CORPORATE CREDIT POLICY

1. OBJECTIVE

Clearly set out the credit risk management guidelines and strategies of the Conglomerate.

2. GUIDELINES

2.1. Strategic direction

The Conglomerate is characterized by its history of conservatism approach and agility in adjusting to the macroeconomic context and its traditionally strict criteria for analyzing granted credits. Specialized in major corporate customers, and with strong operation in middle market, it also operates in the small and medium companies and individuals segments. In order to guarantee that all areas have the same high business standards, the traditional branches were segmented, and it currently relies on specific managers to serve each segment. It is the Conglomerate's policy to periodically follow-up its portfolio in relation to quality, liquidity, concentrations, and default, through follow-up reports sent to the senior management and commented in quarterly meetings of the credit risk management committee.

In order to keep the Conglomerate's credit risk at levels consistent with its traditional conservative approach and recognized agility in decision-making, its current policies were laid down for each stage of the credit cycle, approved by the Executive Committee and incorporated into the internal controls systems (Policies listed in item 5. Related Corporate Documents).

These policies are aimed at establishing criteria and parameters that reflects the Conglomerate's strategies, regarding the customer types that will be accepted for credit operations according to the size of Business and Individuals, the operating industries, the business activities, the economic and financial position, and the guidelines set out in the Sustainability Policy (Policy listed in item 5. Related Corporate Documents).

The Conglomerate, in every decision-making process related to credit granting, takes into consideration the internal factors (any changes in the strategic guidelines set out by the Conglomerate) and external factors (macro and microeconomic scenarios) always trying to adjust its policies, as fast as possible, to the new reality.

Safra Conglomerate, in its current structure, has three separate areas of internal credit management, each with different objectives and controls based on the characteristics of their respective operation:

- **Investment Banking**: targeted at large companies with structure operations in Capital Markets, Structured Products and Derivatives, Treasury, Brokerage Firm, and Asset Management;

- **Safra Bank**: targeted at accountholders, large, medium and small-sized businesses, and individuals that operate with several credit products. Among them are Loans – Checking Account, Credit Opening, Direct Consumer Credit (CDC) Financing and Leasing (Long-term Assets), besides Rural Financing, Surety, Assignment, Onlending – BNDES, Foreign Exchange, Housing Loans, and Advance to Shop Owners;

- **Retail**: targeted at non-accountholders, with CDC/Light Vehicle Leasing Operations.

The Conglomerate basically operates in two major groups of customers:

Accountholders: (Individuals and Business): The credit operations are originated in the Conglomerate's branch network. The commercial management is responsible for collecting and recording information in the systems for the analysis of the risk level of the credit transaction and the customer, adjusting the loan and/or financing options available to its needs.

Non-accountholders: The credit operations of non-accountholders are concentrated in the leasing company and have different origins, depending on the product:

- CDC/Veículos Leves: Operadores próprios atuando em Concessionárias e Lojas
- Consignados: Operadores Próprios e Operadores Terceirizados (Corbans) atuando em Repartições Publicas/Empresas Conveniadas.

For both, the Conglomerate developed credit policies adopting a centralized approach, systemically controlled, setting the segregation of duties aimed at acting preventively in relation to credit, market (credit risk of the counterparty), and operational risks. The activities related to the credit revision and monitoring are performed by professionals in areas independent from those involved in credit analysis and granting, and the release of funds is performed by professionals not involved in the granting or approval phases.

The operations in these two groups of customers also observe the legal aspects provided in Laws 4,595/64 and 7,492/86, which do not allow credit transactions with:

- Executive officers and members of the advisory, administrative and fiscal councils, and similar bodies, nor do with their respective spouses;
- Relatives, up to once removed, of the individuals referred to in the previous paragraph;
- Individuals or business that hold more than 10% ownership interest in the capital of the financial institution;
- Legal entities in which the Financial Institution holds more than 10% (ten percent) ownership interest;
- Businesses in which capital any of the executive or senior management members of the Financial institution itself or their spouses and respective relatives up to once removed holds over 10% (ten percent) of ownership interests.

2.1.1.Market Segmentation

In order to avoid the increase in credit risks arising from excess concentration in the same economic risk factors, the credit limits are set to customers individually as well to the economic groups to which they belong. The limit set to the group is equal to the sum of the individual limits of the customers that comprise it.

The setting of credit limits specifies the maximum transaction amounts, thus avoiding excess concentration in:

- A single customer/economic group;
- A certain business or economic segment;
- Specific geographical regions;
- Vulnerable loans to the same economic factors;
- One only business activity.

The setting of operating rules to enter into credit agreement set out specific treatments of term and guarantee for each business activity and loan or financing type (see Policy on the Sufficiency Level of Guarantees).

The periodic follow-up of the portfolio breakdown/concentration is performed by monthly or quarterly managerial controls over the credit portfolio, developed by the Superintendence of ALL Modeling and Processes and the Superintendence of Portfolio Management, Business Intelligence and Capital, and shared with the Executive Committee.

2.1.2.Customer Segmentation

The Conglomerate's customer base is segmented in categories for credit operation analysis. They are as follows:

Individual:

- **Accountholder**:
  - **Branch** Segment: Customers with over R$50,000.00 of funds invested in the Bank (in their own account or risk group), or average volume of funds over the past six months above R$15,000.00, (in their own account or risk group). Exceptions are allowed for the following cases: customers of PABs (where we provide payroll services), employees and shareholders of companies that are accountholders of the Bank;
  - **Private** Segment: Customers or family groups with investment potential above R$ 5 million. When we find them in cities very far from the Private units, they are designated to the Branch Segment.
- **Non-accountholder**: Direct Consumer Credit (CDC)/Light Vehicle Leasing operations.

Legal entity: the customer segment is defined based on the annual revenue of the company (or the sum of the annual revenue of the Economic Group), according to the data recorded in the CCL System (Unified Record of Customers):

- **Company** segment: annual revenue up to 200 million reais;
- **Middle** segment: annual revenue from 200 million to 1 billion reais;
- **Corporate** segment: annual revenue above 1 billion reais.

The details of these processes are described in the Policies on Credit Granting to Legal Entity and Individual.

2.1.3.Concentration Limits

The Concentration Limits are aimed at avoiding that credit risks are increased due to excess concentration in Customers/Economic Groups.

Its monitoring, carried out by the Executive Superintendence of Credit Policies/Management and Modeling, is periodic, and whenever such indicators are close to the ceiling set by Resolution 2,844/01, they are brought up for discussion in the Credit Risk Management Committee for evaluation (timely or of scenario/internal strategy) and formulation, if necessary, of action plans.

2.1.3.1. Limits on Market Segmentation

- A single customer/Economic Group: limited to 25% of the adjusted equity (PLA), con consolidated basis, according to the Resolution 2,844/01;
- Limit set at 600% of the Regulatory Capital (PR) for the sum of Concentrated Exposures, on consolidated basis, according to the Resolution 2,844/01.

The Concentration of credit exposure of customers in the Bank's credit portfolio is also controlled by the Institution in the periodic meetings of the "Large Risks Committee".

This Committee, which meets at least bimonthly or upon timely request of the Bank's Executive Committee, inspects and controls the concentration and amounts exposed to the risk of the 300 largest borrowing Economic Groups, the coverage level with guarantees of the balance of such customers at the Institution, besides taking resolutions on actions regarding the credit exposure of each customer with authority to establish the reduction in the total exposure of the Group, determines the non-increase in the short exposure, the reduction in short exposure, among other measures.

This Committee is formed by members of the Bank's Executive Committee and Credit, Commercial, and Risk Review and Monitoring Managements. The Committee's resolutions, when adopted, are uploaded in the Bank's systems through the Operational Platform, leading to their corporate-wide acknowledgment and compliance.

Further information on the Large Risks Committee is detailed in the Internal Rules of the Large Risks Committee.

2.2. Policy on Approval Levels and Delegation of Power

2.2.1.Executive Management

Maximum level for resolution on credit, which main duties regarding these issues are as follows:

- Set out Credit Policies and Approval Levels of the committees and areas;
- Examine the budget proposals of the credit areas and their changes over time;
- Assess risk and set credit limits taken in relation to the largest debtors of Banco Safra.

2.2.2.Joint Approval Levels

All decisions on credit operations are made according to the Conglomerate's approval level plan, which provides for joint decisions and is available on Intranet. The rules on Approval Levels are described in the Policy on Approval Levels.

The process integrity, that is, the submission of the proposal to the committee, which has authority to make decision on it, is assured by the credit systems (the POC is integrated into the module of Approval Levels, which does not permit credit approval at levels below the minimum one set out in the policy on approval levels).

The credit decision structure comprises committees, always in joint approval levels (with at least two participants in the decision), who are responsible for credit granting, according to the conditions of approval levels set out by the Executive Management.

The Credit Committees are the main decision-making approval levels of credit proposals of the Conglomerate with joint responsibility for making decisions on credit granting, according to the following:

Customer Segmentation:

- Corporate;
- Middle;
- Company; and
- Individual.

Product Segmentation for specific cases of:

- Long-term Assets;
- Spot Exchange;
- Payroll Advance Loan (Leasing company); and
- Advance to Shop Owners (Leasing company).

Specific issues:

- Operations with other financial institutions;
- Human Resources (loans to employees).

The Recovery Committees have the joint responsibility for making decisions on the debt renegotiation and are basically divided into customer segment and amount.

Further information on the Asset Recovery Committee is detailed in the Internal Rules on Asset Recovery Committee.

The Large Risks Committees have the following responsibilities:

- DAC Committee: Analyze the 300 largest Credit transaction of the Conglomerate to establish/review the Customer's Score. Its meetings are held bimonthly.
- Review Committee: Review the largest risks of the Conglomerate to assess the involved risks and set the maximum credit limit/risk appetite by customer. Its meetings are held at least three times a year or upon request.

All Committees have a maximum amount of risk set for economic group and an amount of "Clean" approval level, in compliance with the credit policies in effect, according to the Consolidated Approval Level Letter (see Policy on Credit Approval Levels).

2.3. Credit Cycle

2.3.1. Analysis and Decision – Granting

The Conglomerate, for credit decision process, tries to obtain the largest volume of information on the customer and its business, as well as understand its legal capacity and estimate its repayment capacity, based on its fund generation level, capital structure and liquidity. This information, plus the fulfillment of credit criteria and policies, provides support to final decision-making on the requested transaction.

The credit granting flow is supported by the systems SCM and SCF, which enable the electronic record and follow-up of the entire process, since the recording of the proposal to the carry out of the transaction, ensuring security conditions and traceability, besides maintaining a database history of credit transactions.

2.3.1.1. Credit Analysis of Banco Safra

Under the direct management of an Executive Superintendent of Credit, the main duties of the area is to conduct studies on credit granting proposals, by means of financial analysis of the applicant/customer, and the preparation of credit opinion reports. This area is subdivided as follows:

Corporate, Middle and Company Credit Analysis:

- Create the agenda of visit based on financial statements, record data reports, sectoral analyses, and restrictions;
- Visit current and potential customers, aiming at assessing their operational performance, capital structure, capacity to generate funds, and market relationships;
- Prepare credit analysis reports, making available credit opinion reports in the Conglomerate's systems;
- Follow-up the economic and financial condition of the largest risks of the Conglomerate;
- Hold internal credit committees meetings, aiming at standardizing procedures and unifying the adopted technical criteria;

- Receive and enter financial data in the credit system spreadsheets and make available balance sheets and trial balances, sums, consolidated financial statements, annual reports, balance sheets of financial institutions and credit cooperatives, among other accounting documents, in order to support credit decision in all forums;

- Make the analysis and creation of economic groups, aiming at supporting the credit decisions regarding the risk potential of legal entities and individuals which are statutorily related;

- Follow-up the participation of superintendence and middle management members who serve on the Committee (businesses and respective guarantees);

- Issue technical opinion reports on customers, as support to decisions of Credit Committees.

Individual Segment Credit Analysis – Accountholder:

- The credit decision process for the Branch Segment is automated in relation to the approval of Global Lines for Overdraft-secured Check, Credit Card, and CredSafra. This automated process is based on the use of the Credit Score and Behavior Score models, and on specific credit policies, which are parameterized in a credit decision system (see “Policy on Credit Granting to Individuals”);

- For other credit products, the proposals are analyzed using judgment, taking into account that the analysis and decision follows the hierarchy established in the Consolidated Approval Level Letter.

Credit Analysis of Industries:

- Conduct special studies on credit granting proposals, by means of financial analyses of companies, focused on financial statements and sector data;

- Make visit to customers, aiming at assessing their operational performance;

- Follow-up by sector of the credit portfolio;

- Prepare the analysis and provide financial institution data to the Executive Committee aimed at informing, supporting, and recording the limits set for its operations.

2.3.1.2. Credit Analysis of Leasing Company

On direct responsibility of an Executive Superintendent of the Leasing Company, the credit analysis is automated in view of the characteristics of its customers (non-accountholders) and products focused on CDC/Light Vehicles and Payroll Advance Loans operations. In the case of the CDC/Light Vehicle Leasing portfolio, the entire decision process is based on the use of Credit Score Models and pre-established policies on acceptance (see “Credit Granting by Leasing company – Vehicle Financing”).

2.3.1.3. Analysis of Credit to Employees

It follows the specific granting standards and the decision is incumbent upon the Human Resources Executive Management for the employees of the Headquarters and the Group’s Commercial Area. In the decision-making process, the executive superintendent of the area to which the employee reports, issues an opinion on the requested loan (details in the Policy on “Granting to Individual”).

2.3.1.4. Analysis of Credit to PAB Customers

PABs are Points of Banking Services, located in a company's premises and whose accountholders are the employees who are in the payroll of such company. The credit decision process for the PAB Segment is automated in relation to the approval of the Global Lines for Overdraft-secured Check, Credit Card, and CredSafra. This automated process is based on the use of the Credit Score and Behavior Score models, and on specific credit policies, which are parameterized in a credit decision system (see "Policy on Credit Granting to Individuals").

2.3.2.Formalization:

For a guarantee to effectively become a credit risk mitigation factor, the Conglomerate has to assure that it is correctly analyzed and formalized.

The guarantee requirement arises from the credit risk level, so that customers on a weaker economic and financial condition are backed by guarantees that are able to make the transaction payment viable. Notwithstanding the setting of minimum limits on guarantees for each type, in the analysis of a transaction additional guarantees may be required, always aiming at backing the transaction.

All the guarantees that are accepted in transactions are carefully examined, to eliminate possibilities of fraud (by means of the formalization of its documentation), and following the rules in effect.

The process of formalization and release of credit transactions is carried out by an area that is hierarchically independent from those that make and approve businesses.

The credit transactions are electronically treated, analyzed and released (with exception of the Foreign Exchange transactions), considering that there are three release centers:

- Responsible for Banco Safra's operations, Long-term Assets, Rural Financing, and Housing Loans;

- Responsible for the release of Foreign Exchange transactions.

The release of funds to the customer is the end of the credit granting process. According to the Conglomerate's current policies, the release of a transaction must be obligatorily supported by an approved credit proposal, having specific approval levels in place for releasing such transaction whenever checked by employees independent from the commercial process.

2.3.2.1. Legal Formalization Documents

2.3.2.1.1. Credit Transactions

All credit transactions are formalized by means of the CCB, except for the following:

- Checking account adherence statement of up to R$20M;

- Surety, Leasing, Foreign Exchange, Derivatives (these products, although without CCB, have other mitigation aspects such as settlement and reimbursement clauses).

2.3.2.1.2. Guarantees

- **Conditional Assignment** - all guarantees are assigned on condition to the Bank. Exceptions exist only if authorized by Credit Committees;

- **Chattel Mortgage** - formalization instrument for furniture, real estate, or inventories.

Credit transactions supported by such instruments are not submitted to the effects of the judicial recovery, contributing to a more agile collection and/or recovery process.

- **Mortgage – used only in two cases:**
    - Corporate Plan (only until the delivery of keys): contracts formalized with mortgage guarantee of the land and construction, together with the conditional assignment of the real estate receivables.
    - When the real estate amount provided as guarantee is lower than the debt amount, the entire formalization is made through mortgage.

2.3.3.Monitoring

The credit risk arises from the time the transaction is released, and the Conglomerate has as policy its continuous follow-up, aiming at assuring the return of funds, and maintaining the profitability of each transaction, with the consequent retention of customers in their respective Segments.

This phase of follow-up of the condition of customers and transaction guarantees is what assures the quality of a portfolio with the characteristics of the Conglomerate.

2.3.3.1. Monitoring of Guarantees

The minimum guarantees required by credit type/products are set in the product approval process to which the Credit area belongs, and their application is always guaranteed systemically (comparing with the proposal approval).

In the event of deterioration of the customer's economic and financial condition, guarantees still considered liquid are used for amortizing the debt balance (financial investments and receivables). Additional guarantees such as vehicles and machinery will require the adoption of collection procedures for actually repossessing them and settling the debt balance.

The guarantee liquidity control instruments assure that the risk coverage level versus the guarantee is constantly monitored. The frequency of this follow-up varies according to the Guarantee type:

- In case of **Billable Amounts** - daily follow-up of liquidity of receivables and risk coverage against guarantee;

- In case of **Vehicles**- daily follow-up of inventory changes and calculation of guarantee surplus/shortage from the Economic Group perspective. Monthly, the market value of the asset is adjusted by the Molicar table and the 300 largest risks are manually updated in order to assure that the asset adjustment have not been stressed by the automated routine;

- Other cases, such as **real estate and machineries** are appraised upon the transaction, or whenever there is indication of impairment of customer or transaction.

The efficiency of this follow-up enables the control and follow-up of guarantee “surplus/shortage”, and, accordingly, the turnover of customer transactions with the Conglomerate.

2.3.3.2. Monitoring of Customers

In addition to the Guarantee monitoring, the follow-up of customer is also carried out according to the document "Policy on Portfolio Review and Monitoring". Some monitoring aspects are as follows:

- Development of the indebtedness in the market (Risk Center of the Central Bank of Brazil);
- Percentage of market share of the Bank in the customer;
- External restrictions (by means of external Bureaus);
- Customer rating;
- Performance of receivables;
- Rate of arrears in the transaction settlement or installment payment;
- Rate of exceeding limit and use level of Overdraft-secured Check or Business Check;
- 300 Largest Risks through specific bimonthly committee.

The follow-up of the customer in the Bank enables us to find business opportunities (by taking actions on limit raise and/or prior-approval of transactions) as well as act preventively on reducing risk with customer (non-renewal of revolving limit, work on the Review area, insertion of serious restrictive notes, and early forwarding to the Asset Recovery area).

2.3.4.Recovery

The collection of transactions in arrears, without prospect for solution at the branch level, is a duty of the Asset Recovery areas.

The debt renegotiation transactions are usually agreed with adequate reinforcement of guarantees and/or amortizations. Exceptions may be made, if, at the discretion of the Executive Superintendence of Asset Recovery, there is no better option available to the Bank, and provided that the customer's cash flow shows to be sufficient to fulfill the renegotiation installments.

The conditions on which the agreements can be implemented, regarding rates, terms, currencies and amounts are clearly established in the internal policies on collection. Higher amounts are submitted to credit committees, with the opinion of the Renegotiation area.

For collection of transactions with low prospect for receipt, the asset recovery area willresort to collection in court. The in and out-of-court collections follow own criteria that depend on amounts, period in arrears, and guarantees.

The specific rules of collection strategy and/or registered as delinquent payer, use of outsourced collection companies, performance fees by recovery, sending to external law firms, discount percentage, among others, are clearly established in the internal policies of the Bank (Asset Recovery).

2.4. Risk Retention in the sale or transfer of Assets

Safra Conglomerate does not usually adopt the strategy on sale or transfer of financial assets with risk retention, this being an occasional practice in its business. The last transaction of such nature was made in 2008.

These transactions, in case they occur, are only made after a thorough process of transaction evaluation in relation to the involved risks and rewards, and detailing the respective procedures for making the accounting record and other controls.

After the approval of the transaction, the main related areas are involved in the process, so that the necessary controls are maintained in the effective credit risk management of such transaction.

The main areas involved in the process of sale or transfer of financial assets are the Finance, Credit, Legal Advisory, Tax Advisory, BackOffice, APC, Market and Liquidity Risk, and Technology.

The details of this process are described in the document “Risk Retention in the sale or transfer of assets”.

2.5. Allowances

For recognizing the allowance for loan losses, the Conglomerate adopts criteria that combine the size, the economic and financial information of the customer, and the accessory guarantees offered in the transaction. The weighting of such items establishes the minimum allowance required to meet the assumed risks, according to the rating model prepared by the Superintendence of ALL Modeling and Processes, and in accordance with the requirements provided in Resolution 2,682/99.

After such calculations and considerations, Banco Safra, following the Conglomerate’s rules on conservative approach, may supplement the allowance in excess of the provision in Resolution 2,682/99, to arrive at the definite allowance amount.

The details of this process are described in the document “Policy on Allowance for Loan Losses”.

2.6. Allowance Projections

The projection of future allowances is made using the model developed by the Superintendence of ALL Modeling and Processes. This projection is required to estimate the write-offs of losses every six months in Banco Safra. The projection is based on four variables:

- Rollover of past due amounts (worsening after 10 days);
- Payment promise;
- Delay of other transactions;
- Estimate of write-offs of loss.

The details of this process are described in the document “Projection of Allowance for Loan Losses”.

2.7. Regulatory Capital

Safra Conglomerate determines the portion of the Minimum Requirement of Regulatory Capital related to exposures weighted by risk factors (RWA), following the effective rules that establish the procedures for calculating the regulatory capital (Circular 3,644/13), not existing any particularity to be declared.

The details of this process are described in the Policy on the Portion of Exposures Weighted by Risk Factor.

2.8. Economic Capital

The economic capital is related to the assets or capital that a bank shall allocate in case of credit losses (default) which are in excess of the expected estimated loss.

Safra Conglomerate calculates the allocated Economic Capital according to the CreditRisk+(CR+) model, developed by Credit Suisse. This model uses input parameters consistent with the Basel Accord and the regulation authority.

The details of this process are described in the document 'Method, Calculations, and Rules – Economic Capital Calculation using Internal Models'.

2.9. Periodic Follow-up of the Portfolio Quality

Periodically, the Conglomerate analyzes the following topics, in order to prevent and follow-up the development and quality of the portfolio:

- Development of the portfolio by size (Legal Entity and Individual) and product;
- Concentration rate of largest risks, largest allowances, and largest credit operations;
- Concentration rate by business activity;
- Default by product;
- Allowance: history amounts, expectations for the following months, and management of figures estimated for the following month together with the Asset Recovery areas (Bank).

The details of this process are described in the document "Calculation Method and Managerial Report Rules for the Senior Management".

2.10. Stress Test

In order to evaluate the credit portfolio on atypical conditions, Safra Conglomerate runs simulations of extreme conditions, taking into consideration changes in market patterns and assumptions errors. These simulations are tools that complement the establishment or review of credit policies and limits.

The details of this process are described in the "Stress Test" Policy.

Validity: Exercise of 2018 **Review:** April of 2019