



# Safr

Tradição Secular de Segurança

## **Banco Safr S.A.**

**Consolidated Financial Statements  
For the Period Ended  
March 31, 2018**

**Independent Auditor's Report**

**DeloitteToucheTohmatsu Auditores Independentes**



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**BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED SAFRA")**  
**STATEMENT OF FINANCIAL POSITION**  
**ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED**

<b>ASSETS</b>	<b>Notes</b>	<b>CONSOLIDATED</b>	
		<b>03.31.2018</b>	<b>03.31.2017</b>
<b>CURRENT ASSETS</b>		<b>115,439,984</b>	<b>113,523,924</b>
Cash	3(b) and 4	694,186	368,226
Interbank investments	3(c) and 4 and 5	35,138,963	49,063,172
Open market investments		34,384,451	46,995,672
Interbank deposits		131,481	758,437
Foreign currency investments		623,031	1,309,063
Central Bank compulsory deposits	6	4,272,292	2,853,512
Marketable securities	3(d) and 7(a)	31,639,232	24,096,693
Own portfolio		24,605,140	13,077,798
Subject to repurchase agreements - Open market		5,293,507	8,824,330
Restricted deposits - Brazilian Central Bank		726,272	474,356
Subject to guarantees		1,014,313	1,720,209
Funds guaranteeing technical reserves for insurance and private pension	7(b)	408,778	342,335
Derivative financial instruments	3(d) and 7(c)	993,286	989,429
Transactions with credit characteristics	3(f) and 8	38,846,929	32,838,809
Credit operations		39,501,805	33,496,885
Other credits		51,602	21,852
(Allowance for loan losses)		(706,478)	(679,928)
Other financial assets	11	3,046,469	2,858,009
Foreign exchange portfolio	11(a)	1,099,002	2,075,997
Negotiation and intermediation of securities	11(b)	639,692	543,143
Interbank and interdepartmental transactions		163,126	132,187
Acquirer		998,638	3,748
Sundry		146,011	102,934
Other sundry receivables	13(a)	330,980	66,281
Other assets - Prepaid expenses	3(h)	68,869	47,458
<b>NON-CURRENT ASSETS</b>		<b>48,256,680</b>	<b>41,116,942</b>
<b>LONG-TERM RECEIVABLES</b>		<b>47,853,039</b>	<b>40,798,464</b>
Interbank investments - Interbank deposits	3(c) and 5	1,361,261	1,243,368
Marketable securities	3(d) and 7(a)	11,078,011	10,257,239
Own portfolio		8,469,285	8,291,180
Subject to repurchase agreements - Open market		2,272,177	1,611,858
Subject to guarantees		336,549	354,201
Funds guaranteeing technical reserves for insurance and private pension	7(b)	12,776,084	9,467,350
Derivative financial instruments	3(d) and 7(c)	126,408	122,172
Transactions with credit characteristics	3(f) and 8	20,411,990	17,584,522
Credit operations		22,129,058	19,199,865
Other credits		254,288	321,285
(Allowance for loan losses)		(1,971,356)	(1,936,628)
Other financial assets - Sundry	11	27,553	1,167
Other receivables		2,071,732	2,122,646
Deferred taxes	15(b)	1,803,371	1,871,471
Sundry	13(a)	268,361	251,175
<b>INVESTMENTS</b>	3(i)	<b>7,252</b>	<b>6,487</b>
<b>PROPERTY AND EQUIPMENT IN USE</b>	3(j) and 16	<b>263,830</b>	<b>206,217</b>
<b>INTANGIBLE ASSETS</b>	3(k) and 16	<b>132,559</b>	<b>105,774</b>
<b>TOTAL ASSETS</b>		<b>163,696,664</b>	<b>154,640,866</b>

**BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED SAFRA")**  
**STATEMENT OF FINANCIAL POSITION**  
**ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED**

<b>LIABILITIES</b>	<b>Notes</b>	<b>CONSOLIDATED</b>	
		<b>03.31.2018</b>	<b>03.31.2017</b>
<b>CURRENT LIABILITIES</b>		105,026,790	100,553,450
Deposits	3(m) and 9(a)	13,746,113	9,546,994
Demand deposits		698,650	585,443
Savings deposits		1,924,977	1,470,646
Interbank deposits		783,313	1,853,502
Time deposits		10,339,173	5,637,403
Open market funding	3(m) and 9(b)	44,921,631	66,114,531
Own portfolio		10,521,759	27,515,262
Third party portfolio		34,399,872	38,599,269
Funds from acceptance and issue of securities	3(m) and 9(c)	24,829,126	8,314,051
Funds from financial bills, bills of credit and similar notes		24,761,429	7,246,323
Liabilities for marketable securities abroad		67,697	1,067,728
Structured funding	3(m) and 9(d)	3,297,582	3,944,485
Borrowings and onlending	3(m) and 9(e)	9,245,072	5,736,964
Foreign borrowings		6,995,124	3,459,020
Domestic onlending		2,201,322	1,960,893
Other borrowings		48,626	317,051
Derivative financial instruments	3(d) and 7(c)	958,987	892,661
Insurance and supplementary pension operations	3(n) and 10(c)	338,749	327,760
Other financial liabilities	11	6,481,398	4,849,800
Foreign exchange portfolio	11(a)	1,170,801	2,179,249
Collection of taxes and similar		2,582,628	1,111,648
Interbank and interdepartmental transactions		686,801	744,710
Negotiation and intermediation of securities	11(b)	876,667	439,749
Acquirer		808,683	3,223
Other		355,818	371,221
Subordinated debt	3(m) and 9(f)	379,351	23,703
Other liabilities		828,781	802,501
Social and statutory		180,812	193,266
Taxes and social security contributions	3(o) and 15(c)	250,618	250,686
Sundry	13(b)	397,351	358,549
<b>NON-CURRENT LIABILITIES</b>		48,540,810	44,649,388
<b>LONG-TERM LIABILITIES</b>		48,496,208	44,607,300
Deposits	3(m) and 9(a)	1,277,222	1,138,160
Interbank deposits		12,722	29,730
Time deposits		1,264,500	1,108,430
Open market funding - Own portfolio	3(m) and 9(b)	92,089	1,070,951
Funds from acceptance and issue of securities	3(m) and 9(c)	22,361,522	15,870,506
Funds from financial bills, bills of credit and similar notes		20,490,866	15,532,473
Liabilities for marketable securities abroad		1,870,656	338,033
Structured funding	3(m) and 9(d)	2,650,743	3,808,269
Borrowings and onlending	3(m) and 9(e)	2,459,408	6,966,918
Foreign borrowings		19,964	2,923,878
Domestic onlending		2,439,444	4,043,040
Derivative financial instruments	3(d) and 7(c)	97,371	39,036
Insurance and private pension operations	3(n) and 10(c)	12,827,066	9,479,182
Subordinated debt	3(m) and 9(f)	5,092,073	4,619,479
Other liabilities		1,638,714	1,614,799
Deferred tax liabilities	3(q) and 15(b-II)	322,228	292,731
Provisions for contingencies	3(o) e 14(c)	1,316,486	1,322,068
DEFERRED INCOME	3(r)	44,602	42,088
<b>EQUITY</b>	17	10,129,064	9,438,028
Share capital - Country		8,652,392	8,652,392
Revenue reserves		1,438,974	746,891
Carrying value adjustments		37,698	38,745
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>163,696,664</b>	<b>154,640,866</b>

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

**BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED SAFRA")**  
**STATEMENT OF INCOME FOR THE PERIODS ENDED MARCH 31**  
**ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED**

	Notes	CONSOLIDATED	
		2018	2017
INCOME FROM FINANCIAL INTERMEDIATION	12(a)	3,338,225	4,904,952
Credit operations		1,667,831	1,791,361
Transactions with marketable securities		1,334,866	2,706,720
Financial income from insurance and pension plan operations	10(e)	273,172	329,424
Compulsory deposits	6	64,694	75,124
Other financial income		(2,338)	2,323
EXPENSES OF FINANCIAL INTERMEDIATION	12(b)	(2,264,907)	(3,700,874)
Funds obtained in the market		(1,842,417)	(3,190,974)
Borrowings and onlending		(134,897)	(141,279)
Financial expenses from insurance and private pension operations	10(e)	(270,142)	(328,782)
Other interest expenses	14(c)	(17,451)	(39,839)
DERIVATIVE FINANCIAL INSTRUMENTS	12(c) and 18(i-II)	129,615	73,501
GROSS INCOME ON FINANCIAL INTERMEDIATION BEFORE ALLOWANCE FOR LOAN LOSSES		1,202,933	1,277,579
RESULT OF ALLOWANCE FOR LOAN LOSSES		(92,585)	(159,072)
Allowance for loan losses	3(f) and 8(a-II)	(223,795)	(314,693)
Recovery of credits written-off as loss	3(f) and 8(d)	131,210	155,621
NET INCOME ON FINANCIAL INTERMEDIATION		1,110,348	1,118,507
OTHER INCOME FROM OPERATIONS		550,044	452,395
Foreign exchange transactions		30,662	29,296
Revenue from service and bank fees	12(d)	454,762	377,584
Insurance, reinsurance and private pension operations	3(n) and 12(e)	64,620	45,515
TAX EXPENSES OF OPERATIONS	15(a-II) and 18(i-II)	(123,237)	(108,918)
NET INCOME FROM OPERATIONS	18(i-II)	1,537,155	1,461,984
OTHER OPERATING INCOME (EXPENSES)		(812,005)	(740,671)
Personnel expenses	13(c)	(540,538)	(490,791)
Administrative expenses	13(d)	(223,837)	(170,364)
Other operating income		1,215	1,106
Other operating expenses	14(c)	(48,845)	(80,622)
INCOME BEFORE TAXES		725,150	721,313
INCOME TAX AND SOCIAL CONTRIBUTION	3(q), 15(a-I) and 18(i-II)	(207,842)	(234,134)
NET INCOME		517,308	487,179
Earnings per share - Shares 15.301 (15.301 at 03.31.2017)		33.81	31.84

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

**BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED SAFRA")**  
**STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED MARCH 31 - NOTE 17**  
**ALL AMOUNTS IN THOUSANDS OF REAIS**

	Paid-up capital	Revenue reserves	Carrying value adjustment	Retained earnings	Total
<b>AT JANUARY 1, 2017</b>	<b>8,652,392</b>	<b>837,650</b>	<b>17,663</b>	<b>-</b>	<b>9,507,705</b>
Carrying value adjustments - Available-for-sale securities	-	-	21,082	-	21,082
Net income for the period	-	-	-	487,179	487,179
Allocation:					
Legal reserve	-	24,359	-	(24,359)	-
Special reserve	-	284,882	-	(284,882)	-
Interest on own capital	-	-	-	(177,938)	(177,938)
Dividends	-	(400,000)	-	-	(400,000)
<b>AT MARCH 31, 2017</b>	<b>8,652,392</b>	<b>746,891</b>	<b>38,745</b>	<b>-</b>	<b>9,438,028</b>
<b>AT JANUARY 1, 2018</b>	<b>8,652,392</b>	<b>1,086,001</b>	<b>30,155</b>	<b>-</b>	<b>9,768,548</b>
Carrying value adjustments - Available-for-sale securities	-	-	7,543	-	7,543
Net income for the period	-	-	-	517,308	517,308
Allocation:					
Legal reserve	-	25,865	-	(25,865)	-
Special reserve	-	327,108	-	(327,108)	-
Interest on own capital	-	-	-	(164,335)	(164,335)
<b>AT MARCH 31, 2018</b>	<b>8,652,392</b>	<b>1,438,974</b>	<b>37,698</b>	<b>-</b>	<b>10,129,064</b>

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

**BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED SAFRA")**  
**STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED MARCH 31 - NOTE 3(b)**  
**ALL AMOUNTS IN THOUSANDS OF REAIS**

	NOTES	CONSOLIDATED	
		2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
ADJUSTED NET INCOME		(21,459)	468,460
Net income for the periods		517,308	487,179
Adjustments to net income:			
Depreciation and amortization	13(d)	19,472	14,859
Allowance for loan losses		(253,087)	86,514
Allowance for loan losses	8(a-II)	223,795	314,693
Write off of loss	8(a-II)	(476,882)	(228,179)
Foreign exchange gains (losses) on cash and cash equivalents		(985)	8,757
Provision for contingent		20,331	89,626
Civil, labor and other	14(c)	26,128	69,802
Tax, social security contingencies and legal obligations	14(c)	(5,797)	19,824
Adjustment to market value of trading securities, derivative financial instruments and hedge	7(c)	(113,897)	(44,977)
Interbank deposits, Trading securities and Obligations related to unrestricted repurchase agreements		(13,960)	61,449
Derivative financial instruments (assets and liabilities)		(21,950)	29,364
Fair value hedge		(77,987)	(135,790)
Financial expenses on liabilities of financing		33,477	50,348
Interest payable on debts related to marketable securities abroad	9(c-II)	14,158	13,929
Interest payable subordinated debt	9(f-III)	19,319	36,419
Provision for current and deferred income taxes	15(a-I)	207,842	234,134
Taxes paid		(451,920)	(457,980)
Current		(396,664)	(447,582)
Tax and social security contingent liabilities and legal obligations	14(c)	(55,256)	(10,398)
<b>CHANGES IN ASSETS AND LIABILITIES</b>		<b>(3,142,003)</b>	<b>2,295,326</b>
In short-term interbank investments (assets/liabilities)		2,446,653	672,687
In securities (Net)		(6,901,174)	(2,958,100)
Trading securities (assets)		2,150,858	7,284,473
Available-for-sale securities (assets)		(1,346,286)	(1,596,024)
Open market funding - Government securities and Securities issued (liabilities)		(7,705,746)	(8,646,549)
In derivative financial instruments (assets/liabilities)		(6,876)	70,933
In Central Bank compulsory deposits		170,688	(350,505)
In Transactions with credit characteristics		(1,609,684)	(286,424)
In other financial assets and liabilities		2,828,236	1,376,549
In other assets		(56,861)	2,652
In deposits		2,349,277	772,046
Time deposits		2,327,952	(102,464)
Other		21,325	874,510
In structured funding		(395,525)	358,958
In borrowings and onlending		(2,431,276)	782,426
Foreign borrowings		(1,845,794)	534,665
Domestic onlending		(596,345)	(15,139)
Other borrowings		10,863	262,900
In funds from financial bills, bills of credit and similar notes, and open market funding - Own portfolio - Own securities		595,742	1,966,273
In insurance and private pension operations		(20,739)	(19,975)
Funds guaranteeing technical reserves for insurance and private pension operations (assets)		(882,457)	(859,835)
Insurance and private pension operations (liabilities)		861,718	839,860
In other liabilities		(107,937)	10,869
In foreign exchange gains (losses) on operations of financing		(2,527)	(103,063)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>(3,163,462)</b>	<b>2,763,786</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment in use	16(b)	(20,624)	(18,604)
Disposal of property and equipment in use	16(b)	816	544
Investment in intangible assets	16(b)	(8,903)	(20,351)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		<b>(28,711)</b>	<b>(38,411)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Liabilities for marketable securities abroad	9(c-II)	1,586,291	(112,437)
Funding		1,645,868	-
Redemptions		(59,577)	(112,437)
Subordinated debt - Funding	9(f-III)	266,159	181,792
Funding		268,473	181,792
Redemptions		(2,314)	-
Dividends		-	(400,000)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>1,852,450</b>	<b>(330,645)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,339,723)</b>	<b>2,394,730</b>
Cash and cash equivalents at the beginning of the period		2,982,756	2,145,366
Foreign exchange gains/losses on cash and cash equivalents		985	(8,757)
Cash and cash equivalents at the end of the period	4	1,644,018	4,531,339
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,339,723)</b>	<b>2,394,730</b>

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



**BANCO SAFRA S.A. AND SUBSIDIARIES ("CONSOLIDATED SAFRA")**  
**STATEMENT OF VALUE ADDED FOR THE PERIOD ENDED MARCH 31**  
**ALL AMOUNTS IN THOUSANDS OF REAIS**

	Notes	CONSOLIDATED	
		2018	2017
<b>Revenue</b>		<b>4,019,099</b>	<b>5,431,954</b>
Financial intermediation	12(a)	3,338,225	4,904,952
Derivative financial instruments	12(c)	129,615	73,501
Other income from operations		550,044	452,395
Other operating income		1,215	1,106
<b>Expenses</b>		<b>(2,406,337)</b>	<b>(3,940,568)</b>
Financial intermediation	12(b)	(2,264,907)	(3,700,874)
Result of allowance for loan losses		(92,585)	(159,072)
Other operating expenses		(48,845)	(80,622)
<b>Expenses from acquired inputs</b>		<b>(171,895)</b>	<b>(116,816)</b>
Facilities	13(d)	(14,257)	(7,084)
Data processing and telecommunications	13(d)	(34,745)	(16,639)
Third-party services	13(d)	(15,464)	(14,196)
Financial system services	13(d)	(19,783)	(21,710)
Surveillance, security and transport services	13(d)	(13,671)	(10,958)
Legal and notary fees	13(d)	(39,412)	(23,699)
Other	13(d)	(34,563)	(22,530)
<b>Gross value added</b>		<b>1,440,867</b>	<b>1,374,570</b>
Retentions - depreciation and amortization	13(d)	(19,472)	(14,859)
<b>Total value added to be distributed</b>		<b>1,421,395</b>	<b>1,359,711</b>
<b>Distribution of value added</b>		<b>1,421,395</b>	<b>1,359,711</b>
<b>Personnel</b>		<b>470,269</b>	<b>427,180</b>
Remuneration and profit sharing	13(c)	370,603	324,042
Benefits	13(c)	38,961	30,656
Government Severance Indemnity Fund for Employees (FGTS)	13(c)	19,057	16,659
Other	13(c)	41,648	55,823
<b>Taxes and contributions</b>		<b>401,348</b>	<b>406,663</b>
Federal		381,039	388,528
Municipal		20,309	18,135
<b>Distribution - Third parties capital - Rentals</b>	13(d)	<b>32,470</b>	<b>38,689</b>
<b>Distribution - Capital</b>		<b>517,308</b>	<b>487,179</b>
Interest on capital paid	17(b)	164,335	177,938
Profits reinvested for the period		352,973	309,241

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

**BOARD OF EXECUTIVE OFFICERS**

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



**NOTES TO THE FINANCIAL STATEMENTS AT MARCH 31, 2018**  
**(ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED)**

**1. OPERATIONS**

Banco Safr S.A. and its subsidiaries (collectively referred to as "Safr", "Safr Group", "Entity", and/or "Bank") are engaged in asset, liability and accessory operations inherent in the related authorized portfolios (commercial, including foreign exchange, real estate loans, credit, financing and investment, and lease), and complementary activities among which are insurance, private pension, brokerage and distribution of securities, management of investment funds and managed portfolios operations, in compliance with current legislation and regulations.

**2. PRESENTATION OF THE FINANCIAL STATEMENTS**

a) Presentation of the financial statements

The consolidated financial statements of Banco Safr S.A. and subsidiaries ("CONSOLIDATED"), approved by the Board of Directors and Audit Committee on April 26, 2018, have been prepared and are presented following the accounting practices adopted in Brazil, in accordance with Law 6,404/1976 (Brazilian Corporate Law) and the respective changes introduced by Laws 11,638/2007 and 11,941/2009, associated with the rules established by the National Monetary Council (CMN), Brazilian Central Bank (BACEN), Brazilian Securities and Exchange Commission (CVM), National Council of Private Insurance (CNSP) and the Superintendence of Private Insurance (SUSEP), as applicable. Lease operations are presented under the Financial Method, that is, at present value in the Statement of Financial Position with their respective financial income presented in the heading Credit Operations in Statement of Income. We declare that all material information of the financial statements, and only it, has been evidenced and corresponds to the one used by Management in its administration.

Based on the provisions of the sole paragraph of article 7 of BACEN Circular 3,068/2001, marketable securities classified into trading securities – Note 3(d) are presented in the Statement of Financial Position, in Current Assets, regardless of their maturity dates. Similarly, the assets guaranteeing the technical reserves for insurance and private pension (Note 7(b)), are presented in the Statement of Financial Position as current or non-current assets, regardless of their maturity dates, proportionally to the maturity of guaranteed obligations, recorded in the line item Insurance and private pension operations – Note 10(c).

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

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

b) Basis of consolidation

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

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

	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Net Income</b>
Total at 03.31.2018	18,253,892	15,492,067	2,761,825	63,333
Total at 03.31.2017	16,868,603	14,556,759	2,311,844	1,204

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

	<b>Ownership interests (%)</b>	
	<b>03.31.2018</b>	<b>03.31.2017</b>
Banco J. Safr S.A.	100.00	100.00
Safr Leasing S.A. – Arrendamento Mercantil	100.00	100.00
Banco Safr (Cayman Islands) Limited. <sup>(1)</sup>	100.00	100.00
J. Safr Corretora de Valores e Câmbio Ltda.	100.00	100.00
J. Safr Asset Management Ltda.	100.00	100.00
J. Safr Serviços de Administração Fiduciária Ltda.	100.00	100.00
Safr Vida e Previdência S.A.	100.00	100.00
Safr Seguros Gerais S.A.	100.00	100.00
Sercom Comércio e Serviços Ltda.	100.00	100.00
SIP Corretora de Seguros Ltda.	100.00	100.00

<sup>(1)</sup> Entity based abroad.

c) Functional currency

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



### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a) Income

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

#### b) Cash Flows

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

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

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

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

#### c) Interbank investments

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

#### d) Marketable securities and derivative financial instruments

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

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

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

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

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

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

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

#### e) Market value measurement

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

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



f) Expanded credit portfolio and allowance for credit risk

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

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

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

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

The assets received in connection with the debt consolidation processes, related to credit operations written-off of assets, are classified as Assets Not for Use, and fully provisioned, because of the great likelihood of incurring losses related to their realization, given the several factors that may make impossible the disposal of the asset, such as legal restrictions, lack of legal regularization, low likelihood of sale to generate short-term liquidity at market value, among others.

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

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

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

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

g) Derecognition of financial instruments

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

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

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

h) Other assets

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

i) Investments

These are stated at cost, adjusted for impairment.

j) Property and equipment in use

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

k) Intangible assets

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

l) Impairment – non-financial assets

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

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

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

Accordingly, in conformity with the above standards, Safran Group's management is not aware of any material adjustments that might affect the ability to recover the non-financial assets at 03.31.2018 and 03.31.2017.



m) Funding and borrowings and onlending

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

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

n) Insurance, reinsurance and private pension operations

I - Receivables and payables from insurance and reinsurance operations

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

II - Credit risk

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

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

III - Technical reserves for insurance and private pension

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

a) Insurance:

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

b) Private pension:

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



## c) Liability Adequacy Test (LAT):

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

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

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

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

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

## IV - Income from insurance, reinsurance and private pension operations

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

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

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

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

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

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

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

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

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

## p) Employee benefits

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

### I. Short-term and Long-term benefits

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

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

### II. Termination benefits

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

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

### III. Profit sharing

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



q) Taxes

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

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

<sup>(1)</sup> Law 13,169, of 10.6.2015, temporarily increased the Social Contribution rate applicable to financial and similar institutions from 15% to 20% over the period between 9.1.2015 and 12.31.2018. From 01.01.2019, the applicable rate returns to 15%. As a result of the temporary increase in the social contribution rate, the current taxes were calculated at the rates of 15% until 8.31.2015 and 20% from September 2015. Safrabank did not recognize the effect of the 5% rate increase in the recognition of its deferred tax asset - Note 15(b-I), in view of the current macroeconomic outlook, which brought uncertainties about the effective net realization in the effective period of such rate increase.

<sup>(2)</sup> Non-financial subsidiaries continue to be subject to a rate of 9% for this contribution.

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

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

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

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

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

r) Deferred income

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

s) Use of accounting estimates

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



#### 4. CASH AND CASH EQUIVALENTS

	03.31.2018	03.31.2017
Cash	694,186	368,226
Open market investments – Own portfolio	326,801	2,854,050
Foreign currency investments	623,031	1,309,063
<b>Total</b>	<b>1,644,018</b>	<b>4,531,339</b>

#### 5. INTERBANK INVESTMENTS

	03.31.2018			03.31.2017	
	Amounts by maturity			Total	Total
	Up to 90 days	From 91 to 365 days	From 3 to 5 years		
<b>Open market investments<sup>(1)</sup></b>	<b>30,870,461</b>	<b>3,513,990</b>	-	<b>34,384,451</b>	<b>46,995,672</b>
Own portfolio – National Treasury	327,945	-	-	327,945	8,965,806
Third-party portfolio – National Treasury <sup>(2)</sup>	17,622,370	-	-	17,622,370	29,340,490
Short position – National Treasury <sup>(2)</sup>	12,920,146	3,513,990	-	16,434,136	8,689,376
<b>Interbank deposits<sup>(3)</sup></b>	<b>45,556</b>	<b>85,925</b>	<b>1,361,261</b>	<b>1,492,742</b>	<b>2,001,805</b>
<b>Foreign currency investments<sup>(1)</sup></b>	<b>623,031</b>	-	-	<b>623,031</b>	<b>1,309,063</b>
<b>Total at 03.31.2018</b>	<b>31,539,048</b>	<b>3,599,915</b>	<b>1,361,261</b>	<b>36,500,224</b>	<b>50,306,540</b>
<b>Total at 03.31.2017</b>	<b>40,636,677</b>	<b>8,426,495</b>	<b>1,243,368</b>	<b>50,306,540</b>	

<sup>(1)</sup> Includes transactions with related parties – Note 19(c). <sup>(2)</sup> Backing for open market funding – Note 9(b). <sup>(3)</sup> Of this amount, R\$ 122,440 (R\$ 356,713 as at 03.31.2017) refers to operations linked to rural credit.

#### 6. CENTRAL BANK COMPULSORY DEPOSITS

Central bank compulsory deposits are as follows:

	03.31.2018	03.31.2017
Interest bearing <sup>(1)</sup>	4,041,877	2,718,526
Non-interest bearing	159,209	94,876
Abroad	71,206	40,110
<b>Total</b>	<b>4,272,292</b>	<b>2,853,512</b>

<sup>(1)</sup> The income from interest-bearing compulsory deposits is R\$ 64,694 (R\$ 75,124 in 2017), and shown in "Income from compulsory deposits" in statement of income for the period.



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

a) Marketable securities

I – By accounting classification:

	03.31.2018						03.31.2017
	Amortised cost	Effects of market value adjustment on:		Market value	Accounting classification of securities:		Market value
		Profit or loss	Equity		Trading	Available-for-sale	
<b>Securities portfolio</b>	<b>42,243,065</b>	<b>527,930</b>	<b>63,568</b>	<b>42,834,563</b>	<b>30,298,400</b>	<b>12,536,163</b>	<b>34,620,756</b>
<b>Government securities</b>	<b>31,008,482</b>	<b>565,317</b>	<b>61,571</b>	<b>31,635,370</b>	<b>28,513,133</b>	<b>3,122,237</b>	<b>25,410,483</b>
National Treasury	30,725,356	565,672	64,379	31,355,407	28,287,146	3,068,261	25,179,230
National treasury bills	14,410,418	315,133	45	14,725,596	14,721,409	4,187	10,418,175
National treasury notes	11,113,908	250,406	64,016	11,428,330	8,572,648	2,855,682	9,460,703
Financial treasury bills	5,201,030	133	318	5,201,481	4,993,089	208,392	5,300,352
Brazil - Abroad	56,784	-	(2,808)	53,976	-	53,976	-
United States	226,342	(355)	-	225,987	225,987	-	231,253
<b>Securities Issued by Financial Institutions</b>	<b>2,346,042</b>	<b>(1,386)</b>	<b>(970)</b>	<b>2,343,686</b>	<b>1,474,921</b>	<b>868,765</b>	<b>1,387,448</b>
Shares in stock exchange	91,608	131	-	91,739	91,739	-	6,989
Investment fund quotas	7,410	-	-	7,410	7,410	-	1,446
Bank Deposit Certificate	1,375,772	-	-	1,375,772	1,375,772	-	1,194,934
Agribusiness credit notes and house loan bills	9	-	-	9	-	9	-
Eurobonds	33,380	-	(970)	32,410	-	32,410	184,079
Eurobonds – Fair value hedge – Note 7(e)	837,863	(1,517)	-	836,346	-	836,346	-
<b>Securities issued by Companies</b>	<b>8,888,541</b>	<b>(36,001)</b>	<b>2,967</b>	<b>8,855,507</b>	<b>310,346</b>	<b>8,545,161</b>	<b>7,822,825</b>
Shares	446,122	(114)	3,042	449,050	266,208	182,842	248,746
Free float	440,536	(114)	3,042	443,464	260,622	182,842	248,746
Lending	5,586	-	-	5,586	5,586	-	-
Investment fund quotas	44,138	-	-	44,138	44,138	-	-
Other credit risk instruments – Note 8(a-I)	8,398,281	(35,887)	(75)	8,362,319	-	8,362,319	7,574,079
Eurobonds	61,591	-	(75)	61,516	-	61,516	138,200
Eurobonds – Fair value hedge – Note 7(e)	1,982,806	(35,887)	-	1,946,919	-	1,946,919	1,251,545
Debentures	5,187,588	-	-	5,187,588	-	5,187,588	4,731,636
Promissory notes	888,167	-	-	888,167	-	888,167	783,900
Certificates of agribusiness receivables, rural certificates, and others	278,129	-	-	278,129	-	278,129	668,798
<b>Credit risk – Notes 3(f) and 8(a)</b>	<b>-</b>	<b>(116,773)</b>	<b>-</b>	<b>(116,773)</b>	<b>-</b>	<b>(116,773)</b>	<b>(266,552)</b>
<b>Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)</b>	<b>-</b>	<b>(547)</b>	<b>-</b>	<b>(547)</b>	<b>(547)</b>	<b>-</b>	<b>(272)</b>
<b>Total at 03.31.2018</b>	<b>42,243,065</b>	<b>410,610</b>	<b>63,568</b>	<b>42,717,243</b>	<b>30,297,853</b>	<b>12,419,390</b>	<b>34,353,932</b>
<b>Total at 03.31.2017</b>	<b>34,261,577</b>	<b>30,352</b>	<b>62,003</b>	<b>34,353,932</b>	<b>22,397,624</b>	<b>11,956,308</b>	
Securities portfolio	34,261,577	297,176	62,003	34,620,756	22,402,367	12,218,389	
Government securities	25,054,392	298,861	57,230	25,410,483	20,926,545	4,483,938	
Securities issued by Financial Institutions	1,388,045	(123)	(474)	1,387,448	1,203,369	184,079	
Securities issued by Companies	7,819,140	(1,562)	5,247	7,822,825	272,453	7,550,372	
Credit risk – Notes 3(f) and 8(a)	-	(266,552)	-	(266,552)	(4,471)	(262,081)	
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	-	(272)	-	(272)	(272)	-	



## II – Per maturity:

<b>03.31.2018</b>							
<b>Amounts by maturity</b>							
	<b>Market value</b>	<b>Up to 90 days</b>	<b>From 91 to 365 days</b>	<b>From 1 to 2 years</b>	<b>From 2 to 3 years</b>	<b>From 3 to 5 years</b>	<b>Over 5 years</b>
Securities portfolio	42,834,563	1,798,755	3,629,650	9,309,440	2,434,880	19,577,242	6,084,596
Government securities	31,635,370	956,678	2,991,874	7,642,589	1,561,012	15,405,460	3,077,757
Securities issued by Financial Institutions	2,343,686	298,596	9	-	-	1,267,806	777,275
Securities issued by Companies	8,855,507	543,481	637,767	1,666,851	873,868	2,903,976	2,229,564
Credit risk – Notes 3(f) and 8(a)	(116,773)	(16,098)	(12,650)	(25,504)	(14,210)	(31,467)	(16,844)
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(547)	(547)	-	-	-	-	-
<b>Total at 03.31.2018</b>	<b>42,717,243</b>	<b>1,782,110</b>	<b>3,617,000</b>	<b>9,283,936</b>	<b>2,420,670</b>	<b>19,545,775</b>	<b>6,067,752</b>
Trading securities	30,298,400	1,565,622	2,505,307	7,075,889	1,515,579	15,024,282	2,611,721
Available-for-sale securities	12,536,163	233,133	1,124,343	2,233,551	919,301	4,552,960	3,472,875
Credit risk – Notes 3(f) and 8(a)	(116,773)	(16,098)	(12,650)	(25,504)	(14,210)	(31,467)	(16,844)
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(547)	(547)	-	-	-	-	-
<b>03.31.2017</b>							
<b>Amounts by maturity</b>							
	<b>Market value</b>	<b>Up to 90 days</b>	<b>From 91 to 365 days</b>	<b>From 1 to 2 years</b>	<b>From 2 to 3 years</b>	<b>From 3 to 5 years</b>	<b>Over 5 years</b>
Securities portfolio	34,620,756	2,357,014	2,506,177	8,454,058	4,424,815	10,036,802	6,841,890
Government securities	25,410,483	2,087,780	2,084,366	7,858,278	2,423,330	6,610,605	4,346,124
Securities issued by Financial Institutions	1,387,448	119,619	64,602	-	119,477	1,083,750	-
Securities issued by Companies	7,822,825	149,615	357,209	595,780	1,882,008	2,342,447	2,495,766
Credit risk – Notes 3(f) and 8(a)	(266,552)	(2,743)	(7,496)	(11,960)	(27,027)	(24,134)	(193,191)
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(272)	(272)	-	-	-	-	-
<b>Total at 03.31.2017</b>	<b>34,353,932</b>	<b>2,353,999</b>	<b>2,498,681</b>	<b>8,442,098</b>	<b>4,397,788</b>	<b>10,012,668</b>	<b>6,648,699</b>
Trading securities	22,402,367	857,648	2,044,393	7,427,666	905,506	7,157,040	4,010,114
Available-for-sale securities	12,218,389	1,499,366	461,784	1,026,392	3,519,309	2,879,762	2,831,776
Credit risk – Notes 3(f) and 8(a)	(266,552)	(2,743)	(7,496)	(11,960)	(27,027)	(24,134)	(193,191)
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(272)	(272)	-	-	-	-	-

## III – Per characteristic:

	03.31.2018					03.31.2017	
	Own portfolio	Linked to			Central Bank	Total	Total
		Restricted repurchase agreements – Note 9(b)	Securities related to unrestricted repurchase agreements – Note 9(b)	Subject to guarantees provided <sup>(1)</sup>			
Securities portfolio	33,191,745	6,797,168	768,516	1,350,862	726,272	42,834,563	34,620,756
Government securities	24,966,805	4,196,973	768,516	976,804	726,272	31,635,370	25,410,483
National treasury	24,686,842	4,196,973	768,516	976,804	726,272	31,355,407	25,179,230
Brazil - Abroad	53,976	-	-	-	-	53,976	-
United States	225,987	-	-	-	-	225,987	231,253
Securities issued by Financial Institutions	2,343,686	-	-	-	-	2,343,686	1,387,448
Securities issued by Companies	5,881,254	2,600,195	-	374,058	-	8,855,507	7,822,825
Shares	449,050	-	-	-	-	449,050	248,746
Free float	443,464	-	-	-	-	443,464	248,746
Lending	5,586	-	-	-	-	5,586	-
Investment fund quotas	-	-	-	44,138	-	44,138	-
Other credit risk instruments – Note 8(a-I)	5,432,204	2,600,195	-	329,920	-	8,362,319	7,574,079
Credit risk – Notes 3(f) and 8(a)	(116,773)	-	-	-	-	(116,773)	(266,552)
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(547)	-	-	-	-	(547)	(272)
<b>Total at 03.31.2018</b>	<b>33,074,425</b>	<b>6,797,168</b>	<b>768,516</b>	<b>1,350,862</b>	<b>726,272</b>	<b>42,717,243</b>	<b>34,353,932</b>
<b>Total at 03.31.2017</b>	<b>21,368,978</b>	<b>7,960,555</b>	<b>2,475,633</b>	<b>2,074,410</b>	<b>474,356</b>	<b>34,353,932</b>	

<sup>(1)</sup> Refers to guarantee of derivative financial instrument transactions made in stock exchange in the amount of R\$ 773,684 (R\$ 1,366,958 as at 03.31.2017), realized in the clearing and depository corporation in the amount of R\$ 510,589 (R\$ 613,319 as at 03.31.2017) and civil and labor appeals - Note 14(c) in the amount of R\$ 66,589 (R\$ 94,133 as at 03.31.2017).

## IV – Changes in marketable securities

	AVAILABLE FOR SALE	
	01.01. to 03.31.2018	01.01. to 03.31.2017
<b>Balance at the beginning of the period</b>	<b>11,514,611</b>	<b>10,584,633</b>
Foreign exchange variations abroad	16,453	(35,663)
Acquisition in the period	3,497,719	2,759,372
Sales in the period	(2,073,018)	(1,153,326)
Redemptions and receipt of interest	(345,418)	(287,353)
Write-down loss	(339,437)	-
Profit or loss	250,550	312,995
Interest income	213,518	311,236
Dividend income	6,732	7,651
Profit (loss) on sale – Note 12(c)	43,916	(8,035)
Eurobonds – Market value hedge	24,425	(14,004)
Other securities – Note 17(d-I and II)	19,491	5,969
Changes in fair value for the period – Eurobonds – Market value hedge – Note 7(d)	(13,616)	2,143
Adjustments from changes in fair value – Note 7(d)	14,703	37,731
<b>Balance at the end of the period</b>	<b>12,536,163</b>	<b>12,218,389</b>

During the period ended 03.31.2018 and 03.31.2017, there was no reclassification between the categories of securities.



b) Funds guaranteeing technical reserves for insurance and private pension

	03.31.2018							03.31.2017
	Market value	Amounts by maturity						Market value
		Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	
Private pension	12,776,084	252,637	342,885	1,724,240	2,558,028	4,481,260	3,417,034	9,467,350
Repurchase agreements - National Treasury Bills	159,893	159,893	-	-	-	-	-	32,731
Government securities - National Treasury	12,245,176	-	256,285	1,724,240	2,483,990	4,363,627	3,417,034	8,820,740
National Treasury Bills	3,520,164	-	-	1,668,851	1,402,952	448,361	-	3,189,889
Financial Treasury Bills	4,878,849	-	206,111	55,389	975,168	2,389,553	1,252,628	3,502,712
National Treasury Notes	3,846,163	-	50,174	-	105,870	1,525,713	2,164,406	2,128,139
Corporate securities	373,654	95,383	86,600	-	74,038	117,633	-	622,439
Shares	95,383	95,383	-	-	-	-	-	31,005
Bank certificates of deposit	117,633	-	-	-	-	117,633	-	108,375
Debentures	74,038	-	-	-	74,038	-	-	79,161
Financial bills	86,600	-	86,600	-	-	-	-	403,898
Other	(2,639)	(2,639)	-	-	-	-	-	(8,560)
Insurance - Government securities – National Treasury – National Treasury Bills	229,455	-	229,455	-	-	-	-	195,472
DPVAT fund quotas – Government securities	179,323	179,323	-	-	-	-	-	146,863
<b>Total at 03.31.2018– Note 10(b)</b>	<b>13,184,862</b>	<b>431,960</b>	<b>572,340</b>	<b>1,724,240</b>	<b>2,558,028</b>	<b>4,481,260</b>	<b>3,417,034</b>	<b>9,809,685</b>
<b>Total at 03.31.2017– Note 10(b)</b>	<b>9,809,685</b>	<b>555,470</b>	<b>776,592</b>	<b>1,582,655</b>	<b>1,875,665</b>	<b>2,554,858</b>	<b>2,464,445</b>	



c) Derivative financial instruments (assets and liabilities)

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

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

The positions of Banco Safra and subsidiaries are monitored by an independent control area, which uses a specific risk management system, with calculation of VaR (Value at Risk) with confidence level at 99%, stress tests, back testing and other technical resources. The Group has a Market Risk Committee, formed by high-ranking executives, which meets weekly to discuss about the economic outlook, and a Treasury and Risk Committee, formed by the Executive Committee members, which meets quarterly to thoroughly discuss about the market risk management aspects, as well as review the risk limits, strategies and profit or loss.

I - Asset and liability accounts:

1) By type of operation

	03.31.2018									03.31.2017
	Amortised cost	Mark-to-market adjustment	Market value	Amounts by maturity						Market value
Up to 90 days				From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years		
<b>Assets</b>										
<b>Non Deliverable Forward - NDF</b>	<b>735</b>	<b>4,182</b>	<b>4,917</b>	<b>3,800</b>	<b>1,032</b>	<b>85</b>	-	-	-	<b>33,759</b>
<b>Option premiums</b>	<b>342,942</b>	<b>(151,304)</b>	<b>191,638</b>	<b>74,004</b>	<b>90,895</b>	<b>8,342</b>	<b>18,327</b>	<b>70</b>	-	<b>65,276</b>
Bovespa Index	52,422	(4,036)	48,386	12,693	21,785	3,759	10,079	70	-	2,785
Foreign currency	195,140	(65,320)	129,820	57,515	68,426	3,879	-	-	-	44,171
Interbank Deposit (DI) Index	94,843	(82,226)	12,617	3,469	376	524	8,248	-	-	16,006
Shares	537	278	815	327	308	180	-	-	-	2,314
<b>Forward</b>	<b>567,240</b>	<b>(415)</b>	<b>566,825</b>	<b>566,825</b>	-	-	-	-	-	<b>381,152</b>
Purchases receivable – Government securities	567,240	(415)	566,825	566,825	-	-	-	-	-	79,005
Sales receivable – Government securities	-	-	-	-	-	-	-	-	-	302,147
<b>Swap – amounts receivable</b>	<b>236,939</b>	<b>50,794</b>	<b>287,733</b>	<b>51,387</b>	<b>159,231</b>	<b>53,923</b>	<b>3,754</b>	<b>9,774</b>	<b>9,664</b>	<b>589,989</b>
Interest rate	69,563	34,465	104,028	11,325	32,229	37,493	3,198	9,381	10,402	271,162
Foreign currency	167,318	16,275	183,593	40,062	126,890	16,430	556	393	(738)	318,604
Other	58	54	112	-	112	-	-	-	-	223
<b>Credit derivatives - CDS</b>	<b>46,344</b>	-	<b>46,344</b>	<b>46,118</b>	<b>92</b>	<b>134</b>	-	-	-	<b>41,545</b>
<b>Futures</b>	-	<b>22,335</b>	<b>22,335</b>	-	-	-	-	-	<b>22,335</b>	-
<b>Credit risk – Notes 3(f) and 8(a)</b>	-	<b>(98)</b>	<b>(98)</b>	<b>(98)</b>	-	-	-	-	-	<b>(120)</b>
<b>Total at 03.31.2018</b>	<b>1,194,200</b>	<b>(74,506)</b>	<b>1,119,694</b>	<b>742,036</b>	<b>251,250</b>	<b>62,484</b>	<b>22,081</b>	<b>9,844</b>	<b>31,999</b>	<b>1,111,601</b>
<b>Total at 03.31.2017</b>	<b>1,081,325</b>	<b>30,276</b>	<b>1,111,601</b>	<b>769,592</b>	<b>219,837</b>	<b>83,320</b>	<b>25,871</b>	<b>2,342</b>	<b>10,639</b>	



			03.31.2018							03.31.2017	
			Amounts by maturity								
Liabilities	Amortised cost	Mark-to-market adjustment	Market value	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Market value	
<b>Non-Deliverable Forward - NDF</b>	<b>(7,480)</b>	<b>(16,603)</b>	<b>(24,083)</b>	<b>(15,944)</b>	<b>(6,667)</b>	<b>(551)</b>	<b>(58)</b>	<b>(863)</b>	-	<b>(92,816)</b>	
<b>Option premiums</b>	<b>(361,886)</b>	<b>158,935</b>	<b>(202,951)</b>	<b>(73,257)</b>	<b>(91,513)</b>	<b>(19,143)</b>	<b>(19,038)</b>	-	-	<b>(20,268)</b>	
Bovespa Index	(53,453)	(11,849)	(65,302)	(14,576)	(25,550)	(16,980)	(8,196)	-	-	(6,147)	
Foreign currency	(186,724)	59,935	(126,789)	(58,354)	(65,655)	(1,845)	(935)	-	-	826	
Interbank Deposit (DI) Index	(121,153)	111,108	(10,045)	-	-	(138)	(9,907)	-	-	(12,729)	
Shares	(556)	(259)	(815)	(327)	(308)	(180)	-	-	-	(2,218)	
<b>Forward</b>	<b>(567,240)</b>	<b>(20,339)</b>	<b>(587,579)</b>	<b>(587,579)</b>	-	-	-	-	-	<b>(412,352)</b>	
Purchases payable	(567,240)	11,931	(555,309)	(555,309)	-	-	-	-	-	(110,205)	
Foreign currency	-	11,516	11,516	11,516	-	-	-	-	-	(31,200)	
Government securities	(567,240)	415	(566,825)	(566,825)	-	-	-	-	-	(79,005)	
Sales deliverable – Foreign currency	-	(32,270)	(32,270)	(32,270)	-	-	-	-	-	(302,147)	
<b>Swap - amounts payable</b>	<b>(149,853)</b>	<b>(38,453)</b>	<b>(188,306)</b>	<b>(67,318)</b>	<b>(63,270)</b>	<b>(8,326)</b>	<b>(27,313)</b>	<b>(3,216)</b>	<b>(18,863)</b>	<b>(379,005)</b>	
Interest rate	(33,658)	(42,371)	(76,029)	(5,533)	(17,179)	(4,228)	(27,259)	(3,216)	(18,614)	(146,377)	
Foreign currency	(116,195)	3,918	(112,277)	(61,785)	(46,091)	(4,098)	(54)	-	(249)	(232,628)	
<b>Credit derivatives – CDS</b>	<b>(50,777)</b>	-	<b>(50,777)</b>	<b>(43,519)</b>	<b>(7,258)</b>	-	-	-	-	<b>(45,088)</b>	
<b>Futures</b>	-	-	-	-	-	-	-	-	-	<b>22,489</b>	
<b>Regulatory Adjustments - CMN Resolution 4,277/2013 – Note 3(e)</b>	-	<b>(2,662)</b>	<b>(2,662)</b>	<b>(2,662)</b>	-	-	-	-	-	<b>(4,657)</b>	
<b>Total at 03.31.2018</b>	<b>(1,137,236)</b>	<b>80,878</b>	<b>(1,056,358)</b>	<b>(790,279)</b>	<b>(168,708)</b>	<b>(28,020)</b>	<b>(46,409)</b>	<b>(4,079)</b>	<b>(18,863)</b>	<b>(931,697)</b>	
<b>Total at 03.31.2017</b>	<b>(847,292)</b>	<b>(84,405)</b>	<b>(931,697)</b>	<b>(715,878)</b>	<b>(176,783)</b>	<b>(28,974)</b>	<b>(12,448)</b>	<b>(14,737)</b>	<b>17,123</b>		

2) By counterparty at market value

	Asset		Liability	
	03.31.2018	03.31.2017	03.31.2018	03.31.2017
Financial institutions	232,693	300,256	(159,669)	(288,833)
B3	143,696	19,212	(157,415)	(61,158)
Legal entities	100,265	752,168	(109,173)	(550,910)
Individuals	643,138	40,085	(627,439)	(26,139)
Credit risk – Notes 3(f) and 8(a)	(98)	(120)	-	-
Regulatory Adjustments - CMN Resolution 4,277/2013 – Note 3(e)	-	-	(2,662)	(4,657)
<b>Total</b>	<b>1,119,694</b>	<b>1,111,601</b>	<b>(1,056,358)</b>	<b>(931,697)</b>



II - Breakdown by notional amount:  
1) By type of operation

	03.31.2018						03.31.2017	
	Amounts by maturity						Total	Total
	Up to 90 days	From 91 to 365 days	from 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years		
<b>Non Deliverable Forward-NDF</b>	<b>1,276,491</b>	<b>327,946</b>	<b>38,060</b>	<b>1,289</b>	<b>6,184</b>	-	<b>1,649,970</b>	<b>2,969,020</b>
Long position	1,028,108	235,850	29,752	1,289	6,184	-	1,301,183	2,218,421
Short position	248,383	92,096	8,308	-	-	-	348,787	750,599
<b>Options</b>	<b>11,584,735</b>	<b>3,922,915</b>	<b>1,343,012</b>	<b>4,258,568</b>	-	-	<b>21,109,230</b>	<b>16,527,062</b>
Long position	5,888,490	1,632,499	644,442	2,092,725	-	-	10,258,156	9,731,487
Shares	3,107	1,880	1,781	-	-	-	6,768	473,166
Interbank Deposit (DI) Index	4,089,559	38,685	461,679	2,092,725	-	-	6,682,648	7,709,793
Bovespa Index	230,039	282,813	84,526	-	-	-	597,378	21,580
Foreign currency	1,565,785	1,309,121	96,456	-	-	-	2,971,362	1,526,948
Short position	5,696,245	2,290,416	698,570	2,165,843	-	-	10,851,074	6,795,575
Shares	3,107	1,880	1,781	-	-	-	6,768	475,646
Interbank Deposit (DI) Index	4,046,645	1,279,917	678,584	2,165,843	-	-	8,170,989	5,548,735
Bovespa Index	127,386	1,889	-	-	-	-	129,275	10,730
Foreign currency	1,519,107	1,006,730	18,205	-	-	-	2,544,042	760,464
<b>Forward</b>	<b>6,433,040</b>	-	-	-	-	-	<b>6,433,040</b>	<b>1,685,700</b>
Long position	2,811,136	-	-	-	-	-	2,811,136	214,955
Foreign currency	2,243,565	-	-	-	-	-	2,243,565	214,955
Government securities	567,571	-	-	-	-	-	567,571	-
Obligations for sales to be delivered	3,621,904	-	-	-	-	-	3,621,904	1,470,745
Foreign currency	3,621,904	-	-	-	-	-	3,621,904	1,168,390
Government securities	-	-	-	-	-	-	-	302,355
<b>Swap</b>								
Assets	7,098,882	9,870,375	1,119,480	558,494	768,615	342,951	19,758,797	18,851,673
Interest rate	859,295	925,444	333,021	518,379	571,692	260,422	3,468,253	6,150,783
Foreign currency	6,239,587	8,908,081	786,459	40,115	196,923	82,529	16,253,694	12,198,103
Others	-	36,850	-	-	-	-	36,850	502,787
Liabilities	7,098,882	9,870,375	1,119,480	558,494	768,615	342,951	19,758,797	18,851,673
Interest rate	231,144	659,748	439,332	549,148	571,692	211,278	2,662,342	3,826,243
Foreign currency	6,867,738	9,210,627	680,148	9,346	196,923	131,673	17,096,455	15,025,430
<b>Futures</b>	<b>26,954,825</b>	<b>23,741,044</b>	<b>14,405,741</b>	<b>4,314,519</b>	<b>3,117,022</b>	<b>396,623</b>	<b>72,929,774</b>	<b>78,826,020</b>
Long position	669,060	2,069,667	6,164,532	1,999,015	430,944	68,453	11,401,671	19,882,609
Interest rate	-	-	5,421,766	1,921,988	-	59,551	7,403,305	8,226,942
Currency coupon	-	2,069,667	742,766	77,027	430,944	8,902	3,329,306	10,283,546
Foreign currency	258,198	-	-	-	-	-	258,198	1,031,641
Bovespa Index	410,862	-	-	-	-	-	410,862	340,480
Short position	26,285,765	21,671,377	8,241,209	2,315,504	2,686,078	328,170	61,528,103	58,943,411
Interest rate	20,780,474	19,067,027	6,637,275	2,154,900	2,314,007	244,711	51,198,394	42,514,225
Currency coupon	3,542,372	2,450,393	1,563,525	15,345	297,045	83,459	7,952,139	14,703,117
Foreign currency	1,851,122	153,957	40,409	145,259	75,026	-	2,265,773	1,714,979
Bovespa Index	111,797	-	-	-	-	-	111,797	11,090
<b>Credit derivatives – CDS –Received risk – Note 7(c-III)</b>	<b>2,312,810</b>	-	-	-	-	-	<b>2,312,810</b>	<b>2,173,618</b>
<b>Structured operations – Note 9</b>	<b>3,773,570</b>	<b>7,322,801</b>	<b>1,821,454</b>	<b>667,100</b>	<b>273,425</b>	<b>12,548</b>	<b>13,870,898</b>	<b>53,714,566</b>
Options – Short position	2,249,940	6,724,739	1,821,454	656,850	2,428	-	11,455,411	51,647,463
Interbank Deposit (DI) Index	305,564	1,489,772	493,298	179,557	2,428	-	2,470,619	2,231
Bovespa Index	-	-	-	-	-	-	-	1,531,447
Foreign currency	1,944,376	5,234,967	1,328,156	477,293	-	-	8,984,792	50,113,785
Swap - Assets/Liabilities - Interest rate	-	-	-	10,250	270,997	12,548	293,795	-
Credit derivatives – CDS – Transferred risk – Note 7(c-III)	1,523,630	598,062	-	-	-	-	2,121,692	2,067,103
<b>TOTAL at 03.31.2018</b>	<b>59,434,353</b>	<b>45,185,081</b>	<b>18,727,747</b>	<b>9,789,720</b>	<b>3,894,249</b>	<b>739,574</b>	<b>137,770,724</b>	<b>174,747,659</b>
<b>TOTAL at 03.31.2017</b>	<b>50,289,374</b>	<b>79,106,334</b>	<b>26,786,112</b>	<b>5,920,741</b>	<b>11,403,710</b>	<b>1,241,388</b>	<b>174,747,659</b>	



## 2) Trading location by counterparties

Location	03.31.2018				03.31.2017	
	B3	Financial institutions	Legal entities	Individuals	Total notional amount	Total notional amount
B3	22,547,957	93,531,061	11,124,526	6,132,678	133,336,222	170,506,939
Over the counter – abroad	-	4,434,502	-	-	4,434,502	4,240,720
<b>Total at 03.31.2018</b>	<b>22,547,957</b>	<b>97,965,563</b>	<b>11,124,526</b>	<b>6,132,678</b>	<b>137,770,724</b>	<b>174,747,659</b>
<b>Total at 03.31.2017</b>	<b>15,124,118</b>	<b>100,847,323</b>	<b>58,023,582</b>	<b>752,636</b>	<b>174,747,659</b>	

### III - Credit derivatives

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

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

	03.31.2018	03.31.2017
<b>Credit swap whose underlying assets - Marketable securities<sup>(1)</sup></b>		
Received risks	2,312,810	2,173,618
Transferred risks	(2,121,692)	(2,067,103)
<b>Total net of exposure received/(transferred)</b>	<b>191,118</b>	<b>106,515</b>

<sup>(1)</sup> Transferred and received risks refer to the same issuers.

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

No material effect was produced on the calculation of minimum requirements of regulatory capital at 03.31.2018, according to CMN Resolution 4,193/2013.





d) Developments of changes in mark-to-market adjustments:

	01.01 to 03.31.2018				01.01 to 03.31.2017	
	Balance at beginning of the period	Changes in the period			Balance at the end of the period	Balance at the end of the period
		Foreign exchange gains or losses and Other	Profit (loss)	Equity- Note 17(d-I)		
Trading securities and Obligations related to unrestricted securities	114,293	(6)	13,789	-	128,076	(35,199)
Trading securities	189,267	(6)	376,073	-	565,334	300,071
Obligations related to unrestricted securities	(74,974)	-	(362,284)	-	(437,258)	(335,270)
Available-for-sale securities <sup>(1)</sup> – Note 7(a-IV) and 17(d-I)	48,865	-	-	14,703	63,568	62,003
Gov. securities	45,865	-	-	18,515	64,380	57,230
Eurobonds	(1,922)	-	-	(1,931)	(3,853)	(1,568)
Other securities	4,922	-	-	(1,881)	3,041	6,341
Derivative financial instruments (assets/liabilities) <sup>(2)</sup>	(8,680)	-	17,812	-	9,132	(49,352)
Regulatory Adjustments - CMN Resolution 4,277/2013 – Note 3(e)	(7,616)	-	4,309	-	(3,307)	(5,049)
Interbank deposits	(524)	-	524	-	-	-
Marketable securities and interbank deposits	(194)	-	(353)	-	(547)	(272)
Derivative financial instruments (assets/liabilities) <sup>(2)</sup>	(6,898)	-	4,138	-	(2,760)	(4,777)
Market value hedge – Note 7(e)	237,273	2,806	77,987	-	318,066	179,218
Fixed portfolio	(25,566)	1,778	(13,616)	-	(37,404)	(2,555)
Marketable securities – Available-for-sale securities – Eurobonds <sup>(1)</sup> – Note 7(a-IV)	200,251	-	54,738	-	254,989	246,405
Structured CD	16,984	394	7,750	-	25,128	14,079
Liabilities for marketable securities abroad	(3,229)	(408)	8,589	-	4,952	(5,314)
Subordinated debt	48,833	1,042	20,526	-	70,401	(73,397)
<b>Total at 03.31.2018</b>	<b>384,135</b>	<b>2,800</b>	<b>113,897</b>	<b>14,703</b>	<b>515,535</b>	<b>151,621</b>
<b>Total at 03.31.2017</b>	<b>61,351</b>	<b>7,562</b>	<b>44,977</b>	<b>37,731</b>	<b>151,621</b>	

<sup>(1)</sup> The mark-to-market adjustment of available-for-sale securities totals R\$ 26,164 (R\$ 59,448 as at 03.31.2017) – Note 7(a-I).

<sup>(2)</sup> The mark-to-market adjustment of derivative financial instruments totals R\$ 6,372 (R\$ (54,129) in 2017) – Note 7(c-I(1)), including Regulatory Adjustments - CMN Resolution 4,277/2013.



## e) Hedge of financial assets and liabilities

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

Strategy –Market Risk Hedge	Market value		MTM being hedged – Note 7(d)		Hedge derivative instrument	Notional amount	
	03.31.2018	03.31.2017	03.31.2018	03.31.2017		03.31.2018	03.31.2017
Fixed portfolio <sup>(1)</sup>	24,109,719	15,461,770	254,989	246,405		(26,971,874)	(16,618,738)
Assets	27,650,121	18,897,144	361,874	345,215			
Interbank deposits – Note 5	-	370,706	-	1,168			
Credit portfolio – Note 8(a-I)	27,650,121	18,526,438	361,874	344,047			
Liabilities	(3,540,402)	(3,435,374)	(106,885)	(98,810)			
Deposits – Note 9(a)	(176,358)	(125,131)	(2,075)	(737)			
Open market funding – Own securities – Note 9(b)	(31,303)	(233,477)	(810)	(3,483)			
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes – Note 9(c)	(2,404,028)	(3,076,766)	(74,255)	(94,590)			
Certificate of structured operations	(789,844)	-	(12,601)	-			
Subordinated debt	(138,869)	-	(17,144)	-			
Marketable securities – Available for sale – Eurobonds – Note 7(a-I)	2,783,265	1,251,545	(37,404)	(2,555)	Swap Libor x Fixed	(3,040,307)	(1,120,819)
Structured CD – Note 9(d)	(1,317,922)	(1,550,690)	25,128	14,079	Swap Libor x Fixed	1,708,048	1,713,454
Liabilities for marketable securities abroad - Note 9(c) <sup>(1)</sup>	(1,870,831)	(1,341,020)	4,952	(5,314)		1,931,507	1,580,757
US\$ 500,000 – 02.08.2018	(1,571,339)	-	8,734	-	Swap Libor x Fixed	1,628,747	-
R\$ 300,000 – 04.05.2007	-	(265,807)	-	(108)	Futures DI	-	310,059
CHF 350,000 – 03.27.2014	-	(799,598)	-	(849)	Swap Libor x Fixed	-	962,357
CHF 100,000 – 12.12.2014	(299,492)	(275,615)	(3,782)	(4,357)	Swap Libor x Fixed	302,760	308,341
Subordinated debt – Note 9(f) <sup>(2)</sup>	(2,698,503)	(2,631,240)	70,401	(73,397)		2,692,707	2,627,659
US\$ 500,000 – 01.27.2011	(1,706,832)	(1,678,959)	59,719	(76,588)	Swap Libor x Fixed	1,705,341	1,678,048
US\$ 300,000 – 06.06.2014	(991,671)	(952,281)	10,682	3,191	Swap Libor x Fixed	987,366	949,611
<b>Total</b>	<b>21,005,728</b>	<b>11,190,365</b>	<b>318,066</b>	<b>179,218</b>		<b>(23,679,919)</b>	<b>(11,817,687)</b>

<sup>(1)</sup> The fixed-income portfolio by equivalent methodology/year represents R\$ 26,906,188.

<sup>(2)</sup> Refer to the funding indexed to fixed rates.

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



**8. CREDIT PORTFOLIO**

- a) Expanded credit portfolio and allowance for credit risk  
I - Breakdown

	03.31.2018						03.31.2017					
	Amortised cost	Mark-to-market adjustment	Market value	Allowance for credit risk			Amortised cost	Mark-to-market adjustment	Market value	Allowance for credit risk		
				Minimum Required	Additional	Total				Minimum Required	Additional	Total
<b>Expanded credit portfolio</b>	<b>89,681,602</b>	<b>325,912</b>	<b>90,007,514</b>	<b>(1,739,222)</b>	<b>(1,199,337)</b>	<b>(2,938,559)</b>	<b>78,083,145</b>	<b>339,932</b>	<b>78,423,077</b>	<b>(1,914,021)</b>	<b>(1,170,293)</b>	<b>(3,084,314)</b>
Transactions with credit characteristics	69,973,160	325,912	70,299,072	(1,595,270)	(1,199,337)	(2,794,607)	60,274,034	339,932	60,613,966	(1,712,815)	(1,170,293)	(2,883,108)
Credit operations - Note 8(b)	61,268,989	361,874	61,630,863	(1,581,881)	(1,095,500)	(2,677,381)	52,352,703	344,047	52,696,750	(1,552,537)	(1,064,000)	(2,616,537)
Other credit risk instruments - Note 7(a-I and III)	8,398,281	(35,962)	8,362,319	(12,936)	(103,837)	(116,773)	7,578,194	(4,115)	7,574,079	(160,259)	(106,293)	(266,552)
Other credits - Notes 3(f)	305,890	-	305,890	(453)	-	(453)	343,137	-	343,137	(19)	-	(19)
Guarantees and sureties - Note 8(h)	19,708,442	-	19,708,442	(143,952)	-	(143,952)	17,809,111	-	17,809,111	(201,206)	-	(201,206)

II - Changes in allowance for credit risk

	Total allowance as at 01.01.2018	Foreign exchange variations abroad	(Increase) / Reversal	Write-down loss	Total allowance as at 03.31.2018
Minimum allowance required	(1,996,187)	277	(220,194)	476,882	(1,739,222)
Credit operations	(1,499,988)	(41)	(219,297)	137,445	(1,581,881)
Other credit risk instruments - Note 7(a)	(353,223)	318	532	339,437	(12,936)
Other credits - Notes 3(f) and 8(a-I)	(269)	-	(184)	-	(453)
Guarantees and sureties - Note 8(h)	(142,707)	-	(1,245)	-	(143,952)
Additional allowance	(1,195,736)	-	(3,601)	-	(1,199,337)
Credit operations	(1,095,500)	-	-	-	(1,095,500)
Other credit risk instruments - Note 7(a)	(100,236)	-	(3,601)	-	(103,837)
<b>Total allowance of the expanded credit portfolio as at 03.31.2018 – Note 8(a-I)</b>	<b>(3,191,923)</b>	<b>277</b>	<b>(223,795)</b>	<b>476,882</b>	<b>(2,938,559)</b>
<b>Total allowance of the expanded credit portfolio as at 03.31.2017 – Note 8(a-I)</b>	<b>(3,002,346)</b>	<b>4,546</b>	<b>(314,693)</b>	<b>228,179</b>	<b>(3,084,314)</b>
Minimum allowance required	(1,832,715)	4,546	(314,031)	228,179	(1,914,021)
Additional allowance	(1,169,631)	-	(662)	-	(1,170,293)



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

Risk levels	03.31.2018									03.31.2017	
	AA	A	B	C	D	E	F	G	H	Total	Total
Borrowings, Financing and Discounted receivables	17,433,648	1,008,776	1,183,451	579,824	547,178	36,133	22,243	41,375	823,909	21,676,537	18,061,084
Foreign trade	15,857,301	227,417	256,789	150,090	17,554	1,664	1,969	4,323	55,620	16,572,727	16,089,213
Directed Credit	2,323,003	71,037	92,621	8,586	368	564	4,391	4,419	141,376	2,646,365	2,967,852
Rural and agroindustrial financing	2,136,202	69,351	47,496	2,557	-	564	780	-	1,409	2,258,359	2,342,662
Real estate	186,801	1,686	45,125	6,029	368	-	3,611	4,419	139,967	388,006	625,190
Onlending	4,316,325	82,352	69,562	9,156	5,589	7	1,217	38	53,776	4,538,022	5,912,884
Financing and Consumption	1,306,414	12,782,748	1,030,543	413,099	71,599	37,105	38,171	18,504	126,699	15,824,882	9,314,132
Payroll advance loan	7,067	7,013,364	69,332	16,653	9,983	8,838	5,543	4,741	50,180	7,185,701	3,743,712
Direct consumer credit	422,667	5,634,426	916,760	381,747	52,204	26,122	18,900	12,421	59,238	7,524,485	4,229,547
Lease	708,165	112,366	14,726	10,066	6,568	1,719	13,301	737	12,028	879,676	1,159,652
Other	168,515	22,592	29,725	4,633	2,844	426	427	605	5,253	235,020	181,221
Other credits	-	-	646	-	-	246	-	-	9,564	10,456	7,538
<b>Total portfolio at 03.31.2018</b>	<b>41,236,691</b>	<b>14,172,330</b>	<b>2,633,612</b>	<b>1,160,755</b>	<b>642,288</b>	<b>75,719</b>	<b>67,991</b>	<b>68,659</b>	<b>1,210,944</b>	<b>61,268,989</b>	<b>52,352,703</b>
Past due <sup>(1)</sup>	-	-	191,155	273,141	79,824	33,603	26,005	26,411	550,037	1,180,176	1,216,063
Not past due <sup>(2)</sup>	41,236,691	14,172,330	2,442,457	887,614	562,464	42,116	41,986	42,248	660,907	60,088,813	51,136,640
Minimum allowance required	(3,147)	(71,608)	(38,011)	(47,635)	(95,082)	(24,598)	(36,000)	(54,856)	(1,210,944)	(1,581,881)	(1,552,537)
Specific <sup>(1)</sup>	-	-	(1,976)	(8,791)	(8,105)	(10,264)	(13,168)	(19,762)	(550,037)	(612,103)	(661,896)
General <sup>(2)</sup>	(3,147)	(71,608)	(36,035)	(38,844)	(86,977)	(14,334)	(22,832)	(35,094)	(660,907)	(969,778)	(890,641)
Additional allowance	(153,410)	(68,324)	(38,821)	(258,818)	(503,305)	(37,189)	(21,837)	(13,796)	-	(1,095,500)	(1,064,000)
<b>Total allowance at 03.31.2018</b>	<b>(156,557)</b>	<b>(139,932)</b>	<b>(76,832)</b>	<b>(306,453)</b>	<b>(598,387)</b>	<b>(61,787)</b>	<b>(57,837)</b>	<b>(68,652)</b>	<b>(1,210,944)</b>	<b>(2,677,381)</b>	<b>(2,616,537)</b>
<b>Total portfolio at 03.31.2017</b>	<b>38,077,950</b>	<b>9,164,592</b>	<b>2,272,433</b>	<b>1,045,208</b>	<b>256,948</b>	<b>78,741</b>	<b>177,522</b>	<b>31,378</b>	<b>1,247,931</b>	<b>52,352,703</b>	
Past due <sup>(1)</sup>	-	-	262,275	183,508	79,823	36,422	30,508	17,666	605,861	1,216,063	
Not past due <sup>(2)</sup>	38,077,950	9,164,592	2,010,158	861,700	177,125	42,319	147,014	13,712	642,070	51,136,640	
Minimum allowance required	(5,981)	(46,158)	(33,846)	(45,424)	(36,114)	(25,223)	(89,471)	(22,389)	(1,247,931)	(1,552,537)	
Specific <sup>(1)</sup>	-	-	(2,654)	(5,581)	(8,860)	(11,167)	(15,401)	(12,372)	(605,861)	(661,896)	
General <sup>(2)</sup>	(5,981)	(46,158)	(31,192)	(39,843)	(27,254)	(14,056)	(74,070)	(10,017)	(642,070)	(890,641)	
Additional allowance	(136,128)	(43,725)	(30,510)	(547,434)	(176,643)	(41,289)	(79,285)	(8,986)	-	(1,064,000)	
<b>Total allowance at 03.31.2017</b>	<b>(142,109)</b>	<b>(89,883)</b>	<b>(64,356)</b>	<b>(592,858)</b>	<b>(212,757)</b>	<b>(66,512)</b>	<b>(168,756)</b>	<b>(31,375)</b>	<b>(1,247,931)</b>	<b>(2,616,537)</b>	

<sup>(1)</sup> Past Due and Specific ALL – transactions that have installments more than 14 days past due. <sup>(2)</sup> Not past due and General ALL – transactions not in arrears and/or installments no more than 14 days past due.



- c) Allowance for loan losses over the period  
 I - Breakdown of the portfolio and the minimum allowance for loan losses required

	03.31.2018					
	Credit portfolio			Minimum allowance required		
	Past due	Not past due	Total	Specific	General	Total
Borrowings, Financing and Discounted receivables	351,270	21,325,267	21,676,537	(249,904)	(770,595)	(1,020,499)
Foreign trade	108,447	16,464,280	16,572,727	(48,819)	(24,233)	(73,052)
Directed credit	139,384	2,506,981	2,646,365	(136,817)	(13,714)	(150,531)
Rural and agroindustrial financing	-	2,258,359	2,258,359	-	(3,379)	(3,379)
Real estate	139,384	248,622	388,006	(136,817)	(10,335)	(147,152)
Onlending	37,337	4,500,685	4,538,022	(17,088)	(39,790)	(56,878)
Financing and consumption	534,938	15,289,944	15,824,882	(150,848)	(120,426)	(271,274)
Payroll advance loan	111,082	7,074,619	7,185,701	(52,620)	(43,759)	(96,379)
Direct consumer credit	387,648	7,136,837	7,524,485	(81,888)	(63,939)	(145,827)
Lease	29,683	849,993	879,676	(11,892)	(9,806)	(21,698)
Other	6,525	228,495	235,020	(4,448)	(2,922)	(7,370)
Other credits	8,800	1,656	10,456	(8,627)	(1,020)	(9,647)
<b>Total at 03.31.2018</b>	<b>1,180,176</b>	<b>60,088,813</b>	<b>61,268,989</b>	<b>(612,103)</b>	<b>(969,778)</b>	<b>(1,581,881)</b>
<b>Total at 03.31.2017</b>	<b>1,216,063</b>	<b>51,136,640</b>	<b>52,352,703</b>	<b>(661,896)</b>	<b>(890,641)</b>	<b>(1,552,537)</b>

- II - Changes in the minimum allowance required for credit operations

	Total allowance at 01.01.2018	Foreign exchange variations abroad	(Increase)/ Reversal	Write-down Loss	Total allowance at 03.31.2018
Borrowings, Financing and Discounted receivables	(955,745)	-	(146,940)	82,186	(1,020,499)
Foreign trade	(66,840)	(41)	(8,902)	2,731	(73,052)
Directed credit	(160,639)	-	8,998	1,110	(150,531)
Rural and agroindustrial financing	(2,675)	-	(704)	-	(3,379)
Real estate	(157,964)	-	9,702	1,110	(147,152)
Onlending	(60,713)	-	3,181	654	(56,878)
Financing and Consumption	(244,856)	-	(75,958)	49,540	(271,274)
Payroll advance loan	(92,507)	-	(33,602)	29,730	(96,379)
Direct consumer credit	(118,519)	-	(44,468)	17,160	(145,827)
Lease	(26,598)	-	2,745	2,155	(21,698)
Other	(7,232)	-	(633)	495	(7,370)
Other credits	(11,195)	-	324	1,224	(9,647)
<b>Total minimum allowance required at 03.31.2018 – Note 8(c-I)</b>	<b>(1,499,988)</b>	<b>(41)</b>	<b>(219,297)</b>	<b>137,445</b>	<b>(1,581,881)</b>
<b>Total minimum allowance required at 03.31.2017 – Note 8(c-I)</b>	<b>(1,499,052)</b>	<b>-</b>	<b>(281,664)</b>	<b>228,179</b>	<b>(1,552,537)</b>

- d) Renegotiated transactions and credit recoveries

	Portfolio	Allowance	%
<b>Past due</b>	95,749	95,639	99.9
Past due transactions:			
From 15 to 30 days	25,587	25,529	99.8
From 31 to 60 days	37,813	37,785	99.9
From 61 to 90 days	26,311	26,310	100
From 91 to 180 days	5,755	5,732	99.6
From 181 to 365 days	283	283	100
<b>Not past due</b>	489,645	475,019	97
<b>Total at 03.31.2018</b>	<b>585,394</b>	<b>570,658</b>	<b>97.5</b>
<b>Total at 03.31.2017</b>	<b>686,727</b>	<b>592,117</b>	<b>86.2</b>

The credit recoveries for the period amounted to R\$ 131,210 (R\$ 155,621 in 2017).



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

	03.31.2018	03.31.2017
<b>PAST DUE</b>	<b>1,180,176</b>	<b>1,216,063</b>
Past due transactions:		
From 15 to 30 days	270,640	448,129
From 31 to 60 days	434,923	280,119
From 61 to 90 days	146,292	149,970
From 91 to 180 days	237,035	225,389
From 181 to 365 days	91,286	112,456
<b>NOT PAST DUE</b>	<b>60,088,813</b>	<b>51,136,640</b>
Past due – Up to 14 days past due	884,677	100,170
Falling due:		
From 1 to 30 days	8,976,088	6,988,291
From 31 to 60 days	5,052,455	5,402,573
From 61 to 90 days	4,634,984	4,160,488
From 91 to 180 days	8,476,013	7,581,953
From 181 to 365 days	10,410,151	8,191,115
From 1 to 2 years	9,588,953	9,140,713
From 2 to 3 years	5,556,765	4,797,370
From 3 to 5 years	5,502,643	3,684,185
Over 5 years	1,006,084	1,089,782
<b>TOTAL</b>	<b>61,268,989</b>	<b>52,352,703</b>

The balance of transactions more than 60 days past due, non-accrued, amounts to R\$ 474,613 (R\$ 487,815 as at 03.31.2017) and more than 90 days past due amounts to R\$ 328,321 (R\$ 337,845 as at 03.31.2017).

## f) Breakdown of credit portfolio by sector

	03.31.2018	03.31.2017
Private sector:		
Rural	1,352,602	1,988,108
Industry	15,178,410	15,416,661
Commerce	12,220,383	9,981,436
Financial intermediation	671,987	651,420
Other Services	14,862,583	13,703,972
Individuals	15,406,994	8,905,964
Housing	1,576,030	1,705,142
<b>Total</b>	<b>61,268,989</b>	<b>52,352,703</b>

## g) Credit concentration:

	03.31.2018	03.31.2017
01st to 10th largest customers	10,858,512	11,465,306
11th to 50th largest customers	9,137,493	8,505,973
51st to 100th largest customers	5,061,252	4,492,876
<b>100 largest customers</b>	<b>25,057,257</b>	<b>24,464,155</b>
Other customers	36,211,732	27,888,548
<b>Total</b>	<b>61,268,989</b>	<b>52,352,703</b>

## h) Credit commitments (off balance)

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

	03.31.2018	03.31.2017
Guarantees, sureties and other guarantees provided <sup>(1)(2)</sup>	19,708,442	17,809,111
AA	19,396,501	17,360,805
A	31,073	159,159
B	81,233	67,267
C	41,926	19,801
D	15,769	14,374
E	5,273	-
H	136,667	187,705
Granted limits <sup>(3)</sup>	17,818,212	15,416,368
<b>Total</b>	<b>37,526,654</b>	<b>33,225,479</b>
Contractual term:		
Up to 90 days	16,928,366	15,306,200
From 91 to 365 days	8,099,215	6,850,347
From 1 to 2 years	4,374,839	3,390,461
From 2 to 3 years	1,830,884	1,049,951
From 3 to 5 years	2,841,645	2,742,014
Over 5 years	3,451,705	3,886,506

<sup>(1)</sup> The amount of the allowance recognized for Guarantees, sureties and other guarantees provided is R\$ (143,952) (R\$ (201,206) as at 03.31.2017) – Notes 3(f), 8(a) and 11. <sup>(2)</sup> The guarantees provided generated an income amounting to R\$ 80,197 (R\$ 88,368 in 2017) – Note 12(d). <sup>(3)</sup> Basically refer to credit limits granted but not used, characterized by the option for cancellation by Safrá, the average term being 90 days.



9. FUNDING, BORROWINGS AND ONLENDING AND MANAGED ASSETS

	03.31.2018						03.31.2017	
	Amounts by maturity						Total	Total
	Up to 90 days	From 91 to 365 days	from 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years		
<b>Funds from customers</b>	<b>18,617,895</b>	<b>25,983,659</b>	<b>15,034,209</b>	<b>6,574,091</b>	<b>1,783,807</b>	<b>1,266,790</b>	<b>69,260,451</b>	<b>56,980,608</b>
Deposits <sup>(1)</sup> (a)	7,821,118	4,240,700	1,024,062	159,391	12,864	536	13,258,671	8,058,746
Open market funding (b)	3,375,325	2,269,220	88,025	3,414	650	-	5,736,634	19,795,798
Own securities	1,222,697	1,827,767	58,916	3,414	650	-	3,113,444	18,224,066
Private securities – Debentures	2,152,628	441,453	29,109	-	-	-	2,623,190	1,571,732
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes (c)	6,990,406	17,323,005	12,896,132	5,816,711	1,091,550	143,094	44,260,898	22,123,124
Structured funding – Note 7(c-II(1))(d)	431,046	1,796,215	561,774	222,859	282,488	13,048	3,307,430	5,024,026
Fixed income <sup>(2)</sup>	129,991	327,536	79,988	25,880	-	-	563,395	3,017,287
Certificate of structured operations	301,055	1,468,679	481,786	196,979	282,488	13,048	2,744,035	2,006,739
Subordinated debt (f)	-	354,519	464,216	371,716	396,255	1,110,112	2,696,818	1,978,914
<b>Funds from market</b>	<b>2,882,422</b>	<b>9,657,813</b>	<b>2,221,234</b>	<b>2,948,765</b>	<b>2,724,779</b>	<b>1,379,382</b>	<b>21,814,395</b>	<b>22,784,719</b>
Deposits (a)	544,567	1,139,728	79,252	1,117	-	-	1,764,664	2,626,408
Interbank deposits	180,779	602,534	11,605	1,117	-	-	796,035	1,883,232
Time deposits	363,788	537,194	67,647	-	-	-	968,629	743,176
Structured funding – Structured CD – Note 7(c-II(1))(d)	408,492	661,829	559,801	523,239	431,473	56,061	2,640,895	2,728,728
Funds from acceptance and issue of securities (c)	8,434	507,281	698,183	136,614	1,579,238	-	2,929,750	2,061,433
Liabilities for marketable securities abroad	803	66,894	299,317	-	1,571,339	-	1,938,353	1,405,761
Funds from financial bills, bills of credit and similar notes	7,631	440,387	398,866	136,614	7,899	-	991,397	655,672
Subordinated debt (f)	5,236	19,596	-	1,688,231	6,993	1,054,550	2,774,606	2,664,268
Borrowings and onlending (e)	1,915,693	7,329,379	883,998	599,564	707,075	268,771	11,704,480	12,703,882
<b>Total funding</b>	<b>21,500,317</b>	<b>35,641,472</b>	<b>17,255,443</b>	<b>9,522,856</b>	<b>4,508,586</b>	<b>2,646,172</b>	<b>91,074,846</b>	<b>79,765,327</b>
Open market funding <sup>(3)</sup> (b)	35,582,304	3,694,782	-	-	-	-	39,277,086	47,389,684
Consolidated private pension funds <sup>(4)</sup> (g)							12,776,084	9,467,350
Managed funds (g)							76,988,463	62,636,610
<b>Total managed assets at 03.31.2018</b>	<b>57,082,621</b>	<b>39,336,254</b>	<b>17,255,443</b>	<b>9,522,856</b>	<b>4,508,586</b>	<b>2,646,172</b>	<b>220,116,479</b>	<b>199,258,971</b>
<b>Total managed assets at 03.31.2017</b>	<b>60,976,546</b>	<b>32,704,182</b>	<b>18,663,393</b>	<b>7,453,017</b>	<b>4,843,310</b>	<b>2,514,563</b>	<b>199,258,971</b>	

<sup>(1)</sup> It does not include time deposits with the market and interbank deposits. <sup>(2)</sup> Transactions made with derivative financial instruments– Options. <sup>(3)</sup> It does not include own securities. <sup>(4)</sup> Recorded in liabilities with insurance and private pension operations – Note 10(b).

a) Deposits

	03.31.2018						03.31.2017	
	Amounts by maturity						Total	Total
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years		
Demand deposits	698,650	-	-	-	-	-	698,650	585,443
Savings deposits	1,924,977	-	-	-	-	-	1,924,977	1,470,646
Interbank deposits <sup>(1)</sup>	180,779	602,534	11,605	1,117	-	-	796,035	1,883,232
Time deposits	5,561,279	4,777,894	1,091,709	159,391	12,864	536	11,603,673	6,745,833
<b>Total at 03.31.2018</b>	<b>8,365,685</b>	<b>5,380,428</b>	<b>1,103,314</b>	<b>160,508</b>	<b>12,864</b>	<b>536</b>	<b>15,023,335</b>	<b>10,685,154</b>
<b>Total at 03.31.2017</b>	<b>3,858,868</b>	<b>5,688,126</b>	<b>1,003,948</b>	<b>124,313</b>	<b>9,313</b>	<b>586</b>	<b>10,685,154</b>	

<sup>(1)</sup> Of this amount, R\$ 546,816 (R\$ 1,447,371 as at 03.31.2017) refers to operations linked to rural credit.



b) Open market funding

	03.31.2018						03.31.2017	
	Amounts by maturity						Total	Total
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years		
Own portfolio	8,252,539	2,269,220	88,025	3,414	650	-	10,613,848	28,586,213
Own securities	1,222,697	1,827,767	58,916	3,414	650	-	3,113,444	18,224,066
Subject to repurchase agreements	7,029,842	441,453	29,109	-	-	-	7,500,404	10,362,147
Restricted	6,277,518	441,453	29,109	-	-	-	6,748,080	7,903,009
Government securities– National Treasury – Note 7(a-II)	4,124,890	-	-	-	-	-	4,124,890	6,331,277
Corporate securities – Debentures	2,152,628	441,453	29,109	-	-	-	2,623,190	1,571,732
Unrestricted – Government securities – National Treasury – Note 7(a-II)	752,324	-	-	-	-	-	752,324	2,459,138
Thirty-party portfolio – Note 5	30,705,090	3,694,782	-	-	-	-	34,399,872	38,599,269
Repurchase agreements – Government securities – National Treasury	17,635,092	-	-	-	-	-	17,635,092	29,651,117
Obligations related to unrestricted securities <sup>(1)</sup>	13,069,998	3,694,782	-	-	-	-	16,764,780	8,948,152
National Treasury Bills	6,193,730	2,963,007	-	-	-	-	9,156,737	5,725,825
National Treasury Notes	6,876,268	731,775	-	-	-	-	7,608,043	3,222,327
<b>Total at 03.31.2018</b>	<b>38,957,629</b>	<b>5,964,002</b>	<b>88,025</b>	<b>3,414</b>	<b>650</b>	<b>-</b>	<b>45,013,720</b>	<b>67,185,482</b>
<b>Total at 03.31.2017</b>	<b>49,590,054</b>	<b>16,524,477</b>	<b>920,426</b>	<b>142,013</b>	<b>6,311</b>	<b>2,201</b>	<b>67,185,482</b>	

<sup>(1)</sup> The amount of mark-to-market adjustment is R\$ 437,258 (R\$ 335,270 as at 03.31.2017) – Note 7(d).

c) Funds from acceptance and issue of securities

I- Breakdown

	03.31.2018						03.31.2017	
	Amounts by maturity						Total	Total
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years		
Funds from financial bills, credit bills and similar notes	6,998,037	17,763,392	13,294,998	5,953,325	1,099,449	143,094	45,252,295	22,778,796
Financial bills	401,252	6,936,233	9,672,320	4,435,516	315,936	51,383	21,812,640	15,025,421
Agribusiness credit notes	518,581	1,872,486	1,553,385	1,029,563	721,272	90,589	5,785,876	5,961,655
Mortgage bills	44,628	136,958	141,433	30,859	-	-	353,878	374,781
House loans bills	256,362	280,845	299,583	60,502	18,621	-	915,913	1,415,844
Commercial leasing bills	5,777,214	8,536,870	1,628,277	396,885	43,620	240	16,383,106	15
Debentures	-	-	-	-	-	882	882	1,080
Liabilities for marketable securities abroad	803	66,894	299,317	-	1,571,339	-	1,938,353	1,405,761
R\$ 300,000 – 04.05.2007 – Fixed (10.75% p.a.) – Hedge – Note 7(e) <sup>(1)</sup>	-	-	-	-	-	-	-	265,807
CHF 100,000 – 12.12.2014 – Fixed (1.5% p.a.) – Hedge – Note 7(e) <sup>(1)</sup>	175	-	299,317	-	-	-	299,492	1,075,213
US\$ 20,000 – 06.18.2013 – Fixed (3.3% p.a.)	628	66,894	-	-	-	-	67,522	64,741
US\$ 500,000 – 02.08.2018 – Fixed (4.12% p.a.) – Hedge – Note 7(e) <sup>(1)</sup>	-	-	-	-	1,571,339	-	1,571,339	-
<b>Total at 03.31.2018</b>	<b>6,998,840</b>	<b>17,830,286</b>	<b>13,594,315</b>	<b>5,953,325</b>	<b>2,670,788</b>	<b>143,094</b>	<b>47,190,648</b>	<b>24,184,557</b>
<b>Total at 03.31.2017</b>	<b>3,096,271</b>	<b>5,217,780</b>	<b>8,884,000</b>	<b>5,407,060</b>	<b>1,060,504</b>	<b>518,942</b>	<b>24,184,557</b>	

<sup>(1)</sup> Includes incurred transaction costs of R\$ (5,688) (R\$ (5,059) as at 03.31.2017) – Note 3(m).





II- Movements

	01.01. to 03.31.2018			01.01. to 03.31.2017		
	Funds from financial bills, bills of credit and similar notes	Liabilities for marketable securities abroad	Total	Funds from financial bills, bills of credit and similar notes	Liabilities for marketable securities abroad	Total
<b>At the beginning of the period</b>	<b>39,475,119</b>	<b>356,253</b>	<b>39,831,372</b>	<b>21,056,485</b>	<b>1,510,380</b>	<b>22,566,865</b>
Foreign exchange variations abroad	-	(9,759)	(9,759)	-	(10,003)	(10,003)
Funding	19,544,844	1,645,868	21,190,712	2,957,315	-	2,957,315
Redemptions	(14,486,494)	(59,577)	(14,546,071)	(1,891,925)	(112,437)	(2,004,362)
Interest paid	(60)	-	(60)	(192)	-	(192)
Appropriation to income	718,886	5,568	724,454	657,113	17,821	674,934
Interest – Note 12(b)	702,499	14,158	716,655	636,627	13,929	650,556
Variation in mark-to-market adjustment – Note 7(e)	16,387	(8,590)	7,799	20,486	3,892	24,378
<b>At the end of the period</b>	<b>45,252,295</b>	<b>1,938,353</b>	<b>47,190,648</b>	<b>22,778,796</b>	<b>1,405,761</b>	<b>24,184,557</b>

d) Structured funding

	03.31.2018						03.31.2017	
	Amounts by maturity						Total	Total
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years		
Fixed income	129,991	327,536	79,988	25,880	-	-	563,395	3,017,287
Certificate of structured operations	301,055	1,468,679	481,786	196,979	282,488	13,048	2,744,035	2,006,739
Structured CD	408,492	661,829	559,801	523,239	431,473	56,061	2,640,895	2,728,728
Hedge – Note 7(e)	-	594,389	442,728	277,601	3,204	-	1,317,922	1,550,690
Non Hedge	408,492	67,440	117,073	245,638	428,269	56,061	1,322,973	1,178,038
<b>Total at 03.31.2018</b>	<b>839,538</b>	<b>2,458,044</b>	<b>1,121,575</b>	<b>746,098</b>	<b>713,961</b>	<b>69,109</b>	<b>5,948,325</b>	<b>7,752,754</b>
<b>Total at 03.31.2017</b>	<b>1,085,902</b>	<b>2,858,583</b>	<b>2,264,749</b>	<b>697,885</b>	<b>845,635</b>	<b>-</b>	<b>7,752,754</b>	

e) Borrowings and onlending

	03.31.2018						03.31.2017	
	Amounts by maturity						Total	Total
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years		
Foreign borrowings <sup>(1)</sup>	1,212,082	5,783,042	19,964	-	-	-	7,015,088	6,382,898
Domestic onlending	654,985	1,546,337	864,034	599,564	707,075	268,771	4,640,766	6,003,933
National Treasury	56,374	109,075	15,550	-	-	-	180,999	153,287
BNDES	273,637	731,426	466,005	330,500	399,621	151,768	2,352,957	3,075,551
FINAME	324,974	705,836	382,479	269,064	307,454	117,003	2,106,810	2,775,095
Others borrowings	48,626	-	-	-	-	-	48,626	317,051
<b>Total at 03.31.2018</b>	<b>1,915,693</b>	<b>7,329,379</b>	<b>883,998</b>	<b>599,564</b>	<b>707,075</b>	<b>268,771</b>	<b>11,704,480</b>	<b>12,703,882</b>
<b>Total at 03.31.2017</b>	<b>3,340,461</b>	<b>2,396,503</b>	<b>5,266,451</b>	<b>654,644</b>	<b>672,537</b>	<b>373,286</b>	<b>12,703,882</b>	

<sup>(1)</sup> Credit facilities for financing imports and exports.



## f) Subordinated debt

## I. Breakdown of balance by security and rate

Securities/rates	03.31.2018	03.31.2017
<b>Financial bills – LF</b>	<b>2,772,921</b>	<b>2,011,942</b>
- CDI (100% to 115.35%) + (interest from 0.88% p.a. to 1.62% p.a.)	1,448,827	964,442
- IGPM + (interest from 3.89% p.a. to 6.68% p.a.)	8,849	8,436
- IPCA + (interest from 4.22% p.a. to 8.82% p.a.)	1,131,339	923,474
- Fixed (10.34% p.a. to 17.66% p.a.)	138,869	74,373
- Selic	45,037	41,217
<b>“Medium term notes – Hedge – Note 7(e)”</b>	<b>2,698,503</b>	<b>2,631,240</b>
- US\$ 300,000 to 7.00% p.a. – Perpetual – Note 19(b)	991,671	952,281
- US\$ 500,000 to 6.75% p.a.	1,706,832	1,678,959
<b>Total <sup>(1)</sup></b>	<b>5,471,424</b>	<b>4,643,182</b>

<sup>(1)</sup> Transactions with half-yearly and quarterly interest payments.

## II. Breakdown of balance by characteristic and maturity

Securities	03.31.2018			03.31.2017	
	Approved at BACEN			Total	Total
	Without termination clause	With termination clause	In process of approval at BACEN <sup>(1)</sup>		
2019	713,114	82,203	6,707	802,024	735,270
2020	26,559	218,243	17,779	262,581	238,740
2021	1,706,832	362,251	-	2,069,083	2,009,556
2022	4,612	116,020	-	120,632	107,989
2023	-	273,992	-	273,992	267,286
2024	-	345,170	-	345,170	216,252
2025	-	217,904	139,288	357,192	63,316
2026	-	34,068	11,896	45,964	28,104
2027	-	89,819	-	89,819	24,388
2028	-	85	113,211	113,296	-
Perpetual	-	991,671	-	991,671	952,281
<b>Total at 03.31.2018</b>	<b>2,451,117</b>	<b>2,731,426</b>	<b>288,881</b>	<b>5,471,424</b>	<b>4,643,182</b>
<b>Total at 03.31.2017</b>	<b>2,360,349</b>	<b>2,005,884</b>	<b>276,949</b>	<b>4,643,182</b>	

<sup>(1)</sup> The 2019 and 2020 securities do not have termination clause and total R\$ 24,486 (R\$ 22,331 as at 03.31.2017).

## III. Movements

	01.01. to 03.31.2018	01.01. to 03.31.2017
<b>At the beginning of the period</b>	<b>5,193,120</b>	<b>4,510,166</b>
Foreign exchange variations abroad	7,232	(93,060)
Funding	268,473	181,792
Redemptions	(2,314)	-
Interest paid	(72,630)	(55,041)
Appropriation to income	77,543	99,325
Interest – Note 12(b)	91,949	91,460
Variation in mark-to-market adjustment (hedge) – Note 7(e)	(14,406)	7,865
<b>At the end of the period</b>	<b>5,471,424</b>	<b>4,643,182</b>

## g) Managed funds

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

	03.31.2018	03.31.2017
Managed funds <sup>(1)</sup>	76,988,463	62,636,610
Funds of investment in quotas	102,757,011	68,560,489
Consolidated exclusive funds	10,223,651	9,200,032
Consolidated private pension funds – Note 10(b)	12,776,084	9,467,350
<b>Total equity of funds</b>	<b>202,745,209</b>	<b>149,864,481</b>
<b>Total equity of managed portfolio</b>	<b>806,058</b>	<b>203,392</b>

<sup>(1)</sup> Includes quotaholders with related parties in the amount of R\$ 3,936,713 (R\$ 3,203,561 as at 03.31.2017).

The revenue from fund management, administration and distribution of such fund quotas, recorded in the heading “Revenue from services”, totals R\$ 219,756 (R\$ 165,417 in 2017) – Note 12(c). When the income from related parties is included, in the amount of R\$ 22,200 (R\$ 16,697 in 2017) – Note 19(c) the income totals R\$ 241,956 (R\$ 176,189 in 2017).

**10. INSURANCE, REINSURANCE AND PRIVATE PENSION OPERATIONS**

## a) Receivables from insurance and reinsurance operations

	03.31.2018	03.31.2017
Receivables	49,380	30,065
Premiums receivable – Note 10(a-I)	42,667	20,570
Premiums of risks in force and not issued	3,072	5,183
Operating receivables from insurance and reinsurance	10,598	10,017
Credit risk	(6,957)	(5,705)
Reinsurance assets– Note 10(a-II)	36,046	27,613
Deferred acquisitions costs	592	1,096
Private pension investment redeemable	710	7,811
<b>Total – Note 11</b>	<b>86,728</b>	<b>66,585</b>

## I. Premiums receivable

## (1) Breakdown

	03.31.2018			03.31.2017
	PAST DUE <sup>(1)</sup>	NOT PAST DUE <sup>(2)</sup>	TOTAL	TOTAL
Past due:	1,177	2,640	3,817	3,661
From 01 to 30 days	368	2,298	2,666	2,143
From 31 to 60 days	358	342	700	1,086
From 61 to 120 days	451	-	451	350
From 121 to 180 days	-	-	-	27
From 181 to 365 days	-	-	-	55
Falling due:	1,174	37,676	38,850	16,909
From 01 to 30 days	190	5,785	5,975	6,358
From 31 to 60 days	166	4,453	4,619	3,075
From 61 to 120 days	180	6,746	6,926	4,042
From 121 to 180 days	166	3,623	3,789	1,967
From 181 to 365 days	276	6,532	6,808	927
From 1 to 2 years	153	5,454	5,607	540
From 2 to 3 years	43	3,022	3,065	-
From 3 to 5 years	-	2,061	2,061	-
<b>TOTAL</b>	<b>2,351</b>	<b>40,316</b>	<b>42,667</b>	<b>20,570</b>
Policies past due:	2,351			
From 61 to 90 days	2,281			
From 91 to 121 days	67			
Over 365 days	3			

<sup>(1)</sup> Policies with installments more than 60 days past due that are fully provisioned.<sup>(2)</sup> Policies without installments past due and/or with installments up to 60 days past due.

## (2) Changes during the period

	01.01. to 03.31.2018	01.01. to 03.31.2017
<b>At the beginning of the period</b>	<b>52,428</b>	<b>25,852</b>
(+) Written premiums and risks in force but not issued <sup>(1)</sup>	61,171	67,143
(-) Receipts <sup>(2)</sup>	(71,289)	(70,899)
(+) Variation in credit risks	(62)	1,533
(+) Interest on receipt of premiums	1,140	922
<b>At the end of the period</b>	<b>43,388</b>	<b>24,551</b>

<sup>(1)</sup> Does not include reinsurance premium to be passed in the amount of R\$ 4,925 (R\$ 2,748 as at 03.31.2017).<sup>(2)</sup> Does not include DPVAT of R\$ 18,855 (R\$ 21,671 as at 03.31.2017).

## (3) Change in credit risk

	01.01. to 03.31.2018				01.01. to 03.31.2017	
	Premiums receivable	Operations with insurance companies	Operations with reinsurance companies	Payables for insurance and reinsurance operations <sup>(1)</sup>	TOTAL <sup>(2)</sup>	TOTAL
<b>At the beginning of the</b>	<b>(2,289)</b>	<b>(587)</b>	<b>(3,904)</b>	<b>685</b>	<b>(6,095)</b>	<b>(6,744)</b>
Increase/(Reversal)	(62)	(5)	(110)	(99)	(276)	1,336
<b>At the end of the period</b>	<b>(2,351)</b>	<b>(592)</b>	<b>(4,014)</b>	<b>586</b>	<b>(6,371)</b>	<b>(5,408)</b>

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



## II. Reinsurance assets – Technical reserves - Change

	01.01. to 03.31.2018					01.01. to
	PPNG	PSL <sup>(1)</sup>	IBNR	PCC <sup>(2)</sup>	TOTAL	03.31.2017
<b>At the beginning of the period</b>	<b>22,730</b>	<b>7,043</b>	<b>1,949</b>	<b>6,768</b>	<b>38,490</b>	<b>28,044</b>
Changes in technical reserves	(817)	275	160	277	(105)	794
Recovery	-	(2,398)	-	-	(2,398)	(1,337)
Inflation adjustment	-	59	-	-	59	112
<b>At the end of the period</b>	<b>21,913</b>	<b>4,979</b>	<b>2,109</b>	<b>7,045</b>	<b>36,046</b>	<b>27,613</b>

<sup>(1)</sup> Includes 21 (21 as at 03.31.2017) legal claims of R\$ 3,114 (R\$ 8,854 as at 03.31.2017). <sup>(2)</sup> Note 10(d).

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

	03.31.2018	03.31.2017
<b>Marketable securities – Notes 3(d) and 7(b)</b>	<b>13,184,862</b>	<b>9,809,685</b>
<b>Quotas of funds - PGBL/VGBL</b>	<b>12,776,084</b>	<b>9,467,350</b>
Repurchase agreements	159,893	32,731
Marketable securities	12,618,830	9,443,179
Other	(2,639)	(8,560)
<b>Other securities</b>	<b>408,778</b>	<b>342,335</b>
Quotas of funds – Linked to Technical Reserve	229,455	195,472
Quotas of investments funds – DPVAT agreement	179,323	146,863
<b>Receivables from reinsurance operations – Note 10(a-II) <sup>(1)</sup></b>	<b>14,139</b>	<b>17,926</b>
<b>Credit rights – Insurance premium receivable</b>	<b>12,240</b>	<b>7,732</b>
<b>Total</b>	<b>13,211,241</b>	<b>9,835,343</b>

<sup>(1)</sup> The amount shown net of Unearned Premium Reserve of R\$ (21,907) (R\$ (9,687) as at 03.31.2017), was not offered as asset to reduce technical reserves.

## c) Insurance and private pension operations (liabilities)

The insurance and private pension operations are as follows:

	03.31.2018	03.31.2017
Technical reserves – Note 10(c-I(1))	13,141,903	9,792,695
Private pension	12,796,316	9,493,892
Insurance	166,378	151,954
DPVAT agreement <sup>(1)</sup>	179,209	146,849
Payables for insurance and reinsurance operations	18,988	6,970
Commissions and other insurance liabilities	5,428	7,527
Credit risk – Note 10(a-I(3))	(504)	(250)
<b>Total</b>	<b>13,165,815</b>	<b>9,806,942</b>

<sup>(1)</sup> Comprised by outstanding claims reserve in the amount of R\$ 23,239 (R\$ 27,947 as at 03.31.2017), IBNR in the amount of R\$ 154,424 (R\$ 117,849 as at 03.31.2017) and unearned premium reserve in the amount of R\$ 1,546 (R\$ 1,053 as at 03.31.2017).

## I. Technical reserves

(1) Breakdown

	INSURANCE		PRIVATE PENSION		TOTAL	
	03.31.2018	03.31.2017	03.31.2018	03.31.2017	03.31.2018	03.31.2017
PMBAC and PMBC	-	-	12,776,124	9,467,334	12,776,124	9,467,334
PPNG	127,091	110,788	-	-	127,091	110,788
PSL	15,167	21,065	-	-	15,167	21,065
DPVAT agreement	179,209	146,849	-	-	179,209	146,849
IBNR	3,828	1,522	-	-	3,828	1,522
Supplementary reserve – Note 10(d)	20,292	18,579	19,574	18,689	39,866	37,268
PCC	20,292	18,579	1,501	1,408	21,793	19,987
PDR	-	-	18,073	17,281	18,073	17,281
Redemptions to be regularized	-	-	618	7,869	618	7,869
<b>Total</b>	<b>345,587</b>	<b>298,803</b>	<b>12,796,316</b>	<b>9,493,892</b>	<b>13,141,903</b>	<b>9,792,695</b>



## (2) Coverage

	03.31.2018	03.31.2017
Funds guaranteeing technical reserves for insurance and private pension operations – Note 10(b)	13,211,241	9,835,343
Technical reserves – Note 10(c-I(1))	(13,141,903)	(9,792,695)
<b>Coverage surplus</b>	<b>69,338</b>	<b>42,648</b>

## (3) Changes in the mathematical reserve for private pensions

	01.01. to 03.31.2018	01.01. to 03.31.2017
<b>At the beginning of the period</b>	<b>11,930,334</b>	<b>8,645,862</b>
Contributions	286,137	234,459
Net transfers accepted	507,250	408,512
Redemptions	(198,165)	(132,508)
Benefits paid	(134)	(98)
Financial adjustment	269,822	328,363
Change in reserves	1,072	9,302
Supplementary coverage (PCC) and related expenses reserve (PDR) – Note 10(d)	1,072	1,433
Others	-	7,869
<b>At the end of the period</b>	<b>12,796,316</b>	<b>9,493,892</b>

## (4) Change in the mathematical reserve for insurance

	01.01. to 03.31.2018					TOTAL
	PPNG	PSL, IBNR and PDR	PSL and PDR legal	SUB TOTAL	PCC – Note 10(d-II)	
<b>At the beginning of the period 01.01.2018</b>	<b>136,794</b>	<b>9,300</b>	<b>12,632</b>	<b>21,932</b>	<b>18,929</b>	<b>177,655</b>
Incurring claims	-	(1,478)	30	(1,448)	-	(1,448)
Change in technical reserves - reported	-	(1,513)	30	(1,483)	-	(1,483)
Change in estimate	-	35	-	35	-	35
Change in technical reserves	(9,551)	-	-	-	1,249	(8,302)
Paid claims	-	(8,036)	-	(8,036)	-	(8,036)
Inflation adjustment	-	-	-	-	-	-
<b>Balance at the end of the period 03.31.2018</b>	<b>127,243</b>	<b>(214)</b>	<b>12,662</b>	<b>12,448</b>	<b>20,178</b>	<b>159,869</b>
<b>Balance at the end of the period 03.31.2017</b>	<b>110,788</b>	<b>4,409</b>	<b>18,178</b>	<b>22,587</b>	<b>18,579</b>	<b>151,954</b>

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

## I – Breakdown

	03.31.2018	03.31.2017
<b>Assets</b> – Reinsurance assets - Note 10(a-II)	7,045	6,499
<b>Liabilities</b>	(39,866)	(37,268)
Technical reserves – Insurance – Personal – Note 10(c-I(1))	(20,292)	(18,579)
Technical reserves – Private Pension – Note 10(c-I(1))	(19,574)	(18,689)
<b>Supplementary coverage (PCC) and related expenses reserve (PDR) - Net</b>	<b>(32,821)</b>	<b>(30,769)</b>

## II – Effects on income

	2018	2017
Reinsurance operations - Note 10(a-II)	277	310
Insurance operations - Note 10(c-I(4))	(1,249)	(1,904)
Gains and losses on private pension - Note 10(c-I(3))	(1,072)	(1,433)
<b>Supplementary coverage (PCC) and related expenses reserve (PDR) - Net – Note 12(e)</b>	<b>(2,044)</b>	<b>(3,027)</b>

## e) Insurance and private pension operations

	2018	2017
Income from financial intermediation	3,030	642
Finance income from insurance and private pension operations – Note 12(a)	273,172	329,424
Finance expenses from insurance and private pension operations – Note 12(b) <sup>(1)</sup>	(270,142)	(328,782)
Income from insurance, reinsurance and private pension operations – Note 12(e)	64,620	45,515
Income from private pension fund management services – Note 9(g)	29,358	22,255
<b>Total</b>	<b>97,008</b>	<b>68,412</b>

<sup>(1)</sup> Substantially represented by mathematical adjustment of insurance.

**11. OTHER FINANCIAL ASSETS AND LIABILITIES**

	03.31.2018		03.31.2017	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange portfolio – Note 11(a)	1,099,002	1,170,801	2,075,997	2,179,249
Collection of taxes and similar	-	2,582,628	-	1,111,648
Negotiation and intermediation of securities – Note 11(b)	639,692	876,667	543,143	439,749
Interbank and interdepartmental transactions	163,126	686,801	132,187	744,710
Amounts receivable/(payable) – Acquirer <sup>(1)</sup>	998,638	808,683	3,748	3,223
Amounts receivable/(payable)	793,331	808,683	3,748	3,223
Advance on receivables to merchants and other	205,307	-	-	-
Other	173,564	355,818	104,101	371,221
Provision for guarantees and sureties – Notes 8(a-I e II) and 8(h)	-	143,952	-	201,206
Income receivable – Commission on funds, guarantees and sureties	51,022	-	35,722	-
Receivables from insurance and reinsurance operations –Note 10(a)	86,728	-	66,585	-
Credit card administration obligations	-	168,640	-	144,915
Other	35,814	43,226	1,794	25,100
<b>Total</b>	<b>3,074,022</b>	<b>6,481,398</b>	<b>2,859,176</b>	<b>4,849,800</b>

<sup>(1)</sup> Refer to the acquiring market operations – “Safrá Pay” started-up in 2017.

## a) Foreign exchange portfolio

	03.31.2018		03.31.2017	
	Assets	Liabilities	Assets	Liabilities
Foreign Exchange purchases pending settlement (M.E.) and Payables for foreign exchange purchase	604,336	605,570	1,014,717	1,044,309
Foreign Exchange variations <sup>(1)</sup>	(1,686)	-	(29,591)	-
Interbank for ready settlement	449,472	449,472	953,001	953,001
Other	156,550	156,098	91,307	91,308
Receivables for foreign exchange sales (M.N.) and Foreign Exchange sales pending settlement (M.E.)	494,666	565,231	1,061,280	1,134,940
Foreign exchange variations	-	(2,324)	-	12,290
Interbank for ready settlement	433,605	433,605	939,735	939,735
(-)Advances received	(73,710)	-	(65,963)	-
Other	134,771	133,950	187,508	182,915
<b>Total</b>	<b>1,099,002</b>	<b>1,170,801</b>	<b>2,075,997</b>	<b>2,179,249</b>

<sup>(1)</sup> The foreign exchange gains on advance on foreign exchange contract transactions - Note 3(f) amount to R\$ 39,267 (R\$ 13,828 as at 03.31.2017) and was shown in the line item Other credits – Credit operations - Note 8.

## b) Negotiation and intermediation of securities

	03.31.2018	03.31.2017
<b>ASSETS</b>	<b>639,692</b>	<b>543,143</b>
Debtors pending settlement <sup>(1)</sup>	206,367	128,296
Cash from registry and settlement <sup>(1)</sup>	161,686	124,390
Margin of derivatives abroad	40,517	259,619
Financial assets and commodities pending settlement	231,122	30,838
<b>LIABILITIES</b>	<b>876,667</b>	<b>439,749</b>
Creditors pending settlement <sup>(1)</sup>	542,522	284,643
Cash from registry and settlement <sup>(1)</sup>	234,131	116,487
Financial assets and commodities pending settlement	99,387	38,393
Other	627	226

<sup>(1)</sup> Refers mainly to transactions on stock exchanges recorded by J. Safrá Corretora de Valores e Câmbio Ltda.

**12. REVENUE, EXPENSES AND INCOME FROM OPERATIONS**

## a) Financial intermediation income

	<b>2018</b>	<b>2017</b>
Credit operations	1,667,831	1,791,361
Marketable securities	1,334,866	2,706,720
Interbank investments - Own position	84,181	200,168
Open market investments – Own portfolio	54,625	144,966
Interbank deposits	24,410	53,740
Investments abroad	5,146	1,462
Interbank investments – Third-party's position	439,096	1,303,330
Third party's portfolio	155,266	761,104
Short position	283,830	542,226
Marketable securities	811,589	1,203,222
Government securities	630,732	938,493
Securities issued by Financial institutions and Companies	147,608	233,527
Securities issued abroad	26,517	23,551
Dividends	6,732	7,651
Finance income from insurance and private pension operations – Note 10(e)	273,172	329,424
Income from compulsory deposits	64,694	75,124
Other financial income	(2,338)	2,323
<b>Total interest income</b>	<b>3,338,225</b>	<b>4,904,952</b>

## b) Financial intermediation expenses

	<b>2018</b>	<b>2017</b>
Funds obtained in the market	(1,842,417)	(3,190,974)
Deposits	(147,591)	(196,095)
Own issue – Open-market	(91,939)	(532,705)
Open market funding	(714,668)	(1,595,526)
Own portfolio	(200,085)	(538,867)
Third-party's portfolio	(160,136)	(664,165)
Obligations related to unrestricted securities	(354,447)	(392,494)
Funds from acceptance and issue of securities	(716,657)	(650,556)
Funds from financial bills, bills of credit and similar notes – Note 9(c-II)	(702,499)	(636,627)
Liabilities for marketable securities abroad – Note 9(c-II)	(14,158)	(13,929)
Subordinated debt – Note 9(f-III)	(91,945)	(91,460)
Structured funding	(79,617)	(124,632)
Borrowings and onlending	(134,897)	(141,279)
Borrowings abroad	(43,897)	(37,226)
Domestic onlending	(80,687)	(100,123)
Other borrowings	(10,313)	(3,930)
Finance expenses from insurance and private pension operations – Note 10(e)	(270,142)	(328,782)
Other financial expenses – Note 14(c)	(17,451)	(39,839)
<b>Total interest expenses</b>	<b>(2,264,907)</b>	<b>(3,700,874)</b>

## c) Income from derivative financial instruments

	<b>2018</b>	<b>2017</b>
Sub-total – Derivatives	(61,891)	(4,232)
Swap	2,306	98,701
Futures	(58,800)	(63,425)
Foreign exchange variations	7,312	(17,319)
Investments abroad	63,192	(61,554)
Operations	(55,880)	44,235
Other	(12,709)	(22,189)
Subtotal – Realized and unrealized income	191,506	77,733
Mark-to-market adjustment of securities and derivatives in income – Note 7(d)	113,897	44,977
Mark-to-market adjustment not realized in Futures operations	(4,648)	38,451
Profit/(Loss) in the sale of securities - Realized	82,257	(5,695)
Trading	38,341	2,340
Available-for-sale – Note 7(a-IV)	43,916	(8,035)
<b>Total– Note 18(i-II)</b>	<b>129,615</b>	<b>73,501</b>

## d) Revenue from service and bank fees

	<b>2018</b>	<b>2017</b>
<b>Revenue from services</b>	<b>378,414</b>	<b>320,065</b>
Investment fund management and administration services - Note 9(g)	219,756	165,417
Portfolio brokerage, custody and administration services	30,633	18,787
Security placement	9,727	7,656
Portfolio custody and administration services	1,620	633
Brokerage fees	19,286	10,498
Collection	23,139	26,199
Guarantees provided– Note 8(h)	80,197	88,368
Credit card operations	9,603	13,994
Foreign exchange services	8,653	7,051
Other	6,433	249
<b>Income from bank fees</b>	<b>76,348</b>	<b>57,519</b>
Packages of services and registrations	54,605	29,617
Credit operations	9,916	9,947
DOC/TED transfers	3,177	3,750
Other current account services	8,650	14,205
<b>Total</b>	<b>454,762</b>	<b>377,584</b>



## e) Insurance, reinsurance and private pension operations

	2018	2017
Revenue from retained premiums, net	64,926	70,673
Premium revenue – Note 10 (a-I(2))	56,246	64,362
Change in technical reserves	8,680	6,311
Revenue and Claim expenses	1,942	(1,122)
Acquisition costs – Note 19(b)	781	(2,555)
Credit risk – Note 10(a-I(3))	(276)	1,336
Reinsurance contingencies – Note 14(c)	-	(20,000)
Gains and losses on supplementary reserve – Note 10(d-II)	(2,390)	(3,027)
Supplementary coverage reserve	(2,308)	(2,813)
Related expenses reserve	(82)	(214)
Other income and expenses	(363)	210
<b>Total – Note 10(e) <sup>(1)</sup></b>	<b>64,620</b>	<b>45,515</b>

<sup>(1)</sup> Includes the income net of DPVAT agreement.

## 13. OTHER ASSET, LIABILITY AND INCOME ACCOUNTS

## a) Other receivables - Sundry

	03.31.2018	03.31.2017
Debtors for deposits in guarantee of contingent liabilities	268,361	251,176
Tax and social security contingent liabilities and legal obligations <sup>(1)</sup>	134,790	144,908
Civil, labor – Note 14(c-I)	133,571	106,268
Taxes and contributions to be offset	308,570	51,985
Asset transactions to be processed	4,137	10,842
Other	18,273	3,453
<b>TOTAL</b>	<b>599,341</b>	<b>317,456</b>

<sup>(1)</sup> The amounts linked to tax and social security contingent liabilities and legal obligations are disclosed in Note 14 (c-II).

## b) Other liabilities - Sundry

	03.31.2018	03.31.2017
Provision for payables	320,821	273,879
Liability transactions to be processed	38,783	27,813
Other	37,747	56,857
<b>Total</b>	<b>397,351</b>	<b>358,549</b>

## c) Personnel expenses

	2018	2017
Remuneration and profit sharing	(370,603)	(324,042)
Benefits	(38,961)	(30,656)
Payroll charges	(89,326)	(80,270)
Information security	(24,113)	(45,441)
Employee termination	(17,535)	(10,382)
<b>Total</b>	<b>(540,538)</b>	<b>(490,791)</b>

## d) Administrative expenses

	2018	2017
Facilities and Rent – Note 19(b)	(46,727)	(45,773)
Depreciation and amortization – Note 16(b)	(19,472)	(14,859)
Data processing and telecommunications	(34,745)	(16,639)
Attorney and notary fees	(39,412)	(23,699)
Third-party services	(15,464)	(14,196)
Travel	(17,229)	(15,156)
Financial system services	(19,783)	(21,710)
Surveillance, security and transport services	(13,671)	(10,958)
Publicity and advertising	(10,801)	(1,374)
Other	(6,533)	(6,000)
<b>Total</b>	<b>(223,837)</b>	<b>(170,364)</b>



**14. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS – TAX AND SOCIAL SECURITY**

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

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

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

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

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

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

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

	01.01 to 03.31.2018				01.01 to 03.31.2017
	Civil	Labor	Tax and social security contingent liabilities and legal obligations <sup>(3)</sup>	Other	Total
<b>At the beginning of the period 01.01.2018</b>	<b>418,932</b>	<b>447,117</b>	<b>360,047</b>	<b>124,798</b>	<b>1,350,894</b>
Adjustment/Charges <sup>(1)</sup>	4,613	6,790	(1,846)	1,752	11,309
Changes in the period reflected in income <sup>(2)</sup>	16,981	34,377	(3,951)	-	47,407
Increase / (Reversal)	19,091	34,911	7,998	-	62,000
Reversal due to favorable decision	(2,110)	(534)	(11,949)	-	(14,593)
Payment	(11,956)	(26,429)	(55,256)	-	(93,641)
Other changes	-	-	246	271	517
<b>At the end of the period at 03.31.2018</b>	<b>428,570</b>	<b>461,855</b>	<b>299,240</b>	<b>126,821</b>	<b>1,316,486</b>
<b>At the end of the period at 03.31.2017</b>	<b>401,597</b>	<b>359,810</b>	<b>447,555</b>	<b>113,106</b>	<b>1,322,068</b>
Guarantee deposits <sup>(4)</sup>	41,582	91,989	43,963	-	177,534
Guarantee securities <sup>(5)</sup>	-	66,589	-	-	66,589
<b>Total amounts guaranteed at 03.31.2018</b>	<b>41,582</b>	<b>158,578</b>	<b>43,963</b>	<b>-</b>	<b>244,123</b>
Guarantee deposits <sup>(4)</sup>	40,884	65,384	35,040	-	141,308
Guarantee securities <sup>(5)</sup>	599	93,534	-	-	94,133
<b>Total amounts guaranteed at 03.31.2017</b>	<b>41,483</b>	<b>158,918</b>	<b>35,040</b>	<b>-</b>	<b>235,441</b>

<sup>(1)</sup> Recorded in "Other financial expenses". <sup>(2)</sup> The changes in the civil, tax and labor contingencies are recorded in "Other operating expenses" and other contingencies are recorded in "Insurance, reinsurance and private pension operations" – Note 12(d). <sup>(3)</sup> The main proceedings involving tax and social security contingent liabilities and legal obligations are as follows: (i) Payroll charges on prior notice and 1/3 of vacation pay of R\$ 29,034 (R\$ 48,565 as at 03.31.2017), Accident prevention factor (FAP) – Dispute over the legality of the FAP, in the amount of R\$ 37,338 (R\$ 35,729 as at 03.31.2017); (ii) Services Tax (ISS) on banking activities - a number of tax assessment notices and proceedings related to the tax levied on revenues from banking activities, which should not be mistaken for the price for services rendered, amounting to R\$ 51,543 (R\$ 59,373 as at 03.31.2017) and (iii) Deductibility of the loan portfolio in the amount of R\$ 46,139 (R\$ 43,505 as at 03.31.2017). Of the amount paid in the period, R\$ (43,776) refers to the financial settlement of PERT, to which it joined in October 2017. <sup>(4)</sup> Note 13(a). <sup>(5)</sup> Note 7(a-III).

The amount of the contingent liabilities classified as a possible loss related to civil lawsuits, not recognized, is R\$ 68,596 (R\$ 44,437 as at 03.31.2017). There is no labor contingent liability and tax and social security proceedings classified as possible loss.

**15. TAXES**

## a) Breakdown of income tax and social contribution expenses

## I – Reconciliation of income tax and social contribution expenses

	<b>2018</b>	<b>2017</b>
<b>Profit before income tax and social contribution</b>	<b>725,150</b>	<b>721,313</b>
Charges (income tax and social contribution) at standard rates – Note 3(q)	(326,317)	(324,591)
<b>Permanent (additions) deductions</b>	<b>118,475</b>	<b>90,457</b>
Effect of foreign exchange variations in investments abroad	5,817	(29,992)
Interest on capital	73,951	80,072
Non-deductible expenses, net of non-taxable income	10,152	10,035
Deferred tax assets not recognized in the period / recognized in previous periods and other	28,555	30,342
<b>Income tax and social contribution for the period – Note 18(i-II)</b>	<b>(207,842)</b>	<b>(234,134)</b>

## II – Tax expenses of operations

	<b>2018</b>	<b>2017</b>
PIS / COFINS	(102,928)	(90,783)
Service tax (ISS)	(20,309)	(18,135)
<b>Total – Note 18(i-II)</b>	<b>(123,237)</b>	<b>(108,918)</b>

## b) Deferred taxes

## I - Origin of deferred income tax and social contribution assets

	<b>Balance at 01.01.2018</b>	<b>Increase / (Reversal)</b>	<b>Realization</b>	<b>Balance at 03.31.2018</b>	<b>Balance at 03.31.2017</b>
Provision for contingent liabilities	479,655	26,517	(21,151)	485,021	452,604
Civil	165,646	9,523	(5,680)	169,489	160,461
Labor	178,800	16,679	(10,785)	184,694	143,896
Tax	96,872	(999)	(4,686)	91,187	133,281
Other	38,337	1,314	-	39,651	14,966
Allowance for credit risk	1,125,736	75,866	(79,458)	1,122,144	1,237,597
Other	154,197	33,723	(3,901)	184,019	166,788
<b>Total deferred tax assets for temporary differences</b>	<b>1,759,588</b>	<b>136,106</b>	<b>(104,510)</b>	<b>1,791,184</b>	<b>1,856,989</b>
Tax loss and social contribution loss carryforwards	38,796	(26,609)	-	12,187	14,482
<b>Total deferred tax assets at 03.31.2018</b>	<b>1,798,384</b>	<b>109,497</b>	<b>(104,510)</b>	<b>1,803,371</b>	<b>1,871,471</b>
<b>Total deferred tax assets at 03.31.2017</b>	<b>1,865,089</b>	<b>126,474</b>	<b>(120,092)</b>	<b>1,871,471</b>	

The balance of deferred tax assets for temporary differences, not recognized at the rate of 40%, amounted to R\$ 479,735 (R\$ 468,117 as at 03.31.2017), and refers to deferred tax assets arising from the recognition of an Additional ALL (credit operations and other credit risk instruments).

The effect of the temporary 5% increase in the social contribution rate on deferred tax assets – Note 3(q), if recognized, would amount to R\$ 214,285 (R\$ 222,518 as at 03.31.2017).

## II - Deferred tax liabilities

	<b>03.31.2018</b>	<b>03.31.2017</b>
Excess depreciation	201,165	200,746
Market-to-market adjustment of derivative financial instruments	78,631	48,114
Market-to-market adjustment of available-for-sale securities – Note 17(d-I)	25,870	23,258
Other	16,562	20,613
<b>Total</b>	<b>322,228</b>	<b>292,731</b>



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

Realization year	Deferred tax assets			Provision for deferred taxes and contributions	Net deferred taxes
	Temporary differences	Tax and social contribution loss carryforwards	Total		
2018	442,486	9,064	451,550	(90,816)	360,734
2019	694,715	3,123	697,838	(56,367)	641,471
2020	304,384	-	304,384	(35,135)	269,249
2021	177,182	-	177,182	(20,558)	156,624
2022	102,611	-	102,611	(21,960)	80,651
2023 to 2027	69,806	-	69,806	(97,392)	(27,586)
<b>Total</b>	<b>1,791,184</b>	<b>12,187</b>	<b>1,803,371</b>	<b>(322,228)</b>	<b>1,481,143</b>
<b>Present Value<sup>(1)</sup></b>	<b>1,658,637</b>	<b>11,799</b>	<b>1,670,435</b>	<b>(287,145)</b>	<b>1,383,290</b>

<sup>(1)</sup> For adjustment to present value, the CDI projected interest rate for future periods was used, net of tax.

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

c) The tax and social security obligations are shown below

	03.31.2018	03.31.2017
Income tax and social contribution payable	130,793	131,598
Taxes and contributions collectible	119,825	119,088
<b>Total</b>	<b>250,618</b>	<b>250,686</b>

## 16. PROPERTY AND EQUIPMENT IN USE AND INTANGIBLE ASSETS

a) Breakdown

	03.31.2018			03.31.2017		
	Cost	Accumulated depreciation / amortization	Property and equipment, net	Cost	Accumulated depreciation / amortization	Property and equipment, net
<b>Property and equipment</b>	<b>393,737</b>	<b>(129,907)</b>	<b>263,830</b>	<b>328,283</b>	<b>(122,066)</b>	<b>206,217</b>
Facilities, furniture and equipment in use	173,082	(38,483)	134,599	136,385	(37,451)	98,934
IT and data processing equipment	105,919	(60,156)	45,763	101,087	(61,849)	39,238
Property and equipment in progress	7,137	-	7,137	15,325	-	15,325
Transportation system	65,500	(24,866)	40,634	64,773	(19,167)	45,606
Other	42,099	(6,402)	35,697	10,713	(3,599)	7,114
<b>Intangible assets - Software</b>	<b>217,522</b>	<b>(84,963)</b>	<b>132,559</b>	<b>170,353</b>	<b>(64,579)</b>	<b>105,774</b>

b) Changes

	Property and equipment		Intangible assets	
	2018	2017	2018	2017
<b>Balance at the beginning of the period</b>	<b>253,193</b>	<b>194,623</b>	<b>133,957</b>	<b>93,816</b>
Acquisitions	20,918	18,849	8,887	20,360
Write-off disposals	(816)	(544)	-	-
Foreign exchange variations and transfers	(294)	(245)	16	(9)
Depreciation / amortization expenses – Note 13(d)	(9,171)	(6,466)	(10,301)	(8,393)
<b>Balance at the end of the period</b>	<b>263,830</b>	<b>206,217</b>	<b>132,559</b>	<b>105,774</b>

**17. EQUITY**

## a) Shares

The capital of Banco Safr S.A. is represented by 15,301 (15,301 as at 03.31.2017) registered shares, with no par value, out of which 7,651 (7,651 as at 03.31.2017) are common shares and 7,650 (7,650 as at 03.31.2017) are preferred shares.

Ownership interest:

Shareholders	Amount	(%)
Joseph Yacoub Safr (resident abroad)	15,296	99.97
Non-controlling interests	5	0.03
<b>Total</b>	<b>15,301</b>	<b>100.00</b>

## b) Dividends and Interest on capital

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

In the period, the amount of R\$ 164,335 (R\$ 177,938 as at 03.31.2017). was provisioned for interest on capital, and is recorded in the line item "Social and statutory".

## c) Revenue reserves

	03.31.2018	03.31.2017
<b>Revenue reserves</b>	<b>1,438,974</b>	<b>746,891</b>
Legal	221,685	124,449
Special <sup>(1)</sup>	1,217,289	622,442

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

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

## I- Changes in adjustment of the financial assets:

	01.01. to 03.31.2018	01.01. to 03.31.2017
<b>At the beginning of the period</b>	<b>30,155</b>	<b>17,663</b>
Adjustments from changes in fair value – Notes 7(a-IV) and 17(d-II)	7,543	21,082
Available-for-sale securities - Note 7(d)	14,703	37,731
Change in fair value in the period	34,194	43,700
Profit /(loss) on sale of securities - Note 7(a-IV)	(19,491)	(5,969)
Tax effect	(7,160)	(16,649)
<b>At the end of the period</b>	<b>37,698</b>	<b>38,745</b>
Gross amount – Note 7(d)	63,568	62,003
Tax effect – Note 15(b)	(25,870)	(23,258)

## II- Statement of comprehensive income:

	2018	2017
<b>Net income</b>	<b>517,308</b>	<b>487,179</b>
Available-for-sale financial assets - Note 17(d-I)	7,543	21,082
Net change in unrealized gains / (losses)	17,542	29,685
Change in fair value in the period	34,194	43,700
Tax effect	(16,652)	(14,015)
Realized gains transferred to income for the period	(9,999)	(8,603)
Profit /(loss) on sale of securities - Note 7(a-IV)	(19,491)	(5,969)
Tax effect	9,492	(2,634)
<b>Comprehensive income</b>	<b>524,851</b>	<b>508,261</b>



## 18. RISK MANAGEMENT

Banco Safra has a set of rules and procedures to ensure compliance with legal and regulatory provisions, best market practices, and its internal policies. Banco Safra concentrates its structure responsible for managing operational, liquidity and market risk on the Corporate Risk Executive Board and its credit risk management on the Credit Analysis Department, thereby establishing the basis for compliance with the prevailing regulations.

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

### a) Credit risk

Banco Safra is exposed to credit risk, which is the risk that arises when a counterparty causes a financial loss by failing to meet an obligation. Significant changes in the economy or in the financial health of a specific segment of the industry that represent a concentration in the portfolios of investment, loans and advances held by Banco Safra can result in losses that differ from those provisioned at the Statement of Financial Position reporting date. Therefore, Banco Safra carefully controls and reevaluates the exposure to credit risk on ongoing basis.

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

The Credit Risk Management Committee concentrates the Credit Risk governance to ensure an overview of the entire credit cycle. In order to ensure the necessary independence for its operation, this committee is comprised of executive officers and executive superintendents responsible for Corporate Risk Management, Credit Analysis, Policies, Portfolio Modeling and Management, Monitoring, Collection and Validation. Depending on the nature of the issue, the Committee may submit it to the Board of Directors.

### b) Market risk

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

Banco Safra maintains its total exposure to market risks measured by the daily Value at Risk (VaR) at a 99% confidence level, adopting as a policy a maximum expected loss of less than 3% of its regulatory capital. To be able to comply with this regulation, the Bank sets targets for Treasury that are compatible with this risk exposure.

Banco Safra's market risk assessments also include the use of stress metrics, contemplating crises in past periods and forward-looking stressed economic scenarios, in addition to the stress effects produced by correlations among risk factor families. Additionally, stop loss limits are set.

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

The policies that govern market risk management - Market Risk Policy and Market Risk Limits Standard - are formulated according to the CMN Resolution 4,277/2013, observing the minimum requirements to be imposed in the process of pricing the financial instruments stated at market value, and are disclosed to Treasury, and control and support area managers (liquidity and market risk, internal audit, internal controls and compliance, liquidity and market risk validation and information technology managers) through the corporate intranet, in addition to the disclosure of the Market Risk management framework to public access.

### c) Liquidity risk

Liquidity risk consists of the possibility that the institution is not able to efficiently meet its expected and unexpected current and future obligations, including those arising from the link to guarantees, not affecting its daily operations, and without incurring significant losses.

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

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

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

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

### d) Capital management

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

It includes the following aspects:

- Fulfillment of the requirements established by the regulatory bodies of the bank markets where it operates;
- Safeguard its operating capacity so that it continues providing return to stockholders and benefits to other stakeholders; and
- Maintenance of a solid capital base to support the development of its business.

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

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

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

Additional capital buffer, comprising the following portions: Capital Conservation Buffer; Countercyclical Buffer; and Systemic Important Institution Buffer.

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

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



e) Operational risk

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

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

f) Sensitivity analysis (Trading and Banking portfolios)

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

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

Banking portfolio covers all operations that do not fit into Trading portfolio, and are typically banking operations of the institution's business lines and the respective hedges that may or may not be made through the use of derivative financial instruments. As a result, the derivatives in this portfolio are not used for speculative purposes.

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

Trading portfolio at 03.31.2018				
Risk factors	Risk of Variation in:	Scenarios		
		1	2	3
Shares	Variation in share prices	(6,038)	(150,961)	(301,922)
Commodities	Variation in commodity prices	(4)	(103)	(207)
Coupon and currencies	Foreign currency coupon rate and foreign exchange rate variation	(48)	(2,520)	(4,606)
Fixed income	Variation in interest rates denominated in real	(172)	(33,586)	(64,750)
Options	Variation in the market value of options	(110)	(4,224)	(8,343)
	<b>Total</b>	<b>(6,372)</b>	<b>(191,395)</b>	<b>(379,827)</b>

Trading and Banking portfolio at 03.31.2018				
Risk factors	Risk of Variation in:	Scenarios		
		1	2	3
Shares	Variation in share prices	(6,038)	(150,961)	(301,922)
Commodities	Variation in commodity prices	(4)	(103)	(207)
Coupon and currencies	Foreign currency coupon rate and foreign exchange rate variation	(250)	(6,706)	(12,545)
Fixed income	Variation in interest rates denominated in real	(1,634)	(212,964)	(421,515)
Options	Variation in the market value of options	(110)	(4,224)	(8,343)
	<b>Total</b>	<b>(8,036)</b>	<b>(374,958)</b>	<b>(744,531)</b>

The sensitivity analysis was carried out using the following scenarios:

- **Scenario 1:** Stress of one basis point in the interest rates, and 1% in price variations based on market information (B3, Anbima etc.). Example: the Real / Dollar rate used was R\$ 3.3275 and the 1 year fixed rate was 6.31% p.a.
- **Scenario 2:** Stress of 25% in the respective curves or prices, based on the market. Example: the Real / Dollar rate used was R\$ 4.1182 and the 1 year fixed rate was 7.88% p.a.
- **Scenario 3:** Stress of 50% in the respective curves or prices, based on the market. Example: the Real / Dollar rate used was R\$ 4.9419 and the 1 year fixed rate was 9.46% p.a.

g) Underwriting risk

The underwriting risk is the possibility of incurring losses which may be contrary to the institution's expectations directly or indirectly associated with the actuarial and technical bases used for the calculation of premiums, contributions and technical reserves arising from insurance and private pension operations.

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

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

- I - Creation of new products;
- II - Devising of acceptance policies;
- III - Negotiation of reinsurance arrangements and of conditions and fee for individual policies;
- IV - Follow-up and assessment of the co-insurance conditions; and
- V - Technical support to customers and representatives.

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

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



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

h) Market value of financial assets and liabilities

I. Methodology for calculating market value:

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

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

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

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

	03.31.2018 <sup>(1)</sup>		
	Level 1	Level 2	Total
<b>Securities Portfolio <sup>(2)</sup> - Note 7(a-I)</b>	<b>31,987,731</b>	<b>10,846,832</b>	<b>42,834,563</b>
Government securities	31,635,370	-	31,635,370
Securities issued by Financial Institutions	91,739	2,251,947	2,343,686
Securities issued by Companies	260,622	8,594,885	8,855,507
<b>(-) Securities designated to Hedge Market Risk<sup>(3)</sup></b>	-	(2,783,265)	(2,783,265)
<b>Funds guaranteeing technical reserves for insurance and private pension – Note 7(b)</b>			
Private pension	12,983,268	201,594	13,184,862
Repurchase agreements	12,574,490	201,594	12,776,084
Government securities - National treasury	159,893	-	159,893
Corporate securities	12,245,176	-	12,245,176
Other	169,421	204,233	373,654
Securities - Government securities - National treasury – National Treasury Bills	-	(2,639)	(2,639)
DPVAT fund quotas – Government securities	229,455	-	229,455
	179,323	-	179,323
<b>Derivative financial instruments – Assets – Note 7(c-I(1))</b>	<b>589,160</b>	<b>530,534</b>	<b>1,119,694</b>
Non Deliverable Forward – NDF	-	4,917	4,917
Option premiums	-	191,638	191,638
Forward – Government securities	566,825	-	566,825
Swap – amounts receivable	-	287,733	287,733
Credit derivatives (CDS)	-	46,344	46,344
Futures	22,335	-	22,335
Credit risk – Notes 3(f) and 8(a)	-	(98)	(98)
<b>Derivative financial instruments - Liabilities – Note 7(c-I(1))</b>	<b>(587,579)</b>	<b>(468,779)</b>	<b>(1,056,358)</b>
Non-deliverable forwards (NDF)	-	(24,083)	(24,083)
Option premiums	-	(202,951)	(202,951)
Forward – Government securities	(587,579)	-	(587,579)
Swap – amounts payable	-	(188,306)	(188,306)
Credit derivatives (CDS)	-	(50,777)	(50,777)
Regulatory adjustments – CMN Resolution 4,277/2013	-	(2,662)	(2,662)
<b>Obligations related to unrestricted repurchase agreements – Gov. securities - Note 9(b)</b>	<b>(18,688,655)</b>	-	<b>(18,688,655)</b>
<b>Strategy – Market risk hedge - Note 7(e)</b>		<b>21,005,728</b>	<b>21,005,728</b>
Fixed rate portfolio	-	24,109,719	24,109,719
Assets	-	27,650,121	27,650,121
Liabilities	-	(3,540,402)	(3,540,402)
Marketable securities – Available for sale – Eurobond <sup>(3)</sup>	-	2,783,265	2,783,265
Structured CD	-	(1,317,922)	(1,317,922)
Liabilities for marketable securities abroad	-	(1,870,831)	(1,870,831)
Subordinated debt – Medium term notes	-	(2,698,503)	(2,698,503)

<sup>(1)</sup> No transaction was classified into level 3. <sup>(2)</sup> Of these amounts, R\$ 30,298,400 refer to trading securities (R\$28,865,494 classified in level 1 and R\$ 1,432,906 in level 2) and R\$ 12,536,163 refer to available-for-sale securities (R\$ 3,122,237 classified in level 1 and R\$ 9,413,926 in level 2). <sup>(3)</sup> Reclassification of the amount related to securities designated to hedge market risk (Eurobonds).



## i) Foreign exchange exposure

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

## I - Statement of financial position

PER CURRENCY	03.31.2018			
	BRL	US\$	Other	Total
<b>Assets</b>				
Cash	151,143	322,299	220,744	694,186
Interbank investments	35,877,193	623,031	-	36,500,224
Central Bank compulsory deposits	4,201,086	-	71,206	4,272,292
Marketable securities	39,356,786	3,360,452	5	42,717,243
Funds guaranteeing technical reserves for insurance and private pension	13,184,862	-	-	13,184,862
Derivative financial instruments	846,633	259,557	13,504	1,119,694
Transactions with credit characteristics	48,002,774	10,895,775	360,370	59,258,919
Other financial assets	2,412,396	628,910	32,716	3,074,022
Other receivables	2,402,368	644	(300)	2,402,712
Other assets	67,473	1,396	-	68,869
Investment	7,246	6	-	7,252
Property and equipment and Intangible assets	396,353	36	-	396,389
<b>Total assets</b>	<b>146,906,313</b>	<b>16,092,106</b>	<b>698,245</b>	<b>163,696,664</b>
Long position- Future foreign exchange coupon -Note 7(c-II(1))	7,952,139	3,329,306	-	11,281,445
Futures	2,252,180	104,726	155,222	2,512,128
NDF - Note 7(c-II(1))	348,787	1,301,183	-	1,649,970
Foreign Exchange swap	1,475,407	5,633,392	280,821	7,389,620
<b>Off Balance – Assets</b>	<b>12,028,513</b>	<b>10,368,607</b>	<b>436,043</b>	<b>22,833,163</b>
<b>Total assets at 03.31.2018 (A)</b>	<b>158,934,826</b>	<b>26,460,713</b>	<b>1,134,288</b>	<b>186,529,827</b>
<b>Liabilities</b>				
Deposits	13,745,380	1,277,267	688	15,023,335
Open market funding	45,013,720	-	-	45,013,720
Funds from acceptance and issue of securities	45,252,295	1,638,861	299,492	47,190,648
Structured funding	2,750,663	3,174,276	23,386	5,948,325
Borrowings and onlending	4,676,794	6,845,056	182,630	11,704,480
Derivative financial instruments	731,383	302,025	22,950	1,056,358
Insurance and private pension operations	13,165,815	-	-	13,165,815
Other financial liabilities	5,354,982	1,045,334	81,082	6,481,398
Subordinated debt	2,772,921	2,698,503	-	5,471,424
Other liabilities	2,468,313	(818)	-	2,467,495
Deferred income	44,602	-	-	44,602
<b>Total liabilities</b>	<b>135,976,868</b>	<b>16,980,504</b>	<b>610,228</b>	<b>153,567,600</b>
Short position – Future foreign exchange coupon - Note 7(c-II(1))	3,329,306	7,952,139	-	11,281,445
Futures	259,948	2,059,624	192,556	2,512,128
NDF - Note 7(c-II(1))	1,301,183	348,787	-	1,649,970
Foreign exchange swap	5,914,213	1,313,510	161,897	7,389,620
<b>Off Balance – Liabilities</b>	<b>10,804,650</b>	<b>11,674,060</b>	<b>354,453</b>	<b>22,833,163</b>
<b>Total Liabilities at 03.31.2018 (B)</b>	<b>146,781,518</b>	<b>28,654,564</b>	<b>964,681</b>	<b>176,400,763</b>
<b>Net exposure – Equity (C) = (A) – (B)</b>	<b>12,153,308</b>	<b>(2,193,851)</b>	<b>169,607</b>	<b>10,129,064</b>
"Over Hedge" of investment abroad – Note 18(i-II)	(2,282,205)	2,282,205	-	-
<b>Net position – Long/(Short) at 03.31.2018</b>	<b>9,871,103</b>	<b>88,354</b>	<b>169,607</b>	<b>10,129,064</b>
<b>Net position – Long/(Short) at 03.31.2017</b>	<b>9,460,209</b>	<b>(122,715)</b>	<b>100,534</b>	<b>9,438,028</b>

## II - "Over Hedge" of investments abroad

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

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

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

	2018		
	Recorded	Over hedge adjustment	Adjusted balance
INCOME (EXPENSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS – Note 12(c)	129,615	11,027	140,642
TAX EXPENSES OF OPERATIONS – Note 15(a-II)	(123,237)	(1,078)	(124,315)
<b>NET INCOME FROM OPERATIONS</b>	<b>1,537,155</b>	<b>9,949</b>	<b>1,547,104</b>
<b>INCOME BEFORE TAXES</b>	<b>725,150</b>	<b>9,949</b>	<b>735,099</b>
INCOME TAX AND SOCIAL CONTRIBUTION – Note 15(a-I)	(207,842)	(9,949)	(217,791)
<b>NET INCOME</b>	<b>517,308</b>	<b>-</b>	<b>517,308</b>
	2017		
	Recorded	Over hedge adjustment	Adjusted balance
INCOME (EXPENSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS – Note 12(c)	73,501	(55,829)	17,672
TAX EXPENSES OF OPERATIONS – Note 15(a-II)	(108,918)	5,460	(103,458)
<b>NET INCOME FROM OPERATIONS</b>	<b>1,461,984</b>	<b>(50,369)</b>	<b>1,411,615</b>
<b>INCOME BEFORE TAXES</b>	<b>721,313</b>	<b>(50,369)</b>	<b>670,944</b>
INCOME TAX AND SOCIAL CONTRIBUTION – Note 15(a-I)	(234,134)	50,369	(183,765)
<b>NET INCOME</b>	<b>487,179</b>	<b>-</b>	<b>487,179</b>



**19. RELATED-PARTY TRANSACTIONS**

## a) Management remuneration:

Corporate documents recorded for 2018, established the annual total management's remuneration at R\$ 138,200 (R\$ 132,250 in 2017). The remuneration received by management amounts to R\$ (29,817) (R\$ (34,000) in 2017).

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

## b) Related-party transactions

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

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

	Assets / (liabilities)		Income / (Expenses)	
	03.31.2018	03.31.2017	2018	2017
<b>Cash – Note 4</b>	<b>161,561</b>	<b>71,640</b>	<b>16</b>	<b>(28)</b>
Grupo J. Safra Sarasin	149,172	60,795	16	(28)
Safra National Bank of New York	12,389	10,845	-	-
<b>Foreign currency investments – Note 5 – Safra National Bank of New York</b>	<b>356,659</b>	<b>1,120,021</b>	<b>4,918</b>	<b>81</b>
<b>Demand deposits /savings deposits – Note 9(a)</b>	<b>(8,324)</b>	<b>(7,588)</b>	-	-
<b>Interbank deposits - Grupo J. Safra Sarasin</b>	-	<b>(21,947)</b>	-	<b>(306)</b>
<b>Time deposits – Note 9(a)</b>	<b>(833,968)</b>	<b>(711,385)</b>	<b>(3,871)</b>	<b>(2,832)</b>
Grupo J. Safra Sarasin	(229,200)	(167,228)	(415)	(257)
Safra National Bank of New York	(604,768)	(544,157)	(3,456)	(2,575)
<b>Open-market funding – Debentures – Note 9(b)</b>	<b>(214)</b>	<b>(20,635)</b>	<b>6</b>	-
<b>Funds from acceptance and issue of securities – Note 9(c)</b>	<b>(68,031)</b>	<b>(65,822)</b>	<b>(547)</b>	<b>(521)</b>
Funds from financial bills, bills of credit and similar notes - Debentures	(927)	(1,081)	2	-
Liabilities for marketable securities abroad – Grupo J. Safra Sarasin	(67,104)	(64,741)	(549)	(521)
<b>Subordinated debts –Note 9(f) – Andromeda Global Strategy Fund Ltd.– Exclusive Fund</b>	<b>(991,671)</b>	<b>(952,281)</b>	<b>(17,039)</b>	<b>(16,449)</b>
<b>Other</b>	<b>16,662</b>	<b>33,042</b>	<b>517</b>	<b>613</b>
<b>Administrative expenses</b>	-	-	<b>(27,271)</b>	<b>(26,118)</b>
Rental expenses – Note 13(d)	-	-	(27,250)	(26,085)
Exton Participações Ltda.	-	-	(9,909)	(9,897)
J. Safra Participações Ltda.	-	-	(5,568)	(5,530)
Kiama S.A.	-	-	(7,339)	(6,347)
Lebec Participações Ltda.	-	-	(2,503)	(2,368)
Other companies	-	-	(1,931)	(1,943)
Other	-	-	(21)	(33)
<b>Operations with investment funds – Note 9(g)</b>				
Open market investments – Gov. securities – Note 5	191,019	-	13,958	-
Open market funding – Gov. securities – Note 9(b)	(14,229,515)	(22,861,743)	(400,457)	(796,242)
Funds from acceptance and issue of securities - Financial bills <sup>(1)</sup> – Note 9(c)	(1,586,555)	(614,244)	(63,050)	(10,367)
Revenue from management and administration of investment funds	-	-	241,956	182,114
Consolidated companies – Note 9(g)	-	-	219,756	165,417
Related parties – Note 9(g)	-	-	22,200	16,697

<sup>(1)</sup> Of this amount, R\$ 360,267 (R\$ 306,682 as at 03.31.2017) refers to subordinated financial bills.

**20. OTHER INFORMATION**

## a) Insurance policy

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

## b) Audit committee

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

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

**21. SUBSEQUENT EVENTS**

In accordance with the provisions of CMN Resolution 3,973, which establishes the procedures applicable to the accounting and disclosure of the subsequent events of the reporting period of the financial statements, we inform that Banco Safra S.A., on April 13, 2018, was authorized by the Brazilian Central Bank to hold the indirect control of a non-financial company that was then under joint control. The objective is to streamline the corporate structure and concentrate the Safra Financial Group' complementary operations that are currently under the management of a non-consolidated entity.

As at March 31, 2018, the entity's assets and equity amounted to R\$ 849 million and R\$ 20 million, respectively. Such subsequent event will not give rise to material effects on the figures of these consolidated financial statements.

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

## REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

We have reviewed the accompanying consolidated interim financial statements of Banco Safra S.A and its subsidiaries ("Consolidated"), which comprises the consolidated balance sheet as of March 31, 2018, and the related consolidated statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation of these consolidated interim financial statements in accordance with accounting practices adopted in Brazil applicable to entities authorized to operate by Central Bank of Brazil. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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

### **Conclusion about the consolidated interim financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements was not prepared, in all material respects, the financial position of Banco Safra S.A. and subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the three-month period then ended, in conformity with accounting practices adopted in Brazil applicable to the financial institutions authorized to operate by the Central Bank of Brazil.

## Other matters

### *Consolidated interim statement of value added*

We have also reviewed the consolidated interim statement of value added (DVA) for the three-month period ended March 31, 2018, prepared under the responsibility of the Management, and is presented as supplementary information. This statement was subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that it was not prepared, in all material respects, consistently with the consolidated interim financial statements taken as a whole.

São Paulo, April 30, 2018



DELOITTE TOUCHE TOHMATSU  
Auditores Independentes



Marcelo Luis Teixeira Santos  
Engagement Partner