent liabilities; (v) tax credits; (vi) doubtful accounts and (vii) insurance and pension plan technical reserves. Actual results may differ from those estimates.

4. CASH AND CASH EQUIVALENTS

The funds invested in securities and interbank investments, which are immediately convertible into cash or for which the maturity is less than 90 days and which are exposed to immaterial risks, amount to R\$ 20,328,672 (R\$ 3,896,038 at June 30, 2009) on an individual basis, and R\$ 19,500,488 (R\$ 3,854,272 at June 30, 2009) on a consolidated basis; however, they are not classified as cash equivalents because they are not intended to meet short-term commitments. The amounts classified as cash and cash equivalents are represented by cash in the amounts of R\$ 665,268 (R\$ 264,858 at June 30, 2009) on an individual basis, and R\$ 746,622 (R\$ 302,504 at June 30, 2009) on a consolidated basis.

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5. INTERBANK INVESTMENTS

As of June 30, interbank investments were as follows:

	BANK				2009
	2010				
	Value by maturity				
	Up to 90 days	From 91 to 365 days	Over 365 days	Total	Total
Money market investments					
Own portfolio					
National Treasury	4,647,774	-	145,799	4,793,573	6,977,410
Third-party					
National Treasury	13,884,402	-	-	13,884,402	8,117,913
	<u>18,532,176</u>	<u>-</u>	<u>145,799</u>	<u>18,677,975</u>	<u>15,095,323</u>
Interbank deposits	1,791,094	1,325,215	423,278	3,539,587	3,478,161
Foreign currency investments	5,402	955,967	-	961,369	2,716,402
	<u>1,796,496</u>	<u>2,281,182</u>	<u>423,278</u>	<u>4,500,956</u>	<u>6,194,563</u>
	<u>20,328,672</u>	<u>2,281,182</u>	<u>569,077</u>	<u>23,178,931</u>	<u>21,289,886</u>
	CONSOLIDATED				
	2010				2009
	Value by maturity				
	Up to 90 days	From 91 to 365 days	Over 365 days	Total	Total
Money market investments					
Own portfolio					
National Treasury	4,647,774	-	145,799	4,793,573	6,977,410
Third-party					
National Treasury	13,884,402	-	-	13,884,402	8,117,913
	<u>18,532,176</u>	<u>-</u>	<u>145,799</u>	<u>18,677,975</u>	<u>15,095,323</u>
Interbank deposits	962,910	488,426	142,721	1,594,057	1,450,269
Foreign currency investments	5,402	955,967	-	961,369	2,716,402
	<u>968,312</u>	<u>1,444,393</u>	<u>142,721</u>	<u>2,555,426</u>	<u>4,166,671</u>
	<u>19,500,488</u>	<u>1,444,393</u>	<u>288,520</u>	<u>21,233,401</u>	<u>19,261,994</u>

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6. SECURITIES AND DERIVATIVES PORTFOLIO

As of June 30, 2010, the securities and derivatives portfolio was as follows:

BANK

	2010						2009	
	Fair value by maturity						Mark-to-market adjustment	Total Fair value
	Adjusted cost value	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 days	Total		
Trading securities								
National Treasury	1,906,993	-	31,244	1,863,668	-	1,894,912	(12,081)	4,629,311
Private entities	<u>24,484</u>	<u>13,241</u>	<u>11,243</u>	<u>-</u>	<u>-</u>	<u>24,484</u>	<u>-</u>	<u>66,976</u>
	<u>1,931,477</u>	<u>13,241</u>	<u>42,487</u>	<u>1,863,668</u>	<u>-</u>	<u>1,919,396</u>	<u>(12,081)</u>	<u>4,696,287</u>
Available-for-sale securities								
Private entities (**)	14,255,566	110,000	-	4,563	14,141,003	14,255,566	-	9,284,437
National Treasury	49,837	-	1,485	-	48,352	49,837	-	2,526,997
National Treasury - Other Countries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,397</u>
	<u>14,305,403</u>	<u>110,000</u>	<u>1,485</u>	<u>4,563</u>	<u>14,189,355</u>	<u>14,305,403</u>	<u>-</u>	<u>11,834,831</u>
Held-to-maturity securities (*)								
Private entities	<u>443,673</u>	<u>-</u>	<u>338,201</u>	<u>95,865</u>	<u>9,607</u>	<u>443,673</u>	<u>-</u>	<u>336,703</u>
	<u>443,673</u>	<u>-</u>	<u>338,201</u>	<u>95,865</u>	<u>9,607</u>	<u>443,673</u>	<u>-</u>	<u>336,703</u>
Derivatives								
NDFs	2,072	-	745	1,327	-	2,072	-	6,811
Futures	-	-	305	-	-	305	305	1,213
Options premiums	21,633	-	6,173	12,123	2,028	20,324	(1,309)	46,976
Forwards	58,245	-	18,409	-	38,462	56,871	(1,374)	6,881
Swaps - amounts receivable	<u>123,062</u>	<u>-</u>	<u>9,121</u>	<u>24,661</u>	<u>227,914</u>	<u>261,696</u>	<u>138,634</u>	<u>168,384</u>
	<u>205,012</u>	<u>-</u>	<u>34,753</u>	<u>38,111</u>	<u>268,404</u>	<u>341,268</u>	<u>136,256</u>	<u>230,265</u>
	<u>16,885,565</u>	<u>123,241</u>	<u>416,926</u>	<u>2,002,207</u>	<u>14,467,366</u>	<u>17,009,740</u>	<u>124,175</u>	<u>17,098,086</u>

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CONSOLIDATED								
2010							2009	
Fair value by maturity								
	Adjusted cost value	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 days	Total	Mark-to-market adjustment	Total Fair value
Trading securities								
National Treasury	1,906,993	-	31,244	1,863,668	-	1,894,912	(12,081)	4,629,311
Private entities	1,701,894	1,487,034	12,398	202,462	-	1,701,894	-	66,985
	<u>3,608,887</u>	<u>1,487,034</u>	<u>43,642</u>	<u>2,066,130</u>	<u>-</u>	<u>3,596,806</u>	<u>(12,081)</u>	<u>4,696,296</u>
Available-for-sale securities								
Private entities (***)								
National Treasury	9,617,784	8,177,956	15,839	273,815	1,150,172	9,617,782	(2)	6,666,194
National Treasury	245,350	-	7,932	143,088	94,027	245,047	(303)	2,661,083
- Other Countries	5,442	-	37	5,443	-	5,480	38	113,114
	<u>9,868,576</u>	<u>8,177,956</u>	<u>23,808</u>	<u>422,346</u>	<u>1,244,199</u>	<u>9,868,309</u>	<u>(267)</u>	<u>9,440,391</u>
Held-to-maturity securities (*)								
Private entities	443,672	-	338,201	95,865	9,606	443,672	-	350,315
	<u>443,672</u>	<u>-</u>	<u>338,201</u>	<u>95,865</u>	<u>9,606</u>	<u>443,672</u>	<u>-</u>	<u>350,315</u>
Derivatives								
NDFs	2,072	-	745	1,327	-	2,072	-	6,811
Futures	-	-	305	-	-	305	305	1,213
Options premiums	20,271	-	4,811	12,123	2,028	18,962	(1,309)	46,496
Forwards	58,245	-	18,409	-	38,462	56,871	(1,374)	6,881
Swaps - amounts receivable	94,463	-	8,243	22,940	187,592	218,775	124,312	153,179
	<u>175,051</u>	<u>-</u>	<u>32,513</u>	<u>36,390</u>	<u>228,082</u>	<u>296,985</u>	<u>121,934</u>	<u>214,580</u>
	<u>14,096,186</u>	<u>9,664,990</u>	<u>438,164</u>	<u>2,620,731</u>	<u>1,481,887</u>	<u>14,205,772</u>	<u>109,586</u>	<u>14,701,582</u>

(*) As provided for by article 8 of BACEN Circular 3068, the Bank has the positive intent and ability to hold these securities to maturity.

(**) Out of this amount, R\$ 13,449,809 (R\$ 9,265,534 at June 30, 2009) refers to debentures acquired from subsidiary Safra Leasing S.A. - Arrendamento Mercantil.

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(***) Out of this amount, R\$ 8,067,957 (R\$ 4,755,639 at June 30, 2009) refers to shares in the investment fund exclusive to the Safra Group companies managed by J.S. Administração de Recursos S.A., whose portfolio is distributed as follows:

		CONSOLIDATED			2009
		2010		Total	Total
		Maturity			
	Type	Up to 12 months	Over 12 months		
Trading securities					
Bank certificates of deposit (CDB)	Private	1,073,492	125,404	1,198,896	1,514,249
Debentures	Private	745	25,922	26,667	26,830
National Treasury bills (LTNs)	Public	5,387,177	-	5,387,177	2,279,936
Options - Interbank rate (***)	Private	-	1,482,850	1,482,850	926,081
Interest rate swap	Private	-	(27,633)	(27,633)	8,543
		6,461,414	1,606,543	8,067,957	4,755,639

(****) Refers to structured transactions with the objective of obtaining yield very close to the interbank deposit rate (CDI).

The market and credit risks associated to derivatives transactions included in the investment fund, as well as the operational risks, are similar to those related to other types of financial instruments.

Management of these risks is performed by establishing an operating strategy and control systems, and setting transaction limits. These investment strategies may eventually result in equity losses. The fair value measurement methodology (probable realizable value) for derivatives is based on the pricing models developed by the manager, which include capturing average market prices, data disclosed by different professional associations, stock exchanges and commodities and futures exchanges, known daily at the opening of the financial market.

7. LENDING AND LEASING PORTFOLIO

a) Breakdown of the lending and leasing portfolio

Transactions are broken down according to the main types of transactions:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Loans and discounted notes	12,574,766	8,892,687	12,594,359	8,933,717
Financing	7,876,724	5,513,055	9,791,075	5,845,373
Rural and agro-industrial financing	1,117,125	842,280	1,117,125	842,280
Mortgage loans	9,905	14,361	9,905	14,361
Advance on foreign exchange contracts (i)	633,390	1,100,592	633,390	1,100,592
Leases	1,758,616	675,587	4,987,232	6,305,299
Other receivables	1,158,351	1,101,852	1,158,351	1,101,852
	25,128,877	18,140,414	30,291,437	24,143,474

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- (i) Classified as a reduction of Foreign exchange portfolio, under Other payables, plus income receivable, classified in Foreign exchange portfolio, under Other receivables.

b) Breakdown of the portfolios by industry

As of June 30, lending operations, advances on foreign exchange contracts plus related income, and leasing operations were as follows, by industry:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Public sector				
Other services	5,432	-	5,432	-
Private sector				
Rural	1,117,125	842,280	1,117,125	842,280
Industry	6,542,712	6,334,501	7,290,657	7,181,753
Trade	7,290,958	3,822,318	7,873,190	4,515,351
Financial institutions	441,228	235,803	454,147	261,439
Other services	7,023,090	4,796,952	9,500,094	7,474,082
Individuals	2,568,971	2,002,790	3,911,431	3,762,799
Housing	139,361	105,770	139,361	105,770
	<u>25,128,877</u>	<u>18,140,414</u>	<u>30,291,437</u>	<u>24,143,474</u>

c) Breakdown of portfolios by maturity:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Past-due:				
Up to 14 days	344,515	469,186	448,800	502,778
From 15 to 90 days	314,071	407,183	395,591	478,254
From 91 to 180 days	60,870	100,323	76,993	126,974
Over 180 days	70,482	141,668	109,996	186,625
	<u>789,938</u>	<u>1,118,360</u>	<u>1,031,380</u>	<u>1,294,631</u>
Current:				
Up to 90 days	10,231,582	7,655,563	10,969,245	8,501,640
From 91 to 365 days	7,064,314	4,712,642	8,896,492	6,874,866
Over 365 days	7,043,043	4,653,849	9,394,320	7,472,337
	<u>24,338,939</u>	<u>17,022,054</u>	<u>29,260,057</u>	<u>22,848,843</u>
	<u>25,128,877</u>	<u>18,140,414</u>	<u>30,291,437</u>	<u>24,143,474</u>

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d) Allowances for loan losses and doubtful lease receivables

Lending and leasing operations per risk level, and the related accrual amounts as of June 30, which comply with the minimum criteria set by Resolution 2682/99, of the Central Bank of Brazil, were as follows:

Risk Rating	BANK				CONSOLIDATED			
	Portfolio		Allowance		Portfolio		Allowance	
	2010	2009	2010	2009	2010	2009	2010	2009
AA	17,367,918	12,005,158	71,947	48,736	20,467,073	15,238,627	85,498	62,695
A	4,844,439	3,922,579	40,224	32,191	6,310,639	5,759,120	53,215	48,161
B	1,579,079	951,069	39,513	23,550	1,934,240	1,308,420	48,989	32,964
C	589,946	471,787	49,415	38,970	695,846	702,981	58,855	59,319
D	219,421	228,910	55,050	57,117	257,831	313,722	65,329	79,526
E	129,820	110,487	54,290	45,914	151,513	155,113	63,967	65,569
F	160,181	189,393	93,810	109,456	176,725	230,929	104,142	135,069
G	19,124	25,239	15,997	20,833	28,729	52,444	24,566	44,800
H	218,949	235,792	218,949	235,792	268,841	382,118	268,841	382,118
	25,128,877	18,140,414	639,195	612,559	30,291,437	24,143,474	773,402	910,221

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
1. Minimum allowance required by resolution 2682/99	431,026	447,470	520,322	675,198
2. Allowance exceeding minimum allowance required by resolution 2682/99	208,169	165,089	253,080	235,023
	639,195	612,559	773,402	910,221

Banco Safra's Management adopts a more conservative position to recognize the allowances for loan losses and doubtful lease receivables, using accrual percentages for each rating level higher than the minimum accrual percentages set by CMN Resolution 2682/99, which are periodically reviewed and approved by management (note 3(d)).

As of June 30, the balance of renegotiated loans and leases was R\$ 149,113 (R\$ 84,058 as of June 30, 2009) on an individual basis, and R\$ 157,994 (R\$ 96,663 as of June 30, 2009) on a consolidated basis.

The breakdown of the portfolio classified according to the criteria set forth by Resolution 2682/99 does not include operating leases and leases being processed on in the amount of R\$ 776 at June 30, 2009, on a consolidated basis.

Changes in the allowances for loan losses and doubtful lease receivables for the six-month period ended June 30, were as follows:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Balance at beginning of six-month period	800,335	678,141	951,566	943,262
Allowance recognized	10,716	54,970	1,324	95,250
Write-off to losses	(171,856)	(120,552)	(179,488)	(128,291)
Balances at end of six-month period	639,195	612,559	773,402	910,221

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The recovery of receivables totaled R\$ 35,609 in the six-month period (R\$ 29,032 for the six-month period ended June, 2009), on an individual basis, and R\$ 42,606 in the six-month period (R\$ 31,985 for the six-month period ended June, 2009), on a consolidated basis.

In the six-month period ended June 30, 2010, past-due lease transactions in the amount of R\$89,010 in the Bank (R\$142,181 in the consolidated) were written off. The accounting criteria to adjust the lease portfolio to present value, as required by the Central Bank of Brazil Circular Letter 1429, implied the reversal of expenses in the "allowance for losses on loans, leases and other receivables" expenses account and recognition of losses in the "leasing operations" account.

For better analysis and comparability, the impacts on the consolidated lease income and allowance for losses expenses are shown below, as if the write-off criteria was the same as that used for lending operations. The adoption of this criteria did not impact gross profit from financial intermediation.

	2010			2009		
	Net book value	Reclassification	Adjusted net book value	Net book value	Reclassification	Adjusted net book value
Lease income	312,484	142,181	454,665	496,062	38,243	534,305
Allowance for losses expenses	(1,324)	(142,181)	(143,505)	(95,250)	(38,243)	(133,493)

8. ASSIGNMENT OF RECEIVABLES

The assignment of receivables arising on direct consumer credit, with substantial retention of risks under co-obligation, is recorded in liabilities in the line item 'Other liabilities - Other', adjusted based on the assignment agreement rate and deducted for the installments settled or honored by the Bank, in the amount of R\$ 196,627 (R\$ 617,146 at June 30, 2009).

Adjustments expenses totaling R\$ 23,770, incurred during the six-month period ended June 30, 2010 were recorded in liabilities (R\$ 71,305 at June 30, 2009).

9. OTHER RECEIVABLES

The balance of other receivables is as follows:

a) Foreign exchange portfolio:

	BANK AND CONSOLIDATED		
	2010		2009
	Current	Long-term	Current
Foreign exchange purchased pending settlement	1,430,972	130	1,555,641
Receivables for foreign exchange sold	751,152	-	441,994
(-) Advances in local currency received	(19,456)	-	(26,105)
Income receivable from advances	7,227	-	31,885
	2,169,895	130	2,003,415

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b) Trading account:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
	Current	Long-term	Current	Long-term
Escrow deposit	30	32	30	32
Settlement and clearinghouse (*)	-	-	61,717	67,515
Debtors pending settlement (*)	7,810	699	90,233	50,742
Transactions pending settlement	5,050	8	5,050	9
	12,890	739	157,030	118,298

(*) Refer basically to transactions on stock exchanges recorded by Safra Corretora de Valores e Câmbio Ltda.

c) Other:

	BANK			
	2010		2009	
	Current	Long-term	Current	Long-term
Salary advances and prepayments	10,212	-	9,763	-
Tax credits (*)	41,120	201,377	31,553	101,499
Escrow deposits (**)	-	245,164	-	182,858
Recoverable taxes and contributions	9,023	-	78,207	-
Accounts receivable (***)	1,020,293	137,077	946,444	149,958
Receivables from associates	833	-	474	-
Sundry debtors - domestic (****)	99,052	-	363,484	-
Sundry debtors - foreign	634	-	1	-
Other	1,333	-	1,255	-
	1,182,500	583,618	1,431,181	434,315

	CONSOLIDATED			
	2010		2009	
	Current	Long-term	Current	Long-term
Salary advances and prepayments	11,926	-	11,123	-
Tax credits (*)	84,645	467,398	295,440	301,439
Escrow deposits (**)	-	266,872	-	201,518
Recoverable taxes and contributions	31,514	-	101,218	-
Accounts receivable (***)	1,065,199	135,177	974,238	149,958
Receivables from associates	2	-	-	-
Sundry debtors - domestic (****)	107,076	-	366,943	-
Sundry debtors - foreign	646	-	4	-
Other	3,536	-	4,909	-
	1,304,544	869,447	1,753,875	652,915

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(*) Represented by income tax and social contribution credits on mark-to-market, in the amount of R\$ 1,731 (R\$ 25,066 at June 30, 2009), on an individual basis, and R\$ 1,853 (R\$ 29,239 at June 30, 2009), on a consolidated basis, and income tax on tax loss carryforwards arising from excess depreciation in the amount of R\$ 143,655 (R\$ 26,372 at June 30, 2009), on an individual basis, and R\$ 432,700 (R\$ 474,816 at June 30, 2009), on a consolidated basis, income tax and social contribution on temporary differences in the amount of R\$ 97,111 (R\$ 78,719 at June 30, 2009) on an individual basis and R\$ 112,651 (R\$ 89,929 at June 30, 2009) on a consolidated basis.

(**) Refers to escrow deposits related to a tax lawsuits in the amount of R\$153,259 (R\$ 129,112 at June 30, 2009), on an individual basis, and R\$ 168,663 (R\$ 144,706 at June 30, 2009), on a consolidated basis, civil lawsuits in the amount of R\$ 23,643 (R\$ 17,168 at June 30, 2009), on an individual basis, and R\$ 29,873 (R\$ 20,181 at June 30, 2009), on a consolidated basis, and labor lawsuits in the amount of R\$ 68,262 (R\$ 36,579 at June 30, 2009), on an individual basis, and R\$ 68,336 (R\$ 36,631 at June 30, 2009), on a consolidated basis, for which reserves for contingencies have been recognized in liabilities.

(***) Refers basically to the acquisition of receivables from nonfinancial companies, without co-obligation.

(****) Refers basically to amounts of the assignment made, to be paid by the assignor on the maturity date of the contracts assigned, in the amount R\$ 58,018 (R\$ 147,656 at June 30, 2009), on an individual and consolidated basis, mark-to-market adjustment of lending portfolio indexed to a fixed rate in the amount of R\$ 40,907 (R\$ 143,375 at June 30, 2009), on an individual and consolidated basis.

d) Income receivable:

	BANK		
	2010	2009	
	Current	Current	Long-term
Commissions on obligations receivable	2,762	704	-
Dividends and interest on capital receivable	389,460	208,100	-
Other income receivable (*)	846	1,074	67
	393,068	209,878	67

	CONSOLIDATED		
	2010	2009	
	Current	Current	Long-term
Commissions on obligations receivable	2,761	704	-
Dividends and interest on capital receivable	2	39	-
Other income receivable (*)	847	1,074	67
	3,610	1,817	67

(*) Refers to amounts receivable related to Funcafé onlending transactions.

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10. PROPERTY AND EQUIPMENT

As of June 30, the property and equipment balance is as follows:

	BANK			
	2010			2009
	Annual depreciation rate	Cost	Accumulated depreciation	Property and equipment, net
Construction in progress:				
Furniture and equipment	-	9,726	-	9,726
		<u>9,726</u>	<u>-</u>	<u>9,726</u>
Properties in use:				
Land	-	4,727	-	4,727
Buildings	4%	2,549	(809)	1,740
		<u>7,276</u>	<u>(809)</u>	<u>6,467</u>
Facilities, furniture and equipment:				
Furniture and equipment	10%	22,350	(16,033)	6,317
		<u>22,350</u>	<u>(16,033)</u>	<u>6,317</u>
IT and EDP equipment				
Communication system	10%	10,143	(7,477)	2,666
Data processing system	20%	101,573	(85,150)	16,423
		<u>111,716</u>	<u>(92,627)</u>	<u>19,089</u>
Other:				
Security system	10%	2,914	(1,757)	1,157
Transportation system	20%	11,102	(6,450)	4,652
		<u>14,016</u>	<u>(8,207)</u>	<u>5,809</u>
		<u>165,084</u>	<u>(117,676)</u>	<u>47,408</u>
				<u>49,073</u>

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	CONSOLIDATED				
	2010			2009	
	Annual depreciation rate	Cost	Accumulated depreciation	Property and equipment, net	Property and equipment, net
Construction in progress:					
Furniture and equipment	-	9,726	-	9,726	10,050
		<u>9,726</u>	<u>-</u>	<u>9,726</u>	<u>10,050</u>
Properties in use:					
Land	-	4,727	-	4,727	4,727
Buildings	4%	16,954	(3,738)	13,216	13,872
		<u>21,681</u>	<u>(3,738)</u>	<u>17,943</u>	<u>18,599</u>
Rental property					
Land	-	82,147	-	82,147	81,643
Buildings	4%	213,976	(129,910)	84,066	92,312
		<u>296,123</u>	<u>(129,910)</u>	<u>166,213</u>	<u>173,955</u>
Facilities, furniture and equipment:					
Facilities	10%	14,002	(6,701)	7,301	8,831
Furniture and equipment	10%	119,567	(72,276)	47,291	60,526
		<u>133,569</u>	<u>(78,977)</u>	<u>54,592</u>	<u>69,357</u>
IT and EDP equipment					
Communication system	10%	12,132	(10,067)	2,065	3,686
Data processing system	20%	105,293	(88,522)	16,771	15,534
		<u>117,425</u>	<u>(98,589)</u>	<u>18,836</u>	<u>19,220</u>
Other:					
Security system	10%	3,598	(2,085)	1,513	1,779
Transportation system	20%	16,307	(7,150)	9,157	9,988
		<u>19,905</u>	<u>(9,235)</u>	<u>10,670</u>	<u>11,767</u>
		<u>598,429</u>	<u>(320,449)</u>	<u>277,980</u>	<u>302,948</u>

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11. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

	Shareholders' equity	Net income (loss)	Ownership interest (%)	Carrying amount of investment	Equity in associates and subsidiaries	
As of 06/30/2010						
Domestic:						
Safra Leasing S.A.	735,244	99,224	99,99	735,244	99,224	
Safra CVC Ltda.	113,164	5,212	99,99	113,164	5,212	(iv)
Safra DTVM Ltda.	166,043	3,333	99,99	166,043	3,333	(iv)
Banco Safra BSI S.A. (i)	166,890	12,726	99,99	166,890	12,726	(iv)
Banco J.Safra S.A.	267,783	7,263	99,99	267,783	7,263	
Sercom Comércio e Serviços Ltda. (ii)	489,220	31,179	99,99	489,218	31,179	
Pastoril Agrop. Couto Magalhães S.A.	24,634	992	27,79	6,845	276	
Elong Adm. Rep. Ltda.	126,292	8,119	99,99	126,292	8,119	
Safra Vida e Previdência S.A. (iii)	181,355	25,081	99,99	181,356	25,081	(iv)
Safra Seguros Gerais S. A. (iii)	53,721	3,189	99,99	53,719	3,188	
Safra Cia. Securitizadora	347,827	19,652	7,16	24,902	1,472	
				2,331,456	197,073	
Foreign:						
Banco Safra (Cayman Islands) Limited.	226,530	(556)	100,00	226,530	7,045	
				226,530	7,045	
				2,557,986	204,118	
	Shareholders' equity	Net income (loss)	Ownership interest (%)	Carrying amount of investment	Equity in associates and subsidiaries	
As of 06/30/2009						
Domestic:						
Safra Leasing S.A.	1,115,831	235,826	99,99	1,115,831	235,826	
Safra CVC Ltda.	128,881	7,051	99,99	128,881	7,051	(iv)
Safra DTVM Ltda.	101,688	2,499	99,99	101,688	2,499	(iv)
Banco Safra de Investimento S.A.	513,860	3,058	99,99	513,860	3,058	(iv)
Banco J.Safra S.A.	135,660	(67,652)	99,99	135,660	(67,652)	
Sercom Comércio e Serviços Ltda. (ii)	761,030	28,644	99,99	761,026	28,635	
Pastoril Agrop. Couto Magalhães S.A.	22,523	722	27,79	6,259	201	
Elong Adm. Rep. Ltda.	110,582	4,883	99,99	110,582	4,883	
Safra Vida e Previdência S.A. (iii)	258,265	22,337	0,02	61	5	(iv)
Safra Seguros Gerais S.A. (iii)	52,018	3,518	0,01	4	-	
Safra Cia. Securitizadora	290,304	14,900	7,60	22,070	1,105	
				2,895,922	215,611	
Foreign:						
Banco Safra (Cayman Islands) Limited.	246,411	902	100,00	246,411	(47,582)	
				246,411	(47,582)	
				3,142,333	168,029	

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- (i) Formerly denominated Banco Safra de Investimento S.A.
- (ii) Sercom Comércio e Serviços Ltda. is mainly engaged in providing nonfinancial services and holding interest in Safra Group's subsidiaries.
- (iii) The transfer of shares of the companies Safra Vida e Previdência S.A. and Safra Seguros Gerais S.A. to Banco Safra S.A. was approved on October 20, 2009, and prior to this date Banco Safra S.A. held an indirect interest in these companies through Sercom Comércio e Serviços Ltda.
- (iv) Includes also increases through tax incentives in investees.

12. DEPOSITS

As of June 30, the portfolio of deposits was as follows:

	BANK					
	2010				2009	
	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 years	Total	Total
Demand deposits	1,003,398	-	-	-	1,003,398	784,018
Time deposits	-	1,657,754	6,028,638	1,334,063	9,020,455	9,395,648
Savings deposits	807,476	-	-	-	807,476	917,433
Interbank deposits	-	4,391,659	3,564,832	227,801	8,184,292	7,906,122
Other	45,322	-	-	-	45,322	34,972
	1,856,196	6,049,413	9,593,470	1,561,864	19,060,943	19,038,193

	CONSOLIDATED					
	2010				2009	
	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 years	Total	Total
Demand deposits	990,655	-	-	-	990,655	779,022
Time deposits	-	1,491,828	6,028,638	1,334,063	8,854,529	9,261,317
Savings deposits	807,476	-	-	-	807,476	917,433
Interbank deposits	-	431,917	2,351,799	227,801	3,011,517	3,533,345
Other	45,322	-	-	-	45,322	34,972
	1,843,453	1,923,745	8,380,437	1,561,864	13,709,499	14,526,089

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13. MONEY MARKET FUNDING

As of June 30, the portfolio of repurchase commitments was as follows:

	BANK					2009 Total
	2010				Total	
	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days		
Own portfolio						
National Treasury	30,002	-	-	12,100	42,102	2,769,061
Private securities	3,091,654	3,713,493	4,298,460	1,623,688	12,727,295	8,835,400
Third parties						
National Treasury	13,883,254	-	-	-	13,883,254	8,201,884
Trading portfolio						
National Treasury	-	-	-	-	-	22,042
	17,004,910	3,713,493	4,298,460	1,635,788	26,652,651	19,828,387

	CONSOLIDATED					2009 Total
	2010				Total	
	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days		
Own portfolio						
National Treasury	30,002	-	-	12,100	42,102	2,769,061
Private securities	3,091,654	3,713,493	4,298,460	1,623,688	12,727,295	8,835,400
Third parties						
National Treasury	13,868,554	-	-	-	13,868,554	8,171,985
Trading portfolio						
National Treasury	-	-	-	-	-	22,042
	16,990,210	3,713,493	4,298,460	1,635,788	26,637,951	19,798,488

14. FOREIGN BORROWINGS, ONLENDINGS AND SECURITIES

Foreign borrowings are represented by credit lines, with maturities of up to three years and bearing interest equivalent to LIBOR plus average spread of 5% per year, used in the financing of imports and exports. Onlendings and funds raised through the placement of securities abroad (euronotes) onlent to local customers, under CMN Resolution 2770/2000 (former Resolution 63), mature up to 2017 and bear average charges of 7.5% per year.

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	BANK				2009
	2010				
	Fair value by maturity				
	Up to 90 days	From 91 to 365 days	Over 365 days	Total	
Foreign borrowings, onlendings and securities				Total	Total
Foreign currency payables	363,601	51,451	1,678,766	2,093,818	1,962,347
Foreign borrowings	691,904	2,219,468	332,106	3,243,478	1,841,066
	1,055,505	2,270,919	2,010,872	5,337,296	3,803,413

	CONSOLIDATED				2009
	2010				
	Fair value by maturity				
	Up to 90 days	From 91 to 365 days	Over 365 days	Total	
Foreign borrowings, onlendings and securities				Total	Total
Foreign currency payables	363,601	51,451	1,296,741	1,711,793	1,588,363
Foreign borrowings	691,904	2,219,468	332,106	3,243,478	1,841,066
	1,055,505	2,270,919	1,628,847	4,955,271	3,429,429

15. DOMESTIC BORROWINGS AND ONLENDINGS

Domestic borrowings and onlendings are subject to financial charges corresponding to the Long-Term Interest Rate (TJLP), fluctuations in BNDES currency basket or in US dollar rate, plus interest of 4.5% to 7% per year.

	BANK				2009
	2010				
	Fair value by maturity				
	Up to 90 days	From 91 to 365 days	Over 365 years	Total	
Domestic borrowings and onlendings				Total	Total
Domestic borrowings	-	-	-	-	391,392
National Treasury	3,614	32,864	-	36,478	54,074
BNDES	8,505	36,332	1,012,676	1,057,513	192,068
FINAME	8,442	106,763	2,874,854	2,990,059	2,540,566
	20,561	175,959	3,887,530	4,084,050	3,178,100

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	CONSOLIDATED				2009
	2010				
	Fair value by maturity				
Up to 90 days	From 91 to 365 days	Over 365 years	Total	Total	
Domestic borrowings and onlendings					
Domestic borrowings	-	-	-	-	391,392
National Treasury	3,614	32,864	-	36,478	54,074
BNDDES	8,505	36,332	1,012,676	1,057,513	192,068
FINAME	143,513	395,592	3,335,285	3,874,390	3,444,435
	155,632	464,788	4,347,961	4,968,381	4,081,969

16. OTHER PAYABLES

a) Collected taxes and other:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
	Current	Current	Current	Current
Tax payable on financial transactions (IOF)	5,273	6,866	7,071	7,060
Contributions	1,446	3,003	1,446	3,003
Federal, state and municipal taxes	1,053,219	1,917,996	1,053,219	1,918,003
FGTS (severance pay fund)	373	496	373	496
	1,060,311	1,928,361	1,062,109	1,928,562

b) Foreign exchange portfolio:

	BANK AND CONSOLIDATED		
	2010		2009
	Current	Long-term	Current
Foreign exchange sold pending settlement	750,006	-	439,711
Foreign exchange purchased	1,432,045	126	1,507,619
(-) Import financing - exchange rate contracted	(8,973)	-	-
(-) Advances on foreign exchange contracts	(626,037)	(126)	(1,068,706)
Income receivable from advances	3	-	795
Other	136	-	69
	1,547,180	-	879,488

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c) Trading account:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
	Current	Current	Current	Current
Settlement and clearinghouse (*)	-	-	89,508	55,874
Creditors pending settlement (*)	6,033	586	39,043	59,916
Transactions with financial assets and commodities	-	604	22,370	2,939
Other trading liabilities	441	642	441	642
	6,474	1,832	151,362	119,371

(*) Refer basically to transactions on stock exchanges recorded by Safra Corretora de Valores e Câmbio Ltda.

e) Tax and social security:

	BANK			
	2010		2009	
	Current	Long-term	Current	Long-term
Provision for income tax and social contribution	13,330	-	2,858	-
Taxes payable	81,700	-	37,177	-
Provision for deferred income tax and social contribution (*)	84,979	416,166	-	199,292
Reserve for contingent tax liabilities (**)	-	532,093	-	472,199
	180,009	948,259	40,035	671,491

	CONSOLIDATED			
	2010		2009	
	Current	Long-term	Current	Long-term
Provision for income tax and social contribution	94,059	-	46,998	-
Fees payable	100,720	-	49,624	-
Provision for deferred income tax and social contribution (*)	214,159	1,182,557	258,803	1,087,321
Reserve for contingent tax liabilities (**)	-	721,563	-	788,472
	408,938	1,904,120	355,425	1,875,793

(*) Represented basically by deferred income tax on excess depreciation in the amount of R\$ 463,897 (R\$ 165,495 at June 30, 2009), on an individual basis, and R\$ 1,353,029 (R\$ 1,312,095 at June 30, 2009), on a consolidated basis, and deferred tax on mark-to-market of derivatives.

(**) Refers to the reserve for contingencies and legal obligations (see note 19).

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f) Other:

	BANK			
	2010		2009	
	Current	Long-term	Current	Long-term
Creditors for unreleased funds	148	-	280	-
Payables for acquisition of assets	2,484	-	860	-
Reserve for contingent liabilities (note 19)	-	209,340	-	188,077
Accrued liabilities	114,329	-	78,782	-
Sundry creditors - Brazil (*)	152,614	-	125,804	-
Sundry creditors abroad	107,625	-	77,119	-
Transfer of financial assets (**)	126,981	69,647	347,409	269,738
Other	634	-	185	-
	504,815	278,987	630,439	457,815

	CONSOLIDATED			
	2010		2009	
	Current	Long-term	Current	Long-term
Creditors for unreleased funds	148	-	280	-
Payables for acquisition of assets	7,515	-	17,151	4,826
Reserve for contingent liabilities (note 18)	-	231,101	-	204,152
Accrued liabilities	160,289	-	108,897	-
Sundry creditors - Brazil (*)	188,804	-	158,418	-
Sundry creditors abroad	107,625	-	77,209	-
Transfer of financial assets (**)	126,981	69,646	347,409	269,738
Other	519	-	419	-
	591,881	300,747	709,783	478,716

(*) Refer basically to amounts to be transferred to credit card companies, Bank and consolidated, in the amount of R\$ 53,739 (R\$ 44,465 at June 30, 2009), and funds received to be transferred for management of third-party payments, in the amount of R\$ 46,572 (R\$ 34,501 at June 30, 2009), in an individual basis, and R\$ 53,623 (38,948 at June 30, 2009), on a consolidated basis, and funds to be transferred to third-party for management of payments in the amount of R\$ 10,382 (R\$ 12,354 at June 30, 2009) on a consolidated basis.

(**) Refer to obligations on assignment of receivables, under CMN Resolution 3533.

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17. BALANCES OF INSURANCE OPERATIONS

Lines	CONSOLIDATED	
	Earned premiums	
	2010	2009
Comprehensive business	7,518	2,690
Sundry risks	435	566
Group life and individual life	13,652	10,945
Bodily injury - DPVAT	42,837	34,199
Personal accidents	17,686	11,123
Lenders	3,257	989
Other	9	21
	85,394	60,533

18. TECHNICAL RESERVES - INSURANCE AND PENSION FUND OPERATIONS

a) Property and casualty and group life lines:

	CONSOLIDATED				
	2010				
	Unearned premium reserve	Claims payable reserve	Incurred but not reported claims reserve	Supplementary premium reserve	Administrative expenses reserve
Current and long-term liabilities					
Aircraft	-	8,610	8	-	-
Fire	-	16	-	-	-
Comprehensive business	12,836	3,676	488	-	-
Sundry risks	1,956	2,656	23	9	-
General civil liability	-	3,002	11	-	-
Auto liability	-	376	-	-	-
Engineering risks	-	826	1	-	-
Lenders	180	20	76	398	-
Personal accidents	12,077	396	484	-	-
Bodily injury - DPVAT	-	53,670	4,750	-	484
Group life	6,149	2,734	1,218	-	-
Other	20	778	61	2	-
	33,218	76,760	7,120	409	484
Current	32,397	76,760	7,120	409	484
Long-term	821	-	-	-	-

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	CONSOLIDATED				
	2009				
	Unearned premium reserve	Claims payable reserve	Incurred but not reported claims reserve	Supplementary premium reserve	Administrative expenses reserve
Current and long-term liabilities					
Aircraft	7	4,464	34	-	-
Fire	-	42	2	-	-
Comprehensive business	6,393	2,894	204	85	-
Sundry risks	3,324	1,390	54	17	-
General civil liability	-	3,032	13	-	-
Auto liability	-	649	-	-	-
Engineering risks	-	841	5	-	-
Lenders	672	302	61	160	-
Personal accidents	7,497	326	431	1	-
Bodily injury - DPVAT	-	31,978	1,505	-	1,883
Group life	4,132	2,183	1,364	-	-
Other	47	809	11	1	-
(-) Deferred reserve	(12)	-	-	-	-
	22,060	48,910	3,684	264	1,883
Current	20,665	48,910	3,684	264	1,883
Long-term	1,395	-	-	-	-

b) Technical reserves - cash value life insurance:

	2009	2008
Cash value life insurance - unvested benefits	1,060,132	683,506
Administrative expenses reserve - unvested benefits (PDA)	253	229
Premium deficiency reserve - unvested benefits (PIP)	5,835	3,959
	1,066,220	687,694
Current	21,995	25,193
Long-term	1,044,225	662,501

c) Technical reserves - pension plan:

	2009	2008
PGBL		
Unvested benefits	411,280	357,303
Vested benefits	2,367	862
	413,647	358,165
Contribution deficiency reserve		
Unvested benefits	2,880	2,266
Vested benefits	149	45
	3,029	2,311
Administrative expenses reserve		
Unvested benefits	310	310
Vested benefits	-	2
	310	312
	416,986	360,788
Current	32,814	28,634
Long-term	384,172	332,154

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The management of Banco Safra understands that the reserve recognized is sufficient to cover losses on lawsuits.

The reserve recognized and the related changes for the six-periods ended June 30, 2010 and 2009 are as follows:

	BANK					
	2010			2009		
	Tax	Civil	Labor	Tax	Civil	Labor
Balance at beginning of period	481,738	112,213	93,915	443,329	71,087	74,161
Recognition (reversal) (*)	38,984	(1,478)	3,224	20,647	27,731	13,825
Monetary adjustment	11,371	784	682	8,223	625	648
Balance at end of period	532,093	111,519	97,821	472,199	99,443	88,634

	CONSOLIDATED					
	2010			2009		
	Tax	Civil	Labor	Tax	Civil	Labor
Balance at beginning of period	665,224	125,020	98,195	802,145	82,190	76,156
Recognition (reversal) (*)	56,339	3,451	4,435	(13,673)	30,106	15,700
Balance at end of period	721,563	128,471	102,630	788,472	112,296	91,856

(*) The recognition refers basically to lawsuits challenging the constitutionality of article 1, paragraph 3, of Law 9178/98, which increased the calculation basis of PIS and COFINS and has been declared unconstitutional by the Supreme Court on precedents trial.

Tax contingencies

Tax and social security proceedings: individually quantified when the administrative proceedings are notified, based on their amounts adjusted for inflation on a monthly basis or tax lawsuits challenging the improper collection of taxes.

The Bank and its subsidiaries maintain a monitoring system for all administrative and judicial proceedings in which they are either the plaintiff or the defendant and classify the proceedings according to the likelihood of an unfavorable outcome, based on the opinion of the legal counsel. The reserve for contingencies is recognized for proceedings classified as probable loss and based on losses that may be incurred on proceedings classified as possible loss. The main litigation is as follows:

- Service tax (ISS) Bank and Leasing Company: several notifications and lawsuits related to the levy of this tax on lease transactions, which challenge the location where the tax is levied, the tax basis, and the qualification of these transactions as services, in the amount of R\$ 81,711 (R\$ 62,840 at June 30, 2009), Bank, and R\$ 223,613 (R\$ 127,803 at June 30, 2009), consolidated.

- CPMF - Payment Management (Bank): tax notification related to the product Payment Management, issued by tax authorities as they understood that there was settlement/payment of receivables, at the risk and expense of third parties, without the related credit in the beneficiary's account, which assigned the liability for paying this tax to the Bank, under Article 5, I, of said Law 9311/96, in the amount of R\$ 87,893 (R\$ 84,260 at June 30, 2009), Bank and consolidated.

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There are no unaccrued administrative proceedings with monetary authorities and regulatory agencies or lawsuits classified by the legal counsel as possible losses.

Legal obligations

The Bank and its subsidiaries are challenging in courts the legality and levy of some taxes and contributions, the legal obligation of which is fully accrued and adjusted through the balance sheet date, in the amount of R\$ 359,912 (R\$ 284,394 at June 30, 2009), Bank, and R\$ 392,624 (R\$ 348,308 at June 30, 2009), consolidated. The main litigation is as follows:

- COFINS: increase in tax base by Law 9718/98 in the amount of R\$ 294,324 (R\$ 192,503 at June 30, 2009), Bank, and R\$ 322,464 (R\$ 212,340 at June 30, 2009), consolidated.
- PIS: increase in tax base by Law 9718/98 in the amount of R\$ 47,828 (R\$ 31,282 at June 30, 2009), Bank, and R\$ 52,400 (R\$ 34,505 at June 30, 2009), consolidated.

Civil lawsuits

Civil lawsuits are recognized in the accounting records and are represented basically by indemnity claims for property damages and pain and suffering due to, for example, protest of notes and inclusion of customer data in credit reporting agencies.

These lawsuits are valued when a court notification is received and reviewed monthly, on a case-by-case basis, as they refer to lawsuits considered unusual, and quantified based on amounts claimed, proofs produced and the legal counsel’s assessment of the likelihood of loss, which considers jurisprudence, proofs produced and court decisions issued on the lawsuit. The reserve is recognized for proceedings classified as probable loss and losses expected by Management for proceedings classified as possible loss.

Labor lawsuits

Lawsuits filed to claim alleged labor rights derived from labor legislation specifically relating to the professional category, such as overtime, salary equalization and others.

They are measured when a court notification is received, reviewed monthly and accrued based on historical percentage of losses on lawsuits considered similar and usual, and the estimated risk of the lawsuit.

20. ADHERENCE TO THE TAX DEBT SETTLEMENT PROGRAM (REFIS) AND THE TAX INSTALLMENT INCENTIVE PROGRAM (PPI)

On November 30, 2009, the Bank and its subsidiaries joined the tax debt installment and cash payment programs, which waive the penalties on the settlement of debts to the Federal Revenue Service (RFB) and the National Treasury Attorney General (PGFN), created by Law 11941/09, and the Tax Installment Incentive Program (PPI), which waives the penalties on the settlement of debts to the Municipal Government of São Paulo, created by Law 14129/06 and Decree 50512/09. The main debts challenged in courts included in the programs refer to the following: federal VAT (IPI), municipal service tax (ISS), withholding income tax (IRRF), tax on banking transactions (CPMF), and taxes (PIS/COFINS) on interest on capital for the Bank and the consolidated.

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The Bank paid R\$1,738 (R\$52,291 on a consolidated basis) in cash to settle these debts on November 30, 2009. The Bank used R\$3,460 deposited in consolidated escrow deposits to settle tax debts and assumed a debt payable in installments totaling R\$44,944, Bank, and R\$49,502 on a consolidated basis. The Bank has escrow deposits related to lawsuits written off and not yet paid, which will be used to settle tax debts totaling R\$94,032.

The adjustments to assets, liabilities and income arising from the adherence to those programs are as follows: (i) use of part of the balances of escrow deposits recognized in assets to settle determined tax debts, totaling R\$3,460 on a consolidated basis, (ii) payments made totaling R\$1,738, Bank (R\$52,291 on a consolidated basis) and accrual of the remaining balance payable in line account 'Other payables', totaling R\$44,944, Bank (R\$49,502 on a consolidated basis), recognized as a contra entry to 'Tax expenses', and (iii) income from the reversal of reserves for contingencies due to the adherence to the programs, totaling R\$74,405, Bank (R\$179,490 on a consolidated basis), resulting in a positive impact on income of R\$27,723, Bank (R\$77,697 on a consolidated basis) due to the waiver of penalties and partial decrease in arrears interest.

21. SUBORDINATED DEBT

On December 28, 2006, upon authorization from the Central Bank of Brazil and as prescribed by National Monetary Council (CMN) Resolution 2837/01, Banco Safra S.A. issued subordinated Bank Certificates of Deposit (CDBs), eligible as Tier II Regulatory Capital, in the amount of R\$700,000, of which R\$450,000 was placed in the market. On January 4, 2007, the Bank issued the remaining R\$250,000, totaling R\$700,568 adjusted through June 30, 2010 (R\$ 700,256 at June 30, 2009). These certificates mature in 2016, yield interest equivalent to 104% to 106% of the average daily interbank deposit rate (CDI), paid semiannually, and are registered with the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP). As of June 30, 2010, R\$1,430 (R\$1,430 at June 30, 2009) of total certificates issued is in portfolio.

On April 2010, Banco Safra S.A. issued R\$ 75,000 in Financial Letters Subordinated, post-fixed, due in 2016. As of June 30, 2010, those subordinated securities amounted to R\$ 76,791.

22. SHAREHOLDERS' EQUITY

The capital of Banco Safra S.A. is represented by 1,085,948 registered shares, without par value, of which 543,427 are common shares and 542,521 are preferred shares, which are entitled to annual, noncumulative dividends of 1 and 2 percent, respectively, of capital.

On February 26, 2010, the Board of Directors' meeting approved the allocation of dividends to shareholders, proportionally to the number of shares held, in the amount of R\$300,000, related to the balance of net income for 2004 in the amount of R\$ 179,164 and a portion of net income for 2005 in the amount of R\$ 120,836.

The bylaws establish the allocation of net income as of June 30 and December 31 of each year, after legal deductions and reserves, of which 5% is allocated to the legal reserve, and this allocation ceases to be mandatory when the reserve reaches 20% of capital or 30% of the aggregate of capital and legal reserve.

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The retained earnings reserve is recognized based on unallocated net income, after all legal deductions, and its cumulative balance remains available to shareholders for future resolution at the Shareholders' Meeting. As provided by CMN Resolution 3605, of August 29, 2008, the remaining balance of retained earnings must be allocated until December 31, 2010.

23. RELATED-PARTY TRANSACTIONS

a) Management compensation:

The Shareholders' Meeting held on April 27, 2010 set the annual maximum overall compensation of the Board of Directors and the Executive Committee at R\$ 40,000. The remuneration received by the Administration amounted to R\$ 15,983 (R\$ 19,247 at June 30, 2009).

b) Ownership interest:

The table below shows the direct ownership interest (common shares):

Shareholders	Total	
	Number	(%)
Joseph Yacoub Safra	1,021,001	94.02
JS Administração de Recursos S.A.	63,910	5.88
Minority shareholders	1,033	0.10
Board members	2	-
Other	2	-
	1,085,948	100.00

c) Related-party transactions

Related-party transactions are broken down as follows:

	Assets (liabilities)		Income/(expenses)	
	2010	2009	2010	2009
Interbank investments	2,374,608	2,502,937	71,839	137,607
Banco J Safra S.A.	1,658,994	1,744,526	43,419	97,986
Banco Safra S.A. - Cayman Islands	715,614	758,411	28,420	39,621
Linked to repurchase agreement	515,555	176,017	449	172
Banco Safra Luxemburgo	7,506	10,762	-	-
Safra National Bank of New York	508,049	165,255	449	172
Custody services - Securities from other governments	182,591	2,266,773	16	297
Safra National Bank of New York	2,521	24,580	16	297
Banco Safra Luxemburgo	180,070	2,242,193	-	-
Securities linked and not linked to repurchase agreement	13,448,848	9,265,534	507,626	422,156
Safra Leasing S.A. Arrendamento Mercantil	13,448,848	9,265,534	507,626	422,156
Derivatives financial instruments	51,710	16,816	124,725	66,816
Safra Leasing S.A. Arrendamento Mercantil	5,710	426	16,883	710
Banco J Safra S.A.	2,987	13,936	6,330	26,857
Safra Cia. Securitizadora de Créditos Imobiliários	37,616	932	43,064	3,640

BANCO SAFRA S.A. AND BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009****(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)**

Banco Safra S.A. - Cayman Islands	5,397	1,522	58,448	35,609
Interest on capital (TJLP) receivable	284,771	113,412	-	-
Banco Safra BSI S.A.	77,601	49,891	-	-
Safra Leasing S.A. Arrendamento Mercantil	66,725	-	-	-
Safra Distribuidora de Títulos e Valores Mobiliários Ltda.	24,097	24,098	-	-
Safra Corretora de Valores e Câmbio Ltda.	55,505	39,185	-	-
Safra Seguros Gerais S.A.	5,865	-	-	-
Safra Vida e Previdência S.A.	38,930	-	-	-
Banco J Safra S.A.	15,810	-	-	-
Elong Administração e Representação Ltda.	238	238	-	-
Dividends and bonuses receivable	104,689	94,689	-	-
Sercom Comércio e Serviços Ltda.	94,689	94,689	-	-
Safra Vida e Previdência S.A.	10,000	-	-	-
Receivables from related parties	8,642	1,173	-	-
Banco Safra BSI S.A.	716	474	-	-
Safra Leasing S.A. Arrendamento Mercantil	88	-	-	-
Safra Corretora de Valores e Câmbio Ltda.	7,838	699	-	-
Deposits	(179,157)	(205,006)	-	-
Banco Safra BSI S.A.	(892)	(355)	-	-
Safra Distribuidora de Títulos e Valores Mobiliários Ltda.	(40)	(81)	-	-
Safra Leasing S.A. Arrendamento Mercantil	(237)	(1,095)	-	-
Safra Corretora de Valores e Câmbio Ltda.	(83)	(164)	-	-
Banco Safra S.A - Cayman Islands	(165,945)	(198,985)	-	-
Sercom Comércio e Serviços Ltda.	(94)	(376)	-	-
Elong Administração e Representação Ltda.	(40)	(53)	-	-
Taquari Representação e Participação Ltda.	(30)	(15)	-	-
Aratu Segurança Vigilância S/C Ltda.	(27)	(115)	-	-
Pastoril Agropecuária Couto Magalhães S.A.	(60)	(88)	-	-
Safra Cia. Securitizadora de Créditos Imobiliários	(74)	(91)	-	-
Safra Seguros Gerais S.A.	(1,642)	(932)	-	-
Safra Vida e Previdência S.A.	(9,584)	(2,040)	-	-
Acauã Construtora Ltda.	(46)	(177)	-	-
JS Administração de Recursos S.A.	(363)	(439)	-	-
Interbank Deposits	(5,419,975)	(4,379,223)	(225,551)	(103,310)
Banco Safra BSI S.A.	(242,000)	(577,000)	(17,533)	(27,468)
Safra Distribuidora de Títulos e Valores Mobiliários Ltda.	-	(57,800)	(267)	(7,412)
Safra Corretora de Valores e Câmbio Ltda.	-	-	-	(2,806)
Safra Leasing S.A. Arrendamento Mercantil	(4,930,689)	(3,737,978)	(206,087)	(65,618)
Banco Safra Luxemburgo	(207,355)	(6,445)	(1,369)	(6)
Banco J Safra S.A.	(87)	-	-	-
Safra National Bank of New York	-	-	(84)	-
Banque J Safra Suisse	(39,844)	-	(211)	-

BANCO SAFRA S.A. AND BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009****(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)**

Payables for repurchase agreements	(14,699)	(29,899)	(1,955)	(2,377)
Banco J Safra S.A.	(14,699)	(29,899)	(1,222)	(1,720)
Safra Corretora de Valores e Câmbio Ltda.	-	-	(733)	(657)
Payables for securities issued abroad	(436,071)	(432,532)	18,970	(3,691)
Banco Safra Luxemburgo	(54,045)	(58,548)	-	-
Banco Safra S.A.- Cayman Islands	(382,026)	(373,984)	(6,958)	(3,691)
Banco Safra S.A.- Cayman Islands	-	-	25,928	-
Derivatives financial instruments	(312,896)	(225,762)	(86,398)	(70,136)
Safra Leasing S.A. Arrendamento Mercantil	(231)	(761)	(9,642)	(1,044)
Banco J Safra S.A.	(502)	(9,281)	(3,838)	(14,445)
Safra Cia. Securitizadora de Créditos Imobiliários	(311,572)	(209,369)	(51,700)	(2,641)
Banco Safra S.A.- Cayman Islands	(591)	(6,351)	(21,218)	(52,006)
Interbank accounts	(5,092)	(10,282)	-	-
Banco Safra BSI S.A.	(5,092)	(10,282)	-	-
Dividends and bonuses payable	(23)	-	-	-
JS Administração de Recursos S.A.	(23)	-	-	-
Trading account	(6,466)	(966)	-	-
Safra Corretora de Valores e Câmbio Ltda.	(6,034)	(586)	-	-
Banco Safra Luxemburgo	(242)	(271)	-	-
Safra National Bank of New York	(190)	(109)	-	-
Brokerage expenses (legal entity)	-	-	(575)	(162)
Safra Corretora de Valores e Câmbio Ltda.	-	-	(575)	(162)
Rents payable to related parties	-	-	(24,278)	(6,787)
Safra Cia. Securitizadora de Créditos Imobiliários	-	-	(22,395)	(4,981)
Acauã Construtora Ltda.	-	-	(1,312)	(1,255)
JS Administração de Recursos S.A.	-	-	(571)	(551)

24. DERIVATIVES

The main purpose of the use of derivatives 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. Further, these instruments are used by the Bank in the daily management of the risks assumed in its operations, including the securities portfolio hedge defined by Management.

The main risks related to 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 a counterparts or debtors.
- Market risk is the exposure created by potential fluctuation in interest rates, foreign exchange rates, commodity prices, stock market prices, and other values amounts, 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 tradable assets and payable liabilities in transactions with derivatives that might affect the payment ability of the Company, taking into consideration the currencies and settlement terms of its assets and liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS

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(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)

Banco Safra's and 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, backtesting, and other technical resources. The Bank has a Market Risk Committee, consisting of high-ranked executives, which meets on a weekly basis to analyze the economics conjuncture and a Treasury and Risk Committee, with participation from members of the Executive Committee, which meets on a weekly basis to discuss detailed aspects of Market Risk management, as well as reviewing risk limits, stress scenarios, strategies and outcomes.

The guarantees provided for stock exchange transactions as of June 30 were as follows:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
National Treasury	365,920	409,823	470,891	507,380
	365,920	409,823	470,891	507,380

The derivatives portfolio as of June 30 is broken down as follows:

	2010						Total
	Notional amount	Adjusted cost	BANK				
			Fair value and maturities				
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days		
Swap							
Interest rate							
Assets	8,491,374	9,062,071	1,096,170	1,446,813	1,812,732	4,486,125	8,841,840
Liabilities	(8,491,374)	(9,134,220)	(1,177,481)	(1,450,363)	(1,826,163)	(4,571,320)	(9,025,327)
	-	(72,149)	(81,311)	(3,550)	(13,431)	(85,195)	(183,487)
Foreign currency							
Assets	1,386,379	1,097,062	242,075	380,384	19,731	382,438	1,024,628
Liabilities	(1,386,379)	(1,068,838)	(197,668)	(398,745)	(89,701)	(129,174)	(815,288)
	-	28,224	44,407	(18,361)	(69,970)	253,264	209,340
Amounts receivable	-	123,062	9,121	13,199	11,462	227,914	261,696
Amounts payable	-	(166,987)	(46,025)	(35,110)	(94,863)	(59,845)	(235,843)
Forward Private securities							
Long position:							
	38,494	38,462	-	-	-	38,462	38,462
Forward purchases receivable	19,912	19,783	18,409	-	-	-	18,409
	58,406	58,245	18,409	-	-	38,462	56,871
Trading securities							
Liability position:							
Forward purchases payable	(38,494)	(38,494)	-	-	-	(38,462)	(38,462)
	(38,494)	(38,494)	-	-	-	(38,462)	(38,462)

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)**

	Fair value and maturities						Total
	Notional amount	Adjusted cost	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Options							
Bovespa index							
Purchases of:							
Call options	115,404	5,755	733	776	5,118	1,997	8,624
Put options	23,368	158	43	45	92	31	211
	<u>138,772</u>	<u>5,913</u>	<u>776</u>	<u>821</u>	<u>5,210</u>	<u>2,028</u>	<u>8,835</u>
Sales of:							
Call options	(12,086)	(394)	368	466	238	-	1,072
Put options	(15,003)	(415)	(648)	(199)	-	-	(847)
	<u>(27,089)</u>	<u>(809)</u>	<u>(280)</u>	<u>267</u>	<u>238</u>	<u>-</u>	<u>225</u>
IDI							
Purchases of:							
Put options	4,971,261	10,323	-	-	6,092	-	6,092
	<u>4,971,261</u>	<u>10,323</u>	<u>-</u>	<u>-</u>	<u>6,092</u>	<u>-</u>	<u>6,092</u>
Sales of:							
Put options	(4,971,261)	(10,344)	-	-	(6,104)	-	(6,104)
	<u>(4,971,261)</u>	<u>(10,344)</u>	<u>-</u>	<u>-</u>	<u>(6,104)</u>	<u>-</u>	<u>(6,104)</u>
Foreign currency							
Purchases of:							
Call options	360,300	5,397	5,397	-	-	-	5,397
	<u>360,300</u>	<u>5,397</u>	<u>5,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,397</u>
Sales of:							
Call options	(31,257,595)	(2,498,926)	(344,397)	(377,324)	(431,687)	(1,566,996)	(2,721,760)
Put options	(39,697,945)	(2,710,016)	(472,847)	(608,367)	(603,962)	(1,221,891)	(2,907,067)
	<u>(70,955,540)</u>	<u>(5,208,942)</u>	<u>(817,244)</u>	<u>(985,691)</u>	<u>(1,035,649)</u>	<u>(2,788,887)</u>	<u>(5,628,827)</u>

	Fair value and maturities					Total
	Notional amount	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Non Deliverable Forward - NDF						
Long positions	314,693	183,258	108,645	22,790	-	314,693
Short positions	(78,649)	(78,649)	-	-	-	(78,649)
	<u>236,044</u>	<u>104,609</u>	<u>108,645</u>	<u>22,790</u>	<u>-</u>	<u>236,044</u>
Accrued receivables	2,072	745	1,297	30	-	2,072
Accrued payables	(41,718)	(39,798)	(795)	(1,125)	-	(41,718)
	<u>(39,646)</u>	<u>(39,053)</u>	<u>502</u>	<u>(1,095)</u>	<u>-</u>	<u>(39,646)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)**

	Notional amount	Fair value and maturities				Total
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Mercado Futuro - BM&F						
Long positions						
Exchange coupon (DDI)	406,600	-	-	244,426	162,174	406,600
Interest rate - DI1	174,187	-	-	-	174,187	174,187
Commercial dollar (DOL)	108,195	108,195	-	-	-	108,195
Bovespa Index - IND	9,535	9,535	-	-	-	9,535
	<u>698,517</u>	<u>117,730</u>	<u>-</u>	<u>244,426</u>	<u>336,361</u>	<u>698,517</u>
Short positions						
Exchange coupon (DDI)	(1,081,183)	(533,770)	(127,958)	(89,952)	(329,503)	(1,081,183)
Interest rate - DI1	(10,774,720)	(2,530,381)	(981,563)	(4,658,358)	(2,604,418)	(10,774,720)
Exchange coupon (DDI)	(62,152)	(62,152)	-	-	-	(62,152)
	<u>(11,918,055)</u>	<u>(3,126,303)</u>	<u>(1,109,521)</u>	<u>(4,748,310)</u>	<u>(2,933,921)</u>	<u>(11,918,055)</u>
Amounts receivable	-	305	-	-	-	305
Currency swap - Central Bank						
Short positions						
Currency swap (SCC)	162,135	135,113	27,022	-	-	162,135
	<u>162,135</u>	<u>135,113</u>	<u>27,022</u>	<u>-</u>	<u>-</u>	<u>162,135</u>

2010

	CONSOLIDATED						
	Notional amount	Adjusted cost	Fair value and maturities				Total
			Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Swap							
Interest rate							
Assets	5,130,621	5,510,733	619,766	955,476	1,026,936	2,674,727	5,276,905
Liabilities	<u>(5,130,621)</u>	<u>(5,611,471)</u>	<u>(701,939)</u>	<u>(959,642)</u>	<u>(1,040,924)</u>	<u>(2,800,074)</u>	<u>(5,502,579)</u>
	-	(100,738)	(82,173)	(4,166)	(13,988)	(125,347)	(225,674)
Foreign currency							
Assets	1,740,762	1,391,979	242,075	396,254	34,726	646,490	1,319,545
Liabilities	<u>(1,740,762)</u>	<u>(1,450,901)</u>	<u>(197,668)</u>	<u>(402,109)</u>	<u>(93,051)</u>	<u>(504,523)</u>	<u>(1,197,351)</u>
	-	(58,922)	44,407	(5,855)	(58,325)	141,967	122,194
Amounts receivable	-	94,463	8,243	12,492	10,448	187,592	218,775
Amounts payable	-	(254,123)	(46,008)	(22,514)	(82,761)	(170,972)	(322,255)

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)**

Forward							
Public securities							
Asset position:							
Forward purchases payable	38,494	38,462	-	-	-	38,462	38,462
Forward purchases receivable	19,912	19,783	18,409	-	-	-	18,409
	<u>58,406</u>	<u>58,245</u>	<u>18,409</u>	<u>-</u>	<u>-</u>	<u>38,462</u>	<u>56,871</u>
Public securities							
Liability position:							
Forward purchases payable	(38,494)	(38,494)	-	-	-	(38,462)	(38,462)
	<u>(38,494)</u>	<u>(38,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,462)</u>	<u>(38,462)</u>
Fair value and maturities							
	Notional amount	Adjusted cost	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
Options							
Bovespa index							
Purchases of:							
Call options	115,404	5,755	733	776	5,118	1,997	8,624
Put options	23,368	158	43	45	92	31	211
	<u>138,772</u>	<u>5,913</u>	<u>776</u>	<u>821</u>	<u>5,210</u>	<u>2,028</u>	<u>8,835</u>
Sales of:							
Call options	(12,086)	(394)	368	466	238	-	1,072
Put options	(15,003)	(415)	(648)	(199)	-	-	(847)
	<u>(27,089)</u>	<u>(809)</u>	<u>(280)</u>	<u>267</u>	<u>238</u>	<u>-</u>	<u>225</u>
IDI							
Purchases of:							
Put options	4,971,261	10,323	-	-	6,092	-	6,092
	<u>4,971,261</u>	<u>10,323</u>	<u>-</u>	<u>-</u>	<u>6,092</u>	<u>-</u>	<u>6,092</u>
Sales of:							
Put options	(4,971,261)	(10,344)	-	-	(6,104)	-	(6,104)
	<u>(4,971,261)</u>	<u>(10,344)</u>	<u>-</u>	<u>-</u>	<u>(6,104)</u>	<u>-</u>	<u>(6,104)</u>
Foreign currency							
Purchases of:							
Put options	360,300	4,035	4,035	-	-	-	4,035
	<u>360,300</u>	<u>4,035</u>	<u>4,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,035</u>
Sales of:							
Call options	(39,748,381)	(2,353,862)	(345,421)	(379,468)	(431,687)	(1,404,954)	(2,561,530)
Put options	(48,188,731)	(2,600,720)	(472,256)	(608,367)	(603,962)	(1,096,427)	(2,781,012)
	<u>(87,937,112)</u>	<u>(4,954,582)</u>	<u>(817,677)</u>	<u>(987,835)</u>	<u>(1,035,649)</u>	<u>(2,501,381)</u>	<u>(5,342,542)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)**

	Notional amount	Fair value and maturities				Total
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Non Deliverable Forward - NDF						
Long positions	314,693	183,258	108,645	22,790	-	314,693
Short positions	(78,649)	(78,649)	-	-	-	(78,649)
	<u>236,044</u>	<u>104,609</u>	<u>108,645</u>	<u>22,790</u>	<u>-</u>	<u>236,044</u>
Accrued receivables	2,072	745	1,297	30	-	2,072
Accrued payables	(41,718)	(39,798)	(795)	(1,125)	-	(41,718)
	<u>(39,646)</u>	<u>(39,053)</u>	<u>502</u>	<u>(1,095)</u>	<u>-</u>	<u>(39,646)</u>

	Notional amount	Fair value and maturities				Total
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Futures market - BM&F						
Long positions						
Exchange coupon (DDI)	406,600	-	-	244,426	162,174	406,600
Interest rate - DI1 Commercial dollar (DOL)	174,187	-	-	-	174,187	174,187
Bovespa Index - IND	108,195	108,195	-	-	-	108,195
	<u>9,535</u>	<u>9,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,535</u>
	<u>698,517</u>	<u>117,730</u>	<u>-</u>	<u>244,426</u>	<u>336,361</u>	<u>698,517</u>
Short positions						
Exchange coupon (DDI)	(1,081,183)	(533,770)	(127,958)	(89,952)	(329,503)	(1,081,183)
Interest rate - DI1 Commercial dollar (DOL)	(10,774,720)	(2,530,381)	(981,563)	(4,658,358)	(2,604,418)	(10,774,720)
	<u>(62,152)</u>	<u>(62,152)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,152)</u>
	<u>(11,918,055)</u>	<u>(3,126,303)</u>	<u>(1,109,521)</u>	<u>(4,748,310)</u>	<u>(2,933,921)</u>	<u>(11,918,055)</u>
Amounts receivable	-	305	-	-	-	305

	Notional amount	Fair value and maturities				Total
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Currency swap - Central Bank						
Short positions						
Currency swap (SCC)	162,135	135,113	27,022	-	-	162,135
	<u>162,135</u>	<u>135,113</u>	<u>27,022</u>	<u>-</u>	<u>-</u>	<u>162,135</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)**

		2009					
		BANK					
		Fair value and maturities					
	Notional amount	Adjusted cost	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
Swap							
Interest rate							
Assets	8,662,060	9,256,634	1,425,223	875,930	2,120,763	4,528,585	8,950,501
Liabilities	(10,387,970)	(9,306,861)	(1,485,639)	(862,324)	(2,114,353)	(4,717,539)	(9,179,855)
	<u>(1,725,910)</u>	<u>(50,227)</u>	<u>(60,416)</u>	<u>13,606</u>	<u>6,410</u>	<u>(188,954)</u>	<u>(229,354)</u>
Foreign currency							
Assets	1,882,610	699,927	277,210	24,561	43,349	378,743	723,863
Liabilities	(156,700)	(573,694)	(325,120)	(52,206)	(82,385)	(95,426)	(555,137)
	<u>1,725,910</u>	<u>126,233</u>	<u>(47,910)</u>	<u>(27,645)</u>	<u>(39,036)</u>	<u>283,317</u>	<u>168,726</u>
Amounts receivable	-	76,754	16,257	3,578	7,094	141,455	168,384
Amounts payable	-	(748)	(124,583)	(17,617)	(39,720)	(47,092)	(229,012)
Forward							
Private securities							
Asset position:							
Forward purchases receivable	7,004	6,881	6,881	-	-	-	6,881
	<u>7,004</u>	<u>6,881</u>	<u>6,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,881</u>
		Fair value and maturities					
	Notional amount	Adjusted Premium value	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
Options							
Bovespa index							
Purchases of:							
Call options	50,970	4,258	2,034	941	1,382	(99)	4,258
Put options	24,222	255	69	10	25	-	104
	<u>75,192</u>	<u>4,513</u>	<u>2,103</u>	<u>951</u>	<u>1,407</u>	<u>(99)</u>	<u>4,362</u>
Sales of:							
Call options	(7,737)	(698)	(1,401)	(63)	(7)	-	(1,471)
Put options	(48,983)	(843)	(943)	-	-	-	(943)
	<u>(56,720)</u>	<u>(1,541)</u>	<u>(2,344)</u>	<u>(63)</u>	<u>(7)</u>	<u>-</u>	<u>(2,414)</u>
Foreign currency							
Purchases of:							
Call options	933,703	8,653	6,778	1,365	350	449	8,942
Put options	190,633	33,672	29,994	3,678	-	-	33,672
	<u>1,124,336</u>	<u>42,325</u>	<u>36,772</u>	<u>5,043</u>	<u>350</u>	<u>449</u>	<u>42,614</u>
Sales of:							
Call options	(30,012,494)	(2,813,237)	(220,185)	(255,754)	(631,959)	(2,029,956)	(3,137,854)
Put options	(38,689,068)	(2,720,817)	(317,639)	(381,766)	(678,885)	(1,517,218)	(2,895,508)
	<u>(68,701,562)</u>	<u>(5,534,054)</u>	<u>(537,824)</u>	<u>(637,520)</u>	<u>(1,310,844)</u>	<u>(3,547,174)</u>	<u>(6,033,362)</u>

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

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(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)

	Notional amount	Fair value and maturities				Total
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Non Deliverable Forward - NDF						
Long positions	295,571	229,471	8,973	25,561	31,566	295,571
Short positions	(21,476)	(21,105)	(371)	-	-	(21,476)
	<u>274,095</u>	<u>208,366</u>	<u>8,602</u>	<u>25,561</u>	<u>31,566</u>	<u>274,095</u>
Accrued receivables	-	3,219	656	1,426	1,510	6,811
Accrued payables	-	(37)	(59)	-	(14,950)	(15,046)
	<u>-</u>	<u>3,182</u>	<u>597</u>	<u>1,426</u>	<u>(13,440)</u>	<u>(8,235)</u>
Futures market - BM&F						
	Notional amount	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
Long positions						
Exchange coupon (DDI)	1,262,449	1,088,134	-	-	174,315	1,262,449
Interest rate - DI1	312,680	-	-	-	312,680	312,680
	<u>1,575,129</u>	<u>1,088,134</u>	<u>-</u>	<u>-</u>	<u>486,995</u>	<u>1,575,129</u>
Short positions						
Exchange coupon (DDI)	(928,617)	(189,881)	(225,214)	(261,542)	(251,980)	(928,617)
Interest rate - DI1	(11,609,102)	(4,474,231)	(1,608,006)	(1,971,564)	(3,555,300)	(11,609,101)
Commercial Dollar - DOL	(1,176,677)	(1,176,677)	-	-	-	(1,176,677)
	<u>(13,714,396)</u>	<u>(5,840,789)</u>	<u>(1,833,220)</u>	<u>(2,233,106)</u>	<u>(3,807,280)</u>	<u>(13,714,395)</u>
Amounts receivable	-	1,213	-	-	-	1,213
Currency swap - Central Bank						
	Notional amount	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
Short positions						
Currency swap (SCC)	(146,370)	(146,370)	-	-	-	(146,370)
	<u>(146,370)</u>	<u>(146,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,370)</u>

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

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(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)

		2009						
		CONSOLIDATED						
		Fair value and maturities						
	Notional amount	Adjusted cost	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total	
Swap								
Interest rate								
Assets	8,760,864	9,355,438	1,524,027	947,758	2,667,485	4,815,077	9,954,347	
Liabilities	(10,466,774)	(9,405,665)	(1,583,587)	(934,340)	(2,662,108)	(5,008,829)	(10,188,864)	
	<u>(1,705,910)</u>	<u>(50,227)</u>	<u>(59,560)</u>	<u>13,418</u>	<u>5,377</u>	<u>(193,752)</u>	<u>(234,517)</u>	
Foreign currency								
Assets	2,234,994	1,992,771	277,210	40,506	58,634	639,405	1,015,755	
Liabilities	(509,084)	(1,945,077)	(325,120)	(55,549)	(85,711)	(462,741)	(929,121)	
	<u>1,725,910</u>	<u>47,694</u>	<u>(47,910)</u>	<u>(15,043)</u>	<u>(27,077)</u>	<u>176,664</u>	<u>86,634</u>	
Amounts receivable	-	83,135	16,253	3,166	24	133,736	153,179	
Amounts payable	-	(85,668)	(123,722)	(4,792)	(21,724)	(150,824)	(301,062)	
Forward								
Private securities								
Asset position:								
Forward purchases receivable	7,004	6,881	6,881	-	-	-	6,881	
	<u>7,004</u>	<u>6,881</u>	<u>6,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,881</u>	
		Fair value and maturities						
	Notional amount	Adjusted cost	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total	
Options								
Bovespa index								
Purchases of:								
Call options	50,970	4,258	2,035	941	1,382	(99)	4,258	
Put options	24,222	255	69	10	25	-	104	
	<u>75,192</u>	<u>4,513</u>	<u>2,104</u>	<u>951</u>	<u>1,407</u>	<u>(99)</u>	<u>4,362</u>	
Sales of:								
Call options	(7,737)	(698)	(1,401)	(63)	(7)	-	(1,471)	
Put options	(48,983)	(843)	(943)	-	-	-	(943)	
	<u>(56,720)</u>	<u>(1,541)</u>	<u>(2,344)</u>	<u>(63)</u>	<u>(7)</u>	<u>-</u>	<u>(2,414)</u>	
Foreign currency								
Purchases of:								
Call options	153,063	7,131	5,256	1,365	350	449	7,420	
Put options	190,633	34,713	31,035	3,678	-	-	34,713	
	<u>343,696</u>	<u>41,844</u>	<u>36,291</u>	<u>5,043</u>	<u>350</u>	<u>449</u>	<u>42,133</u>	
Sales of:								
Call options	(32,760,796)	(2,813,237)	(226,536)	(255,754)	(631,959)	(2,031,478)	(3,145,727)	
Put options	(41,347,971)	(2,720,817)	(317,639)	(381,766)	(678,885)	(1,517,218)	(2,895,508)	
	<u>(74,108,767)</u>	<u>(5,534,054)</u>	<u>(544,175)</u>	<u>(637,520)</u>	<u>(1,310,844)</u>	<u>(3,548,696)</u>	<u>(6,041,235)</u>	

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

**NOTES TO THE FINANCIAL STATEMENTS
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	Notional amount	Fair value and maturities				Total
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Non Deliverable Forward - NDF						
Long positions	295,571	229,471	8,973	25,561	31,566	295,571
Short positions	(21,476)	(21,105)	(371)	-	-	(21,476)
	<u>274,095</u>	<u>208,366</u>	<u>8,602</u>	<u>25,561</u>	<u>31,566</u>	<u>274,095</u>
Accrued receivables	-	3,219	656	1,426	1,510	6,811
Accrued payables	-	(37)	(59)	-	(14,950)	(15,046)
	<u>-</u>	<u>3,182</u>	<u>597</u>	<u>1,426</u>	<u>(13,440)</u>	<u>(8,235)</u>

	Notional amount	Fair value and maturities				Total
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Futures market - BM&F						
Long positions						
Exchange coupon (DDI)	1,262,449	1,088,134	-	-	174,315	1,262,449
Interest rate - DI1	312,680	-	-	-	312,680	312,680
	<u>1,575,129</u>	<u>1,088,134</u>	<u>-</u>	<u>-</u>	<u>486,995</u>	<u>1,575,129</u>
Short positions						
Exchange coupon (DDI)	(928,617)	(189,881)	(225,214)	(261,542)	(251,980)	(928,617)
Interest rate - DI1	(11,609,102)	(4,474,231)	(1,608,006)	(1,971,564)	(3,555,300)	(11,609,101)
Commercial dollar (DOL)	(1,176,677)	(1,176,677)	-	-	-	(1,176,677)
	<u>(13,714,396)</u>	<u>(5,840,789)</u>	<u>(1,833,220)</u>	<u>(2,233,106)</u>	<u>(3,807,280)</u>	<u>(13,714,395)</u>
Amounts receivable	-	1,213	-	-	-	1,213

	Notional amount	Fair value and maturities				Total
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	
Currency swap - Central Bank						
Short positions						
Currency swap (SCC)	(146,370)	(146,370)	-	-	-	(146,370)
	<u>(146,370)</u>	<u>(146,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,370)</u>

As of June 30, derivatives were traded in the following locations:

Local	BANK		CONSOLIDATED	
	2010	2009	2010	2009
BM&F	84,966,114	86,108,045	101,227,086	85,327,405
CETIP	9,164,149	8,908,220	5,894,131	10,320,283
	<u>94,130,263</u>	<u>95,016,265</u>	<u>107,121,217</u>	<u>95,647,688</u>

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Hedge of financial assets and liabilities

a) As of June 30, 2010 and 2009, the Bank's financial assets and liabilities, bearing fixed interest, basically represented by a portion of the lending and leasing operations and funding, were hedged. Derivatives classified as market risk hedges were designated for these financial assets and liabilities, pursuant to BACEN Circular 3082, of January 30, 2002.

As a result of the hedging policy defined and the strategy adopted by Management, the effectiveness of the hedging portfolio as of June 30, 2010 and 2009 met the standard set by the Central Bank of Brazil.

The hedged financial assets and liabilities as well as the derivatives instruments were measured at fair value and the related adjustments were recognized in the statement of income.

The breakdown of the hedged financial assets and liabilities and the derivatives was as follows:

		2010		2009	
		Curve value	Fair value	Curve value	Fair value
Hedged financial assets and liabilities	Assets	11,421,906	11,473,873	9,827,040	10,052,439
	Liabilities	(2,931,920)	(2,942,980)	(3,157,730)	(3,239,754)
		8,489,986	8,530,893	6,669,310	6,812,685
Derivatives	Assets	266,605	264,708	5,131	5,610
	Liabilities	(7,417,613)	(7,419,157)	(5,603,286)	(5,732,640)
		(7,151,008)	(7,154,449)	(5,598,155)	(5,727,030)

As of June 30, the accumulated unrealized gain from the mark-to-market of hedged assets and liabilities, except derivatives, recorded in income is R\$ 40,907 (R\$ 143,375 as of June 30, 2009).

b) As of June 30, 2010, the Bank held funding in yen, hedged for market risk, whose composition was as follows:

		2010	
		Curve value	Fair value
Hedged financial liabilities	Liabilities	(355,948)	(382,438)
		(355,948)	(382,438)
Derivatives	Assets	355,948	382,438
		355,948	382,438

The derivative has exactly the same volume, currency, interest rate and maturity of the original debt, therefore, it is not expected inefficiencies, demonstrating 100% effective (mirror derivative of the liability being hedged). As of June 30, 2010, the accumulated unrealized loss from marking-to-market of the liability being hedged is R \$ 26,490.

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25. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of income tax and social contribution charges for the six-month period ended June 30 is as follows:

	2010			
	BANK		CONSOLIDATED	
	Income tax	Social contribution	Income tax	Social contribution
Income before income taxes	633,836	633,836	754,934	754,934
Statutory tax rates	25%	15%	25%	15%
Expected income tax and social contribution expense	(158,459)	(95,075)	(188,734)	(113,240)
Effect of IRPJ and CSLL on permanent differences:				
Equity in subsidiaries (*)	52,906	31,744	437	360
Securities issued abroad	5,687	3,412	5,687	3,412
Other permanent differences	4,850	3,857	3,628	3,133
Adjustment of deferred income tax on excess depreciation	(116,241)	-	(106,723)	-
Adjustment of deferred taxes on mark-to-market	(17,060)	(10,236)	(19,024)	(11,415)
Tax credits recognized on temporary differences	5,169	3,101	6,643	3,960
Effect of income tax and social contribution on temporary differences:				
Excess depreciation	116,241	-	106,723	-
Allowance for loan losses	26,803	16,082	30,577	18,346
Mark-to-market	17,060	10,236	19,027	11,416
(Reversal of) reserve for contingencies	(13,931)	(8,358)	(16,184)	(9,896)
Other temporary differences	182	433	3,499	5,663
Offsets:				
Tax incentives	-	-	10	-
TOTAL	(76,793)	(44,804)	(154,434)	(88,261)

(*) Includes the tax effects on foreign exchange differences on branch and the investment in foreign subsidiary.

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	2009			
	BANK		CONSOLIDATED	
	Income tax	Social contribution	Income tax	Social contribution
Income before income taxes	464,564	464,564	577,843	577,843
Statutory tax rates	25%	15%	25%	15%
Expected income tax and social contribution expense	(116,141)	(69,685)	(144,461)	(86,676)
Effect of IRPJ and CSLL on permanent differences:				
Equity in subsidiaries (*)	33,317	19,990	-	-
Securities issued abroad	12,284	7,370	12,545	7,527
Other permanent differences	7,409	4,380	(15,645)	(9,028)
Adjustment of deferred income tax on excess depreciation	(34,569)	-	(192,182)	-
Adjustment of deferred taxes on mark-to-market	(10,378)	(6,227)	(7,586)	(4,552)
Tax credits recognized on temporary differences	49,200	29,520	56,777	34,039
Effect of income tax and social contribution on temporary differences:				
Excess depreciation	34,569	-	192,182	-
Allowance for loan losses	16,495	9,897	10,000	6,000
Mark-to-market	10,135	6,081	7,344	4,407
(Reversal of) reserve for contingencies	(18,302)	(10,981)	(8,416)	(4,645)
Other temporary differences	8,516	5,111	9,572	6,943
Offsets:				
Tax incentives	177	-	744	-
TOTAL	(7,288)	(4,544)	(79,126)	(45,985)

(*) Includes the tax effects on foreign exchange differences on branch and the investment in foreign subsidiary.

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Changes in tax credits and liabilities were as follows:

	2010			
	BANK		CONSOLIDATED	
	Tax credit	Tax liability	Tax credit	Tax liability
Balance beginning of period	179,846	(351,083)	503,796	(1,253,028)
Recognition/Realization of tax credit/liability	62,651	(141,549)	48,247	(135,176)
Balance at end of period	242,497	(492,632)	552,043	(1,388,204)

	2009			
	BANK		CONSOLIDATED	
	Tax credit	Tax liability	Tax credit	Tax liability
Balance beginning of period	85,137	(178,488)	433,173	(1,168,887)
Recognition/Realization of tax credit/liability	45,020	(20,804)	160,811	(177,237)
Balance at end of period	130,157	(199,292)	593,984	(1,346,124)

The changes above comprise the following deferred tax credits and tax obligations:

a) 2010:

	BANK		
	At beginning of six-month period	Recognition/realization	At end of six-month period
Tax credits:			
Deferred income tax and social contribution on:			
Reserve for labor contingencies	37,566	1,562	39,128
Reserve for civil contingencies	51,105	(6,497)	44,608
Mark-to-market - securities and derivatives	2,000	(2,000)	-
Mark-to-market - securities and derivatives - equity	456	1,275	1,731
Tax loss carryforwards (*)	88,551	55,104	143,655
Other temporary additions	168	13,207	13,375
Tax credits on temporary differences	179,846	62,651	242,497
Deferred taxes obligations:			
Deferred income tax and social contribution on:			
Mark-to-market - securities and derivatives	(3,427)	(25,308)	(28,735)
Excess depreciation	(347,656)	(116,241)	(463,897)
Total deferred tax obligations on temporary differences	(351,083)	(141,549)	(492,632)

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

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	CONSOLIDATED		
	At beginning of six-month period	Recognition/realization	At end of six-month period
Tax credits:			
Deferred income tax and social contribution on:			
Reserve for labor contingencies	39,056	1,842	40,898
Reserve for civil contingencies	58,834	(7,760)	51,074
Mark-to-market - securities and derivatives	2,000	(1,244)	756
Mark-to-market - securities and derivatives - equity	470	1,383	1,853
Tax loss carryforwards (*)	393,129	39,571	432,700
Social contribution loss carryforwards	5,255	(1,172)	4,083
Other temporary additions	5,052	15,627	20,679
Tax credits on temporary differences	<u>503,796</u>	<u>48,247</u>	<u>552,043</u>
Deferred taxes obligations:			
Deferred income tax and social contribution on:			
Mark-to-market - securities and derivatives	(6,722)	(28,453)	(35,175)
Excess depreciation	(1,246,306)	(106,723)	(1,353,029)
Total deferred tax obligations on temporary differences	<u>(1,253,028)</u>	<u>(135,176)</u>	<u>(1,388,204)</u>

(*) Arising from the exclusion of excess depreciation income from taxable income.

b) 2009:

	BANK		
	At beginning of six-month period	Recognition/realization	At end of six-month period
Tax credits:			
Deferred income tax and social contribution on:			
Reserve for labor contingencies	-	35,453	35,453
Reserve for civil contingencies	-	42,995	42,995
Mark-to-market - securities and derivatives	55,626	(30,560)	25,066
Tax loss carryforwards	29,511	(3,139)	26,372
Other temporary additions	-	271	271
Tax credits on temporary differences	<u>85,137</u>	<u>45,020</u>	<u>130,157</u>
Deferred taxes obligations:			
Deferred income tax and social contribution on:			
Mark-to-market - securities and derivatives	(47,501)	13,704	(33,797)
Mark-to-market - securities and derivatives - equity	(85)	85	-
Excess depreciation	(130,902)	(34,593)	(165,495)
Total deferred tax obligations on temporary differences	<u>(178,488)</u>	<u>(20,804)</u>	<u>(199,292)</u>

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(AMOUNTS IN THOUSANDS OF BRAZILIAN REAIS - R\$)**

	CONSOLIDATED		
	At beginning of six-month period	Recognition/ realization	At end of six- month period
Tax credits:			
Deferred income tax and social contribution on:			
Reserve for labor contingencies	-	36,661	36,661
Reserve for civil contingencies	-	49,286	49,286
Mark-to-market - securities and derivatives	55,626	(27,274)	28,352
Tax loss carryforwards	376,406	98,410	474,816
Social contribution loss carryforwards	1,141	(1,141)	-
Other temporary additions	-	4,869	4,869
Tax credits on temporary differences	433,173	160,811	593,984
Deferred taxes obligations:			
Deferred income tax and social contribution on:			
Mark-to-market - securities and derivatives	(48,912)	14,883	(34,029)
Mark-to-market - securities and derivatives - equity	(85)	85	-
Excess depreciation	(1,119,890)	(192,205)	(1,312,095)
Total deferred tax obligations on temporary differences	(1,168,887)	(177,237)	(1,346,124)

Expected realization of tax credits on temporary differences and tax loss carryforwards:

a) Banco Safra:

Year	2010				
	Temporary differences		Tax loss carryforwards		Total
	Income tax	Social contribution	Income tax	Social contribution	
2010	13,344	8,006	19,770	-	41,120
2011	12,262	7,357	46,615	-	66,234
2012	12,262	7,357	46,350	-	65,969
2013	12,262	7,357	24,317	-	43,936
2014	11,646	6,989	6,603	-	25,238
Total	61,776	37,066	143,655	-	242,497

Year	2009				
	Temporary differences		Tax loss carryforwards		Total
	Income tax	Social contribution	Income tax	Social contribution	
2009	19,472	11,683	398	-	31,553
2010	7,611	4,567	3,583	-	15,761
2011	7,611	4,567	6,124	-	18,302
2012	7,611	4,567	9,855	-	22,033
2013	7,606	4,564	6,031	-	18,201
2014	14,955	8,972	380	-	24,307
Total	64,866	38,920	26,371	-	130,157

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b) Consolidated:

Year	2010				Total
	Temporary differences		Tax loss carryforwards		
	Income tax	Social contribution	Income tax	Social contribution	
2010	15,336	9,201	59,558	550	84,645
2011	14,178	8,506	140,435	1,298	164,417
2012	14,178	8,506	139,637	1,291	163,612
2013	14,178	8,506	73,259	677	96,620
2014	14,281	8,389	19,895	184	42,749
Total	72,151	43,108	432,784	4,000	552,043

Year	2009				Total
	Temporary differences		Tax loss carryforwards		
	Income tax	Social contribution	Income tax	Social contribution	
2009	22,091	13,254	255,688	-	291,033
2010	8,741	5,245	53,151	-	67,137
2011	8,741	5,245	74,974	-	88,960
2012	8,741	5,245	60,364	-	74,350
2013	8,736	5,242	27,714	-	41,692
2014	17,430	10,456	2,926	-	30,812
Total	74,480	44,687	474,817	-	593,984

The present value of the estimated realization of tax credits is R\$ 190,351 (R\$ 98,569 as of June 30, 2009), Bank, and R\$ 432,248 (R\$ 504,351 as of June 30, 2009), on a consolidated basis, discounted based on CDI fluctuation projected for the corresponding periods.

As of June 30, 2010, there are temporary differences on which no tax credits were recognized that total R\$ 457,905 (R\$ 419,610 as of June 30, 2009), Bank, and R\$ 570,598 (R\$ 611,064 as of June 30, 2009), on a consolidated basis, based on management's analysis of realization.

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a) Income from services provided

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Income from services provided to mutual funds (*)	48,991	32,813	102,851	55,452
Income from stock exchange brokerage services	-	-	13,423	11,047
Income from collection services	36,914	24,526	36,914	24,576
Income from guarantees provided	59,683	44,378	59,683	44,378
Income from custody services	1,845	-	2,373	-
Other services (agreements, fees and commissions)	10,129	9,491	10,544	10,870
Other	160	2,216	8,535	6,947
	157,722	113,424	234,323	153,270

(*) In Bank refers to custody services and on a consolidated basis refers to mutual fund management services.

b) Other administrative expenses

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Public utilities	4,476	4,580	4,990	4,981
Rental expenses	38,038	37,493	18,007	34,562
Lease of assets	6,214	7,737	217	2,078
Communication	5,601	6,380	8,250	8,838
Maintenance and upkeep	8,394	10,083	9,286	10,622
Office supplies	1,500	1,157	1,500	1,157
Publicity and advertising expenses	3,908	6,642	4,687	7,324
Data processing	20,373	19,939	21,233	20,407
Specialized technical services (*)	18,593	18,322	23,641	23,117
Outside services (**)	44,727	52,127	56,546	58,261
Travel expenses	4,348	2,878	5,021	3,140
Financial system services	14,734	10,769	15,168	11,430
Security and surveillance services	4,376	4,816	4,536	5,133
Transportation expenses	9,329	11,304	9,631	11,455
Information security expenses	8,097	20,156	12,698	27,327
Depreciation and amortization	8,567	10,459	19,334	19,297
Expenses with notary fee	18,998	8,382	24,578	11,203
Other	19,513	11,645	28,541	16,212
	239,786	244,869	267,864	276,544

(*) Refers basically to lawyers' fees and expert services.

(**) Refers basically to bank correspondent services and other professional services.

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c) Tax expenses:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Tax on revenue (COFINS)	5,590	4,162	20,513	17,297
Tax on revenue (PIS)	908	676	3,339	2,814
Service tax (ISS)	6,759	5,513	12,517	7,414
Municipal real state tax (IPTU)	3,746	2,308	4,161	2,580
Tax on financial transactions (IOF)	286	4,426	511	4,812
Other	1,995	2,625	2,256	3,643
	19,284	19,710	43,297	38,560

d) Other operating income:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Recovery of charges and expenses	7,355	6,878	8,359	4,695
Reversal of sundry provisions (*)	37,011	84,037	45,516	151,331
Income on receivables purchased	43,084	70,140	43,084	70,140
Accounts receivable	29,067	19,334	29,067	19,334
Interest receivable	-	3,691	6,904	4,865
Other operating income	13,837	11,432	20,103	74,329
	130,354	195,512	153,033	324,694

(*) In 2010, refers basically to reversal of reserve for non-current assets held for sale. In 2009, refers basically to reversal of reserve for tax contingencies.

e) Other operating expenses:

	BANK		CONSOLIDATED	
	2010	2009	2010	2009
Reserve for contingent liabilities	62,972	112,014	78,088	137,707
Other provisions	37,487	37,090	38,807	41,238
Expenses on discounts granted in renegotiations	14,932	6,059	14,932	6,059
Other operating expenses (*)	18,480	28,048	28,801	32,243
	133,871	183,211	160,628	217,247

(*) Refer basically to expenses on consumer business fees, card operation fees, foreign exchange losses on government securities, monetary variation expenses, fund raising expenses, and other sundry expenses.

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27. OPERATIONAL LIMITS

The Central Bank of Brazil released Communications 12746/04 and 16137/07, which address the guidelines and the schedules for implementation of the criteria of the New Basel Accord (Basel II). These Communications contain the recommendations of the Basel Banking Supervision Committee, contained in the paper *International Convergence of Capital Measurement and Capital Standards: a Revised Framework* which establishes more appropriate criteria for the risk levels associated to financial institutions' operations for the allocation of regulatory capital.

In addition to these Communications, the National Monetary Council and the Central Bank of Brazil disclosed several regulations that establish the guidelines to calculate regulatory capital, which went into effect on July 1, 2008, such as:

- CMN Resolution 3444/07 - Determines the Regulatory Capital (PR) used to check compliance with the operating limits of financial institutions and other institutions authorized to operate by the Central Bank of Brazil;
- Resolution 3490/07 - Defines the Minimum Regulatory Capital (PRE);
- Circular 3360/07 - Defines the Risk-Weighted Exposure (PEPR) Portion;
- Circulars 3361/07 to 3364/07, 3366/07, 3368/07 - Define exposure to the Interest (PJUR-1 to PJUR-4), Share (PACS), Commodities (PCOM);
- Circular 3365/07 - Addresses the measurement of interest rate risk of transactions not classified in trading portfolio;
- Circular 3389/08 - Define exposure to the Foreign Exchange (PCAM) Portion;
- Circular 3383/08 (amended by Circular 3476/09) - Defines the procedures to calculate the PRE portion related to operational risk (POPR), addressed by Resolution 3490/07.

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Based on the regulations mentioned above, the Financial Group’s Regulatory Capital (PR) as of June 30, is as follows:

	<u>2010</u>	<u>2009</u>
Regulatory Capital (PR)	<u>5,731,671</u>	<u>5,434,921</u>
Tier I	5,035,520	4,736,272
Shareholder’s equity	5,117,122	4,579,263
Deferred permanent assets excluded from tier I	(84,589)	(78,191)
Valuation adjustments excluded from tier I	2,987	178
Allowance exceeding minimum allowance required by rating established by CMN Resolution 2682/99, according to Resolution 3674/08, repealed by Resolution 3825/09 of April 1, 2010	-	235,023
Tier II	696,151	698,649
Subordinated debt (*)	699,138	698,827
Valuation adjustments	(2,987)	(178)
Required Regulatory Capital (PRE)	<u>4,520,514</u>	<u>3,581,837</u>
Credit risk		
Exposure weighted by credit risk (PEPR)	4,352,888	3,552,715
Market risk	67,583	10,391
Operations subject to interest rate variation (PJUR)	61,218	10,372
Fixed rate denominated in Real (PJUR1)	3,301	4,629
Foreign currency coupon (PJUR2)	16,533	5,743
Price index coupon (PJUR3)	41,384	-
Operations subject to stock price variation (PACS)	6,365	19
Operational risk (POPR)	100,043	18,731
Amount of PR calculated for covering the interest rate risk of operations not classified into the trading portfolio (RBAN)	11,883	53,528
Capital margin (PR-PRE-RBAN)	1,199,275	1,799,556
Basel Ratio [PR*100/(PRE/0,11)]	14.0	16.7

(*) Refers to subordinated Bank Certificates of Deposit (CDBs), see note (21)

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28. OTHER INFORMATION

- a) The balance of cash and cash equivalents refers basically to bank account balances in foreign banks.
- b) The responsibility for collateral signatures, sureties, and other guarantees provided, amounted to, as of June 30, 2010, R\$ 5,908,933, Bank, and R\$ 5,932,947 on a consolidated basis (R\$ 4,096,572, Bank, and R\$ 4,127,026 on a consolidated basis as of June 30, 2009), and no losses are expected as a result of these transactions.
- c) The Safra Group is responsible for the management, administration and distribution of quotas of several investment funds, whose net assets as of June 30, 2010, including funds managed by company outside the Safra Group, totaled R\$53,699,926 (R\$29,455,465 as of June 30, 2009), of which R\$34,036,279 (R\$21,802,275 as of June 30, 2009) refers to financial investment funds, R\$ 14,397,435 (R\$ 5,018,664 as of June 30, 2009) in quota investment funds, and R\$ 5,266,212 in other funds (R\$ 2,634,526 as of June 30, 2009). Income from these funds management, administration and distribution of quotas fees, recorded in 'Income from services provided', totals R\$ 48,991 for the six-month period (R\$ 32,812 as of June 30, 2009), Bank, and R\$ 102,851 for the six-month period (R\$ 55,451 as of June 30, 2009) on a consolidated basis.
- d) Insurance on leased assets is linked to specific covenants in lease agreements. The Bank has insurance coverage in amounts considered sufficient to cover any risks on its assets, such as fire, civil liability and sundry risks.

29. SUBSEQUENT EVENT

The Minutes of the Extraordinary Shareholders' Meeting of Banco J. Safra S.A. and Banco Safra BSI S.A. held on July 30, 2010 approved the merger of Banco Safra BSI S.A. into Banco J. Safra S.A., at the book value as of June 30, 2010, and the changes in equity of Banco Safra BSI S.A. from July 1, 2010 to the date of merger were recognized in Banco J. Safra S.A. The merger was designed to maximize the institutions' efficiency and profitability.

As a result of the merger transaction, Banco Safra BSI's net assets, totaling R\$166,890, were transferred to Banco J. Safra S.A.

Banco Safra BSI S.A. was dissolved and its assets and liabilities were assumed by Banco J. Safra S.A. The transaction now awaits the approval of the Central Bank of Brazil.
