

Banco Safra S.A.

Financial Statements for the Year Ended December 31, 2010 and Independent Auditor's Report

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

Deloitte Touche Tohmatsu Auditores Independentes



Safra

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying individual and consolidated financial statements of Banco Safra S.A. (the "Bank"), which comprise the balance sheet as of December 31, 2010, and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended and the six-month period ended December 31, 2010, as well as the summary of significant accounting practices and explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Brazilian accounting practices applicable to the institutions authorized to operate by the Central Bank of Brazil, as well as the internal controls deemed necessary for preparing financial statements that are free from material misstatements, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Banco Safra S.A. as of December 31, 2010, and its financial performance and its cash flows for the year then ended and the six-month period ended December 31, 2010, in accordance with Brazilian accounting practices applicable to the institutions authorized to operate by the Central Bank of Brazil.

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

São Paulo, February 11, 2011



DELOITTE TOUCHE TOHMATSU
Auditores Independentes



Celso de Almeida Moraes
Engagement Partner

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

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

BALANCE SHEETS

(In thousands of Brazilian reais – R\$)

	Notes	BANCO SAFRA S.A.		SAFRA CONSOLIDATED	
		12.31.2010	12.31.2009	12.31.2010	12.31.2009
ASSETS					
CURRENT ASSETS					
		46,754,502	40,687,883	58,624,399	51,671,193
Cash	3(b) and 4	141,362	115,982	143,045	117,264
Interbank investments	3(c) and 5	17,514,554	19,525,550	17,602,040	19,299,598
Money market investments		15,328,777	15,621,906	15,328,777	15,621,906
Interbank deposits		1,772,483	1,880,562	1,766,532	1,581,478
Foreign currency investments		413,294	2,023,082	506,731	2,096,214
Securities and derivatives	3(d) and 6	4,149,656	1,848,636	12,806,408	11,427,644
Own portfolio		2,340,672	913,854	9,040,087	9,268,668
Subject to repurchase agreements		1,024,944	871,178	1,024,944	871,178
Derivative financial instruments	3(e) and 7	98,172	46,034	88,214	44,509
Pledged to Central Bank of Brazil		136,235	-	136,235	-
Pledged in guarantees		549,633	17,570	575,691	17,570
Guarantee resources for insurance and pension plan technical reserves	11(b)	-	-	1,941,237	1,225,719
Interbank and interbranch accounts		1,466,604	743,640	1,466,842	744,259
Payments and receipts pending settlement		2,096	150	2,096	151
Restricted deposits at Central Bank of Brazil		1,377,721	710,753	1,377,959	711,371
Interbank onlending		83,456	26,885	83,456	26,885
Internal fund transfers and other		3,331	5,852	3,331	5,852
Lending operations	3(g) and 8	22,050,636	15,624,962	25,174,327	17,433,140
Lending operations		22,541,816	16,248,465	25,789,868	18,164,063
(Allowance for loan losses)		(491,180)	(623,503)	(615,541)	(730,923)
Other credits		1,418,747	2,822,867	1,402,566	2,642,696
Foreign exchange portfolio	9	771,521	2,023,739	771,521	2,023,739
Trading other accounts	13(a)	3,425	1,105	200,839	114,124
Other	13(b)	643,801	798,023	430,206	504,833
Other assets	3(h)	12,943	6,246	29,171	6,592
Prepaid expenses		12,943	6,246	29,171	6,592
NONCURRENT ASSETS					
		30,480,001	25,308,269	14,689,047	14,565,195
LONG-TERM ASSETS					
		27,181,233	21,331,370	13,933,876	13,779,600
Interbank investments	3(c) and 5	663,187	597,110	378,814	326,571
Money market investments		201,169	117,340	201,169	117,340
Interbank deposits		462,018	479,770	177,645	209,231
Securities and derivatives	3(d) and 6	17,881,464	13,482,834	1,622,862	3,465,782
Own portfolio		1,574,864	1,795,903	1,442,969	2,259,860
Subject to repurchase agreements		16,108,904	10,589,153	-	-
Derivative financial instruments	3(e) and 7	197,696	125,289	179,893	125,075
Pledged to Central Bank of Brazil		-	275,601	-	275,601
Pledged in guarantees		-	696,888	-	730,894
Guarantee resources for insurance and pension plan technical reserves	11(b)	-	-	-	74,352
Lending operations	3(g) and 8	8,171,241	6,913,428	11,303,591	9,518,806
Lending operations		8,329,889	7,090,260	11,490,100	9,739,449
(Allowance for loan losses)		(158,648)	(176,832)	(186,509)	(220,643)
Other receivables		465,191	329,950	597,249	449,688
Foreign exchange portfolio	9	-	10,442	-	10,442
Other	13(b)	465,191	319,508	597,249	439,246
Other assets	3(h)	150	8,048	31,360	18,753
Other assets		150	8,048	31,360	18,753
PERMANENT ASSETS					
		3,298,768	3,976,899	755,171	785,595
Investments	3(i) and 15	3,231,874	3,905,076	473,998	474,111
Investments in associates and subsidiaries:					
Domestic		2,563,060	3,229,175	10,612	12,749
Foreign		210,407	219,484	-	-
Other investments		458,441	456,459	463,541	461,547
(Allowance for losses)		(34)	(42)	(155)	(185)
Property and equipment in use	3(i) and 15	51,986	51,687	263,358	290,723
Property in use		2,000	7,276	289,842	315,987
Other		175,480	170,335	291,732	290,919
(Accumulated depreciation)		(125,494)	(125,924)	(318,216)	(316,183)
Intangibles	3(j) and 15	14,908	20,136	17,815	20,761
Intangible assets		33,947	33,156	36,945	33,801
(Accumulated amortization)		(19,039)	(13,020)	(19,130)	(13,040)
TOTAL ASSETS		77,234,503	65,996,152	73,313,446	66,236,388

(continues)

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

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

BALANCE SHEETS

(In thousands of Brazilian reais – R\$)

	Notes	BANCO SAFRA S.A.		SAFRA CONSOLIDATED	
		12.31.2010	12.31.2009	12.31.2010	12.31.2009
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
		54,593,413	48,460,844	47,948,182	46,136,704
Deposits	3(k) and 10(a)	20,488,723	15,579,285	12,849,484	12,150,807
Demand deposits		1,305,624	1,702,990	1,303,288	1,252,201
Savings deposits		817,736	928,429	817,736	928,429
Interbank deposits		10,578,817	5,585,041	3,082,184	2,767,587
Time deposits		7,786,546	7,362,825	7,646,276	7,202,590
Money market funding	3(k) and 10(b)	24,808,171	23,448,695	24,790,364	23,439,698
Own portfolio		14,259,158	9,587,109	14,259,158	9,587,109
Third-party portfolio		10,549,013	13,861,586	10,531,206	13,852,589
Funds from acceptance and issuance of securities		837,971	612,494	868,122	612,330
Funds from real estate bills, mortgage bills, bills of credit and similar notes	10(c)	769,121	181,420	799,272	181,256
Securities issued abroad	3(k) and 10(d)	68,850	431,074	68,850	431,074
Interbank and interbranch accounts		220,580	106,695	144,533	106,698
Receipts and payments pending settlement		2,374	90	2,374	93
Correspondents		77,461	2,046	1,414	2,046
Third-party funds in transit		140,735	104,547	140,735	104,547
Internal transfers of funds		10	12	10	12
Borrowings and onlendings	3(k)	4,517,463	2,922,707	4,869,133	3,370,774
Foreign borrowings	10(d)	3,881,801	2,436,598	3,881,801	2,436,598
Transfer of financial assets	10(d)	98,924	209,801	98,924	209,801
Domestic onlendings	10(e)	536,738	276,308	888,408	724,375
Derivative financial instruments	3(e) and 7	2,166,611	3,183,151	2,143,691	2,895,714
Derivative financial instruments		2,166,611	3,183,151	2,143,691	2,895,714
Other payables		1,553,894	2,607,817	2,282,855	3,560,683
Collected taxes and other		13,594	10,151	16,365	11,298
Foreign exchange portfolio		882,247	2,104,352	882,247	2,104,352
Social and statutory		5,225	34,628	5,228	34,630
Tax and social security	12(c)	110,760	152,866	334,337	341,456
Technical reserves – insurance and pension plan	3(l) and 11	-	-	195,768	139,101
Trading account		1,463	4,066	199,453	116,627
Other	13(c)	540,605	301,754	649,457	813,219
NONCURRENT LIABILITIES					
		22,641,090	17,535,308	25,365,264	20,099,684
LONG-TERM LIABILITIES					
		17,004,714	12,606,133	19,728,888	15,170,509
Deposits	3(k) and 10(a)	1,710,127	1,520,978	1,717,744	1,528,684
Interbank deposits		183,392	117,800	191,009	125,506
Time deposits		1,526,735	1,403,178	1,526,735	1,403,178
Money market funding	3(k) and 10(a)	3,113,833	1,897,147	3,113,833	1,897,147
Own portfolio		2,912,359	1,897,147	2,912,359	1,897,147
Unrestricted portfolio		201,474	-	201,474	-
Funds from acceptance and issuance of securities		2,471,455	1,271,717	2,263,438	1,190,334
Funds from real estate bills, mortgage bills, bills of credit and similar notes	3(k) and 10(c)	858,717	9,359	1,033,905	277,027
Securities issued abroad	3(k) and 10(d)	1,612,738	1,262,358	1,229,533	913,307
Borrowings and onlendings	3(k)	5,106,902	3,516,681	5,445,956	3,987,660
Foreign borrowings	10(d)	151,754	217,878	151,754	217,878
Transfer of financial assets	10(d)	945	142,687	945	142,687
Domestic onlendings	10(e)	4,954,203	3,156,116	5,293,257	3,627,095
Derivative financial instruments	3(e) and 7	2,293,988	2,739,222	2,201,858	2,825,821
Derivative financial instruments		2,293,988	2,739,222	2,201,858	2,825,821
Other payables		2,308,409	1,660,388	4,986,059	3,740,863
Foreign exchange portfolio	9	-	10,294	-	10,294
Tax and social security	12(c)	1,050,053	744,668	1,942,417	1,638,355
Technical reserves – insurance and pension plan	3(l) and 11	-	-	1,760,665	1,167,560
Subordinated debt	3(k) and 10(f)	1,027,905	699,298	1,027,905	699,298
Other	13(c)	230,451	206,128	255,072	225,356
DEFERRED INCOME	3(p)	22,634	22,629	22,634	22,629
Deferred income		22,634	22,629	22,634	22,629
SHAREHOLDERS' EQUITY					
	16	5,613,742	4,906,546	5,613,742	4,906,546
Capital		2,245,458	2,007,958	2,245,458	2,007,958
Capital reserves		72,723	72,723	72,723	72,723
Earnings reserves		3,295,806	1,509,418	3,295,806	1,509,418
Valuation adjustments		(245)	(1,324)	(245)	(1,324)
Retained earnings		-	1,317,771	-	1,317,771
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		77,234,503	65,996,152	73,313,446	66,236,388

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

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

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

STATEMENTS OF INCOME

(In thousands of Brazilian reais – R\$)

Notes	BANCO SAFRA S.A.			SAFRA CONSOLIDATED	
	2 nd half of 2010	2010	2009	Years	
				2010	2009
INCOME FROM FINANCIAL INTERMEDIATION	4,178,328	7,557,338	6,043,169	7,622,389	6,601,889
Lending operations	1,956,593	3,541,121	2,559,068	4,225,245	3,346,958
Securities transactions	2,165,883	3,933,392	3,426,615	3,171,215	3,051,381
Financial income from insurance and pension plan operations	11(c) -	-	-	143,104	144,453
Foreign exchange transactions	20,578	33,306	41,733	33,306	41,733
Compulsory investments	35,274	49,519	15,753	49,519	17,364
EXPENSES ON FINANCIAL INTERMEDIATION	(3,060,082)	(5,576,328)	(4,477,398)	(5,042,171)	(4,274,395)
Derivative transactions	(302,418)	(555,340)	(753,804)	(554,258)	(657,548)
Funding transactions	(2,551,283)	(4,514,468)	(3,345,675)	(3,922,098)	(3,027,223)
Borrowings and onlendings	(193,406)	(469,775)	(264,094)	(396,803)	(340,551)
Financial expenses on insurance and pension plan operations	11(c) -	-	-	(132,267)	(135,248)
Financial assets sale and transfer operations	8(f) (12,975)	(36,745)	(113,825)	(36,745)	(113,825)
GROSS INCOME FROM FINANCIAL INTERMEDIATION BEFORE THE ALLOWANCE FOR LOAN LOSSES	1,118,246	1,981,010	1,565,771	2,580,218	2,327,494
ALLOWANCE FOR LOAN LOSSES	(69,414)	(48,117)	(331,328)	(55,249)	(224,228)
Allowance for loan losses	8(b) (95,437)	(106,154)	(392,476)	(119,113)	(292,323)
Recovery of charges	8(b) 26,023	58,037	61,148	63,864	68,095
GROSS PROFIT FROM FINANCIAL INTERMEDIATION	1,048,832	1,932,893	1,234,443	2,524,969	2,103,266
OTHER OPERATING INCOME (EXPENSES)	(388,314)	(641,458)	(161,362)	(993,517)	(894,252)
Income from services provided	13(d) 186,275	354,824	277,252	496,212	385,967
Income from bank fees	13(e) 40,558	76,034	66,718	139,928	84,032
Personnel expenses	13(f) (381,541)	(721,869)	(624,548)	(875,654)	(754,386)
Other administrative expenses	13(g) (225,341)	(449,333)	(473,570)	(499,313)	(522,987)
Tax expenses	14(a-11) (79,808)	(144,724)	(138,978)	(205,367)	(198,467)
Equity in associates and subsidiaries	15 158,033	354,551	751,087	2,405	10,579
Results from insurance and pension plan operations	11(c) -	-	-	83,637	66,654
Other operating income	13(h) 18,268	35,056	129,363	74,657	272,338
Other operating expenses	13(i) (104,758)	(145,997)	(148,686)	(210,022)	(237,982)
INCOME (LOSS) FROM OPERATIONS	660,518	1,291,435	1,073,081	1,531,452	1,209,014
NONOPERATING INCOME (EXPENSES)	4,454	7,373	1,988	7,561	3,963
INCOME BEFORE TAXES ON INCOME	664,972	1,298,808	1,075,069	1,539,013	1,212,977
INCOME TAX AND SOCIAL CONTRIBUTION	14(a-1) (129,128)	(250,725)	(163,797)	(490,930)	(301,705)
NET INCOME	535,844	1,048,083	911,272	1,048,083	911,272
No. of subscribed shares: 1,132,553 (1,085,948 in 2009) -					
Earnings per share - In reais - R\$	473.13	925.42	839.15	925.42	839.15

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

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

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of Brazilian reais – R\$)

	Capital	Capital reserves	Earnings reserves	Valuation adjustments	Retained earnings	Total
BALANCES AS OF JANUARY 1, 2009	2,007,958	72,723	628,257	(422)	1,417,771	4,126,287
Valuation adjustments - available-for-sale securities	-	-	-	(902)	-	(902)
Net income for the year	-	-	-	-	911,272	911,272
Allocation:						
Legal reserve	-	-	45,564	-	(45,564)	-
Reserve for expansion	-	-	835,597	-	(835,597)	-
Dividends paid	-	-	-	-	(130,111)	(130,111)
BALANCES AS OF DECEMBER 31, 2009	2,007,958	72,723	1,509,418	(1,324)	1,317,771	4,906,546
Capital increase	237,500	-	-	-	-	237,500
Valuation adjustments - available-for-sale securities	-	-	-	1,079	-	1,079
Dividends paid	-	-	-	-	(300,000)	(300,000)
Transfer to reserve for expansion	-	-	1,017,771	-	(1,017,771)	-
Net income for the year	-	-	-	-	1,048,083	1,048,083
Allocation:						
Legal reserve	-	-	52,404	-	(52,404)	-
Reserve for expansion	-	-	716,213	-	(716,213)	-
Interest on capital	-	-	-	-	(279,466)	(279,466)
BALANCES AS OF DECEMBER 31, 2010	2,245,458	72,723	3,295,806	(245)	-	5,613,742
BALANCES AS OF JULY 1, 2010	2,007,958	72,723	2,021,657	(2,987)	1,017,771	5,117,122
Capital increase	237,500	-	-	-	-	237,500
Valuation adjustments - available-for-sale securities	-	-	-	2,742	-	2,742
Transfer to reserve for expansion	-	-	1,017,771	-	(1,017,771)	-
Net income for the six-month period	-	-	-	-	535,844	535,844
Allocation:						
Legal reserve	-	-	34,638	-	(34,638)	-
Reserve for expansion	-	-	221,740	-	(221,740)	-
Interest on capital	-	-	-	-	(279,466)	(279,466)
BALANCES AS OF DECEMBER 31, 2010	2,245,458	72,723	3,295,806	(245)	-	5,613,742

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

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

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

STATEMENTS OF CASH FLOWS
(In thousands of Brazilian reais – R\$)

	BANCO SAFRA S.A.			SAFRA CONSOLIDATED	
	2 nd half of 2010	Years		2010	2009
	2010	2009	2010	2009	
CASH FLOWS FROM OPERATING ACTIVITIES					
ADJUSTED NET INCOME	582,138	1,014,854	664,638	1,385,180	1,268,306
Net income for the six-month period/years	535,844	1,048,083	911,272	1,048,083	911,272
Adjustments to net income:					
Depreciation and amortization	8,826	17,394	19,658	35,708	40,923
Allowance for loan losses	95,437	106,154	392,476	119,113	292,323
Equity in associates and subsidiaries	(158,033)	(354,551)	(751,087)	(2,405)	(10,579)
Adjustments to fair value - securities and derivatives	2,742	1,079	(902)	1,079	(902)
Provisions for contingencies and legal obligations, tax and social security	30,530	45,938	12,203	58,198	13,602
Deferred income	(3,798)	5	2,591	5	2,591
Deferred taxes	70,590	150,752	78,427	125,399	19,076
CHANGES IN ASSETS AND LIABILITIES	(886,504)	755,167	572,501	278,334	1,654,639
(Increase) decrease in interbank investments	5,373,983	4,688,031	(13,277,358)	4,511,168	(14,666,777)
(Increase) decrease in securities	(5,066,780)	(6,575,105)	12,078,184	(667,870)	13,616,100
(Increase) decrease in derivatives (assets/ liabilities)	(1,445,519)	(1,586,320)	(654,778)	(1,474,509)	(948,224)
(Increase) decrease in interbank and interbranch accounts (assets/ liabilities)	(524,966)	(609,079)	197,243	(684,748)	173,242
(Increase) decrease in lending operations	(5,827,439)	(7,757,546)	(5,022,322)	(9,615,722)	(2,923,906)
(Increase) decrease in other credits	(313,670)	(137,260)	(125,817)	(323,257)	(64,171)
(Increase) decrease in other assets	68,945	(6,697)	4,953	(22,579)	5,167
Increase (decrease) in deposits	3,137,907	5,098,587	458,318	887,737	(1,015,667)
Increase (decrease) in money market funding	1,269,353	2,576,162	8,721,724	2,567,352	8,770,226
Increase (decrease) in borrowings and onlendings	2,100,210	3,184,977	(1,162,175)	2,956,655	(1,317,662)
Increase (decrease) in funds from acceptance and issuance of securities	986,721	1,425,215	(1,568,889)	1,328,896	(1,171,866)
Increase (decrease) in foreign exchange portfolio (assets/ liabilities)	733,571	30,261	631,585	30,261	631,585
Increase (decrease) in collected taxes and other	(1,672,880)	3,443	5,584	5,067	6,694
Increase (decrease) in other liabilities	294,060	420,498	286,249	779,883	559,898
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(304,366)	1,770,021	1,237,139	1,663,514	2,922,945
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received	-	1,095,269	456	-	624
Noncontrolling interests	-	-	-	-	(8)
Purchase of property and equipment	(6,061)	(17,669)	(17,686)	(25,824)	(17,686)
Disposal of property and equipment	1,174	6,079	9,625	23,653	20,112
Acquisition of other assets	-	-	-	(14,203)	-
Disposal of other assets	8,334	3,571	2,790	-	4,421
Acquisition of investments	(113,627)	(113,941)	(236,524)	-	-
Sale of investments	19,270	11,384	112,168	2,518	81,536
Increase in intangible assets	3,986	(875)	(9,336)	(3,226)	(9,861)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(86,924)	983,818	(138,507)	(17,082)	79,138
CASH FLOWS FROM FINANCING ACTIVITIES					
Subordinated debt	240,177	314,653	-	314,653	-
Dividends and interest on capital paid	-	(300,000)	(364,195)	(300,000)	(364,195)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	240,177	14,653	(364,195)	14,653	(364,195)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(151,113)	2,768,492	734,437	1,661,085	2,637,888
Cash and cash equivalents at beginning of six-month period/years	6,478,948	3,559,343	2,824,906	8,892,342	6,254,454
Cash and cash equivalents at end of six-month period/years	6,327,835	6,327,835	3,559,343	10,553,427	8,892,342
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(151,113)	2,768,492	734,437	1,661,085	2,637,888

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



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

**NOTES TO THE FINANCIAL STATEMENTS
FROM JANUARY TO DECEMBER 31, 2010 AND 2009
(Amounts in thousands of Brazilian reais - R\$)**

1. OPERATIONS

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

2. PRESENTATION OF THE FINANCIAL STATEMENTS

a) Presentation of the Financial Statements

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

The financial statements have been prepared considering leasing operations under the financial method. Thus, the financial result of these transactions is presented as a group under lending operations in the statement of income.

Advances on foreign exchange contracts are reclassified from other obligations - foreign exchange portfolio to lending operations. The presentation of foreign exchange gains and losses is adjusted so that income and expenses represent only the changes and differences in exchange rates applied on the amounts of foreign currency.

b) Convergence to the international financial reporting standards

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

- CMN Resolution 3566/08 - Impairment of Assets (CPC 01)
- CMN Resolution 3604/08 - Statement of Cash Flow (CPC 03)
- CMN Resolution 3750/09 - Related Party Disclosures (CPC 05)
- CMN Resolution 3823/09 - Provisions, Contingent Liabilities and Contingent Assets (CPC 25)

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

The accounting pronouncements issued by the CPC adopted for the consolidated financial statements addressed by Resolution 3786 and that will significantly impact balance sheet accounts and/or net income are as follows:

- CPC 02 (R2) - Effects of changes in exchange rates and conversion of financial statements.

- CPC 32 (IAS 12) Income Taxes: Recognition of unrecognized tax credits as a credit to shareholders' equity of the opening balance sheet (Note 14 (b));
- CPC 38 (IAS 39) Financial Instruments: Recognition and Measurement: Effects of the mark-to-market certain financial instruments;
- CPC 11 (IFRS 4) Insurance Contracts: Management only expects effects on the disclosure of operations;
- CPC 18 (IAS 28) Investment in Associates and Subsidiaries: Change in consolidated companies, basically due to consolidation of exclusive investment funds (Note 6).

The IFRS consolidated financial statements of SAFRA will be available at the Bank's website (www.safrá.com.br) within the timeframe defined by BACEN Circular 3516/10.

c) Consolidation

The balance sheet accounts and the results between the parent and subsidiaries as well as the unrealized profits made between the consolidated companies were eliminated in the consolidated financial statements. Non-controlling interests have been excluded from shareholders' equity and net income and recorded in a specific account in the consolidated financial statements.

The Cayman Islands branch has been consolidated into Bank's financial statements, and its balances, excluding the amount of transactions with the head office, have been translated at the exchange rate prevailing as of December 31, as follows: Assets R\$5,231,908 (R\$ 3,310,804 as of December 31, 2009), Liabilities R\$5,017,201 (R\$3,457,444 as of December 31, 2009) and Shareholders' equity R\$248,913 (R\$216,786 as of December 31, 2009). Net income for the year ended December 31, 2010 was R\$42,551 (R\$28,886 for the year ended December 31, 2009).

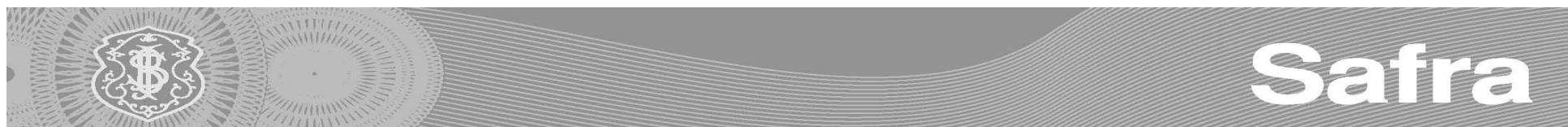
The consolidated financial statements include Banco Safrá and the subsidiaries as shown below, highlighting:

	Participation (%)	
	12.31.2010	12.31.2009
Banco Safrá (Cayman Islands) Limited	100.00	100.00
Banco Safrá BSI S.A. (1)	-	99.99
Safrá Corretora de Valores e Câmbio Ltda.	99.99	99.99
Safrá Distribuidora de Títulos e Valores Mobiliários Ltda.	99.99	99.99
Safrá Leasing S.A. - Arrendamento Mercantil	99.99	99.99
Banco J. Safrá S.A.	99.99	99.99
Safrá Cia. Securitizadora de Créditos Imobiliários	90.98	90.42
Sercom Comércio e Serviços Ltda.	99.99	99.99
Elong Administração e Representações Ltda.	99.99	99.99
Safrá Vida e Previdência S.A.	99.98	99.98
Safrá Seguros Gerais S.A.	99.99	99.99
Aratu Segurança e Vigilância S/S Ltda.	99.99	99.99
Taquari Representações e Participações Ltda.	99.99	99.99
Stone Fountain Investments Inc.	99.99	99.99
Kiama S.A.	99.99	99.99

(1) Entity merged into Banco J. Safrá S.A. on July 30, 2010.

d) Reclassifications for comparative purposes

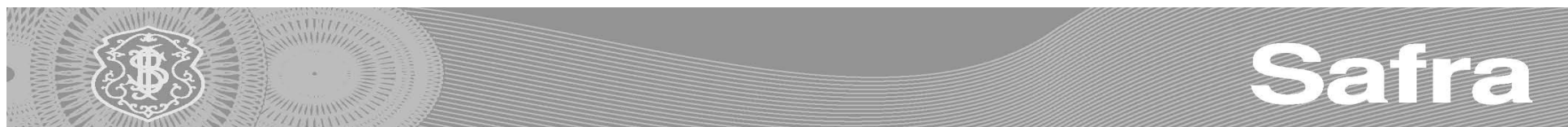
Banco Safra has changed the presentation of information contained in these financial statements to facilitate reading by their users. Accordingly, the Bank reclassified the balances as of December 31, 2009 to allow the comparability between the reporting periods. The main changes that gave rise to the reclassifications below were: a) segregation, in the balance sheet, of the amounts related to insurance and pension plan guarantee technical reserves; b) presentation of lending and leasing operations and other receivables with loan characteristics, including forward advances on foreign exchange contracts, in the same asset group; c) grouping of borrowings and onlendings in the same liability line item called borrowings and onlending; d) greater breakdown of income statement lines, especially other operating income and expenses and revenue from services; and e) reclassification of revenue and expenses with characteristics similar to loans, bonds, securities and derivatives, classified in other operating income and expenses, to the respective lines related to these operations.



	BANK			CONSOLIDATED		
	As previously reported	Reclassification	As Reclassified	As previously reported	Reclassification	As Reclassified
ASSETS						
Cash	514,817	(398,835)	115,982	589,231	(471,967)	117,264
Interbank investments	3,984,579	398,835	4,383,414	3,414,956	471,967	3,886,923
Interbank deposits	2,360,754	(422)	2,360,332	1,791,131	(422)	1,790,709
(Valuation Allowance)	(422)	422	-	(422)	422	-
Foreign currency investments	1,624,247	398,835	2,023,082	1,624,247	471,967	2,096,214
Securities and derivatives	-	-	-	13,577,063	-	13,577,063
Own portfolio	-	-	-	12,817,927	(1,289,399)	11,528,528
Pledged in guarantees	-	-	-	759,136	(10,672)	748,464
Guarantee resources for insurance and pension plan technical reserves	-	-	-	-	1,300,071	1,300,071
Interbank and interbranch accounts	-	743,640	743,640	-	744,259	744,259
Interbank accounts	737,795	(737,795)	-	738,414	(738,414)	-
Interbranch accounts	5,845	(5,845)	-	5,845	(5,845)	-
Lending operations	18,529,393	4,008,997	22,538,390	19,153,620	7,798,326	26,951,946
Lending operations	19,061,013	4,277,712	23,338,725	19,704,573	8,198,939	27,903,512
(Allowance for loan losses)	(531,620)	(268,715)	(800,335)	(550,953)	(400,613)	(951,566)
Leasing operations	2,252,801	(2,252,801)	-	6,042,266	(6,042,266)	-
Leasing operations	2,417,368	(2,417,368)	-	6,338,596	(6,338,596)	-
(Allowance for doubtful lease receivables)	(164,567)	164,567	-	(296,330)	296,330	-
Other receivables	4,319,951	(1,168,239)	3,151,712	4,333,177	(1,354,917)	2,978,260
Receivables for guarantees honored	12,818	(12,818)	-	12,818	(12,818)	-
Income receivable	381,905	(381,905)	-	2,482	(2,482)	-
Foreign exchange portfolio	2,049,789	(15,608)	2,034,181	2,049,789	(15,608)	2,034,181
Other	1,979,587	(862,056)	1,117,531	2,372,371	(1,428,292)	944,079
(Allowance for losses on other receivables)	(104,148)	104,148	-	(104,283)	104,283	-
Other assets - Prepaid expenses	34,013	(27,767)	6,246	34,359	(27,767)	6,592
PERMANENT ASSETS	71,823	-	71,823	311,484	-	311,484
Fixed assets	45,076	6,611	51,687	283,991	6,732	290,723
Deferred charges	6,611	(6,611)	-	6,799	(6,799)	-
Intangible assets	20,136	-	20,136	20,694	67	20,761
TOTAL ASSETS	30,451,017	560,190	31,011,207	48,200,415	373,376	48,573,791



	BANK			CONSOLIDATED		
	As previously reported	Reclassification	As Reclassified	As previously reported	Reclassification	As Reclassified
LIABILITIES						
Interbank and interbranch accounts	-	106,695	106,695	-	106,698	106,698
Interbank accounts	2,136	(2,136)	-	2,139	(2,139)	-
Interbranch accounts	104,559	(104,559)	-	104,559	(104,559)	-
Borrowings and onlendings	-	6,439,388	6,439,388	-	7,358,434	7,358,434
Foreign borrowings	-	2,654,476	2,654,476	-	2,654,476	2,654,476
Transfer of financial assets	-	352,488	352,488	-	352,488	352,488
Domestic onlendings - official institutions	-	3,432,424	3,432,424	-	4,351,470	4,351,470
Foreign borrowings	2,654,476	(2,654,476)	-	2,654,476	(2,654,476)	-
Domestic onlendings - Official Institutions	3,432,424	(3,432,424)	-	4,351,470	(4,351,470)	-
Other payables	3,312,362	207,702	3,520,064	5,112,144	20,888	5,133,032
Taxes and social security	986,086	(88,550)	897,536	2,260,106	(280,378)	1,979,728
Foreign exchange portfolio	1,465,906	648,740	2,114,646	1,465,906	648,740	2,114,646
Other	860,370	(352,488)	507,882	1,386,132	(347,474)	1,038,658
TOTAL LIABILITIES	9,505,957	560,190	10,066,147	12,224,788	373,376	12,598,164



	BANK			CONSOLIDATED		
	As previously reported	Reclassification	As Reclassified	As previously reported	Reclassification	As Reclassified
STATEMENT OF INCOME						
Income from financial intermediation	5,941,607	101,562	6,043,169	6,427,520	174,369	6,601,889
Lending operations	2,230,029	329,039	2,559,068	2,307,425	1,039,533	3,346,958
Leasing operations	232,056	(232,056)	-	949,817	(949,817)	-
Securities transactions	3,423,585	3,030	3,426,615	3,306,196	(254,815)	3,051,381
Financial income from insurance and pensions operations	-	-	-	-	144,453	144,453
Foreign exchange operations	40,184	1,549	41,733	(151,810)	193,543	41,733
Compulsory investments	15,753	-	15,753	15,892	1,472	17,364
Expenses on financial intermediation	(4,247,882)	(229,516)	(4,477,398)	(4,051,171)	(223,224)	(4,274,395)
Derivative transactions	(620,633)	(133,171)	(753,804)	(503,041)	(154,507)	(657,548)
Funding transactions	(3,083,155)	(262,520)	(3,345,675)	(2,764,703)	(262,520)	(3,027,223)
Borrowing and onlendings	(430,269)	166,175	(264,094)	(669,602)	329,051	(340,551)
Financial expenses on insurance and pension plan operations	-	-	-	-	(135,248)	(135,248)
Financial assets sale and transfer operations	(113,825)	-	(113,825)	(113,825)	-	(113,825)
Gross profit from financial intermediation before the allowance for loan losses	1,693,725	(127,954)	1,565,771	2,376,349	(48,855)	2,327,494
Allowance for loan losses	(392,476)	61,148	(331,328)	(292,323)	68,095	(224,228)
Allowance for loan losses	(392,476)	-	(392,476)	(292,323)	-	(292,323)
Recovery of charges	-	61,148	61,148	-	68,095	68,095
Gross profit from financial intermediation	1,301,249	(66,806)	1,234,443	2,084,026	19,274	2,103,266
Other operating income (expenses)	(211,952)	50,590	(161,362)	(867,315)	(26,937)	(894,252)
Income from services provided	257,649	19,603	277,252	366,364	19,603	385,967
Income from bank fees	60,323	6,395	66,718	77,637	6,395	84,032
Personnel expenses	(595,068)	(29,480)	(624,548)	(722,308)	(32,078)	(754,386)
Other administrative expenses	(488,602)	15,032	(473,570)	(538,635)	15,648	(522,987)
Tax expenses	(87,128)	(51,850)	(138,978)	(192,160)	(6,307)	(198,467)
Equity in associates and subsidiaries	676,039	75,048	751,087	10,579	-	10,579
Results from insurance and pension plan operations	-	-	-	-	66,654	66,654
Other operating income	421,766	(292,403)	129,363	882,326	(609,988)	272,338
Other operating expenses	(456,931)	308,245	(148,686)	(751,118)	513,136	(237,982)
Income from operations	1,089,297	(16,216)	1,073,081	1,216,711	(7,697)	1,209,014
Nonoperating income (expenses)	(14,228)	16,216	1,988	(7,488)	11,451	3,963
Income before taxes on income	1,075,069	-	1,075,069	1,209,223	3,754	1,212,977
Income tax and social contribution	(163,797)	-	(163,797)	(297,951)	(3,754)	(301,705)
Net income	911,272	-	911,272	911,272	-	911,272

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Revenue and expense recognition

Revenue and expenses are determined on the accrual basis of accounting which establishes that income and expenses should be included in the determination of net income of the period to which they relate, always simultaneously when they are correlated, regardless of receipt or payment.

b) Cash and cash equivalents

Cash is represented by cash and deposits with financial institutions, recorded in line item 'Cash'.

Cash equivalents, under Resolution 3604/08 of the National Monetary Council, are investments immediately convertible into cash and subject to immaterial risk of change in their fair value, which have original maturities of up to 90 days or less. Certain interbank investments meet these criteria and are considered as cash equivalents by the Bank if they are held for the purpose of meeting short-term requirements.

c) Interbank investments and securities pledged to Central Bank of Brazil

Stated at cost, plus, when applicable, income, monetary and exchange rate variations earned through the balance sheet date, on a pro rata basis.

d) Securities

Under BACEN Circular 3068, of November 8, 2001, securities are classified according to management's intent into three specific categories:

- Trading securities: securities purchased with the intent to be actively and frequently traded. The securities are stated in current assets, regardless of their maturities and adjusted to market value against the income of period.
- Available-for-sale: securities are neither intended for negotiation nor maintained through their maturity. The income earned is recognized in the statement of income, and unrealized gains and losses arising from fair value fluctuations are recognized in a specific account of shareholders' equity, net of taxes. Realized gains and losses are recognized in the statement of income, as a contra entry to a specific account shareholders' equity, net of taxes.
- Held-to-maturity securities: securities which the Bank has the intent and financial capacity to hold them in the portfolio up to their maturity. These securities are stated at cost, plus income earned.

e) Derivative financial instruments

The Bank and its subsidiaries operate in the derivative market, both to meet the needs of its customers and to manage their own exposure to risk.

Derivatives used to hedge exposures to risks through the change of certain characteristics of financial assets and liabilities hedged that are considered highly effective and follow all the accounting procedures approved under BACEN Circular 3082 of January 30, 2002 are classified as hedges according to their nature:

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

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

f) Fair value measurement

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

g) Lending operations and allowance for loan losses

Recorded at present value based on the index and contractual interest rate, until the balance sheet date, on a pro rata basis and are recorded on the accrual basis until the 60th day overdue. Those operations which are past due up to 60 days, independent of the rating, have their revenue recorded only when the operations are received.

The Bank recognized provisions for loan losses, in conformity with the ratings established by Resolution CMN 2682/99, which requires the classification of operations among nine risk levels, from "AA" (minimum risk) to "H" (maximum risk), and also based on an analysis of outstanding operations, periodically performed and reviewed by Management, which considers, among others, the historical experience with borrowers, the economic scenario and global and specific portfolio risks.

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

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

h) Other assets

Correspond basically to assets held for sale, especially those received as payment which are recorded at lower of cost or market value, and prepaid expenses, whose benefits or services are expected in the future being recorded in assets on accrual basis.

i) Permanent assets

- Investments: investments in subsidiaries and associates in which the Bank has significant influence or its interest in capital is 20% or more are stated under the equity method. Other investments refer basically to shares of companies in which the Bank, directly or indirectly, does not have significant influence or holds more than 20% of the voting capital and that are, therefore, stated at cost, less the allowance for impairment losses.
- Fixed assets: correspond to rights in tangible assets that are maintained or used in the Bank's and its subsidiaries activities, including those rights received as a result of transactions that transfer the risks, rewards, and control of such assets to the Bank. Stated at cost, net of accumulated depreciation. Depreciation is calculated under the straight-line method at annual rates based on the economic useful lives of assets, as follows: properties in use - 4%; communication and security systems, facilities, aircraft, and furniture and fixtures - 10%; and vehicles and data processing equipments - 20%.
- Intangible assets: correspond to rights in intangible assets that are maintained or used in the Bank's and its subsidiaries activities. Intangible assets with finite useful lives are amortized on a straight-line basis over the estimated period in which they will generate economic benefits.

j) Impairment of nonfinancial assets

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

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

Nonfinancial assets, should be periodically reviewed for impairment at least on an annual basis to determine if there are any indications that the assets' recoverable or realizable value is impaired. The Bank records provision for depreciation for vehicles and related assets, related to other assets in non-current assets.

Accordingly, in conformity with the standards above, Safta Group's Management, is not aware of any material adjustments that might affect the ability to recover the amounts recognized in property, plant and equipment and intangible assets as of December 31, 2010.

k) Interest bearing deposits, money market funding, funds from acceptance and issuance of securities, domestic and foreign onlendings and borrowings and subordinated debt

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

l) Insurance and private plan operations

Insurance and private plan reserves are recorded based on technical actuarial notes, in accordance with criteria established by SUSEP and CNSP Resolution 162/2006, 181/2007, 195/2008 e 204/2009:

- The unearned premium reserve (PPNG): corresponds to the portion of insurance premiums retained corresponding to the non-elapsed risk period of the insurance contracts, on a pro rata basis. The unearned premium reserve related to retrocession transactions is recognized based on information received from IRB Brasil Resseguros S.A.. In addition, the Existing but not issued risk (RVNE) is recognized to cover risks that were not issued on the basis of calculation.
- The reserve for claims payable: based on estimates of indemnities, related to claims notices received until the end of the period, and inflation adjusted according to SUSEP regulations.
- The reserves for unvested benefits and vested benefits: represent the amount of the obligations assumed with the participants of the defined contribution plans PGBL and VGBL and are recognized according to the methodology established in technical actuarial notes approved by SUSEP.
- The reserve for incurred but not reported losses (IBNR): calculated based on actuarial studies, correspond to insurance premiums retained that occurred, despite the fact that the insured did not notify the insurance company.
- The contribution deficiency reserve (PIC): calculated annually based on the actuarial valuation, it is recognized to cover eventual insufficiency of mathematical provisions for unvested benefits and vested benefits.
- The premium deficiency reserve (PIP): consists of a prospective actuarial calculation, recognized in case of insufficiency of the unearned premium reserve (PPNG).
- The administrative expenses reserve (PDA): recognized to cover the administrative expenses of the VGBL and PGBL pension plans and individual life insurance, calculated based on a methodology approved in the technical actuarial note.

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

m) Income from insurance and private pension plans

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

Income from pension fund contributions is recognized when received.

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

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

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

The recognition, measurement and disclosure of contingent assets and contingent liabilities and legal obligations are made in conformity with the criteria set forth in the CPC Technical Pronouncement 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by National Monetary Council (CMN) Resolution 3823/09, as described below:

- (i) Contingent assets - are not recognized in the financial statements, except when there is evidence that they will materialize and when they are no longer subject to appeals.
- (ii) Contingent liabilities - are evaluated by the legal counsel and the Management, considering the risk of loss on an administrative or judicial proceeding, which would cause a probable outflow of funds for the settlement of liabilities, and when the amounts involved can be reliably measured. Contingent liabilities classified as possible loss by the legal counsel and probable loss by the Management are recognized and disclosed in notes to the financial statements, and those classified as remote loss do not require provision or disclosure.
- (iii) Legal, tax and social security obligations - Refer to lawsuits challenging the legality or constitutionality of certain taxes. The amount under litigation is quantified, accrued and adjusted on a monthly basis.

o) Taxes

The provision for income tax is calculated at the statutory rate of 15% of taxable income, plus a 10% surtax on certain limits, and includes tax incentives, whose option is reported in the income tax return. The Social Contribution - CSLL rate is 15% of taxable income for financial institutions and insurance companies and 9% for others.

p) Deferred income

Refers to income received before fulfillment of the obligation that gave origin to it. The recognition, as effective income, will be deferred during the maturity of the operation.

q) Use of estimates

The preparation of financial statements requires Management to make estimates and assumptions that, in its best judgment, affect the amounts of certain financial and nonfinancial assets and liabilities, revenues and expenses and other transactions, as follows: (i) the fair value of some financial assets and financial liabilities and derivatives; (ii) depreciation rates of property, plant and equipment items; (iii) amortization of deferred charges and intangible assets; (iv) allowances required to cover possible risk of contingent liabilities; (v) tax credits; (vi) doubtful accounts and (vii) insurance and pension plan technical reserves. The values of the eventual liquidation of these assets and liabilities, financial or otherwise, may differ from those estimates.

4. CASH AND CASH EQUIVALENTS

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Cash	141,362	115,982	143,045	117,264
Quotas of exclusive investment fund (1)	-	-	4,128,806	5,359,355
Money market investments - own portfolio	4,634,665	1,802,434	4,634,665	1,802,434
Interbank deposits	1,138,514	1,181,004	1,140,180	1,080,234
Foreign currency investments	413,294	459,923	506,731	533,055
Total	6,327,835	3,559,343	10,553,427	8,892,342

(1) Resources allocated in securities subject to repurchase agreements - LTN.

5. INTERBANK INVESTMENTS

	BANK				12.31.2009
	12.31.2010			Total	
	Fair value by maturity				
	Up to 90 days	From 91 to 365 days	Over 365 days		Total
Money market investments	15,182,540	146,237	201,169	15,529,946	15,739,246
Own portfolio - National Treasury	4,634,665	146,237	-	4,780,902	1,919,774
Third-party portfolio - National Treasury	10,547,875	-	-	10,547,875	13,819,472
Short position - National Treasury	-	-	201,169	201,169	-
Interbank deposits	1,138,514	633,969	462,018	2,234,501	2,360,332
Foreign currency investments	413,294	-	-	413,294	2,023,082
Total as of 12.31.2010	16,734,348	780,206	663,187	18,177,741	20,122,660
Total as of 12.31.2009	17,262,833	2,262,717	597,110	22,122,660	

	CONSOLIDATED				12.31.2009
	12.31.2010			Total	
	Fair value by maturity				
	Up to 90 days	From 91 to 365 days	Over 365 days		Total
Money market investments	15,182,540	146,237	201,169	15,529,946	15,739,246
Own portfolio - National Treasury	4,634,665	146,237	-	4,780,902	1,919,774
Third-party portfolio - National Treasury	10,547,875	-	-	10,547,875	13,819,472
Short position - National Treasury	-	-	201,169	201,169	-
Interbank deposits	1,140,180	626,352	177,645	1,944,177	1,790,709
Foreign currency investments	506,731	-	-	506,731	2,096,214
Total as of 12.31.2010	16,829,451	772,589	378,814	17,980,854	19,626,169
Total as of 12.31.2009	17,235,195	2,064,403	326,571	19,626,169	

6. SECURITIES AND DERIVATIVES

a) Breakdown of securities and derivatives portfolio by maturities:

	BANK							Mark-to-market
	12.31.2010						12.31.2009	
	Adjusted cost value	Mark-to-market adjustment	Mark-to-market	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 days	
Trading securities	3,918,558	(600)	3,917,958	-	1,013,768	2,904,190	-	1,146,546
National Treasury	3,918,558	(600)	3,917,958	-	1,013,768	2,904,190	-	1,120,907
Private entities	-	-	-	-	-	-	-	25,639
Available-for-sale securities	17,792,814	(431)	17,792,383	93,500	5,439	9,676	17,683,768	13,450,786
Private entities (1)	1,102,316	(431)	1,101,885	93,500	4,621	9,676	994,088	260,451
Debentures (2)	16,689,680	-	16,689,680	-	-	-	16,689,680	11,123,815
National Treasury	818	-	818	-	818	-	-	2,066,520
Held-to-maturity securities	24,911	-	24,911	-	-	24,911	-	562,815
Private entities	24,911	-	24,911	-	-	24,911	-	562,815
Derivatives - Assets	211,738	84,131	295,868	-	46,228	51,944	197,696	171,323
Total as of 12.31.2010	21,948,021	83,100	22,031,120	93,500	1,065,435	2,990,721	17,881,464	15,331,470
Total as of 12.31.2009	15,323,290	8,180	15,331,470	110,041	881,375	857,220	13,482,834	

(1) The portfolio consists substantially of debentures, variable income securities and Certificates of Real Estate Receivables (CRI).

(2) Debentures issued by Safrabank Leasing S.A. - Arrendamento Mercantil.

	CONSOLIDATED							Mark-to-market
	12.31.2010						12.31.2009	
	Adjusted cost value	Mark-to-market adjustment	Mark-to-market	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 days	
Trading securities	12,248,587	(2,105)	12,246,482	8,268,488	1,013,768	2,964,226	-	10,571,677
National Treasury	3,980,099	(2,105)	3,977,994	-	1,013,768	2,964,226	-	1,133,599
Quotas of investment funds PGBL/VGBL (1)	1,823,410	-	1,823,410	1,823,410	-	-	-	1,215,048
Quotas of investment funds (2)	6,444,374	-	6,444,374	6,444,374	-	-	-	7,965,769
Private entities	704	-	704	704	-	-	-	257,261
Available-for-sale securities	1,878,566	(4,301)	1,874,265	93,500	155,970	197,331	1,427,464	3,574,945
Private entities (3)	1,844,340	(4,319)	1,840,021	93,500	155,152	163,905	1,427,464	933,549
National Treasury	29,207	18	29,225	-	818	28,407	-	2,636,052
National Treasury - other countries	5,019	-	5,019	-	-	5,019	-	5,344
Held-to-maturity securities	40,416	-	40,416	-	-	24,911	15,505	577,220
Private entities	40,416	-	40,416	-	-	24,911	15,505	577,220
Derivatives - Assets	181,088	87,019	268,107	-	44,251	43,963	179,893	169,584
Total as of 12.31.2010	14,348,657	80,613	14,429,270	8,361,988	1,213,989	3,230,431	1,622,862	14,893,426
Total as of 12.31.2009	14,888,118	5,308	14,893,426	9,291,229	982,868	1,153,547	3,465,782	

(1) Guarantee resources for technical reserves (note 11).

(2) Out of this amount, R\$6,386,582 (R\$7,965,769 as of 12.31.2009) refers to quotas of an exclusively investment fund owned by Safrá Group companies and managed by J.S. Administração de Recursos S.A., whose portfolio is distributed as follows:

	12.31.2010		12.31.2009	
	Up to 365 days	Over 365 days	Total	Total
Trading securities				
Bank certificates of deposit - CDB	947,079	58,699	1,005,778	1,150,407
Debentures	25,833	1,032	26,865	27,247
National treasury bills - LTN	413	-	413	17,658
Securities subject to repurchase agreements - LTN (a)	4,128,806	-	4,128,806	5,359,355
Structured fixed income (a)	-	1,224,720	1,224,720	1,411,102
Total as of 12.31.2010	5,102,131	1,284,451	6,386,582	7,965,769
Total as of 12.31.2009	5,529,088	2,436,681	7,965,769	

(a) Refers to structured transactions with the objective of obtaining yield very close to the interbank deposit rate (CDI) and securities subject to repurchase agreements contracted with Banco Safrá S.A..

(3) The portfolio consists substantially of debentures, bank certificates of deposit (CDB), variable income securities and certificates of real estate receivables (CRI).

b) By type:

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Own portfolio	3,915,536	2,709,757	10,483,056	11,528,528
National Treasury bills	199,643	463,020	201,992	926,213
Financial Treasury bills	9	143	9	143
National treasury notes	2,008,311	863,027	2,008,312	863,026
Mortgage loan notes	-	15,063	-	15,063
Debentures (1)	1,412,807	685,072	847,556	164,815
Shares	93,500	110,041	94,204	110,411
Government bonds other countries - Foreign	-	-	5,019	5,344
Bank certificates of deposit - Foreign	9,709	17,878	10,065	17,878
Promissory Notes	15,217	555,513	15,217	555,513
Quotas of exclusive investment fund	-	-	6,386,582	7,965,769
Bank certificates of deposit (CDB)	-	-	737,760	904,353
Certificates of real estate receivables (CRI)	176,340	-	176,340	-
Subject to repurchase agreements	17,133,848	11,460,331	1,024,944	871,178
National Treasury bills	1,012,970	544,821	1,012,970	544,821
National treasury notes	11,975	326,357	11,974	326,357
Debentures (1)	16,108,903	10,589,153	-	-
Derivative financial instruments - Asset	295,868	171,323	268,107	169,584
Pledged to Central Bank of Brazil	136,235	275,601	136,235	275,601
National treasury bills	136,235	-	136,235	-
National treasury notes	-	275,601	-	275,601
Pledged in guarantees	549,633	714,458	575,691	748,464
National treasury bills	471,349	14,155	497,407	48,161
National treasury notes	78,275	699,946	78,275	699,946
Financial Treasury bills	9	357	9	357
Insurance and pension plan guarantee reserves	-	-	1,941,237	1,300,071
National treasury bills	-	-	60,036	48,467
Financial Treasury bills	-	-	-	36,556
Quotas of investment fund - PGBL/VGBL	-	-	1,823,410	1,215,048
Quotas of investment fund - DPVAT	-	-	57,791	-
Total	22,031,120	15,331,470	14,429,270	14,893,426

(1) In the Bank, comprised substantially of Debentures issued by Safrá Leasing S.A. - Arrendamento Mercantil.

7. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

- Credit risk is the exposure to losses in the event of default by a counterparts or debtors.
- Market risk is the exposure created by potential fluctuation in interest rates, foreign exchange rates, commodity prices, stock market prices, and other values amounts, and due to the type of product, volume of operations, terms and conditions of the agreement and underlying volatility.
- Liquidity risk is the risk arising from mismatches between tradable assets and payable liabilities in transactions with derivatives that might affect the payment ability of the Company, taking into consideration the currencies and settlement terms of its assets and liabilities.

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

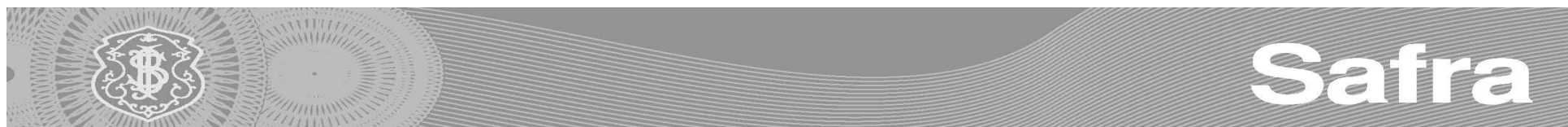
The amounts pledged in guarantee for operations were represented by national treasury bills in the amount of R\$ 549,633, on an individual basis (R\$ 714,458 at 12.31.2009), and R\$ 575,691, on a consolidated basis (R\$748,464 at 12.31.2009).

a) Assets and liabilities accounts

	BANK						12.31.2009
	12.31.2010						
	Adjusted cost value	Mark-to-market adjustment	Mark-to-market	Up to 90 days	From 91 to 365 days	Over 365 days	Mark-to-market
Derivatives - Assets							
NDF	449	-	449	385	64	-	2,122
Future	-	137	137	137	-	-	482
Options premiums	16,990	4,849	21,839	5,028	14,836	1,975	23,674
Forwards	8,531	(438)	8,093	8,093	-	-	4,703
Swaps - Amounts receivable	185,768	79,583	265,350	32,585	37,044	195,721	140,342
Total	211,738	84,131	295,868	46,228	51,944	197,696	171,323
Derivatives - Liabilities							
NDF	(19,916)	-	(19,916)	(1,079)	(18,837)	-	(16,306)
Future	(1,659)	-	(1,659)	(1,659)	-	-	-
Options premiums (7)	(3,795,506)	(341,464)	(4,136,970)	(625,357)	(1,275,504)	(2,236,109)	(5,735,057)
Swaps - Amounts payable	(279,560)	(22,494)	(302,054)	(156,365)	(87,810)	(57,879)	(171,010)
Total	(4,096,641)	(363,958)	(4,460,599)	(784,460)	(1,382,151)	(2,293,988)	(5,922,373)

CONSOLIDATED							
12.31.2010							12.31.2009
	Adjusted cost value	Mark-to- market adjustment	Mark-to- market	Up to 90 days	From 91 to 365 days	Over 365 days	Mark-to- market
Derivatives - Assets							
NDF	449	-	449	385	64	-	2,122
Future	-	137	137	137	-	-	482
Options premiums	16,950	4,849	21,799	4,988	14,836	1,975	23,674
Forwards	8,531	(438)	8,093	8,093	-	-	4,703
Swaps - Amounts receivable	155,158	82,471	237,629	30,648	29,063	177,918	138,603
Total	181,088	87,019	268,107	44,251	43,963	179,893	169,584
Derivatives - Liabilities							
NDF	(19,916)	-	(19,916)	(1,079)	(18,837)	-	(16,306)
Future	(1,659)	-	(1,659)	(1,659)	-	-	-
Options premiums (1)	(3,736,239)	(206,698)	(3,942,937)	(626,984)	(1,275,503)	(2,040,450)	(5,472,636)
Swaps - Amounts payable	(364,197)	(16,840)	(381,037)	(156,365)	(63,264)	(161,408)	(232,593)
Total	(4,122,011)	(223,538)	(4,345,549)	(786,087)	(1,357,604)	(2,201,858)	(5,721,535)

(1) Includes premiums of fixed income structured transactions in the amount of R\$4,070,016 , on an individual basis (R\$ 5,633,567 at 31.12.2009), and R\$ 3,877,095, on a consolidated basis (R\$ 5,341,424 at 31.12.2009).



b) Composition of derivative financial instruments portfolio:

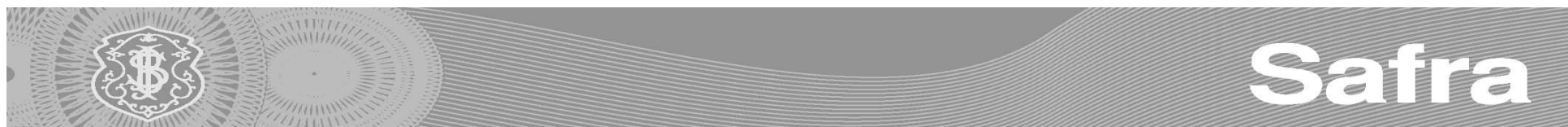
	BANK							12.31.2009
			12.31.2010				Market Value	
	Notional amount	At Cost	Market value by maturity					
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total	Market Value	
Swap								
Interest rate								
Assets	10,047,600	10,339,103	1,541,859	1,330,406	1,654,331	5,455,281	9,981,877	7,286,214
Liabilities	(9,704,840)	(9,986,635)	(1,253,040)	(1,260,826)	(1,546,800)	(5,942,422)	(10,003,088)	(7,614,641)
	342,760	352,468	288,819	69,580	107,531	(487,141)	(21,211)	(328,427)
Foreign currency								
Assets	1,921,910	1,792,447	165,034	376,086	192,935	878,406	1,612,461	591,332
Liabilities	(2,264,670)	(2,238,707)	(577,633)	(480,358)	(316,538)	(253,424)	(1,627,953)	(293,574)
	(342,760)	(446,260)	(412,599)	(104,272)	(123,603)	624,982	(15,492)	297,758
Forward								
Private securities								
Long positions:								
Forward sales receivable	8,651	8,531	8,093	-	-	-	8,093	4,703
	8,651	8,531	8,093	-	-	-	8,093	4,703
Options								
Bovespa index								
Purchases of:								
Call options	114,296	6,434	4,871	1,765	2,619	1,945	11,200	3,463
Put options	26,906	183	107	82	47	30	266	81
	141,202	6,617	4,978	1,847	2,666	1,975	11,466	3,544
Sales of:								
Call options	(9,467)	(290)	(429)	(11)	-	-	(440)	(652)
Put options	(16,232)	(293)	(372)	(28)	-	-	(400)	(176)
	(25,699)	(583)	(801)	(39)	-	-	(840)	(828)
IDI								
Purchases of:								
Put options	4,971,261	10,323	-	10,323	-	-	10,323	10,101
	4,971,261	10,323	-	10,323	-	-	10,323	10,101
Sales of:								
Put options	4,971,261	(10,344)	-	(10,344)	-	-	(10,344)	(10,122)
	4,971,261	(10,344)	-	(10,344)	-	-	(10,344)	(10,122)
Foreign currency								
Purchases of:								



	BANK							12.31.2009
			12.31.2010				Market Value	
	Notional amount	At Cost	Market value by maturity					
		Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total	Market Value	
Call options	333,240	50	50	-	-	-	50	2,249
Put options	-	-	-	-	-	-	-	7,780
	333,240	50	50	-	-	-	50	10,029
Sales of:								
Call options	(22,847,599)	(1,806,725)	(183,444)	(256,448)	(246,005)	(1,301,187)	(1,987,084)	(2,939,953)
Put options	(28,676,296)	(1,977,854)	(441,112)	(424,957)	(337,711)	(934,922)	(2,138,702)	(2,784,154)
	(51,523,895)	(3,784,579)	(624,556)	(681,405)	(583,716)	(2,236,109)	(4,125,786)	(5,724,107)
Non Deliverable Forward - NDF								
Long positions	349,647	-	15,932	284,262	49,453	-	349,647	133,627
Short positions	(9,879)	-	(8,821)	(1,058)	-	-	(9,879)	(199,973)
	339,768	-	7,111	283,204	49,453	-	339,768	(66,346)
Accrued receivables	449	-	385	64	-	-	449	2,122
Accrued payables	(19,916)	-	(1,079)	(12,114)	(6,723)	-	(19,916)	(16,306)
	(19,467)	-	(694)	(12,050)	(6,723)	-	(19,467)	(14,184)
Future market - BM&F								
Long positions								
Exchange coupon - DDI	1,808,502	-	601,115	115,594	8,094	1,083,699	1,808,502	1,960,129
Interest rate - DI1	55,574	-	-	-	-	55,574	55,574	110,734
Commercial dollar - DOL	164,226	-	164,226	-	-	-	164,226	102,731
Bovespa Index - IND	5,954	-	5,954	-	-	-	5,954	11,761
	2,034,256	-	771,295	115,594	8,094	1,139,273	2,034,256	2,185,355
Short positions								
Exchange coupon - DDI	(1,730,969)	-	(509,398)	-	(213,518)	(1,008,053)	(1,730,969)	(3,389,610)
Interest rate - DI1	(14,946,985)	-	(5,764,336)	(1,816,570)	(2,880,409)	(4,485,670)	(14,946,985)	(11,164,121)
Commercial dollar - DOL	(797,431)	-	(797,431)	-	-	-	(797,431)	(8,768)
Commercial Euro - EUR	(6,102)	-	(6,102)	-	-	-	(6,102)	(30,794)
Pound Sterling - GBP	(451)	-	-	-	-	(451)	(451)	-
Australian Dollar - AUD	(8,807)	-	-	-	-	(8,807)	(8,807)	-
	(17,490,745)	-	(7,077,267)	(1,816,570)	(3,093,927)	(5,502,981)	(17,490,745)	(14,593,293)
Currency swap - Central Bank								
Short positions								
Currency swap (SCC)	124,965	-	124,965	-	-	-	124,965	156,708
	124,965	-	124,965	-	-	-	124,965	156,708



CONSOLIDATED									
		12.31.2010						12.31.2009	
		Notional amount	At Cost	Market value by maturity				Total	Market Value
				Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days		
Swap									
Interest rate									
Assets		4,826,000	4,816,818	942,473	676,071	475,630	2,373,631	4,467,805	7,691,747
Liabilities		(4,483,240)	(4,494,861)	(655,590)	(609,131)	(373,003)	(2,873,264)	(4,510,988)	(7,995,384)
		342,760	321,957	286,883	66,940	102,627	(499,633)	(43,183)	(303,637)
Foreign currency									
Assets		2,167,737	2,091,272	165,033	391,966	207,922	1,146,369	1,911,288	2,386,004
Liabilities		(2,510,497)	(2,622,268)	(577,633)	(483,743)	(319,911)	(630,227)	(2,011,514)	(2,176,358)
		(342,760)	(530,996)	(412,600)	(91,777)	(111,989)	516,142	(100,226)	209,646
Forward									
Private securities									
Long positions:									
Forward sales receivable		8,651	8,531	8,093	-	-	-	8,093	4,703
		8,651	8,531	8,093	-	-	-	8,093	4,703
Options									
Bovespa index									
Purchases of:									
Call options		114,296	6,434	4,871	1,765	2,619	1,945	11,200	3,463
Put options		26,906	183	107	82	47	30	266	81
		141,202	6,617	4,978	1,847	2,666	1,975	11,466	3,544
Sales of:									
Call options		(9,467)	(290)	(429)	(11)	-	-	(440)	(652)
Put options		(16,232)	(293)	(372)	(28)	-	-	(400)	(176)
		(25,699)	(583)	(801)	(39)	-	-	(840)	(828)
IDI									
Purchases of:									
Put options		4,971,261	10,323	-	10,323	-	-	10,323	10,101
		4,971,261	10,323	-	10,323	-	-	10,323	10,101
Sales of:									
Put options		4,971,261	(10,344)	-	(10,344)	-	-	(10,344)	(10,122)
		4,971,261	(10,344)	-	(10,344)	-	-	(10,344)	(10,122)



CONSOLIDATED								
		12.31.2010						12.31.2009
		Market value by maturity						
	Notional amount	At Cost	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total	Market Value
Foreign currency								
Purchases of:								
Call options	-	-	-	-	-	-	-	2,249
Put options	666,480	10	10	-	-	-	10	7,780
	666,480	10	10	-	-	-	10	10,029
Sales of:								
Call options	(22,847,599)	(1,680,631)	(189,816)	(256,447)	(246,005)	(1,173,304)	(1,865,572)	(2,809,595)
Put options	(23,818,392)	(1,913,011)	(436,367)	(424,957)	(337,711)	(867,146)	(2,066,181)	(2,652,091)
	(46,665,991)	(3,593,642)	(626,183)	(681,404)	(583,716)	(2,040,450)	(3,931,753)	(5,461,686)
Non-deliverable Forwards (NDFs)								
Long positions	349,647	-	15,932	284,262	49,453	-	349,647	133,627
Short positions	(9,879)	-	(8,821)	(1,058)	-	-	(9,879)	(199,973)
	339,768	-	7,111	283,204	49,453	-	339,768	(66,346)
Accrued receivables	449	-	385	64	-	-	449	2,122
Accrued payables	(19,916)	-	(1,079)	(12,114)	(6,723)	-	(19,916)	(16,306)
	(19,467)	-	(694)	(12,050)	(6,723)	-	(19,467)	(14,184)
Futures market - BM&F								
Long positions								
Exchange coupon - DDI	1,808,502	-	601,115	115,594	8,094	1,083,699	1,808,502	1,960,129
Interest rate - DI1	55,574	-	-	-	-	55,574	55,574	110,734
Commercial dollar - DOL	164,226	-	164,226	-	-	-	164,226	102,731
Bovespa Index - IND	5,954	-	5,954	-	-	-	5,954	11,761
	2,034,256	-	771,295	115,594	8,094	1,139,273	2,034,256	2,185,355
Short positions								
Exchange coupon - DDI	(1,730,969)	-	(509,398)	-	(213,518)	(1,008,053)	(1,730,969)	(3,389,610)
Interest rate - DI1	(14,946,985)	-	(5,764,336)	(1,816,570)	(2,880,409)	(4,485,670)	(14,946,985)	(11,164,121)
Commercial dollar - DOL	(797,431)	-	(797,431)	-	-	-	(797,431)	(8,768)
Commercial Euro - EUR	(6,102)	-	(6,102)	-	-	-	(6,102)	(30,794)
Pound Sterling - GBP	(451)	-	-	-	-	(451)	(451)	-
Australian Dollar - AUD	(8,807)	-	-	-	-	(8,807)	(8,807)	-
	(17,490,745)	-	(7,077,267)	(1,816,570)	(3,093,927)	(5,502,981)	(17,490,745)	(14,593,293)
Currency swap - Central Bank								
Short positions								
Currency swaps (SCC)	124,965	-	124,965	-	-	-	124,965	156,708
	124,965	-	124,965	-	-	-	124,965	156,708

c) Credit Derivatives:

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

At December 31, 2010, Banco Safra held the following positions in credit derivatives, demonstrated by its reference value:

	Value of credit risk (1)
Risks Transferred	(21,394)
Credit swap whose underlying assets are:	
Securities	(21,394)
Risks Received	14,479
Credit swap whose underlying assets are:	
Securities	14,479
Total at 31.12.2010	(6,915)

(1) The volumes of credit risk transferred and received in the period correspond to the total value at December 31, 2010.

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

There was no significant effect on the calculation of Equity (PRE) at December 31, 2010, in accordance with Resolution 3490 of the CMN. The credit risk exposures of Banco Safra are mitigated, as provided in Circular Bacen 3360, for guarantee instruments contracted with customers.

d) Derivatives were traded in the following locations and at the following amounts:

Local	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
BM&F	82,455,317	88,782,657	78,597,133	88,782,657
CETIP	11,373,929	7,359,241	6,398,156	9,559,446
Total	93,829,246	96,141,898	84,995,289	98,342,103

e) Hedging of financial assets and financial liabilities

I- As of December 31, 2010, the Bank's financial assets and liabilities, bearing fixed interest, basically represented by a portion of the lending and leasing operations and funding, were hedged. Derivatives classified as market risk hedges were designated for these financial assets and liabilities, pursuant to BACEN Circular 3082, of January 30, 2002.

As a result of the hedging policy defined and the strategy adopted by Management, the effectiveness of the hedging portfolio as of December 31 met the standard set by the Central Bank. The hedged financial assets and liabilities as well as the derivatives instruments were measured at fair value and the related adjustments were recognized in the statement of income.

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

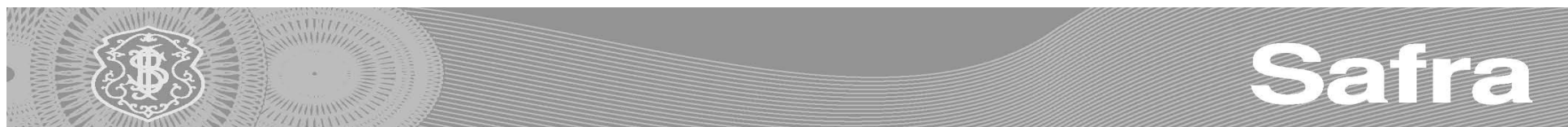
		12.31.2010		12.31.2009	
		Curve value	Fair value	Curve value	Fair value
Hedged assets and liabilities	Assets	13,410,900	13,428,268	11,112,696	11,214,171
	Liabilities	(2,947,453)	(2,956,682)	(2,778,998)	(2,807,320)
		10,463,447	10,471,586	8,333,698	8,406,851
Derivative financial instruments	Assets	-	-	912,873	910,414
	Liabilities	(9,433,052)	(9,424,018)	(8,280,537)	(8,308,490)
		(9,433,052)	(9,424,018)	(7,367,664)	(7,398,076)

As of December 31, 2010, the accumulated unrealized gains from the mark-to-market of hedged assets and liabilities, except derivatives, recorded in income, is R\$8,139 (R\$73,153 as of December 31, 2009).

II - The Bank held funding in yen, hedged for market risk, whose composition was as follows:

		12.31.2010		12.31.2009	
		Curve value	Fair value	Curve value	Fair value
Hedged assets and liabilities	Liabilities	(358,126)	(383,206)	(328,567)	(349,481)
		(358,126)	(383,206)	(328,567)	(349,481)
Derivative financial instruments	Assets	358,126	383,206	328,567	349,481
		358,126	383,206	328,567	349,481

The derivative has exactly the same volume, currency, interest rate and maturity of the original debt; therefore, it is not expected inefficiencies, demonstrating 100% effective (the derivative match the terms of the liability being hedged). As of December 31, 2010, the accumulated unrealized loss from marking-to-market of the liability being hedged is R\$25,080 (R\$20,914 as of December 31, 2009).



8. LENDING PORTFOLIO

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

Risk rating	BANK										2009 Total
	December 31, 2010										
	AA	A	B	C	D	E	F	G	H	Total	
Loans and discounted notes	11,179,962	1,529,007	871,108	376,534	289,227	33,484	19,108	29,819	176,630	14,504,879	11,572,291
Financing	8,990,516	625,009	368,776	110,593	53,738	6,426	1,898	899	2,158	10,160,013	5,799,043
Rural and agro-industrial financing	943,545	69,893	27,336	6,749	1,831	-	-	-	-	1,049,354	797,085
Mortgage loans	40,837	842	1,518	5,490	89	74	-	-	241	49,091	12,111
Advances on foreign exchange contracts	706,086	21,898	14,074	586	3,576	-	-	-	-	746,220	664,348
Direct consumer credit and leasing	670,896	1,092,390	91,717	77,887	19,390	7,996	8,572	7,586	36,852	2,013,286	3,297,853
Direct consumer credit	634,085	115,593	13,182	8,436	5,629	1,414	1,691	1,609	10,720	792,359	880,485
Leases	36,811	976,797	78,535	69,451	13,761	6,582	6,881	5,977	26,132	1,220,927	2,417,368
Other receivables	1,872,358	379,753	56,499	31,600	4,334	668	2	12	3,636	2,348,862	1,195,994
Total transactions with credit granting characteristics as at December 31, 2010	24,404,200	3,718,792	1,431,028	609,439	372,185	48,648	29,580	38,316	219,517	30,871,705	23,338,725
Endorsements and sureties	-	-	-	-	-	-	-	-	-	5,809,039	4,609,835
Total with endorsements and sureties	24,404,200	3,718,792	1,431,028	609,439	372,185	48,648	29,580	38,316	219,517	36,680,744	27,948,560
Allowance as at December 31, 2010	(111,621)	(34,991)	(40,681)	(57,680)	(106,122)	(23,098)	(19,662)	(36,456)	(219,517)	(649,828)	
Total transactions with characteristics of credit as at December 31, 2009	15,295,702	5,325,620	1,271,598	584,808	195,563	100,509	220,828	28,982	315,115	23,338,725	
Allowance as at December 31, 2009	(69,751)	(49,487)	(35,847)	(54,853)	(55,354)	(47,386)	(145,190)	(27,352)	(315,115)	(800,335)	



CONSOLIDATED											
Risk rating	December 31, 2010										2009
	AA	A	B	C	D	E	F	G	H	Total	Total
Loans and discounted notes	11,179,961	1,540,244	871,108	376,534	289,228	33,484	19,107	29,819	176,630	14,516,115	11,600,505
Financing	9,029,963	643,130	377,415	115,365	58,471	8,074	2,772	899	5,316	10,241,405	5,938,398
Rural and agro-industrial financing	943,545	69,893	27,336	6,749	1,831	-	-	-	-	1,049,354	797,085
Mortgage loans	40,837	842	1,518	5,490	89	74	-	-	241	49,091	12,111
Advances on foreign exchange contracts	706,086	21,898	14,074	586	3,576	-	-	-	-	746,220	664,348
Direct consumer credit and leasing	2,708,691	3,851,937	703,215	717,937	168,114	27,259	23,336	20,711	107,721	8,328,921	7,695,071
Direct consumer credit	1,146,977	2,535,915	415,452	538,478	60,059	9,073	5,529	4,787	17,140	4,733,410	1,356,475
Leases	1,561,714	1,316,022	287,763	179,459	108,055	18,186	17,807	15,924	90,581	3,595,511	6,338,596
Other receivables	1,872,358	379,753	56,499	31,600	4,334	668	2	12	3,636	2,348,862	1,195,994
Total transactions with credit granting characteristics as at December 31, 2010	26,481,441	6,507,697	2,051,165	1,254,261	525,643	69,559	45,217	51,441	293,544	37,279,968	27,903,512
Endorsements and sureties	-	-	-	-	-	-	-	-	-	5,809,039	4,637,050
Total with endorsements and sureties	26,481,441	6,507,697	2,051,165	1,254,261	525,643	69,559	45,217	51,441	293,544	43,089,007	32,540,562
Allowance as at December 31, 2010	(111,621)	(49,014)	(46,882)	(77,026)	(121,468)	(29,371)	(27,480)	(45,644)	(293,544)	(802,050)	
Total transactions with characteristics of credit as at December 31, 2009	18,522,122	6,099,378	1,502,784	745,090	236,023	135,069	241,689	38,425	382,932	27,903,512	
Allowance as at December 31, 2009	(82,955)	(55,909)	(41,620)	(68,226)	(65,487)	(61,815)	(157,384)	(35,238)	(382,932)	(951,566)	

b) Allowance for loan losses:

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

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Balance at beginning of year	800,335	678,141	951,566	
Provision recorded	106,154	392,476	119,113	292,323
Write-off to losses	(256,661)	(270,282)	(268,629)	(284,019)
Balance at end of year	649,828	800,335	802,050	951,566
Minimum allowance required	364,128	552,413	516,271	662,674
Additional allowance	285,700	247,922	285,779	288,892

In recognizing the provision above, Banco Safrá's Management does not consider only the minimum provisioning levels defined by CMN Resolution 2682/99. In addition to the minimum provisioning levels, Banco Safrá also thoroughly analyzes the risk of loan losses supported by an internal credit rating methodology widely tested and periodically re-evaluated and approved by Management.

Past-due lease transactions included in lending operations in the amount of R\$222,554 (R\$90,661 in 2009) were written off. The accounting criteria to adjust the lease portfolio to present value, as required by the Central Bank of Brazil Circular 1429, implied the reversal of expenses in the "allowance for loan losses" expenses account and recognition of losses in the "lending operations" income account.

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

	12.31.2010			12.31.2009		
	Book value	Reclassification	Adjusted book value	Book value	Reclassification	Adjusted book value
Lending operations income	4,225,245	210,319	4,435,564	3,346,958	89,660	3,436,618
Allowance for loan losses	(119,113)	(222,270)	(341,383)	(292,323)	(89,660)	(381,923)
Recovery of charges	63,864	11,951	75,815	68,095	-	68,095

c) Renegotiated loans and recovery of receivables

As of December 31, 2010, the balance of renegotiated loans was R\$ 154,862 (R\$ 88,357 as of December 31, 2009), on an individual basis, and R\$ 163,888, on a consolidated basis (R\$ 103,978 as of December 31, 2009), which provision for loan losses was R\$109,612 (R\$60,204 as of December 31, 2009), on an individual basis, and R\$ 115,997 on a consolidated basis (R\$ 65,169 as of December 31, 2009).

The recovery of receivables totaled R\$26,023 in the six-month period and R\$ 58,037 in the year (R\$ 61,148 in 2009), on an individual basis, and R\$26,787 in the six-month period and R\$ 63,864 in the year (R\$ 68,095 in 2009), on a consolidated basis.

d) Breakdown of portfolios by maturity:

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Past-due:				
Up to 14 days	567,357	486,723	834,990	670,354
From 15 to 90 days	385,364	475,744	588,191	703,577
From 91 to 180 days	88,800	91,674	142,600	150,546
Over 180 days	113,357	275,512	169,933	373,010
Subtotal past-due	1,154,878	1,329,653	1,735,714	1,897,487
Falling due:				
Up to 90 days	12,226,008	8,750,001	13,047,365	9,365,649
From 91 to 365 days	9,178,225	6,893,340	11,196,835	8,380,179
Over 365 days	8,312,594	6,365,731	11,300,054	8,260,197
Current subtotal	29,716,827	22,009,072	35,544,254	26,006,025
Total	30,871,705	23,338,725	37,279,968	27,903,512

e) Credit portfolio by activity:

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Public sector				
Other services	-	6,486	-	6,486
Private sector				
Rural	1,049,353	796,985	1,049,353	796,985
Industry	9,051,132	8,341,720	9,688,772	9,182,216
Trade	8,708,580	4,352,634	9,223,084	5,012,671
Financial institutions	1,023,279	495,950	1,113,463	514,802
Other services	8,801,786	5,925,232	11,118,044	8,531,792
Individuals	2,011,153	3,304,699	4,860,830	3,743,541
Housing	226,422	115,019	226,422	115,019
Total	30,871,705	23,338,725	37,279,968	27,903,512

f) Assignment of receivables

The assignment of receivables arising on direct consumer credit, with substantial retention of risks under co-obligation, is recorded in liabilities in the line item 'Borrowings and onlendings - Transfer of financial assets', adjusted based on the assignment agreement rate and deducted for the installments settled or honored by the Bank, in the amount of R\$ 99,869 (R\$ 352,488 as of December 31, 2009). The assignment price balances, to be paid by the assignee on the maturity dates of the assigned agreements in the amount of R\$ 31,372 (R\$ 96,048 as of December 31, 2009), are recorded in assets, under "Other receivables - other".

During the year, expenses related to monetary adjustments of the liabilities amounted to R\$ 36,745 (R\$ 113,825 in 2009).

9. FOREIGN EXCHANGE PORTFOLIO

BANK AND CONSOLIDATED				
	12.31.2010		12.31.2009	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange sales and purchases pending settlement	735,173	123,917	1,346,627	732,455
Payables and receivables from foreign exchange purchased and sold	126,469	764,155	740,299	1,383,835
(-) Import financing - exchange rate contracted	-	(6,037)	-	(1,827)
Income receivable from advances	(90,121)	59	(52,745)	41
Other	-	153	-	142
Total	771,521	882,247	2,034,181	2,114,646
Gains (losses) on foreign exchange transactions	33,306	-	41,733	-

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

As of December 31, raised funds were as follows:

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Deposits (a)	22,198,850	17,100,263	14,567,228	13,679,491
Money market funding (b)	27,922,004	25,345,842	27,904,197	25,336,845
Funds from real estate bills, mortgage bills, bills of credit and similar notes (c)	1,627,838	190,779	1,833,177	458,283
Securities issued abroad, foreign borrowings and transfer of financial assets (d)	5,815,012	4,700,396	5,431,807	4,351,345
Domestic onlendings (e)	5,490,941	3,432,424	6,181,665	4,351,470
Subordinated debt (f)	1,027,905	699,298	1,027,905	699,298
Structured fixed income (1)	4,070,016	5,633,567	3,877,095	5,341,424
Total	68,152,566	57,102,569	60,823,074	54,218,156
Managed raised funds (2) (g)	2,871,243	3,105,133	32,776,875	26,123,214
Total raised and managed funds	71,023,809	60,207,702	93,599,949	80,341,370

(1) Resources recorded in derivative financial instruments (Note 7 (a))

(2) Does not include funds in quota investment funds.

a) Deposits

	BANK					
	12.31.2010					12.31.2009
	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 days	Total	Total
Demand deposits	1,305,624	-	-	-	1,305,624	1,702,990
Time deposits	-	2,557,183	5,229,363	1,526,735	9,313,281	8,766,003
Savings deposits	817,736	-	-	-	817,736	928,429
Interbank deposits	-	8,692,615	1,886,202	183,392	10,762,209	5,702,841
Total as of 12.31.2010	2,123,360	11,249,798	7,115,565	1,710,127	22,198,850	17,100,263
Total as of 12.31.2009	2,631,419	2,696,775	10,251,091	1,520,978	17,100,263	



CONSOLIDATED						
	12.31.2010				Total	12.31.2009
	Without maturity	Up to 90 days	From 91 to 365 days	Over 365 days		
Demand deposits	1,303,288	-	-	-	1,303,288	1,252,201
Time deposits	-	2,416,913	5,229,363	1,526,735	9,173,011	8,605,768
Savings deposits	817,736	-	-	-	817,736	928,429
Interbank deposits	-	1,205,161	1,877,023	191,009	3,273,193	2,893,093
Total as of 12.31.2010	2,121,024	3,622,074	7,106,386	1,717,744	14,567,228	13,679,491
Total as of 12.31.2009	2,180,630	2,371,617	7,598,560	1,528,684	13,679,491	

b) Money market funding

BANK						
	12.31.2010				Total	12.31.2009
	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days		
Own portfolio						
National Treasury	1,012,970	-	12,676	-	1,025,646	871,005
Own securities	5,108,281	4,222,120	3,903,111	2,912,359	16,145,871	10,613,251
Third-party portfolio						
National Treasury	10,549,013	-	-	-	10,549,013	13,861,586
Unrestricted portfolio						
National Treasury	-	-	-	201,474	201,474	-
Total as of 12.31.2010	16,670,264	4,222,120	3,915,787	3,113,833	27,922,004	25,345,842
Total as of 12.31.2009	15,272,935	4,690,584	3,485,176	1,897,147	25,345,842	

CONSOLIDATED						
	12.31.2010				Total	12.31.2009
	Up to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days		
Own portfolio						
National Treasury	1,012,970	-	12,676	-	1,025,646	871,005
Own securities	5,108,281	4,222,120	3,903,111	2,912,359	16,145,871	10,613,251
Third-party portfolio						
National Treasury	10,531,206	-	-	-	10,531,206	13,852,589
Unrestricted portfolio						
National Treasury	-	-	-	201,474	201,474	-
Total as of 12.31.2010	16,652,457	4,222,120	3,915,787	3,113,833	27,904,197	25,336,845
Total as of 12.31.2009	15,263,938	4,690,584	3,485,176	1,897,147	25,336,845	

c) Funds from real estate bills, mortgage bills, bills of credit and similar notes

BANK					
	12.31.2010			Total	12.31.2009
	Up to 90 days	From 91 to 365 days	Over 365 days		
Mortgage bills	2,489	14,021	-	16,510	21,066
Agribusiness credit notes	146,504	606,107	131,958	884,569	169,713
Payables for issuance of bills	-	-	726,759	726,759	-
Total as of 12.31.2010	148,993	620,128	858,717	1,627,838	190,779
Total as of 12.31.2009	73,429	107,991	9,359	190,779	

CONSOLIDATED					
	12.31.2010				12.31.2009
	From 91 to			Total	Total
	Up to 90 days	365 days	Over 365 days		
Real estate bills	-	30,150	174,276	204,426	266,505
Mortgage bills	2,489	14,021	-	16,510	21,066
Agribusiness credit notes	146,504	606,107	131,958	884,569	169,713
Payables for issuance of bills	-	-	726,759	726,759	-
Other	-	1	912	913	999
Total as of 12.31.2010	148,993	650,279	1,033,905	1,833,177	458,283
Total as of 12.31.2009	73,429	107,827	277,027	458,283	

d) Payables for securities and borrowings

BANK					
	12.31.2010				12.31.2009
	From 91 to			Total	Total
	Up to 90 days	365 days	Over 365 days		
Securities issued abroad (1)	7,205	61,645	1,612,738	1,681,588	1,693,432
Foreign borrowings (2)	1,318,342	2,563,459	151,754	4,033,555	2,654,476
Transfer of financial assets obligations (Note 8(f))	23,366	75,558	945	99,869	352,488
Total as of 12.31.2010	1,348,913	2,700,662	1,765,437	5,815,012	4,700,396
Total as of 12.31.2009	855,456	2,222,017	1,622,923	4,700,396	

CONSOLIDATED					
	12.31.2010				12.31.2009
	From 91 to			Total	Total
	Up to 90 days	365 days	Over 365 days		
Securities issued abroad (1)	7,205	61,645	1,229,533	1,298,383	1,344,381
Foreign borrowings (2)	1,318,342	2,563,459	151,754	4,033,555	2,654,476
Transfer of financial assets obligations (Note 8(f))	23,366	75,558	945	99,869	352,488
Total as of 12.31.2010	1,348,913	2,700,662	1,382,232	5,431,807	4,351,345
Total as of 12.31.2009	855,456	2,222,017	1,273,872	4,351,345	

(1) Funds raised through the placement of Securities issued abroad (Euronotes) and loans to be onlent to local clients, as defined by BACEN, mature by 2017 and bear average interest of 7.5% p.a.

(2) Foreign borrowings consist of credit facilities maturing within three years and bearing interest equivalent to LIBOR plus average interest of 2.5% p.a., used in the financing of imports and exports.

e) Domestic onlendings

BANK					
	12.31.2010				12.31.2009
	From 91 to			Total	Total
	Up to 90 days	365 days	Over 365 days		
National Treasury	54,658	23,849	25,973	104,480	108,563
BNDES	6,722	325,366	1,189,548	1,521,636	821,989
FINAME	7,335	118,808	3,738,682	3,864,825	2,501,872
Total as of 12.31.2010	68,715	468,023	4,954,203	5,490,941	3,432,424
Total as of 12.31.2009	85,086	191,222	3,156,116	3,432,424	

CONSOLIDATED					
	12.31.2010			12.31.2009	
	Up to 90 days	From 91 to 365 days	Over 365 days	Total	Total
National Treasury	54,658	23,849	25,973	104,480	108,563
BNDDES	6,722	325,366	1,189,548	1,521,636	821,989
FINAME	116,458	361,355	4,077,736	4,555,549	3,420,918
Total as of 12.31.2010	177,838	710,570	5,293,257	6,181,665	4,351,470
Total as of 12.31.2009	224,973	499,402	3,627,095	4,351,470	

f) Subordinated debt

	BANK AND CONSOLIDATED	
	12.31.2010	12.31.2009
	Over 365 days	Over 365 days
Bank certificates of deposit - CDB (1)	699,462	699,298
Financial bills - LF (2)	328,443	-
Total	1,027,905	699,298

(1) These certificates mature in 2016, yield interest equivalent to 104% to 106% of the average daily interbank deposit rate (CDI), paid semiannually, and are registered with the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP).

(2) Financial bills composition:

Maturity	Amount of the operation	Carrying amount as of 12.31.2010	Index
2016	75,000	81,493	IPCA + 7.7% p.a.
2016	199,800	205,923	114% of CDI rate
2016	17,500	18,150	IPCA + 7.32% p.a.
2016 (1)	12,353	12,680	IPCA + 7.19% p.a.
2020 (1)	10,000	10,197	IPCA + 7.27% p.a.
Total	314,653	328,443	

(1) The utilization of these subordinated financial bills as Tier II Regulatory Capital is in the process of being authorized by BACEN.

g) Managed funds

The Safr Group is responsible for the management, administration and distribution of quotas of several investment funds, whose net assets as of December 31, 2010, including funds managed by a company outside the Safr Group, totaled R\$56,475,895 (R\$46,341,953 as of December 31, 2009), of which R\$33,670,708 (R\$28,466,342 as of December 31, 2009) refers to financial investment funds, R\$17,312,428 (R\$12,252,970 as of December 31, 2009) to quota investment funds, and R\$5,492,759 (R\$5,622,641 as of December 31, 2009) to other funds. Income from these funds management, administration and distribution of quotas fees, recorded in 'Income from services provided', totals R\$53,741 for the six-month period and R\$102,732 for the year (R\$75,622 in 2009) in the Bank, and R\$194,536 for the year (R\$134,505 in 2009) in the consolidated.

11. INSURANCE AND PENSION PLAN OPERATIONS

a) Technical reserves

	CONSOLIDATED					
	INSURANCE OPERATIONS		PENSION PLAN OPERATIONS		TOTAL	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Reserve for unvested and vested benefits	-	-	1,823,389	1,215,128	1,823,389	1,215,128
Unearned premium reserve	43,048	28,356	-	-	43,048	28,356
Reserve for claims payable	72,812	50,938	-	-	72,812	50,938
Reserve for incurred but not reported losses (IBNR)	5,689	3,589	-	-	5,689	3,589
Premium deficiency reserve	-	-	6,893	4,579	6,893	4,579
Contribution deficiency reserve	-	-	3,352	2,373	3,352	2,373
Supplementary premium reserve	503	433	-	-	503	433
Administrative expenses reserve	133	655	601	587	734	1,242
Other	-	-	13	23	13	23
Total	122,185	83,971	1,834,248	1,222,690	1,956,433	1,306,661

b) Guarantee resources for technical reserves

	CONSOLIDATED	
	12.31.2010	12.31.2009
Trading securities and derivatives	1,941,237	1,300,071
PGBL/VGBL funds' quotas	1,823,410	1,215,048
Debentures	83,308	65,104
Receivables	18,521	11,451
Bank certificates of deposit - CDB	500,103	342,989
Government securities - LFT	298,189	134,956
Government securities - LTN	102,159	95,010
Government securities - NTN	687,924	457,009
Other	133,206	108,529
Other securities	117,827	85,023
Government securities	60,036	85,023
Private securities	57,791	-
Receivables from reinsurance operations	19,510	17,900
Reinsurance - Note 13 (b)	19,510	17,900
Total	1,960,747	1,317,971

c) Results from insurance and pension plans

CONSOLIDATED		
	12.31.2010	12.31.2010
Income from financial intermediation	10,837	9,205
Financial income from insurance and pension plan operations	143,104	144,453
Financial expenses on insurance and pension plan operations	(132,267)	(135,248)
Income (loss) from insurance and pension plan operations	83,637	66,654
Income from premiums and contributions - insurance	177,045	137,773
Income from premiums and contributions - pension plans	530,756	221,654
Changes in technical reserves - insurance	(12,745)	(10,307)
Change in technical reserve - pension plans	(533,980)	(222,953)
Claims expenses	(65,942)	(57,261)
Selling expenses	(13,183)	(3,929)
Other income and expenses	1,686	1,677
Revenue from services	22,445	16,171
Revenue from administration of pension plan funds	22,445	16,171
Total	116,919	92,030

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

a) Contingent assets

Contingent assets are not recognized in the financial statements.

b) Contingent liabilities

Contingent liabilities are recognized as follows:

I - Civil lawsuits

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

These lawsuits are valued when a court notification is received, reviewed periodically, and are quantified based judicial stage, evidence produced and considering the jurisprudence according to the legal counsel's assessment of the likelihood of loss. The provision is recognized: at full amount for proceedings classified as probable loss and losses expected by Management for proceedings classified as possible loss.

II - Labor lawsuits

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

They are measured when a court notification is received, estimated based on the value in discussion and accrued considering the historical percentage of losses of lawsuits considered similar and usual.

III - Tax and social security proceedings

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

Individually quantified when the notification of the proceedings are received, based on the notification amounts and accrued monthly. The provision is recognized at the full amount for proceedings classified as probable loss and losses expected by Management for proceedings classified as possible loss.

IV - The provisions recognized and the related changes for the years are as follows:

	BANK				01.01 to
	01.01 to 12.31.2010				12.31.2009
	Civil (1)	Labor (1)	Tax and social security (2)	Total	Total
Opening balance	112,213	93,915	172,046	378,174	296,717
Monetary restatement /charges	-	-	9,718	9,718	9,896
Changes for the period reflected in income					
Recognition	63,359	13,833	23,906	101,098	99,225
Reversal	(7,250)	(5,289)	(10,802)	(23,341)	(13,730)
Payment	(34,864)	(5,466)	(5,608)	(45,938)	(13,934)
Closing balance as of 12.31.2010	133,458	96,993	189,260	419,711	378,174
Escrow deposits as of 12.31.2010				131,	
	32,220	71,339	27,477	036	
Escrow deposits as of 12.31.2009	22,739	49,837	33,704	106,280	

(1) Note 13-c; (2) Note 14-c;

	CONSOLIDATED				01.01 to
	01.01 to 12.31.2010				12.31.2009
	Civil (1)	Labor (1)	Tax and social security (2)	Total	Total
Opening balance	127,028	98,195	328,225	553,448	608,758
Monetary restatement /charges	-	-	22,674	22,674	27,203
Changes for the period reflected in income					
Recognition	73,154	16,053	60,409	149,616	114,607
Reversal	(7,630)	(7,406)	(25,043)	(40,079)	(110,672)
Payment	(37,846)	(6,534)	(13,818)	(58,198)	(86,448)
Closing balance	154,706	100,308	372,447	627,461	553,448
Escrow deposits as of 12.31.2010	38,811	71,540	28,882	139,233	
Escrow deposits as of 12.31.2009	25,782	49,905	34,519	110,206	

(1) Note 13-c; (2) Note 14-c;

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

- Municipal service tax (ISS) on lease transactions: several tax assessment notices and lawsuits related to the levy of this tax on lease transactions, the challenge of which refers to the location where the tax is levied and its taxable base, totaling R\$85,266 (R\$79,707 as of December 31, 2009) for the Bank and R\$248,395 (R\$217,758 as of December 31, 2009) on a consolidated basis.
- CPMF - Cash Management: tax notification related to the product Cash Management, issued by tax authorities as they understood that there was settlement/payment of receivables, at the risk and expense of third parties, without the related credit in the beneficiary's account, which also assigned the liability for paying this tax to the Bank, pursuant to Article 5, I, of Law 9311/96, in the amount of R\$90,488 (R\$85,767 as of December 31, 2009), Bank and on a consolidated basis.

c) Legal obligations - Tax and social security

	BANK		CONSOLIDATED	
	01.01 to 12.31.2010	01.01 to 12.31.2009	01.01 to 12.31.2010	01.01 to 12.31.2009
Opening balance	309,692	290,477	337,082	350,778
Monetary restatement	28,268	22,593	31,632	27,917
Changes for the period				
Recognition	99,205	98,984	108,208	107,391
Reversal	(10,741)	(71,822)	(10,741)	(118,464)
Payment	-	(30,540)	-	(30,540)
Closing balance - Note 14 (e)	426,424	309,692	466,181	337,082
Escrow deposits	10,244	10,244	10,244	10,244

The Bank and its subsidiaries are challenging in courts the legality and levy of some taxes, the legal obligation of which is fully accrued and adjusted through the balance sheet date. The main discussion is related to the increase in the calculation basis of PIS and COFINS, under article 3, paragraph 1, of Law 9178/98, in the amount of R\$406,846 (R\$288,558 as of December 31, 2009) Bank and R\$446,603 (R\$306,700 as of December 31, 2009) consolidated.

d) Adherence to the Tax Debt Settlement Program and the Tax Installment Incentive Program (PPI)

In 2009, Banco Safr and its subsidiaries joined the tax debt installment and cash payment programs, established by Law 11941, of 05.27.2009, and Installment Incentive Program (PPI), which waives the penalties on the settlement of debts to the Municipal Government of São Paulo, created by Law 14129/06 and Decree 50512/09. The program included debts managed by the Federal Revenue Service (RFB) and the National Treasury Attorney General (PGFN) past-due since November 30, 2008. The program included Municipal overdue debts until December 31, 2004. The effect in the income, due to the reduction on interest and penalties, totaled R\$27,723 in the Bank and R\$77,697 in the consolidated, recorded in Other Operating Income - Note 13 (h). The main taxes challenged in courts included in the program refer to PIS and COFINS on interest on capital received and tax on banking transactions related to customers' operations (CPMF).

13. OTHER LINE ITEMS

a) Trading account:

	BANK			
	12.31.2010		12.31.2009	
	Assets	Liabilities	Assets	Liabilities
Creditors and debtors pending settlement	3,260	1,178	343	-
Transactions with financial assets and commodities pending settlement	137	-	733	-
Other	28	285	29	4,066
Total	3,425	1,463	1,105	4,066

	CONSOLIDATED			
	12.31.2010		12.31.2009	
	Assets	Liabilities	Assets	Liabilities
Creditors and debtors pending settlement ⁽¹⁾	92,706	83,875	41,226	32,777
Transactions with financial assets and commodities pending settlement	137	24,418	733	4,104
Settlement and clearinghouse	107,968	90,875	72,136	75,680
Other	28	285	29	4,066
Total	200,839	199,453	114,124	116,627

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

b) Other receivables:

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Deferred tax credits - Note 14 (b-I)	110,092	91,295	230,372	223,418
Escrow deposits - Note 12 (b) e (c)	256,853	225,835	280,007	242,792
Recoverable taxes and contributions	26,861	107,711	63,243	132,127
Operations to be processed	234,346	8,416	234,346	8,416
Assignment of loans receivable - Note 8 (f)	31,372	96,048	31,372	96,048
Dividends receivable from related parties - Note 18 (c)	314,630	379,463	-	-
Adjustment of hedge to market value - Note 7 (e)	8,139	73,153	8,139	73,153
Unsettled credit card payment	6,898	68,777	6,898	68,777
Receivables from insurance and reinsurance operations	-	-	47,323	33,594
Equalization rate for credit operations with intervention	98,199	27,767	98,199	27,767
Other	21,602	39,066	27,556	37,987
TOTAL	1,108,992	1,117,531	1,027,455	944,079

c) Other payables:

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Payables for acquisition of assets and rights	1,079	799	1,082	16,061
Provision for contingent liabilities - Nota 12 (b-IV)	230,451	206,128	255,014	225,223
Accrued liabilities	70,014	73,767	101,189	98,692
Sundry creditors - domestic	30,353	51,857	35,216	70,649
Sundry creditors - abroad	77,652	58,168	77,681	58,248
Payables to credit card companies	76,700	66,869	76,700	66,869
Payment orders to be released	-	-	72,746	437,587
Onlending of unreleased amounts	282,253	49,487	282,290	64,306
Other	2,554	807	2,611	940
Total	771,056	507,882	904,529	1,038,575

d) Income from services provided:

	BANK			CONSOLIDATED	
	2nd half	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Income from mutual fund management and custody services	53,741	102,732	75,622	172,091	118,334
Income from pension funds management	-	-	-	22,445	16,171
Income from stock exchange brokerage services	-	-	-	27,057	23,484
Income from collection services	36,325	73,240	60,998	73,240	61,047
Income from guarantees provided	68,362	129,447	96,297	129,447	100,161
Income from custody services	1,723	3,568	2,993	4,575	4,115
Income from securities placement commissions	92	252	120	15,091	14,481
Foreign exchange transactions	6,253	15,678	15,739	15,678	15,739
Other	19,779	29,907	25,483	36,588	32,435
Total	186,275	354,824	277,252	496,212	385,967

e) Income from banking fees:

	BANK			CONSOLIDATED	
	2 nd half	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Charges on lending operations	12,356	20,987	13,936	20,987	13,936
Charges on DOC/TED	7,597	14,922	14,379	14,922	14,379
Packages of services and registrations	3,798	7,377	7,370	71,271	24,684
Other current account services	16,807	32,748	31,033	32,748	31,033
Total	40,558	76,034	66,718	139,928	84,032

f) Personnel expenses:

	BANK			CONSOLIDATED	
	2 nd half	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Compensation and profit sharing expenses	265,408	504,905	422,081	632,131	527,055
Benefits expenses	37,589	66,124	53,591	66,888	54,275
Payroll taxes	70,641	134,332	112,499	159,373	132,883
Labor claims and termination of employees	7,903	16,508	36,377	17,262	40,173
Total	381,541	721,869	624,548	875,654	754,386

g) Administrative expenses:

	BANK			CONSOLIDATED	
	2 nd half	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Rental expenses	37,157	75,194	74,138	34,114	51,695
Lease expenses	5,953	12,167	13,982	1,029	3,150
Communication	6,211	11,811	12,897	17,071	17,681
Maintenance and upkeep	11,207	24,077	29,730	26,419	32,616
Office supplies	1,552	3,052	2,728	3,053	2,729
Publicity and advertising expenses	3,396	6,927	10,836	8,784	12,410
Data processing	16,580	36,953	39,038	38,755	39,686
Specialized technical services (*)	21,917	40,511	41,197	51,550	52,217
Outside services (**)	28,189	72,916	112,478	98,243	125,187
Travel expenses	5,337	9,685	5,881	11,173	6,615
Financial system services	14,930	29,664	23,680	31,199	24,732
Security and surveillance services	5,295	9,671	10,000	10,046	10,538
Transportation expenses	9,242	18,571	20,802	19,102	21,262
Information security expenses	2,004	10,101	23,374	15,035	25,127
Depreciation/amortization expenses	8,826	17,394	19,658	37,934	40,923
Notary service expenses	4,565	7,545	12,327	8,084	14,027
Other	42,980	63,094	20,824	87,722	42,392
Total	225,341	449,333	473,570	499,313	522,987

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

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

h) Other operating income:

	BANK			CONSOLIDATED	
	2nd half	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Recovery of charges and expenses	4,360	11,715	24,924	18,774	21,413
Rental income	-	-	-	9,593	5,677
Reversal of tax contingent provision - Note 12 (b-IV) e (c)	9,912	18,052	87,271	32,673	227,444
Monetary variations of recoverable taxes and contributions	(926)	1,882	2,387	8,705	4,283
Other operating income	4,922	3,407	14,781	4,912	13,521
Total	18,268	35,056	129,363	74,657	272,338

i) Other operating expenses:

	BANK			CONSOLIDATED	
	2nd half	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Provision for civil contingencies - Note 12 (b-IV) and (c)	21,846	56,109	47,502	65,524	52,280
Provision for tax contingencies - Note 12 (b-IV) and (c)	19,084	23,906	27,861	60,409	32,436
Monetary variations of tax contingencies and legal obligations - Note 12 (b-IV) and (c)	15,939	37,986	32,489	54,306	55,120
Other operating expenses	47,889	27,996	40,834	29,783	98,146
Total	104,758	145,997	148,686	210,022	237,982

14. INCOME TAX AND SOCIAL CONTRIBUTION

a) Composition of expenses for income tax and social contribution

I - Reconciliation of income tax and social contribution charges

	BANK			CONSOLIDATED	
	2nd half	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Income before income tax and social contribution	664,972	1,298,808	1,075,069	1,539,013	1,212,977
Charges (income tax and social contribution) at the rates in effect - Note 3(o)	(265,989)	(519,523)	(430,028)	(615,605)	(485,191)
Permanent (additions) deductions					
Investments in associates	62,857	141,693	300,310	998	4,232
Gain/(loss) in foreign exchange variation on investments abroad	(13,978)	(7,935)	(56,142)	(9,065)	(56,142)
<u>Interest on capital:</u>	97,770	97,770	(80,731)	111,786	-
- (Received)	(14,016)	(14,016)	(80,731)	-	-
- Paid	111,786	111,786	-	111,786	-
Dividends and interest on foreign debt bonds	14,603	33,488	76,106	34,220	76,991
Non-deductible expenses, net of non- taxable income	(10,033)	(5,232)	7,669	(13,032)	14,039
Effect of prior periods tax credits	(14,358)	9,014	19,019	(7,217)	140,050
Difference of the social contribution rate in non financial institutions	-	-	-	6,985	4,316
Income tax and social contribution for the period	(129,128)	(250,725)	(163,797)	(490,930)	(301,705)



II - Tax expenses:

	2 nd half	BANK		CONSOLIDATED	
		12.31.2010	12.31.2009	12.31.2010	12.31.2009
Tax on revenue (PIS/COFINS)	67,359	113,410	109,548	155,756	152,650
Services tax (ISS)	2,363	15,364	12,078	26,067	22,988
Municipal real state tax (IPTU)	43	3,790	2,559	4,193	2,876
Other	10,043	12,160	14,793	19,351	19,953
Total	79,808	144,724	138,978	205,367	198,467

b) Deferred taxes

I - Sources of tax credits:

BANK				
	12.31.2009	Amount	Amount	12.31.2010
		Recorded	Realized	
Provision for civil contingencies	44,885	22,444	(13,946)	53,383
Provision for labor contingencies	37,566	3,418	(2,186)	38,798
Adjustment to market value of trading securities	1,999	2,815	-	4,814
Other	6,389	8,618	(2,074)	12,933
Total tax credits over temporary differences	90,839	37,295	(18,206)	109,928
Adjustment to market value of available-for-sale securities	456	-	(292)	164
Total tax credits - Note 13 (b)	91,295	37,295	(18,498)	110,092

CONSOLIDATED				
	12.31.2009	Amount	Amount	12.31.2010
		Recorded	Realized	
Provision for civil contingencies	50,799	29,297	(18,190)	61,906
Provision for labor contingencies	39,056	6,082	(5,237)	39,901
Adjustment to market value of trading securities	1,999	2,815	-	4,814
Other	13,087	11,287	(6,905)	17,469
Total tax credits over temporary differences	104,941	49,481	(30,332)	124,090
Tax losses and negative basis of social contribution	118,006	-	(11,889)	106,117
Subtotal	222,947	49,481	(42,221)	230,207
Adjustment to market value of available-for-sale securities	471	-	(306)	165
Total tax credits - Nota 13 (b)	223,418	49,481	(42,527)	230,372

II - Deferred tax liabilities:

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Excess depreciation	415,206	259,105	1,080,106	965,928
Adjustment to market value of derivatives	19,163	3,825	23,683	7,120
Total - Note 14 (c)	434,369	262,930	1,103,789	973,048

III - Expected realization of tax credits on temporary differences, tax loss and negative basis of social contribution and deferred tax on excess depreciation:

BANK			
	Tax credits Temporary differences	Provision for deferred taxes and contributions	Net deferred taxes
2011	38,906	(49,865)	(10,959)
2012	19,563	(241,652)	(222,089)
2013	19,563	(142,852)	(123,289)
2014	19,298	-	19,298
2015	10,709	-	10,709
Over 2015	2,053	-	2,053
Total	110,092	(434,369)	(324,277)
Present value (*)	94,390	(377,737)	(283,347)

CONSOLIDATED					
	Tax credits			Provision for deferred taxes and contributions	Net deferred taxes
	Temporary differences	Tax loss and negative basis	Total		
2011	41,998	21,241	63,239	(229,116)	(165,877)
2012	22,657	30,372	53,029	(482,524)	(429,495)
2013	22,657	37,973	60,630	(392,142)	(331,512)
2014	22,148	16,531	38,679	-	38,679
2015	12,414	-	12,414	-	12,414
Over 2015	2,381	-	2,381	-	2,381
Total	124,255	106,117	230,372	(1,103,782)	(873,410)
Present value (*)	106,303	91,022	197,325	(964,288)	(766,963)

(*) The present value of tax credits was calculated based on CDI fluctuation projected for the corresponding periods, net of tax effects.

As of December 31, 2010, the unrecognized balance of tax credits on temporary differences amounts to R\$494,166 (R\$ 510,222 as of December 31, 2009) in the Bank, and R\$624,140 (R\$626,705 as of December 31, 2009) on a consolidated basis.

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

	BANK		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Income tax and social contribution payable	-	59,396	187,283	200,412
Taxes payable	110,760	93,470	147,054	141,044
Provision for deferred taxes and contributions - Note 14 (b-II)	434,369	262,930	1,103,789	973,048
Contingent liabilities - tax and social security - Note 12 (b-IV)	189,260	172,046	372,447	328,225
Legal obligations - tax and social security - Note 12 (c)	426,424	309,692	466,181	337,082
Total	1,160,813	897,534	2,276,754	1,979,811

15. PERMANENT ASSETS

a) Investments in associates and subsidiaries - Bank

December 31, 2010							
	Shareholders' equity	Net income (loss) 2 nd half	Net income (loss) for the year	% interest	Carrying amount of investment	Equity in subsidiaries 2 nd half	Equity in subsidiaries for the year
Domestic:							
Safra Leasing S.A.	786,286	51,042	150,266	99.99	786,136	51,042	150,266
Safra CVC Ltda.	114,453	8,873	14,085	99.99	114,453	8,873	14,085 (iii)
Safra DTVM Ltda.	172,010	5,967	9,300	99.99	172,010	5,967	9,300 (iii)
Banco Safra BSI S.A. (i)	-	5,651	18,377	99.99	-	5,651	18,377 (iii)
Banco J.Safra S.A.	438,929	11,087	18,350	99.99	438,755	11,087	18,350
Sercom Comércio e Serviços Ltda.	610,212	26,302	57,481	99.99	610,209	26,302	57,481
Pastoril Agrop. Couto Magalhães S.A.	19,681	3,624	4,616	27.79	5,467	1,009	1,283
Elong Adm. Rep. Ltda.	137,024	7,732	15,851	99.99	137,024	7,732	15,851
Safra Vida e Previdência S.A. (ii)	202,965	32,926	58,007	99.99	202,965	32,926	58,007 (iii)
Safra Seguros Gerais S.A (ii)	55,341	4,828	8,017	99.99	55,340	4,828	8,017
Safra Cia. Securitizadora	371,915	24,132	43,784	7.16	26,629	1,728	3,199
Ithaca Participações Ltda.	4,566	-	-	99.99	4,566	-	-
Jermyn Participações Ltda.	9,506	-	-	99.99	9,506	-	-
					2,563,060	157,145	354,216
Foreign:							
Banco Safra (Cayman Islands) Limited.	210,407	890	335	100.00	210,407	888	335
					2,773,467	158,033	354,551
December 31, 2009							
	Shareholders' equity	Net income (loss) 2 nd half	Net income (loss) for the year	% interest	Carrying amount of investment	Equity in subsidiaries 2 nd half	Equity in subsidiaries for the year
Domestic:							
Safra Leasing S.A.	1,236,021	198,689	434,516	99.99	1,236,020	198,689	434,516
Safra CVC Ltda.	133,039	23,376	30,427	99.99	133,039	23,376	30,427 (iii)
Safra DTVM Ltda.	162,710	61,022	63,521	99.99	162,710	61,022	63,521 (iii)
Banco Safra BSI S.A. (i)	514,242	32,979	36,037	99.99	514,242	32,979	36,037 (iii)
Banco J.Safra S.A.	260,520	143,461	75,808	99.99	260,520	143,461	75,808
Sercom Comércio e Serviços Ltda.	458,039	30,259	58,891	99.99	458,038	30,259	58,891
Pastoril Agrop. Couto Magalhães S.A.	23,643	1,056	1,777	27.79	6,570	311	512
Elong Adm. Rep. Ltda.	118,174	7,592	12,475	99.99	118,173	7,592	12,475
Safra Vida e Previdência S.A. (ii)	255,857	43,431	65,767	99.99	255,859	31,141	31,148
Safra Seguros Gerais S.A (ii)	60,577	6,486	10,005	99.99	60,575	4,745	4,745
Safra Cia. Securitizadora	308,186	17,904	32,804	7.60	23,429	1,361	2,466
					3,229,175	534,936	750,546
Foreign:							
Banco Safra (Cayman Islands) Limited.	219,484	(361)	541	100.00	219,484	(26,926)	541
					3,448,659	508,010	751,087

- (i) According to the Minutes of the Extraordinary Shareholders' Meetings of Banco J. Safra S.A. and Banco Safra BSI S.A., held on July 30, 2010, Banco Safra BSI S.A. was merged with and into Banco J. Safra S.A., based on the book value as of June 30, 2010.
- (ii) The transfer of shares of the companies Safra Vida e Previdência S.A. and Safra Seguros Gerais S.A. to Banco Safra S.A. was approved on October 20, 2009, and prior to this date Banco Safra S.A. held an indirect interest in these companies through Sercom Comércio e Serviços Ltda.
- (iii) It also includes additions due to tax incentives in the investees.

b) Investments in associates - Consolidated

As of December 31, 2010 and 2009, are represented by the interest held in Pastoril Agropecuária Couto Magalhães S.A. in the amount of R\$ 10,612 and R\$ 12,749, respectively. Equity in earnings of associated for the years ended December 31, 2010 and 2009 were R\$ 2,405 and R\$ 10,579, respectively, and refer to Pastoril Couto Magalhães S.A. in 2010 and 2009 and Safra Cia. Securitizadora in 2009.

As of December 31, 2010 and 2009, other investments are mainly represented by shares and quotas of unrelated parties, stated at cost, in the amounts of R\$ 456,113 and R\$ 456,038 respectively.

c) Property and equipment:

	BANK				
	December 31, 2010				12.31.2009
	Annual depreciation rate	Cost	Accumulated depreciation	Net property and equipment	Net property and equipment
Construction in progress:					
Furniture and equipment	-	478	-	478	9,171
		478	-	478	9,171
Properties in use:					
Land	-	-	-	-	4,727
Buildings	4%	2,000	(300)	1,700	1,780
		2,000	(300)	1,700	6,507
Facilities, furniture and equipment in use:					
Facilities	10%	26,663	(6,111)	20,552	6,612
Furniture and equipment	10%	22,751	(16,589)	6,162	6,749
		49,414	(22,700)	26,714	13,361
IT and data processing equipment:					
Communication system	10%	10,174	(7,949)	2,225	3,100
Data processing system	20%	102,203	(87,507)	14,696	13,094
		112,377	(95,456)	16,921	16,194
Other:					
Security system	10%	2,914	(1,854)	1,060	1,255
Transportation system	20%	10,297	(5,184)	5,113	5,199
		13,211	(7,038)	6,173	6,454
Total as of 12.31.2010		177,480	(125,494)	51,986	51,687
Total as of 12.31.2009		177,611	(125,924)	51,687	



CONSOLIDATED					
	December 31, 2010			12.31.2009	
	Annual depreciation rate	Cost	Accumulated depreciation	Net property and equipment	Net property and equipment
Construction in progress:					
Furniture and equipment	-	482	-	482	9,390
		482	-	482	9,390
Properties for use:					
Land	-	19,671	-	19,671	4,727
Buildings	4%	2,000	(4,008)	(2,008)	13,544
		21,671	(4,008)	17,663	18,271
Rental properties:					
Land	-	80,293	-	80,293	81,643
Buildings	4%	187,878	(117,292)	70,586	87,907
		268,171	(117,292)	150,879	169,550
Facilities, furniture and equipment in use:					
Facilities	10%	41,290	(14,200)	27,090	14,798
Furniture and equipment	10%	28,898	(19,618)	9,280	51,014
		70,188	(33,818)	36,370	65,812
IT and data processing equipment:					
Communication system	10%	12,162	(10,872)	1,290	2,797
Data processing system	20%	106,039	(90,957)	15,082	13,485
		118,201	(101,829)	16,371	16,282
Other:					
Security system	10%	3,598	(2,216)	1,382	1,646
Transportation system	20%	99,263	(59,053)	40,210	9,772
		102,861	(61,269)	41,592	11,418
Total as of 12.31.2010		581,574	(318,216)	263,358	290,723
Total as of 12.31.2009		606,906	(316,183)	290,723	

d) Intangibles assets

BANK					
	12.31.2010			12.31.2009	
	Annual amortization rate	Cost	Accumulated amortization	Net intangible assets	Net intangible assets
Software	20%	33,947	(19,039)	14,908	20,136
Total as of 12.31.2010		33,947	(19,039)	14,908	20,136
Total as of 12.31.2009		33,156	(13,020)	20,136	

CONSOLIDATED					
	12.31.2010			12.31.2009	
	Annual amortization rate	Cost	Accumulated amortization	Net intangible assets	Net intangible assets
Software	20%	36,857	(19,092)	17,765	20,694
Other expenses	-	88	(38)	50	67
Total as of 12.31.2010		36,945	(19,130)	17,815	20,761
Total as of 12.31.2009		33,801	(13,040)	20,761	

16. SHAREHOLDERS' EQUITY

a) Shares

The capital of Banco Safrá S.A. is represented by 1,132,553 registered shares, without par value, of which 566,749 are common shares and 565,804 are preferred shares, related to shareholders domiciled in the country.

The Extraordinary Shareholders' Meeting held on 12.22.2010 approved the capital increase in R\$ 237,500, subscribed and paid with funds related to the individual credit of interest on capital declared on 12.13.2010. The capital was increased from R\$ 2,007,958 to R\$ 2,245,458 through the issuance of 46,605 new shares, of which 23,322 are common shares and 23,283 are preferred shares. The transaction is waiting for approval from the Central Bank. Breakdown and movement of the capital:

	Quantities		
	Common	Preferred	Total
Balance as at 12.31.2009	543,427	542,521	1,085,948
Capital increase on 12.22.2010	23,322	23,283	46,605
Balance as at 12.31.2010	566,749	565,804	1,132,553

b) Dividends

Shareholders are entitled to the mandatory minimum dividend set out in bylaws equivalent to 1% and 2% on the value of the share capital corresponding to the common and preferred shares, respectively. Below the amounts paid and credited for the year:

		12.31.2010		
		Gross amount	Withholding tax	Net amount
02.26.2010	Dividends (1)	300,000	-	300,000
12.13.2010	Interest on capital credited	279,466	(41,920)	237,546
Total		579,466	(41,920)	537,546

(1) Related to retained earnings from years 2004 and 2005.

c) Capital and Earnings Reserves

	12.31.2010	12.31.2009
Capital reserves	72,723	72,723
Tax incentives	70,142	70,142
Other	2,581	2,581
Earnings reserves	3,295,806	1,509,418
Legal	436,230	383,826
Expansion	2,859,576	1,125,592
Retained Earnings (1)	-	1,317,771

(1) Transferred to earnings reserves for expansion on 12.31.2010

The Extraordinary Shareholders' Meeting that is going to approve the balance of 2010 financial statements will determine the allocation of reserves in accordance with legal limits.

17. RISK MANAGEMENT

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

a) Credit risk

Banco Safra is exposed to credit risk, which is the risk that a counterparty to a financial obligation will default on repayments linked to the obligation. Significant changes in the economy or in the financial health of a specific industry segment that accounts for a significant portion of Banco Safra's portfolios of investments, loans and advances may result in losses that differ from those provided for in the allowance for losses at the balance sheet date. Therefore, Banco Safra closely monitors and assesses its exposure to credit risk.

Exposures to this type of risk arise mainly from direct and indirect (onlendings through financial agents) lending operations, debentures, financial investments, derivatives and other securities. The Bank is also exposed to credit risk arising from financial arrangements not recorded in the balance sheet, such as loan commitments or pledging of collaterals, sureties and guarantees.

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

b) Market risk

Market risk is the possibility of losses being incurred due to fluctuations in the market value of the positions held.

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

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

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

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

c) Liquidity risk

Liquidity risk consists of the probability of loss arising from a situation where the institution does not have sufficient funds to honor its commitments as a result of a mismatch between the timings of cash inflows and outflows, considering the different currencies and settlement terms of its assets and liabilities.

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

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

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

d) Capital management

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

- Comply with the requirements established by the regulatory bodies of the bank markets where it operates;
- Safeguard its operational capacity so that it continues providing return to shareholders and benefits to other stakeholders; and
- Maintain a solid capital base to support the development of its businesses.

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

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

Banco Safr's regulatory capital is divided into two tiers:

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

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

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

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

e) Operational Risk

Operational risk is the probability of losses due to failure, deficiency or ineffectiveness of internal processes, people and systems, or external events.

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

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

The Operational Risk Area is an independent control unit, segregated from the internal audit. The Operational Risk Area is responsible for meeting the requirements arising from Resolution 3380/05 of the Central Bank of Brazil on the need for identification, evaluation, monitoring, control and mitigation of operational risk, as well as for the preparation and maintenance of the Operational Risk Policy. It is also responsible for Internal Control and Compliance activities.



Banco Safta's website (www.safta.com.br) features information related to operational, market and credit risk management structures. The risk management report will be made available at this address within the term established by Bacen Circular Letter 3477/09.

18. RELATED-PARTY TRANSACTIONS

a) Management compensation:

The Shareholders' Meeting held on April 27, 2010 set the annual maximum overall compensation for the Board of Directors and the Executive Committee at R\$40,000. The remuneration received by the Management amounted to R\$35,057 for the year ended December 31, 2010 (R\$18,740 in 2009).

b) Ownership interest:

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

Shareholders	Quantity	(%)
Joseph Yacoub Safta	1,064,819	94.02
JS Administração de Recursos S.A.	66,697	5.89
Minority shareholders	1,037	0.09
Total	1,132,553	100.00

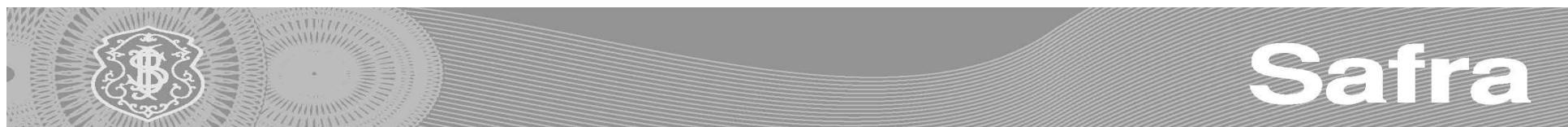


c) Related-party transactions - Bank

		Assets/(Liabilities)		Revenue/(Expenses)		
		12.31.2010	12.31.2009	2 nd half	12.31.2010	12.31.2009
Interbank investments		700,885	995,832	47,646	119,485	167,726
Banco J Safra S.A.	Subsidiary	-	293,117	17,306	60,725	110,208
Banco Safra S.A.- Cayman Islands	Subsidiary	700,885	702,715	30,340	58,760	57,518
Foreign currency investments		354,139	454,683	355	816	413
Banco Safra Luxemburgo	Related-party	13,725	19,978	10	22	27
Safra National Bank of New York	Related-party	318,044	434,705	345	794	386
Securities linked to repurchase agreements		16,689,680	11,124,814	789,791	1,297,418	847,497
Safra Leasing S.A. Arrendamento Mercantil	Subsidiary	16,689,680	11,124,814	789,791	1,297,418	847,497
Dividends and interest on capital receivable/(payable)		309,405	377,691	-	-	-
Banco Safra BSI S.A.	Subsidiary	-	77,601	-	-	-
Safra Leasing S.A. Arrendamento Mercantil	Subsidiary	66,875	66,725	-	-	-
Safra Distribuidora de Títulos e Valores Mobiliários Ltda.	Subsidiary	24,097	24,098	-	-	-
Safra Corretora de Valores e Câmbio Ltda.	Subsidiary	62,052	55,505	-	-	-
Sercom Comércio e Serviços Ltda.	Subsidiary	-	94,689	-	-	-
Safra Seguros Gerais S.A.	Subsidiary	8,653	5,865	-	-	-
Safra Vida e Previdência S.A.	Subsidiary	48,693	38,930	-	-	-
Banco J Safra S.A.	Subsidiary	104,257	15,810	-	-	-
JS Administração de Recursos S.A.	Related-party	(5,225)	(1,772)	-	-	-
Other companies		3	240	-	-	-
Trading account		3,260	361	-	-	-
Safra Corretora de Valores e Câmbio Ltda.	Subsidiary	3,260	361	-	-	-
Amounts receivable /(payable)		1,100	7,698	-	-	-
Safra Distribuidora de Títulos e Valores Mobiliários Ltda.	Subsidiary	-	6,745	-	-	-
Banco J Safra S.A.	Subsidiary	1,225	101	-	-	-
Other companies	Subsidiary	(125)	852	-	-	-
Deposits		(83,712)	(453,684)	-	-	-
Banco J. Safra S.A.	Subsidiary	(76,046)	(443,572)	-	-	-
Other companies		(7,666)	(10,112)	-	-	-
Interbank deposits		(8,035,552)	(3,094,186)	(353,633)	(581,299)	(324,473)
Banco Safra BSI S.A.	Subsidiary	-	(155,020)	-	(17,533)	(51,796)
Banco Safra S.A - Cayman Islands	Subsidiary	(140,286)	(160,262)	(10,274)	(12,656)	(30,676)
Safra Leasing S.A. Arrendamento Mercantil	Subsidiary	(7,487,447)	(2,644,826)	(340,361)	(546,448)	(229,054)
Banco Safra Luxemburgo	Related-party	(341,315)	(124,177)	(2,629)	(3,998)	(649)
Other companies		(66,504)	(9,901)	(369)	(664)	(12,298)



		Assets/(Liabilities)		Revenue/(Expenses)		
		12.31.2010	12.31.2009	2 nd half	12.31.2010	12.31.2009
Obligations for repurchase agreements		(17,807)	(8,997)	(874)	(2,096)	(3,807)
Banco J Safra S.A.	Subsidiary	(17,807)	(8,997)	(874)	(2,096)	(2,442)
Safra Corretora de Valores e Câmbio Ltda.	Subsidiary	-	-	-	-	(1,365)
Obligations for securities issued abroad		(434,111)	(401,686)	(5,482)	(12,440)	(17,718)
Banco Safra Luxemburgo	Related-party	(50,906)	(52,549)	-	-	-
Banco Safra S.A.- Cayman Islands	Subsidiary	(383,205)	(349,137)	(5,482)	(12,440)	(17,718)
Interbank and interbranch accounts		(76,046)	-	-	-	-
Banco J Safra S.A.	Subsidiary	(76,046)	-	-	-	-
Derivatives - Assets/Liabilities		(197,487)	(312,156)	1,269	35,631	(261,525)
Safra Leasing S.A. Arrendamento Mercantil	Subsidiary	11,886	(2,720)	8,411	15,652	(896)
Banco J Safra S.A.	Subsidiary	7,102	-	4,711	7,203	11,173
Safra Cia. Securitizadora de Créditos Imobiliários	Subsidiary	(211,780)	(292,142)	(15,645)	(28,246)	(13,612)
Banco Safra S.A.- Cayman Islands	Subsidiary	(4,695)	(17,294)	3,792	41,022	(258,190)
Trading account		(1,259)	(2,674)	(385)	(960)	(416)
Safra Corretora de Valores e Câmbio Ltda.	Subsidiary	(1,178)	-	(385)	(960)	(416)
Banco Safra Luxemburgo	Related-party	(60)	(2,670)	-	-	-
Safra National Bank of New York	Related-party	(21)	(4)	-	-	-
Income from assignment of lease receivables		-	-	-	-	6,370
Banco J Safra S.A.	Subsidiary	-	-	-	-	6,370
Income from interbank onlending		-	-	-	-	380
Safra Leasing S.A. Arrendamento Mercantil	Subsidiary	-	-	-	-	380
Leasing expenses		-	-	(5,953)	(12,167)	(13,982)
Kiama S.A	Subsidiary	-	-	(5,953)	(12,167)	(13,982)
Rental expenses		-	-	(25,079)	(49,357)	(30,864)
Safra Cia. Securitizadora de Créditos Imobiliários	Subsidiary	-	-	(23,195)	(45,590)	(27,248)
Acauã Construtora Ltda.	Related-party	-	-	(1,312)	(2,624)	(2,519)
JS Administração de Recursos S.A.	Related-party	-	-	(572)	(1,143)	(1,097)



d) Related-party transactions - Consolidated

		Assets/(Liabilities)		Revenue/(Expenses)		
		12.31.2010	12.31.2009	2 nd half	12.31.2010	12.31.2009
Interbank investments		410,561	426,209	844	1,507	3,876
Banco Safra Luxemburgo	Related-party	410,561	426,209	844	1,507	3,876
Foreign currency investments		354,139	482,314	372	858	424
Banco Safra Luxemburgo	Related-party	20,389	20,211	14	31	38
Safra National Bank of New York	Related-party	333,750	462,103	358	827	386
Deposits		(4,575)	(2,829)	-	-	-
Pastoril Agropecuária Couto Magalhães S.A.	Related-party	(12)	(65)	-	-	-
Acauã Construtora Ltda.	Related-party	(47)	(60)	-	-	-
JS Administração de Recursos S.A.	Related-party	(4,516)	(2,704)	-	-	-
Interbank deposits		(406,251)	(124,177)	(2,998)	(4,662)	(649)
Banco Safra Luxemburgo	Related-party	(341,315)	(124,177)	(2,629)	(3,998)	(649)
Safra National Bank of New York	Related-party	(27,800)	-	(84)	(168)	-
Banco J Safra Suisse	Related-party	(37,136)	-	(285)	(496)	-
Securities issued abroad		(50,906)	(52,549)	-	-	-
Banco Safra Luxemburgo	Related-party	(50,906)	(52,549)	-	-	-
Derivatives - Assets/Liabilities		(6,372)	(19,035)	3,785	40,868	(15,768)
Banco Safra Luxemburgo	Related-party	(6,372)	(19,035)	3,785	40,868	(15,768)
Dividends and bonuses payable		(5,225)	(1,772)	-	-	-
JS Administração de Recursos S.A.	Related-party	(5,225)	(1,772)	-	-	-
Trading account		(81)	(2,674)	-	-	-
Banco Safra Luxemburgo	Related-party	(60)	(2,670)	-	-	-
Safra National Bank of New York	Related-party	(21)	(4)	-	-	-
Rental expenses		-	-	(1,884)	(3,767)	(3,616)
Acauã Construtora Ltda.	Related-party	-	-	(1,312)	(2,624)	(2,519)
JS Administração de Recursos S.A.	Related-party	-	-	(572)	(1,143)	(1,097)

19. OPERATIONAL LIMITS

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

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

- CMN Resolution 3444/07 - Define the Regulatory Capital (PR) used to check compliance with the operating limits of financial institutions and other institutions authorized to operate by the Central Bank of Brazil;
- Resolution 3490/07 - Defines the Minimum Regulatory Capital (PRE);
- Circular 3360/07 - Establish the procedures to calculate the PRE relation to the Risk-Weighted Exposure (PEPR) Portion;
- Circulars 3361/07 to 3364/07, 3366/07, 3368/07 - Defines the procedures to calculate the PRE referring to fixed-rates exposition variation in real, coupons in foreign currency, price index coupon, coupon of interest rate, shares and commodities;
- Circular 3365/07 - Addresses the measurement of interest rate risk of transactions not classified in trading portfolio;
- Circular 3389/08 - Defines the procedures to calculate the PRE portion related to gold exposition risk, foreign currency and exchange rates change in assets and liabilities.
- Circular 3383/08 (amended by Circular 3476/09) - Defines the procedures to calculate the PRE portion related to operational risk (POPR), addressed by Resolution 3490/07.

Based on the regulations mentioned in the paragraph above, the Financial Group's Regulatory Capital (PR) on a consolidated basis, as of December 31, is as follows:

	CONSOLIDATED FINANCIAL		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Regulatory Capital (PR)	6,600,399	5,815,453	6,498,785	5,759,830
- Tier I	5,595,616	5,117,479	5,595,616	5,119,589
Shareholders' equity	5,613,742	4,906,546	5,613,742	4,908,656
Deferred permanent assets excluded from tier I	(18,371)	(79,214)	(18,371)	(79,214)
Valuation adjustments excluded from tier I	245	1,324	245	1,324
Allowance exceeding minimum allowance required by rating established by CMN Resolution 2682/99 (1)	-	288,823	-	288,823
- Tier II	1,004,783	697,974	1,004,783	697,974
Subordinated debt	1,005,028	699,298	1,005,028	699,298
Valuation adjustments	(245)	(1,324)	(245)	(1,324)
- Deductions	-	-	(101,614)	(57,733)
Quotas of investment fund	-	-	(101,614)	(57,733)
Required Regulatory Capital (PRE)	5,161,642	3,984,482	5,130,487	3,943,314
- Credit risk	4,940,560	3,893,777	4,897,358	3,852,609
Exposures weighted by risk factors (PEPR)	4,940,560	3,893,777	4,897,358	3,852,609
- Market risk	111,038	62,203	111,038	62,203
Operations subject to interest rate variation (PJUR)	103,852	58,725	103,852	58,725
Fixed interest rate denominated in Real (PJUR1)	7,938	4,870	7,938	4,870
Foreign currency coupon (PJUR2)	37,924	40,959	37,924	40,959
Price index coupon (PJUR3)	57,990	12,896	57,990	12,896
Operations subject to commodity price variation (PCOM)	1,434	-	1,434	-
Operations subject to stock price variation (PACS)	5,752	3,478	5,752	3,478
- Operational risk (POPR)	110,044	28,502	122,091	28,502
Amount of PR calculated for covering the interest rate risk of operations classified in the trading portfolio (RBAN)	8,945	11,095	8,945	11,095
Capital margin (PR-PRE-RBAN)	1,429,812	1,819,876	1,359,353	1,805,421
Basel Ratio [PR*100/(PRE/0,11)]	14.1	16.1	13.9	16.1

(1) According to Resolution 3674/08, repealed by Resolution 3825/09, which took effect from 1 April 2010.

20. SUBSEQUENT EVENT

On January 27, 2011, Banco Safrá S.A. through its Cayman branch issued R\$ 832,759 (US\$ 500,000) of subordinated debt with maturity on January 27, 2021 and interest of 6.75% per annum, payable semi-annually plus a discount of R\$ 2,816 (US\$ 1,685). The costs related to this operation amounted of R\$ 1,840 (US\$ 1,101).

* * * * *

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

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

STATEMENTS OF INCOME

(In thousands of Brazilian reais – R\$)

Notes	BANCO SAFRA S.A.			SAFRA CONSOLIDATED	
	2 nd half of 2010	2010	2009	Years	
				2010	2009
INCOME FROM FINANCIAL INTERMEDIATION	4,178,328	7,557,338	6,043,169	7,622,389	6,601,889
Lending operations	1,956,593	3,541,121	2,559,068	4,225,245	3,346,958
Securities transactions	2,165,883	3,933,392	3,426,615	3,171,215	3,051,381
Financial income from insurance and pension plan operations	11(c) -	-	-	143,104	144,453
Foreign exchange transactions	20,578	33,306	41,733	33,306	41,733
Compulsory investments	35,274	49,519	15,753	49,519	17,364
EXPENSES ON FINANCIAL INTERMEDIATION	(3,060,082)	(5,576,328)	(4,477,398)	(5,042,171)	(4,274,395)
Derivative transactions	(302,418)	(555,340)	(753,804)	(554,258)	(657,548)
Funding transactions	(2,551,283)	(4,514,468)	(3,345,675)	(3,922,098)	(3,027,223)
Borrowings and onlendings	(193,406)	(469,775)	(264,094)	(396,803)	(340,551)
Financial expenses on insurance and pension plan operations	11(c) -	-	-	(132,267)	(135,248)
Financial assets sale and transfer operations	8(f) (12,975)	(36,745)	(113,825)	(36,745)	(113,825)
GROSS INCOME FROM FINANCIAL INTERMEDIATION BEFORE THE ALLOWANCE FOR LOAN LOSSES	1,118,246	1,981,010	1,565,771	2,580,218	2,327,494
ALLOWANCE FOR LOAN LOSSES	(69,414)	(48,117)	(331,328)	(55,249)	(224,228)
Allowance for loan losses	8(b) (95,437)	(106,154)	(392,476)	(119,113)	(292,323)
Recovery of charges	8(b) 26,023	58,037	61,148	63,864	68,095
GROSS PROFIT FROM FINANCIAL INTERMEDIATION	1,048,832	1,932,893	1,234,443	2,524,969	2,103,266
OTHER OPERATING INCOME (EXPENSES)	(388,314)	(641,458)	(161,362)	(993,517)	(894,252)
Income from services provided	13(d) 186,275	354,824	277,252	496,212	385,967
Income from bank fees	13(e) 40,558	76,034	66,718	139,928	84,032
Personnel expenses	13(f) (381,541)	(721,869)	(624,548)	(875,654)	(754,386)
Other administrative expenses	13(g) (225,341)	(449,333)	(473,570)	(499,313)	(522,987)
Tax expenses	14(a-11) (79,808)	(144,724)	(138,978)	(205,367)	(198,467)
Equity in associates and subsidiaries	15 158,033	354,551	751,087	2,405	10,579
Results from insurance and pension plan operations	11(c) -	-	-	83,637	66,654
Other operating income	13(h) 18,268	35,056	129,363	74,657	272,338
Other operating expenses	13(i) (104,758)	(145,997)	(148,686)	(210,022)	(237,982)
INCOME (LOSS) FROM OPERATIONS	660,518	1,291,435	1,073,081	1,531,452	1,209,014
NONOPERATING INCOME (EXPENSES)	4,454	7,373	1,988	7,561	3,963
INCOME BEFORE TAXES ON INCOME	664,972	1,298,808	1,075,069	1,539,013	1,212,977
INCOME TAX AND SOCIAL CONTRIBUTION	14(a-1) (129,128)	(250,725)	(163,797)	(490,930)	(301,705)
NET INCOME	535,844	1,048,083	911,272	1,048,083	911,272
No. of subscribed shares: 1,132,553 (1,085,948 in 2009) -					
Earnings per share - In reais - R\$	473.13	925.42	839.15	925.42	839.15

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