

Announcement to the market

Comparison between BRGAAP⁽¹⁾ and IFRS for the year ended December 31st, 2013

(Amounts in thousand of Reais)

We present below the adjustments and reclassifications from our Consolidated Balance Sheet and Statement of Income prepared in accordance with BRGAAP to those prepared in accordance with IFRS. Visit our website (www.safra.com.br) to find our complete consolidate financial statements under BRGAAP and IFRS.

Consolidated Balance Sheet	BRGAAP	Adjustments and Reclassifications	IFRS
ASSETS			
Cash, Interbank investments and Reserves at Central Bank	34.750.122	-	34.750.122
Financial assets and Derivative financial instruments	37.116.941	3.729 (2)	37.120.670
Credit operations	52.748.894	653.657	53.402.551
At amortized cost and at fair value on initial recognition	54.333.857	240.465 (3)(5)	54.574.322
Provision for impairment losses	(1.584.963)	413.192 (4)	(1.171.771)
Other financial assets	5.995.866	(323.694) (3)(5)	5.672.172
Property and equipment and Intangible assets	161.794	-	161.794
Tax assets	475.177	920.006 (6)	1.395.183
Non-current assets held for sale	70.495	-	70.495
Other asstes	327.610	-	327.610
TOTAL ASSETS	131.646.899	1.253.698	132.900.597
LIABILITIES			
Financial liabilities at amortized cost and at fair value on initial recognition	103.179.431	947.505 (7)	104.126.936
Derivatives financial instruments	6.549.291	(947.505) (7)	5.601.786
Insurance and pension plans operations	3.665.439	-	3.665.439
Subordinated debt	2.914.559	-	2.914.559
Other financial liabilities	5.859.015	3.729 (2)	5.862.744
Provision for contingencies	869.500	-	869.500
Tax liabilities	502.285	-	502.285
Other liabilities	548.001	(83.231) (3)(5)	464.770
Equity	7.559.378	1.333.200 (4)(6)	8.892.578
TOTAL LIABILITIES AND EQUITY	131.646.899	1.253.698	132.900.597

(1) BRGAAP represents the accounting practices adopted for financial institutions subject to regulation of Brazilian Central Bank.

(2) Consolidation of assets and liabilities held by investment fund quotas related to pension plans (PGBL and VGBL) under IFRS, previously recognized as a single investment in funds quotas under BR GAAP.

(3) Reclassification of certain deferred comissions of credit operations previously classified as other assets and liabilities according to BRGAAP and reclassified to credit operations under IFRS ("effective interest rate").

(4) Adoption of IFRS criteria for calculating the provision for impairment losses, which is based on incurred losses.

(5) Designation of certain financial assets and liabilities to be measured at fair value through profit and loss at initial recognition ("fair value option").

(6) Recognition of the full amount of deferred tax credits, which are not completely recognized according to BRGAAP.

(7) Reclassification of certain financial liabilities operations recorded at fair value on initial recognition ("fair value option"), previously recognized as derivatives under BRGAAP.

Consolidated Statement of Income	BRGAAP	Adjustments and Reclassifications	IFRS
Interest and Similar Income	3.779.715	-	3.779.715
Impairment losses (net of recoveries) on credit operations	(1.035.023)	824.780 (1)(2)	(210.243)
Fair value adjustment	-	(686.589) (1)	(686.589)
Net Interest Income after impairment losses	<u>2.744.692</u>	<u>138.191</u>	<u>2.882.883</u>
Other results from operation	859.594	-	859.594
Net result from financial instruments	(59.189)	-	(59.189)
Result from foreign exchange operations	88.477	-	88.477
Income from/expenses on fees and commissions	717.765	-	717.765
Result from insurance and pension plan operations	112.541	-	112.541
Gross Profit from Operations	<u>3.604.286</u>	<u>138.191</u>	<u>3.742.477</u>
Other operating income (expenses)	(1.824.143)	(199.809)	(2.023.952)
Personnel expenses	(1.293.155)	-	(1.293.155)
Administrative expenses	(600.939)	-	(600.939)
Tax expenses	(251.128)	-	(251.128)
Other operating income (expenses)	321.079	(199.809) (3)	121.270
Operating Profit before Taxation	<u>1.780.143</u>	<u>(61.618)</u>	<u>1.718.525</u>
Income tax and social contribution	(421.422)	69.049 (3)	(352.373)
CONSOLIDATED PROFIT FOR THE PERIOD	<u>1.358.721</u>	<u>7.431</u>	<u>1.366.152</u>

(1) Adoption of IFRS criteria for calculating the provision for impairment losses, which is based on incurred losses.

(2) Designation of certain financial assets and liabilities to be measured at fair value through profit and loss ("fair value option").

(3) Tax effect from IFRS adjustments and other reclassifications.