Porto Seguro’s Circle of Excellence
A cycle that drives us to continuous empowerment and self-improvement.

If 2009 was marked by the partnership between Porto Seguro and the Itaú Unibanco Group, 2010 reflects the consolidation of that process, with positive results for the company.

Circle of Excellence is the best expression to describe Porto Seguro’s current moment. A virtuous process of constant growth, in which every idea, every innovation is put into actions that translate into positive results, which in turn generate the resources and transformational environment that refuel the whole cycle.

A well-grounded cycle, which is Porto Seguro’s essence and driving force, propelling the company to the future and to new and greater achievements.
Message from the President

2010 was a rewarding year, with intense work in the integration and structuring of teams and building of a sales model that makes use of combined efforts and scale gains, not affecting the trust of any of our stakeholders: employees of associated companies, insurance brokers and all our other business partners, to whom we thank for the trust and dedication. This was also the first full year since the association with Itaú Unibanco.

In 2010 we celebrated one year of the campaign Trânsito+gentil ("A More Gentle Traffic), aimed at encouraging drivers to seek to a more harmonic interaction in this city's crowded streets. It begun in São Paulo's metropolitan region and was expanded to Rio de Janeiro and Paraná. We also highlight Cidade Portinho Seguro Auto, a project aimed at taking to children the importance of respecting traffic laws from an early age. Its project was reformulated from its structure and playful activities, to the increase of units to serve several cities in Brazil.

We also take the opportunity to emphasize the opening of the Quick Service Centers (CAR, in the Portuguese acronym), a structure specially assembled to ensure convenience when solving an incident. There are more than 40 units throughout Brazil.

Finally, we wish to express our special thanks to our Customers and Shareholders for the support received, that helped us to meet the results presented and also the dedication of our employees and providers that have always sought to overcome expectations in our servicing.

Jayme Brasil Garfinkel
President of Porto Seguro
PLANNING
We always have our eyes on the future.

Porto Seguro seeks excellence as a means of constantly outdoing itself.

Since it was founded, Porto Seguro has always lived in the present with its eyes on the future, focusing on growth, the improvement of products and services and the development of new solutions that cater to all its customers. This kind of work enables us to offer an ever-growing range of products and possibilities, helping insurance brokers build up customer loyalty, developing a trusting relationship with all our stakeholders and establishing the company's credibility in the market.
Corporate Profile

Porto Seguro is part of a Corporation made up of different companies, product and corporate areas as able to offer solutions for several needs united in a single product, with innovative benefits that add value to the brand and quality to the customer’s life.

It offers what is more complete in the Brazilian market. Its products, divided in insurance and financial products, are easily connected in order to compose efficient results to meet personal and business needs, besides integrating the broker as a differentiated assistant.

Group’s Companies

- Porto Seguro Companhia de Seguros Gerais
- Porto Seguro Vida e Previdência S/A
- Porto Seguro - Seguro Saúde S/A
- Porto Seguro Seguros del Uruguay S/A
- Azul Companhia de Seguros Gerais
- Itaú Seguros de Auto e Residência S/A
- Portoseg S/A - Crédito, Financiamento e Investimento
- Portopar Distribuidora de Títulos e Valores Mobiliários Ltda
- Crediporto Promotora de Serviços Ltda
- Porto Seguro Adm. de Consórcios Ltda
- Porto Seguro Proteção e Monitoramento Ltda.
- Portoserv Promotora de Serviços Ltda
- Porto Seguro Serviços e Comércio S/A
- Porto Seguro Atendimento S/A
- Porto Seguro Serviços Médicos Ltda
- Porto Seguro Telecomunicações S/A
- Portomed - Porto Seguro Serviços de Saúde S/A
- Franco S/A - Corretagem de Seguros
Value Added
2010 / 2009 (%)

- Human Resources: 17.2%
- Government: 30.2%
- Revenue Reinvestment: 12.6%
- Dividends and Interests on the Own Capital: 7.1%
- Interest and Rents: 5.2%

2009:
- Human Resources: 15.8%
- Government: 27.1%
- Revenue Reinvestment: 8.6%
- Dividends and Interests on the Own Capital: 7.1%
- Interest and Rents: 41.4%

SOURCE: PORTO SEGURO
Insurance Products of the Company
DISTRIBUTION OF SEGMENTS (%)

- Auto
- Health
- P&C
- Others
- Life
- DPVAT

Result Table
TOTAL REVENUE (R$ MILLION)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Written Premiums</td>
<td>7,879.8</td>
<td>5,779.4</td>
<td>36.3</td>
</tr>
<tr>
<td>Pension Plan Contribution</td>
<td>138.3</td>
<td>125.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Surveillance Services</td>
<td>57.7</td>
<td>60.3</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Consortium</td>
<td>133.7</td>
<td>114.2</td>
<td>17.1</td>
</tr>
<tr>
<td>Credit Operations</td>
<td>169.1</td>
<td>139.6</td>
<td>21.1</td>
</tr>
<tr>
<td>Other</td>
<td>88.0</td>
<td>38.5</td>
<td>128.6</td>
</tr>
<tr>
<td>Net Financial Results</td>
<td>709.8</td>
<td>533.9</td>
<td>32.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>9,176.4</strong></td>
<td><strong>6,791.0</strong></td>
<td><strong>35.1</strong></td>
</tr>
</tbody>
</table>

SOURCE: PORTO SEGURO
Total Revenue
(RS MILLION)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (RS Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2,758.5</td>
</tr>
<tr>
<td>2004</td>
<td>3,232.4</td>
</tr>
<tr>
<td>2005</td>
<td>3,849.9</td>
</tr>
<tr>
<td>2006</td>
<td>4,497.7</td>
</tr>
<tr>
<td>2007</td>
<td>5,021.7</td>
</tr>
<tr>
<td>2008</td>
<td>5,799.6</td>
</tr>
<tr>
<td>2009</td>
<td>6,791.0</td>
</tr>
<tr>
<td>2010</td>
<td>9,176.4</td>
</tr>
</tbody>
</table>

CAGR: 18.7%

SOURCE: PORTO SEGURO
Business Strategy

Porto Seguro seeks for growth and profitability through its continued expansion. Leader in Auto and homeowner in the main cities of Brazilian market, it aims to increase the offer of other products and services.
Corporate Governance

Porto Seguro’s stocks are listed at “Novo Mercado” (New Market). Novo Mercado is a special segment of São Paulo’s stocks exchange, exclusively aimed at companies that meet the minimum previously set requirements and accept to abide by differentiated “corporate governance” rules. The items below summarize the main points that characterize the Novo Mercado and are applicable to the Company:

- Division of capital stock exclusively in common stocks;
- Stocks that represent at least 25% of capital stock should be in circulation (they cannot be held by the controller);
- Upon transfer of control, even if due to successive sales, the business should be conditioned so that the same conditions offered to the controller shareholder are offered to minority shareholders, including the same price (tag-along);
- Management council with at least 5 members, with an up to two years unified office;
- Statement of cash flow in ITRs and in early accounting statements;
- From the second year since adhering to Novo Mercado, the disclosure of accounting statements also in English and in the international standards “US GAAP” or “IFRS” becomes mandatory;
- The corporate events schedule should be disclosed in a yearly basis;
- The leaving of Novo Mercado is conditioned to the performance of public purchase offer for a fair value;
- Adhesion to the Market Arbitration Chamber.
INNOVATING
We seek what is new, we stimulate creativity.

Porto Seguro reinvents itself every day, creating products and services that improve people’s lives.

Innovation is one of Porto Seguro’s trademarks. Bike Serviços, Porto Serviços, Portovias and Auto Mulher are a few examples of tailor-made services, created to integrate the everyday life of an increasing number of people with different needs. Innovation is part of our philosophy and constantly leads us to confront pre-established ideas and rethink our products to fit new realities.
2010 Highlights

**Felisa**
An electric bicycle developed to present a non-polluting transport alternative and to facilitate pedaling uphill. In 2010, there was an increase in points of sales.

**Car insurance request via iPhone**
An app for Auto customers to request services and consult benefits in a more practical manner.

**New Corretor Online**
Reformulation of Porto Seguro’s website dedicated exclusively to the brokers. The portal had a change in its look and infrastructure to offer an environment even more organized and with easy navigation.

**Reformulation of Porto Vias**
This Porto Seguro Auto’s service informs in real-time the best course between two or more paths previously recorded. In the portal, both the Company’s customers and non-customers, in São Paulo and in Rio de Janeiro have several functionality in the search for the best course in their daily activities.

**Porto Seguro Eventos**
Insurance with a broad variety of coverage for events organizers, attendance and employees. The basic collateral ensures the losses caused by material or bodily damages to third parties or the policyholder’s own employees, caused by several risks, as cancellation or accidents.

**Porto Seguro Cartões**
A new benefit for policyholders that frequently use Porto Seguro Visa, 7% discount in the Auto insurance renovation for those electing the credit card as payment method.

**Porto Seguro Colletive Injury Insurance**
An insurance that offers protection and assistance to students in the event of accidents in the practice of activities both within and without the school establishment, during the insurance effective period.
Quick Service Centers (CAR)
Policyholders have a structure needed to ensure convenience when solving an incident. There are more than 40 units throughout Brazil.

Automotive Center for motorcycles
Porto Seguro Auto opened new specific automotive centers to carry out repairs and maintenance services in motorcycles.

Reformulation of Porto Seguro Residência
A home insurance even more attractive and complete for customers. It now has four options of services plans: Compact, Essential, Comfort and Premium.

Porto Serviços
It meets the safety and maintenance needs of condominiums, making the daily life of building managers and joint-owners easier. The service is exclusive for residential and commercial condominiums of Greater São Paulo and São Paulo's coast line.

Porto Seguro Personal Accidental Travel
An insurance offering a range of assistances in the case of incidents occurring during national and international travels.
Porto Seguro Auto

The insurance offers a range of benefits and services, from discounts in parking lots to free diagnostics in Automotive Centers. It has more than 1.6 million customers throughout Brazil. Among the launches in 2010, there Quick Service Centers (CAR, in the Portuguese acronym), in which the policyholders have the necessary structure assembled to ensure convenience when solving an incident, Automotive Center for Motorcycles and reformulation of Porto Vias.

Other than that, the campaign Trânsito+gentil, a more polite traffic, initially launched in the state of São Paulo, was expanded to the states of Rio de Janeiro and Paraná. The campaign offers a 5% discount to contract or renew insurance for drivers with zero points in their licenses.

### Result Table

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written Premiums (R$ million)</td>
<td>3,055.0</td>
<td>2,783.0</td>
<td>9.8</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>52.3</td>
<td>51.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Insured Vehicles (thousand)</td>
<td>1,884</td>
<td>1,765</td>
<td>6.7</td>
</tr>
</tbody>
</table>

**SOURCE:** PORTO SEGURO

### Total Revenue

(R$ MILLION)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1,372.8</td>
</tr>
<tr>
<td>2004</td>
<td>1,667</td>
</tr>
<tr>
<td>2005</td>
<td>1,866.7</td>
</tr>
<tr>
<td>2006</td>
<td>2,160.9</td>
</tr>
<tr>
<td>2007</td>
<td>2,410.2</td>
</tr>
<tr>
<td>2008</td>
<td>2,538.8</td>
</tr>
<tr>
<td>2009</td>
<td>2,783</td>
</tr>
<tr>
<td>2010</td>
<td>3,055.2</td>
</tr>
</tbody>
</table>

**CAGR: 1211%**

**SOURCE:** PORTO SEGURO
Azul Seguros

Azul Seguros’ Auto insurance is an option that matches price and a quality service. It is aimed towards people seeking for the strength of Porto Seguro brand, but in a more economical option.

### Result Table

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written Premiums (R$ million)</td>
<td>944.3</td>
<td>714.6</td>
<td>32.1</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>68.6</td>
<td>70.5</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Insured Vehicles (thousand)</td>
<td>823</td>
<td>618</td>
<td>33.1</td>
</tr>
</tbody>
</table>

SOURCE: PORTO SEGURO

### Total Revenue

(R$ MILLION)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>42.1</td>
<td>103.9</td>
<td>182.5</td>
<td>269.1</td>
<td>349.5</td>
<td>556.1</td>
<td>714.7</td>
<td>944.3</td>
</tr>
</tbody>
</table>

CAGR: 56%

SOURCE: PORTO SEGURO
Itaú Seguros de Auto e Residência

The new company comes from the association between Porto Seguro and Itaú Unibanco, strengthening the leadership in the branches of car and residence insurance and offering to our customers what is more complete in the market. The company is present throughout the country.

<table>
<thead>
<tr>
<th>Result Table</th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written Premiums (R$ million)</td>
<td>1,435.4</td>
<td>367.4</td>
<td>290.7</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>65.7</td>
<td>70.0</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Insured Vehicles (thousand)</td>
<td>1,064</td>
<td>1,150</td>
<td>(7.5)</td>
</tr>
</tbody>
</table>

Data from 2009 refer only 4Q09.
FONTE: PORTO SEGURO
Health and Dental

Porto Seguro Saúde, available only to the corporative segment, has a full referenced range of hospitals, physicians, practices and offices throughout the country. Other than that, it offers the Health Promotion Institutes for management and treatment of chronic diseases, labor medicine programs and guidance of specific physicians. Through a registered dentists network, Porto Seguro also offers the dental insurance, aiming to supplement the traditional health insurance.

<table>
<thead>
<tr>
<th>Result Table</th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written Premiums (R$ million)</td>
<td>715.1</td>
<td>662.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>70.5</td>
<td>75.7</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Lives Insured (thousand)</td>
<td>467</td>
<td>397</td>
<td>17.6</td>
</tr>
</tbody>
</table>

SOURCE: PORTO SEGURO

Written Premiums
TOTAL CORPORATE HEALTH PLANS (R$ MILLION)

SOURCE: PORTO SEGURO
Life and Private Pension

With the concept of individual and family protection, the Life and Private Pension products meet the customers concerned with the present and future well-being of their families.

Among the products offered there are: FPDA and traditional life insurances, both for companies and natural entities. In 2010, was launched Porto Seguro personal accident travel, an insurance offering a range of assistances in the case of incidents occurring during national and international travels.

<table>
<thead>
<tr>
<th>Result Table</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIFE INSURANCE</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>Written Premiums (R$ million)</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
</tr>
<tr>
<td>Lives Insured (thousand)</td>
</tr>
</tbody>
</table>

SOURCE: PORTO SEGURO

Written Premiums
LIFE INSURANCE (R$ MILLION)

SOURCE: PORTO SEGURO
### Result Table

**PENSION PLAN AND VGBL**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Plan Contribution (R$ million)</td>
<td>138.3</td>
<td>125.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Premiums - VGBL (R$ million)</td>
<td>114.3</td>
<td>92.6</td>
<td>23.4</td>
</tr>
<tr>
<td>Mathematical Reserves (R$ million)</td>
<td>1,495.1</td>
<td>1,209.6</td>
<td>23.6</td>
</tr>
<tr>
<td>Total active participants (thousand)</td>
<td>143</td>
<td>134</td>
<td>6.7</td>
</tr>
</tbody>
</table>

As of 2007, pension portability is not included in the contribution income group.

**SOURCE:** PORTO SEGURO

### Pension Plan Contributions

(R$ MILLION)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension Plan Contribution</th>
<th>Premiums - VGBL</th>
<th>Mathematical Reserves</th>
<th>Total Active Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>92.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>96.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>101.5</td>
<td></td>
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<tr>
<td>2006</td>
<td>105.0</td>
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<tr>
<td>2007</td>
<td>101.3</td>
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<tr>
<td>2008</td>
<td>115.4</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2009</td>
<td>125.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>138.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CAGR: 5.9%

As of 2007, pension portability is not included in the contribution income group.

**SOURCE:** PORTO SEGURO
Property and Casualty

Porto Seguro offers a wide range of P&C insurances, aiming to protect individual and corporative products. Among them, the highlights are:

- Agricultural Garden
- Agricultural Yard
- Contract Duties Warranty
- Engineering Risks
- Dealers Insurance
- Condominium Insurance
- Events and Portable Equipment Insurance
- Business Insurance
- Insurance for Hotels and Inns
- Home Insurance
- Insurance for Various Risks
- Insurance for Bars and Restaurants

### Result Table

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Written Premiums (R$ thousand)</td>
<td>209.6</td>
<td>158.9</td>
<td>31.9</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>43.4</td>
<td>42.3</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Building</strong></td>
<td>2010</td>
<td>2009</td>
<td>VAR%</td>
</tr>
<tr>
<td>Written Premiums (R$ thousand)</td>
<td>15.3</td>
<td>15.8</td>
<td>(3.2)</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>50.4</td>
<td>59.6</td>
<td>(9.2)</td>
</tr>
<tr>
<td><strong>Porto Homeowner</strong></td>
<td>2010</td>
<td>2009</td>
<td>VAR%</td>
</tr>
<tr>
<td>Written Premiums (R$ thousand)</td>
<td>82.0</td>
<td>68.1</td>
<td>20.4</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>47.5</td>
<td>54.3</td>
<td>(6.8)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>2010</td>
<td>2009</td>
<td>VAR%</td>
</tr>
<tr>
<td>Written Premiums (R$ thousand)</td>
<td>37.3</td>
<td>26.8</td>
<td>39.2</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>21.3</td>
<td>22.5</td>
<td>(1.2)</td>
</tr>
<tr>
<td><strong>Total Porto P&amp;C</strong></td>
<td>2010</td>
<td>2009</td>
<td>VAR%</td>
</tr>
<tr>
<td>Written Premiums (R$ thousand)</td>
<td>344.2</td>
<td>269.6</td>
<td>27.7</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>42.8</td>
<td>45.3</td>
<td>(2.5)</td>
</tr>
<tr>
<td><strong>Itaú Auto e Residência Homeowner</strong></td>
<td>2010</td>
<td>2009</td>
<td>VAR%</td>
</tr>
<tr>
<td>Written Premiums (R$ thousand)</td>
<td>266.7</td>
<td>62.7</td>
<td>325.4</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>27.3</td>
<td>25.5</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total P&amp;C with Itaú Auto e Residência Homeowner</strong></td>
<td>2010</td>
<td>2009</td>
<td>VAR%</td>
</tr>
<tr>
<td>Written Premiums (R$ thousand)</td>
<td>610.9</td>
<td>332.3</td>
<td>83.8</td>
</tr>
<tr>
<td>Loss Ratio (%) - Var (p.p.)</td>
<td>35.5</td>
<td>40.8</td>
<td>(5.3)</td>
</tr>
</tbody>
</table>

*SOURCE: PORTO SEGURO*
Cargo

Porto Seguro offers products and services directed to cargo transport or shipping companies, adding reliability and safety in the time of transport of goods and merchandise.

Re: Revenue from Transportation Services

<table>
<thead>
<tr>
<th>Year</th>
<th>(RS MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>65.7</td>
</tr>
<tr>
<td>2006</td>
<td>61.6</td>
</tr>
<tr>
<td>2007</td>
<td>68.7</td>
</tr>
<tr>
<td>2008</td>
<td>92.5</td>
</tr>
<tr>
<td>2009</td>
<td>84.4</td>
</tr>
<tr>
<td>2010</td>
<td>92.6</td>
</tr>
</tbody>
</table>

CAGR: 5.15%

SOURCE: PORTO SEGURO
Financing and Credit Card

The company offers financing and refinancing of cars, payroll loans and personal credit. There is, also, the credit card Porto Seguro Visa International in three versions. With this product, the customer accumulates points that generate discount in car insurance, among other services.

Result Table

<table>
<thead>
<tr>
<th>PORTOSEG</th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Credits Operation (R$ million)</td>
<td>169.1</td>
<td>139.6</td>
<td>21.1</td>
</tr>
</tbody>
</table>

SOURCE: PORTO SEGURO

Credit Portfolio

(R$ MILLION)

<table>
<thead>
<tr>
<th>Credit Card</th>
<th>24.1 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑</td>
<td>724.3</td>
</tr>
<tr>
<td></td>
<td>898.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing and Refinancing</th>
<th>0.8 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑</td>
<td>288.8</td>
</tr>
<tr>
<td></td>
<td>291.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>17.4 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑</td>
<td>1,013.1</td>
</tr>
<tr>
<td></td>
<td>1,189.6</td>
</tr>
</tbody>
</table>

Data of total Credit Operation Portfolio.

SOURCE: PORTO SEGURO
Surveillance and Monitoring

In order to ensure safety to the property of companies and residences, the company offers the Surveillance and Monitoring products. There is the selling of surveillance cameras, alarms, presence sensors, among other pieces of equipment, with their own support team. For the automobile monitoring, Porto Seguro developed DAF-V, that tracks and blocks in the case of robbery or theft. On the other hand, for cargo transportation, Porto develops with the company the best security plan.

<table>
<thead>
<tr>
<th>Result Table</th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Surveillance Services (R$ million)</td>
<td>57.7</td>
<td>60.3</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Clients (thousand)</td>
<td>23</td>
<td>18</td>
<td>28.5</td>
</tr>
</tbody>
</table>

SOURCE: PORTO SEGURO

Revenue from Surveillance Services
(R$ MILLION)

CAGR: 26.8%
Consortium

Porto Seguro has consortium for real estate, cars and professional equipment. The company manages groups made up of people that join resources for buying assets.

In 2010, the highlight was the Professional Equipment Consortium, which initially traded dental equipment and now includes specialized equipment of the Health area, such as: physiotherapy, radiotherapy and overall medical specialties. Besides health and dental practices, we will serve new segments, such as gyms, bars, aesthetics practices, printing houses, mechanical workshops, restaurants, snack bars, bakeries, butcheries and pizzerias.

<table>
<thead>
<tr>
<th>Result Table</th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Consortium Operation (R$ million)</td>
<td>133.7</td>
<td>114.2</td>
<td>17.1</td>
</tr>
<tr>
<td>Consortium Members (thousand)</td>
<td>63</td>
<td>55</td>
<td>14.5</td>
</tr>
</tbody>
</table>

SOURCE: PORTO SEGURO

Revenue from Consortium Services

(R$ MILLION)

SOURCE: PORTO SEGURO
Porto Serviços

In 2010, Porto Seguros Serviços had as a novelty the change of its name and brand, becoming Porto Serviços.

The company offers a range of services for residential and commercial condominiums of Greater São Paulo. Provision of services with professional labor to work in several areas of the condominiums, from daily functions to renewals, as well as security guards, doormen, janitors, cleaning auxiliaries, among others.

### Result Table

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>VAR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Services (R$ million)</td>
<td>9.1</td>
<td>4.4</td>
<td>51.6</td>
</tr>
</tbody>
</table>

SOURCE: PORTO SEGURO
SHARING
The sum of our actions produces increasingly positive results.

Porto Seguro turns values and principles into actions, which are shared with society.

Porto Seguro is committed to people and the environment and carries out social and environmental work that benefits all levels of society. A few of the Company’s most notable programs are: The Trânsito+gentil (“A more polite traffic”) campaign, launched at the end of 2009 to encourage drivers to avoid aggressive traffic behavior; programs for professional development and income generation, aiming to improve the social and economic situation and the self-esteem of the population living in the surroundings of Porto Seguro’s headquarters; and environmental initiatives, such as the campaigns for collection of cooking oil and batteries and the management of automotive waste.
Management

Executive Directors

- Jayme Brasil Garfinkel - Chief Executive Officer
- Alexandre Peev - Investors Relationship Director
- Marcelo Barroso Picanço - Chief Financial Officer

Board of Directors

- Jayme Brasil Garfinkel - President
- Pedro Moreira Salles - Vice-President
- Casimiro Blanco Gomez - Counselor
- José Castro Araújo Rudge - Counselor
- Fernando Kasinski Lottenberg - Independent Counselor
- Pedro Luiz Cerize - Independent Counselor

Jayme Brasil Garfinkel is undergraduate in Civil Engineering by the Polytechnic of São Paulo’s University (1970) with specialization in Business Management by Fundação Getúlio Vargas (1975). Entered at Porto Seguro in 1972 as Management Assistant, taking the position of Vice-President Director in 1978. Currently, is President of the Management Council and Chief Executive Officer of Porto Seguro S.A., also carrying out the positions of Chief Executive Officer in controlled and controlling companies. Was member of CNSP from 1987 to 1991 and President of São Paulo State’s Insurance and Capitalization Companies Union from 1989 to 1990. Currently, is the President of Fenseg (Brazilian National Federation of General Insurance, in the Portuguese acronym) and Vice-President Director of CNSeg (Brazilian National Confederation of General Insurance, Private Pension and Life, Supplementary Health and Capitalization Companies).

Pedro Moreira Salles is magna cum laude bachelor in economy and history by California University, in Los Angeles. Studied in the international relationships program at Yale University and Owner/President management at Harvard University. Currently, is the president of Itaú Unibanco Holding S.A. Management Council, position taken since January 2009 and Vice-President of Banco Itaú BBA S.A. Management Council, position taken since February 2009.

Casimiro Blanco Gomez is undergraduate in Accounting Sciences (1972) and Economy Sciences (1974) by São Paulo Economic Sciences College and graduated in Controlling (1980) by Fundação Getúlio Vargas. Entered at Porto Seguro as accountant in 1974, taking the position Controlling Director in 1983, being Vice-President between the years 2000 and 2010. He was also Vice-President Director of Porto Seguro Vida, Vice-President Director of Azul Seguros, Vice-President Director of Porto Seguro Saúde, Director of Portopar Distribuidora de Títulos e Valores Mobiliários and Director of Porto Seguro Uruguay. He was Director since 1992 and President of São Paulo State’s Insurance and Capitalization Companies Union from 2001 to 2003. He was member of the Commission for Accounting and Tax Matters of São Paulo State’s Insurance and Capitalization Companies Union and Fenaseg. Collaborated with CNSP in several studies. Currently is the Vice-President of the Management Council of the insurance company Líder dos Consórcios do Seguro DPVAT S/A and member of the Insurance Protection Council, both of the Brazilian National Insurances Confederation.
José Castro Araújo Rudge is undergraduate in Business Management by the Management College (FAA, in the Portuguese acronym). Currently, besides being a member of Porto Seguro S.A. Management Council, he carries out the following functions: Vice-President Director of Itaú Unibanco S.A., position held since April 2009, Chief Executive Officer of Itaúseg Saúde S.A., position held since March 2009, Superintendent Director of Itaú Seguros S.A., position held since February 2009, Vice-President Director and Vice-President of Itauseg Participações S.A. Management Council, positions held since April 2009 and Superintendent Director of Cia. Itaú de Capitalização, position held since March 2009.

Fernando Kasinski Lottenberg is Bachelor in Law by São Paulo University, Master in Philosophy and General Law Theory and Doctor in Public International Law, both by São Paulo University. Lawyer working in the business law area.

Pedro Luiz Cerize is undergraduate with merit in Business Management by Fundação Getúlio Vargas in São Paulo (FGV/SP), with MBA in finances by IBMEC – Instituto Brasileiro de Mercado de Capitais. Worked at Corretora Socopa, Banco Fator and Banco BBA Creditanstalt. Is a founding partner and joint-manager of Skopos Administradora de Recursos. Currently, is a member of Porto Seguro S.A. and Fertilizantes Fosfatados S.A. – Fosfertil and COSAN S.A. Indústria e Comércio Management Councils.

Alexandre Peev is undergraduate in Mechanical Engineering and Business Management, with MBA in Finances. He started his career at Porto Seguro as Technical Coordinator, being in charge for trainings aimed at the Company’s operating and technical teams. Afterwards, he took the position of Human Resources Coordinator, developing management indexes and coordinating the area’s management systems. Was Management Coordinator for Strategic Planning and Coordinator of the company’s suggestions campaign, becoming Manager of the area. Aggregated to his Management the areas of Investors Relationships, Organizational Processes, Corporate Management of Projects and Business Intelligence Systems. The areas in which he was Manager remain under his responsibility. Currently, the Chief Financial Officer of Porto Seguro S.A.

Marcelo Picanço is undergraduate in Electronic Engineering by the Aeronautics Technological Institute (ITA, in the Portuguese acronym) and Master in Management by COPPEAD (UFRJ), carrying out a MBA exchange program at Wharton School (University of Pennsylvania). Entered in the Corporation in July 2006, as Chief Financial Officer of Porto Seguro Cia. de Seguros Gerais, Executive Officer of Portoseg S.A., Portopar and Crediporto Promotora de Serviços. Before entering in the company, took the position of financial services manager of Booz Allen Hamilton consulting company.
Social Responsibility

A Porto Seguro considered the following actions in 2010:

**Porto Seguro voluntary action group**

Made up of Porto Seguro’s employees, services providers and brokers. In 2010, we had 2,938 voluntary participation in actions held by the Group, that reached about 63,040 people in need in institutions throughout Brazil, through punctual actions, such as donations, educating lectures, leisure and life quality programs.

Branches entered into the Voluntary Action Program, benefiting 46 social organizations throughout the Country.

**Professional Training and Work and Revenue Generation**

Casa Campos Elísios Melhor offers professional training courses for both formal and informal work. As a supplement to the family revenue, the house offers general crafts courses and beauty courses, with 139 students graduated and 58 people working in areas related to the courses. In the professional scope, in partnership with Porto Seguro areas, 292 people carried out courses related to the Corporation’s activities and 109 people entered in the labor market.

**Cidade Portinho Seguro**

Cidade Portinho Seguro was completely reformulated and is now fully traveling New characters were incorporated to the crew, that now interacts with children through videos, comics and the website www.cidadeportinhose.com.br. It reached 30,599 children in 62 cities in the State of São Paulo, besides Brasília, Goiás, São Luís do Maranhão, Paraíba and Rio de Janeiro.

**People Development**

The Corporation and its controlled companies ended 2010 with 10,502 employees. In that year, the company incorporated approximately 1,300 employees coming from Itaú Seguros de Auto e Residência, company created by the association between Porto Seguro and Itaú Unibanco, in which there was the involvement of all the Human Resources areas to receive and insert this team both in the operating process and in the shipping of the Corporation’s identity in the whole Brazilian territory.

In 2010, the Corporation invested approximately BRL 3.8 millions in training for its staff, service providers and partners in the technical, administrative commercial and e-learning segments. Among the programs, we highlight the partnership with teaching institutions: Serviço Nacional de Aprendizagem Comercial (SENAC), Ensino Social Profissionalizante (ESPRO) and Escola Nacional de Seguros (FUNENSEG).
On-site courses were given, about 165 thousand hours, with attendance of 29,219 employees and services providers.

In the e-learning modality, there was the participation of 37,183 employees. Among insurance brokers, there were 12,091 participations.

There were also on-site and long-distance trainings for brokers, in which Porto Seguro makes available resources and facilities, both in the Headquarters and Branches, for professional development.
Cultural Responsibility

Concerned with valuing the Brazilian culture, Porto Seguro sponsors concerts and theater shows, besides supporting cinema and sports.

Porto Seguro Photography Award

“Photo shoots” was the subject of the 10th edition, that received 2,567 applications, with a total of 24,990 works submitted.

Shows

In 2010, 572 projects, such as drama plays, exhibitions, concerts, movie sessions and lectures, among others, were sponsored, aimed at adults and children, in the whole Brazil, and benefiting the audience with discounts and promotions. Among them there are: A Grande Volta; Mente Mentira; Zorro - O Musical; Romance Volume II com Marisa Orth; As Meninas; Marco Luque, in Tamo Junto; Mulheres Alteradas; O Filho da Mãe; Hair Spray; O Homem das Cavernas, Pernas Pro Ar, with Claudia Raia, besides Joinville Dance Festival 2010.
Environmental Responsibility

In 2010, environmental responsibility projects were carried out through effective actions in the Corporation and around the community where it is inserted.

Cooking Oil Collection Campaign

Campaign for education and awareness on the problems generated by vegetable oil in water and on what can be done to avoid its contamination. The oil collected is sent to the manufacture of biodiesel, a renewable fuel. More than 19 thousand liters of used vegetable oil were collected since the beginning of the campaign.

Plastic Cards, Power Cells and Batteries Recycling Campaign

The campaign was created to give the correct destination to policyholders’ cards and to warn population on the importance of recycling electro-electronic residues. These residues are sent to a partner company that sorts the material per type, grinds it and send it to recycling companies for the manufacture of several plastic materials, salts and oxides that are reused by the electro-electronic industry. More than seven tonnes were already collected since the beginning of the campaign.
Bike Help

For the benefit of environmental preservation, agility in the service and quality of life, Porto Seguro launched the Bike Help service. Bikers give assistance to Auto policyholders in case of help that may be solved in loco, with no need of removal, such as: tire change, lack of fuel, battery charge, simple failure, among others. The use of bicycles for the service aims to contribute for the reduction of carbon gas (CO2), the main pollutant emitted in the atmosphere by vehicles. The implantation of the service avoided the emission of about 10.86 tons of CO2 in the atmosphere.

Bike Inspection

Inspection service using the bicycle as transport means, in order to value quality of life and respect to the environment. The service serves with more mobility all the Auto policyholders in São Paulo’s capital that request the inspection at home. The scheduling is made by each policyholder’s broker. With the implantation of Bike Inspection, the average emission of 218 kg de CO2/month is avoided.

Program for reduction of Water and Power Consumption

The Company adopts practical measures that allow the reduction of up to 26% of the nominal consumption of power. Among the measures there are: fixed time to turn on and off air conditioners and electric power, replacement of incandescent lamps with PL lamps, education of employees and workers regarding best practices in the use of computers and implantation of power converting devices, such as capacitors, for correction of power factor, eliminating expenses of exceeding energy. Other measure that avoided the spending of natural resources was the installation of flow regulating devices in the whole hydraulic environment of properties. Thus, the Company achieved savings of 20% in all the water used in its properties.
Glossary

- **ANS**: Supplementary Health Agency (Portuguese acronym).
- **Policy**: insurance contract that sets rights and duties for insurance companies and policyholders.
- **Average applications**: yearly average of assets in fixed and variable revenue financial applications.
- **BACEN**: Brazilian Central Bank (Portuguese acronym).
- **Commissions**: commissions for commercialization and distribution, due to brokers, financial institutions and other insurance companies.
- **Company**: Porto Seguro S.A.
- **Brokers**: insurance brokers authorized to facilitate the commercialization of insurance in Brazil.
- **CDI**: Interbank loan (in the Portuguese acronym), acquired at BACEN’s website.
- **DPVAT**: Body Injury Liability Insurance (in the Portuguese acronym).
- **Combined ratio**: the sum of loss ratio with the Management Expenses ratio and the commission ratio.
- **Management Expenses ratio**: ratio achieved in the division of management expenses and with taxes by the sum of earned premiums.
- **Commission ratio**: ratio achieved in the full division of commercialization expenses by the sum of earned premiums.
- **Loss ratio**: ratio achieved in the division of the total of losses retained by the total of earned premiums.
- **PGBL**: Flexible-premium deferred annuity (in the Portuguese acronym).
- **Porto Seguro**: Porto Seguro Companhia de Seguros Gerais.
- **Porto Seguro Consórcios**: Porto Seguro Administração de Consórcios Ltda.
- **Porto Seguro Proteção e Monitoramento**: Porto Seguro Proteção e Monitoramento Ltda.
- **Porto Seguro Saúde**: Porto Seguro – Seguro Saúde S.A.
- **Porto Seguro Uruguai**: Porto Seguro – Seguros del Uruguay S.A.
- **Porto Seguro Vida**: Porto Seguro Vida e Previdência S.A.
- **Portopar**: Portopar Distribuidora de Títulos e Valores Mobiliários Ltda.
- **Portoseg**: Portoseg S.A. – Crédito, Financiamento e Investimento.
- **Premium**: counterpart due by the policyholder to the insurance company.
- **Premiums accrued**: total premiums subscribed during a given period.
- **Premiums earned**: installment of insurance premiums corresponding to the installment already elapsed from the policy coverage period.
- **Profitability of average applications**: financial revenues divided by the total of average assets in fixed and variable revenue financial applications.
- **Loss**: incident that grants the policyholder the right to receive indemnification paid by the insurance company.
- **Retained loss**: full expenses with indemnifications, regulation and liquidation of losses, net of reinsurance, salvage and repayment recoveries.
- **Financial subsidiaries**: Porto Seguro Consórcios, Portoseg and Portopar.
- **SUSEP**: Private Insurance Superintendency (Portuguese acronym).
- **VGBL**: Flexible-premium deferred annuity (in the Portuguese acronym): product aimed to the constitution of redeemable savings.
Overall Information

Stocks in Brazil

Custodian Bank – Banco Itaú S.A.

Business Relationship Management

Av. Brigadeiro Faria Lima, 3400 – 10th floor
Itaim Bibi – 04538-133 – São Paulo – SP – Brazil
Note: Service to shareholders is given by the Bank’s branches.

Independent Auditors

PRICEWATERHOUSECOOPERS
Av. Francisco Matarazzo, 1400 – Torre Torino
Água Branca – 05001-903 – São Paulo – SP

Investors Relations Department

INVESTORS RELATIONS MANAGEMENT
Alameda Ribeiro da Silva, 275 – 1º andar – Campos Elíseos
01217-010 – São Paulo – SP – Brazil
Telephone +55 11 3366-5323 / 3366-5378
Fax +55 11 3366-1680
gri@portoseguro.com.br
www.portoseguro.com.br

Publications and Information

All the relevant facts, disclosure of results and other communications to the market by the Company are disclosed simultaneously at CVM/Bovespa and in the investors relationship area in the Company’s website (www.portoseguro.com.br), besides being afterwards sent via e-mail to people who subscribed to receive such information. Full financial statements are published in a yearly basis in the newspapers O Estado de São Paulo and in São Paulo State Official Gazette. Quarterly financial statements, press releases, disclosures, relevant facts and letters to shareholders are available in the investors relationship areas in Porto Seguro’s website (www.portoseguro.com.br). More information on the Company may also be obtained in Bovespa’s (www.bovespa.com.br) and CVM’s (www.cvm.gov.br) websites.
MULTIPLYING
Good performance guarantees our continuous development.

Porto Seguro believes that good performance strengthens the company’s future.

Favorable growth and good performance. This is Porto Seguro’s focus in order to produce results that demonstrate the progress of our business to shareholders, employees, service providers, suppliers and the communities where we operate. The company sees the results achieved as a reflection of its continuous investments, and, above all, its partnership with employees and brokers. This phase completes the company’s development and consolidation cycle, as you will be able to see in our financial statements.

The statements have been prepared in accordance with the IFRS (International Financial Reporting Standards)
### BALANCE SHEET
(All amounts in R$ thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Parent</th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
<td>January</td>
<td>December</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>102</td>
<td>14</td>
<td>27</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>6.1</td>
<td>450,997</td>
<td>415,614</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>6.2</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>6.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lending operations</td>
<td>6.5.1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Premiums receivable from policyholders</td>
<td>6.5.2</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Notes and credits receivable</td>
<td>6.5.3</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reinsurance as sets</td>
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<td></td>
<td></td>
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<tr>
<td>Deferred income tax and social contribution</td>
<td>7.1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Taxes and contributions recoverable</td>
<td>8</td>
<td>27,992</td>
<td>7,016</td>
</tr>
<tr>
<td>Non-financial assets held for sale</td>
<td>9</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends receivable</td>
<td>36</td>
<td>15,490</td>
<td>4,283</td>
</tr>
<tr>
<td>Other assets</td>
<td>10</td>
<td>545</td>
<td>379</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>13</td>
<td>4,456,050</td>
<td>4,095,382</td>
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<tr>
<td>Intangible assets</td>
<td>11</td>
<td>4,941</td>
<td>4,941</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other intangible assets</td>
<td></td>
<td>4,941</td>
<td>4,941</td>
</tr>
<tr>
<td>Investment properties</td>
<td>12</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>14</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>4,956,117</td>
<td>4,527,629</td>
<td>2,097,999</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
**BALANCE SHEET**
*(All amounts in R$ thousands)*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>—</td>
<td>—</td>
<td>6,409,066</td>
<td>5,488,427</td>
</tr>
<tr>
<td>16</td>
<td>—</td>
<td>—</td>
<td>384,317</td>
<td>356,732</td>
</tr>
<tr>
<td>17</td>
<td>—</td>
<td>—</td>
<td>1,063,637</td>
<td>890,739</td>
</tr>
<tr>
<td>18</td>
<td>4,483</td>
<td>790</td>
<td>213,369</td>
<td>179,457</td>
</tr>
<tr>
<td>19</td>
<td>—</td>
<td>2,495</td>
<td>1,210,619</td>
<td>1,035,862</td>
</tr>
<tr>
<td>20</td>
<td>154,918</td>
<td>87,685</td>
<td>627,655</td>
<td>337,370</td>
</tr>
</tbody>
</table>

**Equity**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>21a</td>
<td>1,870,000</td>
<td>920,000</td>
<td>1,870,000</td>
<td>920,000</td>
</tr>
<tr>
<td>21b</td>
<td>—</td>
<td>—</td>
<td>(23,462)</td>
<td>—</td>
</tr>
<tr>
<td>21c</td>
<td>2,484,637</td>
<td>2,196,054</td>
<td>2,484,637</td>
<td>2,196,054</td>
</tr>
<tr>
<td>21d</td>
<td>87,099</td>
<td>—</td>
<td>87,099</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>961</td>
<td>710</td>
</tr>
</tbody>
</table>

**Total equity and liabilities**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4,956,117</td>
<td>4,527,629</td>
<td>2,097,999</td>
<td>14,797,703</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
INCOME STATEMENT
(All amounts in R$ thousands except for earnings per share)

<table>
<thead>
<tr>
<th>Note</th>
<th>Parent 2010</th>
<th>Parent 2009</th>
<th>Consolidated 2010</th>
<th>Consolidated 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Written insurance premiums and pension plan contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Insurance</td>
<td></td>
<td></td>
<td>7,879,788</td>
<td>5,779,445</td>
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<tr>
<td>- Pension plan</td>
<td></td>
<td></td>
<td>138,320</td>
<td>125,090</td>
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<tr>
<td>(—) Reinsurance premiums ceded</td>
<td></td>
<td></td>
<td>(76,538)</td>
<td>(36,918)</td>
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<tr>
<td>Net premiums issued</td>
<td></td>
<td></td>
<td>7,941,570</td>
<td>5,867,617</td>
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<tr>
<td>Revenues from lending operations</td>
<td></td>
<td></td>
<td>168,671</td>
<td>139,706</td>
</tr>
<tr>
<td>Revenues from services</td>
<td></td>
<td></td>
<td>273,972</td>
<td>209,075</td>
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<tr>
<td>Other operating income</td>
<td>23</td>
<td></td>
<td>520,215</td>
<td>293,817</td>
</tr>
<tr>
<td>Revenues from rental of properties</td>
<td></td>
<td></td>
<td>5,490</td>
<td>3,949</td>
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<tr>
<td>Equity in the earnings of subsidiaries</td>
<td>13</td>
<td>623,808</td>
<td>347,242</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
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<td>- Insurance</td>
<td></td>
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<td>473,199</td>
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<td>- Pension plan products</td>
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<td>120,805</td>
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<td>Change in net technical reserves</td>
<td>24</td>
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<td>610,574</td>
<td>499,486</td>
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<td>Gross retained claims</td>
<td>25</td>
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<td>4,661,649</td>
<td>3,395,132</td>
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<td>Pension plan benefits</td>
<td>26</td>
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<td>6,503</td>
<td>7,019</td>
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<tr>
<td>(—) Recoveries of reinsurance</td>
<td></td>
<td></td>
<td>(29,372)</td>
<td>(24,376)</td>
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<tr>
<td>(—) Recoveries of salvages and reimbursement</td>
<td></td>
<td></td>
<td>(466,085)</td>
<td>(286,357)</td>
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<td>Expenses with claims and benefits, net</td>
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<td></td>
<td>4,172,695</td>
<td>3,091,418</td>
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<td>Amortization of deferred acquisition costs</td>
<td>27</td>
<td></td>
<td>1,550,080</td>
<td>1,188,893</td>
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<td>Administrative expenses</td>
<td>28</td>
<td>62,847</td>
<td>34,223</td>
<td>1,141,122</td>
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<td>Tax expenses</td>
<td>29</td>
<td>14,450</td>
<td>10,957</td>
<td>237,839</td>
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<td>Costs of services rendered</td>
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<td></td>
<td>34,759</td>
<td>36,094</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>30</td>
<td></td>
<td>519,487</td>
<td>486,492</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit (loss) before net financial result</td>
<td></td>
<td>546,511</td>
<td>302,062</td>
<td>196,108</td>
</tr>
<tr>
<td>Finance income</td>
<td>31</td>
<td>36,822</td>
<td>10,274</td>
<td>994,707</td>
</tr>
<tr>
<td>Finance cost</td>
<td>32</td>
<td>(150)</td>
<td>(205)</td>
<td>(284,964)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>36,672</td>
<td>10,069</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td>583,183</td>
<td>312,131</td>
<td>905,851</td>
</tr>
<tr>
<td>Profit before income tax and social contribution</td>
<td></td>
<td>583,183</td>
<td>312,131</td>
<td>905,851</td>
</tr>
<tr>
<td>Income tax and social contribution</td>
<td>7.3</td>
<td>39,908</td>
<td>5,994</td>
<td>(282,488)</td>
</tr>
<tr>
<td>Current taxes</td>
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<td>39,908</td>
<td>12,286</td>
<td>(386,408)</td>
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<tr>
<td>Deferred taxes</td>
<td></td>
<td>(6,292)</td>
<td>(24,376)</td>
<td>103,920</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>623,091</td>
<td>318,125</td>
<td>623,363</td>
</tr>
</tbody>
</table>
INCOME STATEMENT  
(All amounts in R$ thousands except for earnings per share)

<table>
<thead>
<tr>
<th>Note</th>
<th>Parent</th>
<th>2010</th>
<th>2009</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Owners of the Company</td>
<td></td>
<td>623,091</td>
<td>318,125</td>
<td></td>
</tr>
<tr>
<td>- Non-controlling interests in subsidiaries</td>
<td></td>
<td>272</td>
<td>161</td>
<td></td>
</tr>
<tr>
<td>Earnings per share attributable to the equity holders of the Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Basic</td>
<td>34</td>
<td>1.90</td>
<td>1.25</td>
<td></td>
</tr>
<tr>
<td>- Diluted</td>
<td>34</td>
<td>1.90</td>
<td>1.25</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Statement of Comprehensive Income
(All amounts in R$ thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year</strong></td>
<td>623,091</td>
<td>318,125</td>
<td>623,363</td>
<td>318,286</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>(1,430)</td>
<td>389</td>
<td>(1,430)</td>
<td>389</td>
</tr>
<tr>
<td>Adjustments to securities in subsidiaries</td>
<td>(540)</td>
<td>2,692</td>
<td>(540)</td>
<td>2,692</td>
</tr>
<tr>
<td>Cumulative translation adjustments</td>
<td>(1,843)</td>
<td>(2,863)</td>
<td>(1,843)</td>
<td>(2,863)</td>
</tr>
<tr>
<td>Carrying value adjustments</td>
<td>—</td>
<td>820</td>
<td>—</td>
<td>820</td>
</tr>
<tr>
<td>Tax effects on other comprehensive income (40%)</td>
<td>953</td>
<td>(260)</td>
<td>953</td>
<td>(260)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year, net of tax effects</strong></td>
<td>621,661</td>
<td>318,514</td>
<td>621,933</td>
<td>318,675</td>
</tr>
<tr>
<td>Profit attributable to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Owners of the Company</td>
<td>—</td>
<td>—</td>
<td>621,661</td>
<td>318,514</td>
</tr>
<tr>
<td>- Non-controlling interests in subsidiaries</td>
<td>—</td>
<td>—</td>
<td>272</td>
<td>161</td>
</tr>
</tbody>
</table>

Tax effects on adjustments to securities in subsidiaries, cumulative translation adjustments and carrying value adjustments totaled R$ 216 (2009 - R$ 1,077), R$ 737 (2009 - R$ 1,145) and R$ 328 (2009), respectively.

The accompanying notes are an integral part of these financial statements.
CASH FLOWS STATEMENT  
(All amounts in R$ thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>(11,643)</td>
<td>90,825</td>
<td>491,794</td>
<td>(144,633)</td>
</tr>
<tr>
<td>Cash (used in) generated from operating activities</td>
<td>(717)</td>
<td>(29,117)</td>
<td>765,672</td>
<td>423,680</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>623,091</td>
<td>318,125</td>
<td>623,363</td>
<td>318,286</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>—</td>
<td>(19,820)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>—</td>
<td>156,218</td>
<td>104,689</td>
<td>—</td>
</tr>
<tr>
<td>Equity in the earnings of subsidiaries</td>
<td>(623,808)</td>
<td>(347,242)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Results on sale of fixed assets</td>
<td>—</td>
<td>5,911</td>
<td>705</td>
<td>—</td>
</tr>
<tr>
<td>Parent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td>(10,926)</td>
<td>119,942</td>
<td>(19,590)</td>
<td>(414,987)</td>
</tr>
<tr>
<td>Change in financial as sets</td>
<td>(35,383)</td>
<td>(241,432)</td>
<td>(1,785,832)</td>
<td>(2,284,215)</td>
</tr>
<tr>
<td>Change in available-for-sale financial as sets</td>
<td>—</td>
<td>—</td>
<td>618,201</td>
<td>(48,383)</td>
</tr>
<tr>
<td>Change in lending operations</td>
<td>—</td>
<td>(7,186)</td>
<td>(274,245)</td>
<td>(648,927)</td>
</tr>
<tr>
<td>Change in premiums receivable from policyholders</td>
<td>—</td>
<td>—</td>
<td>(191,846)</td>
<td>(270,707)</td>
</tr>
<tr>
<td>Change in notes and credits receivable</td>
<td>—</td>
<td>—</td>
<td>(20,127)</td>
<td>(8,701)</td>
</tr>
<tr>
<td>Change in reinsurance as sets</td>
<td>—</td>
<td>—</td>
<td>(103,920)</td>
<td>(116,643)</td>
</tr>
<tr>
<td>Change in deferred income tax and social contribution</td>
<td>—</td>
<td>—</td>
<td>(253,860)</td>
<td>(152,815)</td>
</tr>
<tr>
<td>Change in taxes and contributions recoverable</td>
<td>(20,976)</td>
<td>1,997</td>
<td>(31,534)</td>
<td>38,416</td>
</tr>
<tr>
<td>Change in non-financial as sets held for sale</td>
<td>—</td>
<td>—</td>
<td>(4,941)</td>
<td>(47,107)</td>
</tr>
<tr>
<td>Change in dividends and interest receivable</td>
<td>(11,207)</td>
<td>12</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in other assets</td>
<td>(166)</td>
<td>(104)</td>
<td>(48,311)</td>
<td>(69,131)</td>
</tr>
<tr>
<td>Change in liabilities of insurance contracts</td>
<td>—</td>
<td>—</td>
<td>920,639</td>
<td>1,902,226</td>
</tr>
<tr>
<td>Change in insurance and reinsurance payables</td>
<td>—</td>
<td>—</td>
<td>27,585</td>
<td>106,595</td>
</tr>
<tr>
<td>Change in financial liabilities</td>
<td>—</td>
<td>—</td>
<td>172,898</td>
<td>307,549</td>
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<tr>
<td>Change in taxes and contributions payable</td>
<td>3,693</td>
<td>57</td>
<td>247,001</td>
<td>165,985</td>
</tr>
<tr>
<td>Change in deferred income tax and social contribution</td>
<td>(15,625)</td>
<td>370,605</td>
<td>(3,014)</td>
<td>377,074</td>
</tr>
<tr>
<td>Change in provisions</td>
<td>(2,495)</td>
<td>(7,194)</td>
<td>174,757</td>
<td>142,944</td>
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<tr>
<td>Change in other liabilities</td>
<td>71,233</td>
<td>(3,999)</td>
<td>290,285</td>
<td>66,753</td>
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<tr>
<td>Taxes paid and withheld</td>
<td>—</td>
<td>—</td>
<td>(254,288)</td>
<td>(153,326)</td>
</tr>
<tr>
<td>Income tax and social contribution paid</td>
<td>—</td>
<td>—</td>
<td>(253,860)</td>
<td>(152,815)</td>
</tr>
<tr>
<td>Withholding income tax on dividends received</td>
<td>—</td>
<td>—</td>
<td>(428)</td>
<td>(511)</td>
</tr>
<tr>
<td>Net cash (used in) generated from investing activities</td>
<td>137,140</td>
<td>12,867</td>
<td>(363,524)</td>
<td>259,444</td>
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<td>Interest on capital and dividends received</td>
<td>155,100</td>
<td>64,867</td>
<td>—</td>
<td>—</td>
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<td>Sale of fixed as sets</td>
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<td>9,129</td>
<td>12,678</td>
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<tr>
<td>Acquisition of fixed as sets</td>
<td>—</td>
<td>(138,527)</td>
<td>(107,036)</td>
<td>—</td>
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<tr>
<td>Acquisition of investments</td>
<td>(17,960)</td>
<td>(52,000)</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Acquisition of subsidiary ISa+r</td>
<td>—</td>
<td>—</td>
<td>950,000</td>
<td>—</td>
</tr>
<tr>
<td>Investment in deferred acquisition costs (intangible as sets)</td>
<td>—</td>
<td>(189,737)</td>
<td>(578,269)</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition of other intangible as sets</td>
<td>—</td>
<td>(44,389)</td>
<td>(17,929)</td>
<td>—</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(125,409)</td>
<td>(103,705)</td>
<td>(125,437)</td>
<td>(103,738)</td>
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<tr>
<td>Distribution of interest on capital and dividends</td>
<td>(125,409)</td>
<td>(103,705)</td>
<td>(125,437)</td>
<td>(103,738)</td>
</tr>
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<td>Non-cash items (*)</td>
<td>—</td>
<td>—</td>
<td>(1,430)</td>
<td>389</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
<td>88</td>
<td>(13)</td>
<td>1,403</td>
<td>11,462</td>
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<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>14</td>
<td>27</td>
<td>38,040</td>
<td>26,578</td>
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<tr>
<td>Cash and cash equivalents at end of year</td>
<td>102</td>
<td>14</td>
<td>39,443</td>
<td>38,040</td>
</tr>
</tbody>
</table>

(*) Items of comprehensive income.

The accompanying notes are an integral part of these financial statements.
**STATEMENT OF CHANGES IN EQUITY**
(All amounts in R$ thousands)

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital</th>
<th>Treasury shares</th>
<th>Reserves</th>
<th>Retained earnings</th>
<th>Proposed dividends</th>
<th>Total</th>
<th>Non-controlling interest in subsidiaries</th>
<th>Total equity</th>
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</thead>
<tbody>
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<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Opening balance - January 1, 2009</strong></td>
<td>920,000</td>
<td>(23,462)</td>
<td>1,099,355</td>
<td>—</td>
<td>—</td>
<td>1,995,893</td>
<td>559</td>
<td>1,996,452</td>
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<td>Capital increase</td>
<td>21a</td>
<td>950,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>950,000</td>
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<tr>
<td>Cancelation of treasury shares</td>
<td>21b</td>
<td>—</td>
<td>23,462</td>
<td>(23,462)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Income tax and social contribution on property revaluation</td>
<td>—</td>
<td>—</td>
<td>62</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>62</td>
</tr>
<tr>
<td>Acquisition of ISa+r - business combination</td>
<td>35</td>
<td>—</td>
<td>912,000</td>
<td>—</td>
<td>—</td>
<td>912,000</td>
<td>—</td>
<td>912,000</td>
</tr>
<tr>
<td>Adjustments of securities in subsidiaries (comprehensive income)</td>
<td>—</td>
<td>—</td>
<td>1,615</td>
<td>—</td>
<td>—</td>
<td>1,615</td>
<td>—</td>
<td>1,615</td>
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<tr>
<td>Cumulative translation adjustments (comprehensive income)</td>
<td>—</td>
<td>—</td>
<td>(1,718)</td>
<td>—</td>
<td>—</td>
<td>(1,718)</td>
<td>—</td>
<td>(1,718)</td>
</tr>
<tr>
<td>Carrying value adjustments (comprehensive income)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>492</td>
<td>—</td>
<td>492</td>
<td>—</td>
<td>492</td>
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<tr>
<td>Profit for the year</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>318,125</td>
<td>—</td>
<td>318,125</td>
<td>161</td>
<td>318,286</td>
</tr>
<tr>
<td>Appropriations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>21c</td>
<td>—</td>
<td>—</td>
<td>15,906</td>
<td>(15,906)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>21c</td>
<td>—</td>
<td>—</td>
<td>192,296</td>
<td>(192,296)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends and interest on capital</td>
<td>21d</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(110,415)</td>
<td>—</td>
<td>(110,415)</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Closing balance - December 31, 2009</strong></td>
<td>1,870,000</td>
<td>—</td>
<td>2,196,054</td>
<td>—</td>
<td>—</td>
<td>4,066,054</td>
<td>710</td>
<td>4,066,764</td>
</tr>
<tr>
<td>Adjustments to securities in subsidiaries (comprehensive income)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(324)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(324)</td>
</tr>
<tr>
<td>Cumulative translation adjustments (comprehensive income)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,106)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,106)</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>33</td>
<td>—</td>
<td>—</td>
<td>(19,820)</td>
<td>—</td>
<td>—</td>
<td>(19,820)</td>
<td>(19,820)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>623,091</td>
<td>—</td>
<td>623,091</td>
<td>272</td>
<td>623,363</td>
</tr>
<tr>
<td>Appropriations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>21c</td>
<td>—</td>
<td>—</td>
<td>31,155</td>
<td>(31,155)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>21c</td>
<td>—</td>
<td>—</td>
<td>278,678</td>
<td>(278,678)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends and interest on capital</td>
<td>21d</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(226,161)</td>
<td>—</td>
<td>(226,161)</td>
<td>(21)</td>
</tr>
<tr>
<td>Supplementary proposed dividends</td>
<td>21d</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(87,099)</td>
<td>—</td>
<td>87,099</td>
<td>—</td>
</tr>
<tr>
<td><strong>Closing balance - December 31, 2010</strong></td>
<td>1,870,000</td>
<td>—</td>
<td>2,484,637</td>
<td>—</td>
<td>—</td>
<td>4,441,734</td>
<td>961</td>
<td>4,442,697</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### Statement of Value Added

(All amounts in R$ thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>—</td>
<td>—</td>
<td>8,647,644</td>
<td>6,303,819</td>
</tr>
<tr>
<td>Revenues from insurance operations</td>
<td>—</td>
<td>—</td>
<td>7,879,788</td>
<td>5,779,445</td>
</tr>
<tr>
<td>Revenues from pension plan operations</td>
<td>—</td>
<td>—</td>
<td>138,320</td>
<td>125,090</td>
</tr>
<tr>
<td>Service revenues</td>
<td>—</td>
<td>—</td>
<td>241,188</td>
<td>197,004</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
<td>450,262</td>
<td>290,412</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>—</td>
<td>—</td>
<td>(61,914)</td>
<td>(88,132)</td>
</tr>
<tr>
<td><strong>Financial intermediation expenses</strong></td>
<td>—</td>
<td>—</td>
<td>(31,167)</td>
<td>(29,114)</td>
</tr>
<tr>
<td>Insurance operations</td>
<td>—</td>
<td>—</td>
<td>(473,199)</td>
<td>(378,681)</td>
</tr>
<tr>
<td>Pension plan operations</td>
<td>—</td>
<td>—</td>
<td>(137,375)</td>
<td>(120,805)</td>
</tr>
<tr>
<td><strong>Net operating revenues</strong></td>
<td>—</td>
<td>—</td>
<td>8,005,903</td>
<td>5,775,219</td>
</tr>
<tr>
<td><strong>Benefits and claims</strong></td>
<td>—</td>
<td>—</td>
<td>(4,172,695)</td>
<td>(3,091,418)</td>
</tr>
<tr>
<td>Claims</td>
<td>—</td>
<td>—</td>
<td>(4,166,192)</td>
<td>(3,084,399)</td>
</tr>
<tr>
<td>Expenses with benefits</td>
<td>—</td>
<td>—</td>
<td>(6,503)</td>
<td>(7,019)</td>
</tr>
<tr>
<td><strong>Inputs acquired from third parties</strong></td>
<td>(2,178)</td>
<td>(18,740)</td>
<td>(2,369,764)</td>
<td>(1,848,789)</td>
</tr>
<tr>
<td>Materials, energy and other</td>
<td>(1,077)</td>
<td>(1,024)</td>
<td>(584,976)</td>
<td>(544,459)</td>
</tr>
<tr>
<td>Cost of products and goods sold and services rendered</td>
<td>—</td>
<td>—</td>
<td>(28,474)</td>
<td>(11,745)</td>
</tr>
<tr>
<td>Third-party services, net commissions</td>
<td>(1,101)</td>
<td>(1,716)</td>
<td>(1,827,121)</td>
<td>(1,317,339)</td>
</tr>
<tr>
<td>Change in deferred selling expenses</td>
<td>—</td>
<td>—</td>
<td>75,225</td>
<td>33,774</td>
</tr>
<tr>
<td>Loss/recovery of as set values</td>
<td>—</td>
<td>—</td>
<td>(4,418)</td>
<td>(9,020)</td>
</tr>
<tr>
<td><strong>Gross value added</strong></td>
<td>(2,178)</td>
<td>(18,740)</td>
<td>1,463,444</td>
<td>835,012</td>
</tr>
<tr>
<td>Depreciation, amortization and depletion</td>
<td>(59,822)</td>
<td>(14,985)</td>
<td>(156,218)</td>
<td>(104,689)</td>
</tr>
<tr>
<td><strong>Net value added generated by the entity</strong></td>
<td>(62,000)</td>
<td>(33,725)</td>
<td>1,307,226</td>
<td>730,323</td>
</tr>
<tr>
<td><strong>Value added received/given through transfer</strong></td>
<td>660,630</td>
<td>357,512</td>
<td>784,826</td>
<td>599,698</td>
</tr>
<tr>
<td>Finance income</td>
<td>36,822</td>
<td>10,274</td>
<td>970,456</td>
<td>701,909</td>
</tr>
<tr>
<td>Equity in the earnings of subsidiaries</td>
<td>623,808</td>
<td>347,238</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
<td>(185,630)</td>
<td>(102,211)</td>
</tr>
<tr>
<td><strong>Total value added to distribute</strong></td>
<td>598,630</td>
<td>323,787</td>
<td>2,092,052</td>
<td>1,330,021</td>
</tr>
<tr>
<td><strong>Distribution of value added</strong></td>
<td>598,630</td>
<td>323,787</td>
<td>2,092,052</td>
<td>1,330,021</td>
</tr>
<tr>
<td>Personnel</td>
<td>704</td>
<td>412</td>
<td>728,387</td>
<td>557,864</td>
</tr>
<tr>
<td>Direct remuneration</td>
<td>704</td>
<td>412</td>
<td>418,911</td>
<td>331,875</td>
</tr>
<tr>
<td>Benefits</td>
<td>—</td>
<td>—</td>
<td>276,782</td>
<td>200,414</td>
</tr>
<tr>
<td>Government Severance Indemnity Fund for Employees (FGTS)</td>
<td>—</td>
<td>—</td>
<td>32,694</td>
<td>25,575</td>
</tr>
<tr>
<td><strong>Taxes and contributions</strong></td>
<td>(25,314)</td>
<td>5,065</td>
<td>630,824</td>
<td>358,210</td>
</tr>
<tr>
<td>Federal</td>
<td>(25,314)</td>
<td>5,065</td>
<td>614,131</td>
<td>346,676</td>
</tr>
<tr>
<td>State</td>
<td>—</td>
<td>—</td>
<td>696</td>
<td>169</td>
</tr>
<tr>
<td>Municipal</td>
<td>—</td>
<td>—</td>
<td>15,997</td>
<td>11,365</td>
</tr>
<tr>
<td><strong>Third-party capital remuneration</strong></td>
<td>149</td>
<td>185</td>
<td>109,478</td>
<td>95,661</td>
</tr>
<tr>
<td>Interest</td>
<td>149</td>
<td>185</td>
<td>91,045</td>
<td>82,463</td>
</tr>
<tr>
<td>Rentals</td>
<td>—</td>
<td>—</td>
<td>18,433</td>
<td>13,198</td>
</tr>
<tr>
<td><strong>Shareholders’ capital remuneration</strong></td>
<td>623,091</td>
<td>318,125</td>
<td>623,363</td>
<td>318,286</td>
</tr>
<tr>
<td>Dividends</td>
<td>177,000</td>
<td>115,850</td>
<td>177,000</td>
<td>115,850</td>
</tr>
<tr>
<td>Earnings reinvested for the year</td>
<td>446,091</td>
<td>202,275</td>
<td>446,091</td>
<td>202,275</td>
</tr>
<tr>
<td>Non-controlling interest in earnings reinvested</td>
<td>—</td>
<td>—</td>
<td>272</td>
<td>161</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
SOCIAL RESPONSIBILITY REPORT - YEARS ENDED DECEMBER 31 - UNAUDITED
(In R$ thousands)

1. Calculation basis

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>% GP</th>
<th>% on NR</th>
<th>Amount</th>
<th>% GP</th>
<th>% on NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue (NR)</td>
<td>9,175,985</td>
<td>0,85%</td>
<td>11,30%</td>
<td>6,790,976</td>
<td>0,93%</td>
<td></td>
</tr>
<tr>
<td>Operating result (OR)</td>
<td>623,363</td>
<td></td>
<td>0,84%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross payroll (GP)</td>
<td>728,387</td>
<td></td>
<td>0,47%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Internal social indicators

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>% GP</th>
<th>% on NR</th>
<th>Amount</th>
<th>% GP</th>
<th>% on NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meals</td>
<td>77,730</td>
<td>10,67%</td>
<td>0,85%</td>
<td>63,038</td>
<td>11,30%</td>
<td>0,93%</td>
</tr>
<tr>
<td>Compulsory social charges</td>
<td>147,565</td>
<td>20,26%</td>
<td>1,61%</td>
<td>124,303</td>
<td>22,28%</td>
<td>1,83%</td>
</tr>
<tr>
<td>Pension plan</td>
<td>5,607</td>
<td>0,77%</td>
<td>0,06%</td>
<td>4,681</td>
<td>0,84%</td>
<td>0,07%</td>
</tr>
<tr>
<td>Health</td>
<td>40,418</td>
<td>5,55%</td>
<td>0,44%</td>
<td>31,745</td>
<td>5,69%</td>
<td>0,47%</td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td>2,301</td>
<td>0,32%</td>
<td>0,03%</td>
<td>2,142</td>
<td>0,38%</td>
<td>0,03%</td>
</tr>
<tr>
<td>Education</td>
<td>3,384</td>
<td>0,46%</td>
<td>0,04%</td>
<td>2,592</td>
<td>0,46%</td>
<td>0,04%</td>
</tr>
<tr>
<td>Culture</td>
<td>197</td>
<td>0,03%</td>
<td>0,00%</td>
<td>98</td>
<td>0,02%</td>
<td>0,00%</td>
</tr>
<tr>
<td>Nursery or child daycare assistance</td>
<td>3,790</td>
<td>0,52%</td>
<td>0,04%</td>
<td>2,762</td>
<td>0,50%</td>
<td>0,04%</td>
</tr>
<tr>
<td>Nursery or child daycare assistance</td>
<td>3,778</td>
<td>0,62%</td>
<td>0,04%</td>
<td>3,108</td>
<td>0,56%</td>
<td>0,05%</td>
</tr>
<tr>
<td>Employees' profit sharing</td>
<td>46,211</td>
<td>6,34%</td>
<td>0,50%</td>
<td>34,574</td>
<td>6,20%</td>
<td>0,51%</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0,00%</td>
<td>0,00%</td>
<td>0</td>
<td>0,00%</td>
<td>0,00%</td>
</tr>
<tr>
<td>Total - Internal social indicators</td>
<td>330,981</td>
<td>45,44%</td>
<td>3,61%</td>
<td>269,043</td>
<td>48,23%</td>
<td>3,96%</td>
</tr>
</tbody>
</table>

3. External social indicators

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>% GP</th>
<th>% on NR</th>
<th>Amount</th>
<th>% GP</th>
<th>% on NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>6,397</td>
<td>1,03%</td>
<td>0,07%</td>
<td>3,316</td>
<td>1,04%</td>
<td>0,05%</td>
</tr>
<tr>
<td>Culture</td>
<td>1,500</td>
<td>0,24%</td>
<td>0,02%</td>
<td>5,598</td>
<td>1,76%</td>
<td>0,08%</td>
</tr>
<tr>
<td>Health and sanitation</td>
<td>0</td>
<td>0,00%</td>
<td>0,00%</td>
<td>0</td>
<td>0,00%</td>
<td>0,00%</td>
</tr>
<tr>
<td>Sports</td>
<td>500</td>
<td>0,08%</td>
<td>0,01%</td>
<td>676</td>
<td>0,21%</td>
<td>0,01%</td>
</tr>
<tr>
<td>Fight against hunger and food security</td>
<td>0</td>
<td>0,00%</td>
<td>0,00%</td>
<td>0</td>
<td>0,00%</td>
<td>0,00%</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0,00%</td>
<td>0,00%</td>
<td>0</td>
<td>0,00%</td>
<td>0,00%</td>
</tr>
<tr>
<td>Total contributions to the community</td>
<td>8,397</td>
<td>1,35%</td>
<td>0,09%</td>
<td>9,590</td>
<td>3,01%</td>
<td>0,14%</td>
</tr>
<tr>
<td>Taxes (excluding social charges)</td>
<td>523,848</td>
<td>84,04%</td>
<td>5,71%</td>
<td>285,475</td>
<td>89,69%</td>
<td>4,20%</td>
</tr>
<tr>
<td>Total - External social indicators</td>
<td>532,245</td>
<td>85,38%</td>
<td>5,80%</td>
<td>295,065</td>
<td>92,70%</td>
<td>4,34%</td>
</tr>
</tbody>
</table>

4. Environmental indicators

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>% GP</th>
<th>% on NR</th>
<th>Amount</th>
<th>% GP</th>
<th>% on NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments related to Company's production/operation</td>
<td>—</td>
<td>0,00%</td>
<td>0,00%</td>
<td>—</td>
<td>0,00%</td>
<td>0,00%</td>
</tr>
<tr>
<td>Investments in external programs and/or projects</td>
<td>136</td>
<td>0,02%</td>
<td>0,00%</td>
<td>269</td>
<td>0,00%</td>
<td>0,00%</td>
</tr>
<tr>
<td>Total investments in the environment</td>
<td>136</td>
<td>0,02%</td>
<td>0,00%</td>
<td>269</td>
<td>0,00%</td>
<td>0,00%</td>
</tr>
</tbody>
</table>

Regarding the establishment of annual targets for reducing waste decreasing overall consumption in production/operations and increasing efficiency in the use of natural resources, the Company:

( x ) does not have targets
( ) complies with 0 to 50%
( ) complies with 51 to 75%
( ) complies with 76 to 100%

The accompanying notes are an integral part of these financial statements.
### 5. Workforce Indicators

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees at end of period</td>
<td>10,502</td>
</tr>
<tr>
<td>Number of new employees during the period</td>
<td>2,775</td>
</tr>
<tr>
<td>Number of outsourced employees</td>
<td>9,523</td>
</tr>
<tr>
<td>Number of interns</td>
<td>19</td>
</tr>
<tr>
<td>Number of employees over 45 years of age</td>
<td>918</td>
</tr>
<tr>
<td>Number of female employees</td>
<td>5,459</td>
</tr>
<tr>
<td>Percentage of supervisory positions held by women</td>
<td>78.90%</td>
</tr>
<tr>
<td>Number of black employees</td>
<td>1,647</td>
</tr>
<tr>
<td>Percentage of positions held by black employees</td>
<td>17.80%</td>
</tr>
<tr>
<td>Number of employees with disabilities or special needs</td>
<td>334</td>
</tr>
</tbody>
</table>

### 6. Significant Information on the Practice of Corporate Citizenship

#### 2010 Goals

<table>
<thead>
<tr>
<th>2010</th>
<th>2011 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio between the highest and lowest salaries</td>
<td>32</td>
</tr>
<tr>
<td>Total number of accidents in the workplace</td>
<td>20</td>
</tr>
</tbody>
</table>

#### 2010

| The social and environmental projects developed by the Company were defined by: | number of beneficiaries | The safety and health standards in the workplace were defined by: | number of beneficiaries | Regarding employees' freedom of association, the right to collective bargaining and internal representation, the Company: | number of beneficiaries | Pension plans include: | number of beneficiaries | Profit sharing includes: | number of beneficiaries | Regarding selection of suppliers, the same ethics and social and environmental responsibility standards adopted by the Company: | number of beneficiaries | Regarding employee participation in volunteer programs, the Company: | number of beneficiaries | Total number of complaints and criticisms made by customers: | number of beneficiaries | % of complaints and criticisms met or solved: | number of beneficiaries | Total value added to distribute (in R$ thousands): | number of beneficiaries |
|------------------|-------------------------|------------------|------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| ( ) executive officers | ( x ) executive officers and managers | ( ) all employees | ( ) executive officers and managers | ( x ) follows ILO rules | ( ) all employees | ( x ) executive officers and managers | ( x ) encourages and follows ILO rules | ( ) all employees | ( ) all employees | ( ) executive officers | ( x ) executive officers and managers | ( x ) all employees | ( x ) executive officers | ( x ) executive officers and managers | In Company 39,351 | in Procon 672 | in Court 5,290 | In Company 38,922 | in Procon 631 | in Court 3,121 | In Company 36,857 | in Procon 613 | in Court 2,709 | In 2010: 2,093,420 | In 2009: 1,347,181 |
| 5.2% Government | 34.8% employees | 12.6% shareholders | 5.2% third parties | 17.2% retained |

### 7 – Other Information

- Porto Seguro S.A. - CNPJ. 02.149.205/0001-69. Details, comments and projects are included in the Company's Management Report, disclosed together with the financial statements.
- For further information on this report: Celso Damadi - Phone: +55 11 3366-1722 - e-mail: celso.damadi@portoseguro.com.br
- This Company neither operates with child or slave labor, nor is involved with prostitution, sexual exploitation of children and adolescents, or corruption.
- Our Company gives importance to and respects internal and external diversity.
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

1. Operations and General Information

Porto Seguro S.A. (the "Company") is a publicly-held corporation with headquarters and main office in Alameda Ribeiro da Silva, 275 - 1º andar, in the city and State of São Paulo, Brazil, established to participate, as a shareholder or partner, in other domestic or foreign companies that operate in: (a) all lines of insurance; (b) activities restricted to financial institutions and equivalent companies, including, without limitation, consortium management; (c) provision of services and sale of equipment for electronic surveillance of asset protection systems; and (d) services related, connected or supplementary to insurance and the other aforementioned activities.

The issue of these consolidated financial statements was authorized by the Board of Directors on February 23, 2011.

With the purpose of improving the information disclosed to the market, the Company is presenting the Social Responsibility Report, which comprises social, environmental and quantitative indicators, as well as significant information on the exercise of corporate citizenship. Some information was obtained from supporting records and management data of subsidiaries.

The activities of the Company’s subsidiaries are as follows:

(a) Insurance

(i) Porto Seguro Companhia de Seguros Gerais ("Porto Seguro") - A direct subsidiary of the Company (all shares, except one), established on September 6, 1945, and authorized to operate by Decree No 20138 of December 6, 1945. Its objective is to operate in casualty and personal insurance. (ii) Porto Seguro Vida e Previdência S.A. ("Porto Seguro Vida") - Controlled by Porto Seguro (99.97%), this corporation was established on December 23, 1986 to operate in personal insurance and annuity and lump-sum pension plans. (iii) Porto Seguro - Seguros del Uruguay S.A. ("Porto Seguro Uruguay") - A wholly-owned subsidiary of Porto Seguro since December 22, 1994 which operates mainly in automobile insurance. (iv) Porto Seguro - Seguro Saúde S.A. ("Porto Seguro Saúde") - Controlled by Porto Seguro (99.98%), this corporation was established on June 12, 2001 to operate as a specialized insurer in the health insurance line. (v) Azul Companhia de Seguros Gerais ("Azul Seguros") - A direct subsidiary of the Company (99.71%) since November 28, 2003 which operates in the casualty and personal insurance lines. (vi) Itaú Seguros de Auto e Residência S.A. ("ISa+r") - A direct subsidiary of the Company (99.99%) since November 30, 2009. Its objective is to operate in the casualty insurance line.

(b) Finance companies and consortiums

(i) Porto Seguro Administradora de Consórcios Ltda. ("Porto Consórcio") - A direct subsidiary of the Company (99.99%), established on July 20, 1976 to manage consortiums for the acquisition of assets and properties. (ii) Portoseg S.A. - Crédito, Financiamento e Investimento ("Portoseg") - A direct subsidiary of the Company (99.98%), established on November 9, 2001. Its main objective is to finance the acquisition of assets, services, working capital and credit card operations. (iii) Portopar Distribuidora de Títulos e Valores Mobiliários Ltda. ("Portopar") - A direct subsidiary of the Company (99.99%), established on April 8, 1991 basically to manage investment funds and financial assets.

(c) Service providers

(i) Porto Seguro Proteção e Monitoramento Ltda. ("Porto Seguro Proteção e Monitoramento") - A direct subsidiary of the Company (99.98%), established on January 9, 1998, with the main purpose of rendering services related to electronic protection and surveillance. (ii) Portoserv Promotora de Serviços Ltda. ("Portoserv") - A direct subsidiary of the Company (99.50%), established on April 18, 1979, with the main purpose of providing services related to the acquisition, promotion, support, and management of sales. (iii) Crediporto Promotora de Serviços Ltda. ("Crediporto") - A direct subsidiary of the Company (99.80%), established on November 1, 2006, with the main purpose of providing loans and financing for consumption. (iv) Integração Assessoria e Informática Ltda. ("Integração") - A direct subsidiary of the Company (99.98%), acquired on January 2, 2008, which develops, distributes, advises, maintains, grants license or right of use for computer programs. The Company sold this subsidiary on January 3, 2011. (v) Porto Seguro Serviços Médicos Ltda. ("Serviços Médicos") - A direct subsidiary of the Company (99.93%), established on July 15, 1996, with the main purpose of providing health medical control programs and health outpatient services. (vi) Porto Seguro Serviços e Comércio S.A. ("Porto Seguro Serviços") - A direct subsidiary of the Company (99.98%), established on February 14, 2008 to provide services related, supplementary or connected to insurance activities. (vii)
Porto Seguro Telecomunicações S.A. (“Porto Telecomunicações”) - A subsidiary of Porto Seguro Serviços (80.10%) since December 14, 2010 which basically provides telecommunication and related services that enable the promotion and expansion of activities related, connected and supplementary to insurance and surveillance and financial activities. The beginning of operations of the company is subject to authorization of the National Brazilian Telecommunication Agency (ANATEL). (viii) Porto Seguro Atendimento S.A. (“Porto Seguro Atendimento”) - A subsidiary of Porto Seguro Serviços (99.94%), established on March 20, 2009 basically to provide telemarketing, call center and general services. (ix) Franco S.A. Corretagem de Seguros (“Franco”) - A subsidiary controlled by Azul Seguros (99.99%), with the purpose of providing technical services related to brokerage and insurance management.

(d) Group health care plan

(i) Portomed - Porto Seguro Serviços de Saúde S.A. (“Portomed S.A”) - A direct subsidiary of the Company (99.00%) since January 20, 2010 whose main purpose is to operate private health care plans. The beginning of operations of the company is subject to authorization of the National Supplementary Health Plan Agency (ANS).
The principal accounting policies used in the preparation of these financial statements are set out below. These policies were consistently applied to all periods presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the fair value adjustments for the “available for sale” and “measured at fair value through profit or loss” categories. The financial statements based on the International Financial Reporting Standards (IFRS) have been prepared assuming that the Company will continue to operate as a going concern.

The preparation of financial statements requires management to make use of judgment to determine and record accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include, among others, adjustments to the allowance for doubtful accounts, deferred income tax and social contribution, technical reserves and provisions for contingencies. These estimates may differ from actual due to the uncertainty inherent to their determination process. The Company reviews these estimates and assumptions on a periodical basis.

2.1.1. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

• IFRS 9 ‘Financial instruments’ (issued in November 2009). This standard is the first step in the process to replace IAS 39, ‘Financial instruments: recognition and measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company’s accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption.

• IAS 24 (Revised), ‘Related party disclosures’ (issued in November 2009). This standard supersedes IAS 24, ‘Related party disclosures’, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted.

• ‘Classification of rights issues’ (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 ‘Accounting policies, changes in accounting estimates and errors’.

• IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’, effective July 1, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the financial

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)
instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

- ‘Prepayments of a minimum funding requirement’ (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, ‘IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction’. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

2.2. Consolidação

2.2. Consolidation

(a) Consolidated financial statements

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally reflecting a shareholding of more than one half of the voting rights. The existence and impact of potential voting rights, if any, which are currently exercisable are considered when assessing whether the Company controls a certain entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases.

When necessary, the subsidiaries’ accounting policies were altered to be consistent with the policies adopted by the Company in the preparation of the financial statements, in conformity with IFRS and the new CPCs.

The consolidation process of balance sheet and income statement accounts corresponds to the horizontal sum of asset, liability, income and expense account balances, according to their nature, considering the following eliminations and procedures: (i) Elimination of participations in capital and reserves between the companies; (ii) Elimination of current account balances and other assets and/or liabilities between consolidated companies; (iii) Elimination of income and expenses arising from intercompany transactions; (iv) Non-controlling interests are shown separately in the consolidated financial statements; (v) The financial statements of Porto Seguro Uruguay are prepared in accordance with the accounting practices adopted in Uruguay, which do not differ significantly from the accounting practices adopted by the Company, except for the balance sheet monetary restatement, which was eliminated upon consolidation to align accounting practices with those of the Company.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the portion acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals on non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. Accordingly amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Parent company financial statements

In the individual financial statements, subsidiaries are recorded based on the equity accounting method. The same adjustments are made in the individual and consolidated financial statements to reach the same profit or loss and equity attributable to the holders of the parent company. In the case of the Company, the accounting practices adopted in Brazil applicable to the individual financial statements differ from IFRS applicable to the separate financial statements only in relation to the measurement of investments in subsidiaries and associates based on the equity accounting method, while this is based on cost or fair value in accordance with IFRS.

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board that makes the Company’s strategic decisions.

The Company adopted the IFRS 8 (‘Operating segments’) and selected the following segments based on IFRS qualitative and quantitative criteria in
determining reportable segments:

- Written premiums - automobile;
- Written premiums - Porto Seguro Saúde;
- Written premiums - personal and pension plan contributions;
- Revenues from consortiums;
- Lending operations;
- Other.

IFRS 8 quantitative guidelines establish separate disclosure for segments with absolute profit or loss, combined revenue or total segment assets that exceed 10% up to at least 75% of the Company’s combined revenue be reported. According to this standard, the Company takes into consideration the financial reports on performance assessment of each operating segment used by the Management in the Company’s business. The detailed information on operating segments is disclosed in Note 5.

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the entity’s functional currency). The functional currency of each subsidiary was defined taking into consideration that which more significantly affects the prices of products and most of the costs of sales and services. The Company’s consolidated financial statements are presented in Reais (R$), which is the functional and presentation currency of the Company and its subsidiaries, except for Porto Seguro Uruguay (see item (c) below).

(b) Translation and balances denominated in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses on translation of foreign currency balances resulting from the settlement of such transactions and from the translation of balances at the reporting date are recognized in the income statement.

(c) Translation of assets, liabilities, income and expenses of subsidiary located abroad

The income statement and balance sheet of the subsidiary Porto Seguro Uruguay (whose functional currency is the Uruguayan peso and is not in an hyper-inflationary economy) are translated into the Company’s presentation currency as follows: (a) assets and liabilities are translated at the closing exchange rate at the reporting date; (b) income and expenses are translated at the average exchange rate of the period (unless this average is not a reasonable approximation for such purpose); and (c) all balance sheet translation differences are recognized as a separate component of equity.

2.5. Cash and cash equivalents

Cash and cash equivalents, considering the characteristics of the Company's financial assets, include cash in hand and bank accounts. When necessary, overdraft accounts should be considered to reconcile cash and cash equivalents in the balance sheet to the consolidated statement of cash flows, since cash resources are jointly managed.

2.6. Financial assets

(a) Financial assets - classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. There were no financial assets held to maturity during the periods presented. The classification depends on the purpose for which the
financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss: These financial assets are divided into two subcategories: held for trading and measured at fair value through profit or loss at the initial acquisition date. The Company classifies in this category the financial assets for active and frequent trading. Derivatives are also classified as held for trading and included in the category. Assets in this category are generally classified as current assets. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are immediately recognized in the income statement within ‘Revenues from financial assets’ in the period in which they occur. The Company did not designate any financial asset or liability at fair value through the use of an option included in the IAS 39 “Fair Value Option” at the first-time adoption of IFRS and during the periods presented. Although the Company uses derivatives to protect and mitigate financial risks, it does not adopt hedge accounting as defined in IAS 39.

(ii) Loans and receivables: These include loans granted and receivables that are non-derivative financial assets with fixed or determinable payments not quoted in an active market. The Company’s loans and receivables comprise lending operations with customers, premiums receivable from policyholders and other receivables. Loans and receivables are carried at amortized cost using the effective interest method and assessed for impairment at each reporting date (see accounting policy for ‘Impairment of financial assets’). Receivables from insurance contracts, such as premiums receivable from policyholders, are classified in this category and evaluated for impairment, in compliance with the policy, using a methodology similar to that used for impairment evaluation of other financial assets classified under the same category.

(iii) Available-for sale financial assets: Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in any of the other categories. These are initially and subsequently recognized at fair value (plus directly attributed transaction costs). Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of finance income. Dividends in this category which are received from investments in shares are recognized in the income statement in the period the right to receive the dividend is established. The portion relating to changes in the fair value (unrealized gains or losses) is recorded in equity, under ‘Carrying value adjustments’, and recorded in the income statement upon effective settlement or permanent write-down in the balance sheet (see accounting policy for ‘Impairment of financial assets’).

(iv) Determination of financial asset and liability fair value: The fair values of quoted investments are based on bid prices. For financial assets without an active market or public quotation, the Company establishes the fair value through valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.7. Analysis of impairment of financial and non-financial assets (impairment)

(a) Financial assets recognized at amortized cost (including premiums receivable from policyholders)

The Company evaluates, at each reporting date, whether there is evidence that a certain asset or group of assets classified as loans or receivables is impaired. If a financial asset is deemed impaired, the Company recognizes a loss in the income statement only when there is objective evidence of impairment resulting from one or more events after the initial recognition of the financial asset in this category, and when the amount can be reliably measured by the management. Losses are recorded and controlled in an adjustment account of the financial asset. The Company uses several observable factors for impairment analysis, including:

- previous losses and default;
- significant financial difficulty of the customer/policyholder or borrower due to unemployment;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the probability that the borrower will enter bankruptcy or creditor protection status due to an economic crisis that may affect their business segment;
- observable information indicating that there is a measurable decrease in future cash flows of a group of assets (for collective impairment), although this decrease cannot be attributed to individually insignificant assets.
For evaluation of impairment of financial assets classified in this category, the Company uses the incurred loss model, which considers whether there is objective evidence of impairment for individually significant assets. Should the Company consider that there is no evidence of impairment of an individually significant asset, the Company will include this asset in a group of credit risk assets with similar characteristics and consider this asset together with other financial assets that are tested on a collective basis. For this impairment calculation, the Company groups the assets according to their credit risk characteristics (such as internal ratings, industry or types of insurance contracts, and others for evaluation of premiums receivable) in which another methodology named 'Roll Rate Model' is used to determine percentages of historical losses, through analysis of cash from lending operations based on an observable period of up to twelve months until all collection efforts have been exhausted. These characteristics are relevant for determination of cash flows of the analyzed groups.

Individually significant assets evaluated for impairment on an individual basis are not included in the collective impairment calculation basis. The Company designates premiums receivable for impairment in this category, and economic studies on realized losses consider prior-year issues and exclude cancellations of policies not directly associated with losses arising from credit risk factors, such as cancelations, write-off of assets due to losses, incorrect issues or changes in policies required by brokers that result in write-off of the asset. The Company prepared discounted cash flows based on the effective interest rate (as established in contract, according to IAS 39), taking into consideration the fair value of guarantees linked to contracts for individual and group impairment tests, when applicable.

For held-to-maturity assets, impairment is evaluated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted asset's effective interest rate. If the asset is impaired, the loss is recognized in an adjustment account (provision) in the income statement. When the asset is quoted in the market, the Company uses the market value as basis for the impairment calculation.

(b) Financial assets at fair value

The Company evaluates at each reporting date if there is objective evidence that an asset classified as available for sale is individually impaired. In the case of investments in equity instruments (shares), the Company evaluates whether there is a significant or prolonged reduction in the asset's market value. If such evidence exists, the cumulative loss (being the difference between the acquisition cost and the current market value, less any impairment loss previously recognized) is removed from equity and immediately recognized in the income statement. Losses on impairment of equity instruments recorded in the income statement cannot be reversed in subsequent periods. For debt instruments, impairment losses are reversed when the fair value of the financial instrument increases and if the increase can be directly related to an event occurring after the initial recognition of the impairment loss.

(c) Non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill and brands, are not subject to amortization and are tested annually for impairment. Assets subject to amortization (including intangible assets not arising from insurance contracts) are evaluated for impairment whenever events or circumstances indicate that the carrying amount of an asset is not recoverable. An impairment loss is recognized in the income statement when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is defined by IFRS as the higher between the value in use and the fair value of an asset (less cost on sales of assets). For impairment tests of non-financial assets, assets are grouped at the lowest level for which the Company can identify individual cash flows generated from assets, defined as cash generating units (CGUs) which are determined based on geographical criteria of operations of branches in various regions.

2.8. Derivative financial instruments and embedded derivatives

All the Company's derivative financial instruments were classified in the 'financial assets at fair value through profit or loss' category and held for trading. The Company also analyzes all service contracts, financial contracts, insurance contracts and reinsurance contracts to identify embedded derivatives. When an embedded derivative is identified, the Company first evaluates whether the main instrument (or host contract) is stated at fair market value (in which the derivative financial instrument is not divided and recorded separately at fair market value in the financial statements). Should the instrument not be evaluated at fair value (instruments recorded at amortized cost), the Company analyses whether the embedded derivative complies with the IAS 39 definition of a derivative, and whether the embedded derivative is economically related to host contract (in which the embedded derivative is not divided and recorded separately at market value). If the embedded derivative is not economically related to the host contract, it is recorded separately and recognized at fair value at each reporting date. The Company issues pension plan contracts that meet the definition of an insurance contract, in which the participants have interest rate guarantee and options for redemption of their reserve. These embedded guarantees comply with the definition of an embedded derivative; however, the Company uses the exemption established in IFRS 4, which states that, if the embedded derivative complies with the definition of an insurance contract, the Company does not separate the embedded derivative in this contract. These embedded guarantees are considered in the Liability Adequacy Test (LAT), because they modify estimated cash flows of contracts.
All derivative financial instruments are recognized at fair value upon initial recognition and subsequent evaluation, with changes in fair value immediately recorded in the income statement.

2.9. Offsetting (net presentation) of financial assets and liabilities

Financial assets and liabilities are only presented at the net amount in the balance sheet when there is a legal and irrevocable right to offset assets and liabilities with the counterparty and when the Company intends to settle the instruments on a net basis or realize the asset and settle the financial liability simultaneously.

2.10. Valuation of reinsurance contract assets

Reinsurance assets are presented as current and non-current receivables from reinsurance companies, depending on the estimated period of realization (or receipt) of reinsurance assets with reinsurance companies. Reinsurance assets are valued in a manner consistent with the balances associated with insurance liabilities subject to reinsurance and in accordance with terms and conditions of each contract. Liabilities payable to reinsurance companies comprise mainly premiums payable in reinsurance agreements. Any gains or losses on initial reinsurance contracting are amortized during the term of the contract risks.

The Company tests reinsurance assets for impairment on a regular basis and, at least, at each reporting date. When there is objective evidence of impairment, the Company reduces the reinsurance asset's carrying amount to its estimated recoverable value and recognizes any loss immediately in the income statement. As permitted by IFRS 4, the Company uses a methodology similar to that used for held-to-maturity financial assets to determine whether there is objective evidence of impairment of a reinsurance asset (see methodology described in accounting policy 2.7). Consequently, impairment losses are evaluated using a methodology similar to that used for financial assets, as permitted by IFRS 4. This methodology also takes into consideration disputes and specific cases which are analyzed by management as to the documentation and progress of the recovery process with reinsurance companies.

2.11. Intangible assets

(a) Goodwill

Goodwill on acquisition of companies comprises the excess of the acquisition cost over the fair value of net assets acquired at each business combination date. Goodwill is tested annually for impairment and recorded at cost less any loss for impairment identified in this test. Any losses recorded cannot be reversed.

(b) Trademarks - ISa+r

Trademarks recorded in a business combination are recognized at fair value on the acquisition date, with indefinite useful life (Note 11).

(c) Trademarks and patents

Trademark and patent costs are recognized at fair value on the acquisition date, with defined useful life.

(d) Customer relationship

Intangible assets arising from customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the relationship.

(e) Distribution channels

Distribution channels acquired in a business combination are recognized at fair value at the acquisition date. The distribution channel has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the
(f) Value of Business Acquired (VOBA)

The value of business acquired in a business combination is recognized at fair value on the acquisition date. The VOBA has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life.

(g) Computer software

Costs associated with maintenance of computer software are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met: (i) it is technically feasible to complete the software product so that it will be available for use; (ii) management intends to complete the software product and use or sell it; (iii) the software product can be used or sold; (iv) the software product will generate probable future economic benefits, which can be demonstrated; (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of related overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Software development costs recognized as assets are amortized during their estimated useful life (defined useful life), which cannot exceed five years, and are allocated to their related CGUs and tested for impairment on a regular basis by the Company.

(h) Acquired computer software licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives up to five years.

(i) Other intangible assets

The Company acquired certain rights to sell its products in various retail sales channels. The amount paid for these rights, plus additional direct transaction costs, were recorded by the Company as intangible assets of defined useful life and amortized over the contractual term according to IAS 36.

(j) Deferred costs of acquisition of contracts

Commissions and other acquisition costs are deferred and amortized over the life of the insurance policy or the estimated period policyholders remain in the plan, and are reflected in the "Deferred acquisition costs" account.

2.12. Investment properties

Fixed assets (buildings and land) not classified as property for the Company’s own use and those leased to third parties to earn income are classified as investment properties, according to IAS 40. Investment properties are stated at acquisition cost less depreciation. These fixed assets comprise properties leased to third parties and are classified according to IAS 17 as operating leases. Since the Company uses the cost model permitted by IAS 40 for investment properties, these assets are tested for impairment and allocated to the corresponding CGUs, in accordance with IAS 36 (see accounting balance 2.7 (c)).

2.13. Fixed assets for own use

Fixed assets for own use comprise properties for own use, equipment, furniture, machinery, fittings and vehicles used in the Company's business. Fixed assets for own use are stated at historical cost revalued up to December 31, 2007 (land and buildings are stated at revalued amounts up to December 31, 2007, based on appraisals made on December 22, 2006 by independent experts). This cost was used as deemed cost in the adoption of IFRS and new CPCs under the voluntary exemption permitted by IFRS 1/CPC 37 for first-time adoption of IFRS. The cost of fixed assets is reduced by accumulated depreciation of the asset (except for land, which is not depreciated) up to the date of preparation of the financial statements. The historical cost of fixed assets includes costs directly attributable to the acquisition of capitalized items and to bringing them into use.
Subsequent costs are capitalized as part of the asset’s carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. When a certain asset of part of it is replaced, the replaced item is derecognized, as appropriate. All other repair or maintenance costs are recognized in the income statement as incurred. Depreciation of other fixed assets is calculated using the straight-line method over their estimated useful lives (land is not depreciated). Depreciation rates used by the Company are disclosed in Note 14. According to the Company’s analysis of useful lives, depreciation rates do not differ significantly from those used in accordance with current tax legislation. Residual value and useful life of assets are reviewed, and adjusted as necessary, at each reporting date. An asset’s carrying amount is written down immediately if the asset’s carrying amount is greater than its recoverable value.

2.14. Lease agreements

Lease agreements in which a significant portion of the risks and rewards of the assets are retained by the Company are classified as operating leases. Payments made by the Company for operating leases (net of any incentive received from the lessor) are recognized in the income statement over the term of the lease. In IFRS, according to IAS 17, lease agreements should be classified as finance or operating lease agreements based on a combination of certain indicators defined in IFRS, such as: (i) the agreement transfers ownership of the leased asset at the end of the agreement; (ii) the lessee has the option to purchase the asset for an amount deemed to be sufficiently lower than its market fair value, at the date on which the purchase option can be exercised and the exercise of which is reasonably certain when the agreement is signed; (iii) the term of the lease corresponds approximately to the economic useful life of the leased asset, even when the ownership of the asset is not transferred to the lessee; (iv) at the inception of the lease, the present value of minimum rentals to be paid substantially corresponds to the fair market value of the asset; and (v) the nature of the leased asset is so specific that only the lessee can use it without significant modifications. When the agreement is classified as a finance lease under IFRS, the lessee records the leased asset and a corresponding liability at the present value of minimum rentals to be paid under the agreement. After initial recognition, fixed assets are depreciated over the term of the agreement, and obligations are recognized on the effective interest method with a finance cost recorded in the income statement. When the agreements transfer substantially all risks and rewards of leased assets to the Company, these agreements are classified as finance leases and, consequently, the Company recognizes a liability at the present value of future minimum rentals due under the agreement and an asset corresponding to the lower between the present value of future minimum rentals and the asset’s fair value at the date on which the agreement is signed. The Company appropriates financial interest over the term of the agreement and the asset is depreciated over the life of the rental agreement. When the Company is the lessee in rental agreements classified as operating leases, rental expenses are recorded in the income statement over the term of the agreement. In addition, the Company carries out an analysis to identify any other contracts related to services, supply or outsourcing, which meet the definition of a lease contract according to IFRIC 4 ‘Determining whether a contract contains a lease’. During the periods presented, there were no lease agreements classified in the ‘finance lease’ category.

2.15. Non-financial assets held for sale

The Company has certain assets held for sale, arising from the recovery of assets which were pledged in guarantee of lending operations (loans and financing) granted to customers, as well as inventories of salvages recovered after the payment of claims to policyholders. These assets are stated at fair value, less costs directly related to the sale of the asset and which are necessary for the transfer of ownership of the asset to third parties in normal conditions of operation. Expenses payable by the customer, such as auction expenses, are not deducted from the asset’s fair value.

When the Company carries out the liability adequacy test (LAT) of insurance contracts, estimated recoveries of salvages relating to future payment of claims (excluding recovered assets maintained in salvage inventories on the test base date) are considered in the cash flow (see accounting policy 2.17.2).

2.16. Insurance contracts and investment contracts - Classification

The Company issues several types of general insurance contracts and benefit products (open pension plans) which transfer insurance and/or financial risks. The Company classifies contracts issued as insurance contracts when significant risks are transferred. In general, the Company defines significant insurance risk as the possibility of paying significant benefits to policyholders if an insured event occurs (with commercial significance) which are higher than the benefits paid if the insured event does not occur. Investment contracts are those which do not transfer insurance risk or transfer insignificant insurance risk. At the date of adoption of IFRS, the Company did not identify any contracts classified as investment contracts.

Contracts for support to policyholders in which the Company engages outsourced employees (or allocates its own employees) to provide services related to, for example, residences and automobiles, 24-hour support, windows, among other risks, are also evaluated for classification purposes, and are classified as insurance contracts under IFRS when a significant portion of insurance risk is transferred between the counterparties of the contract.
The Company issues collective health insurance contracts for companies of different sizes in which the Company has the irrevocable and contractual right to increase future premiums or assumes the obligation to return certain amounts of ‘technical excesses’, should certain claims ratios or predetermined factors in the contract (according to a predetermined formula) are reached. These contracts do not have a Discretionary Participation Feature (DPF, according to IFRS 4), because the Company does not determine the amounts to be refunded in collective policies (should losses or results from the policy be a benefit for the Company). These contracts were classified as insurance contracts because the results from policies may not be favorable to the Company. The policyholder has the option to cancel a contract effective for at least twelve months upon 60 days’ notice (according to Normative Resolution (RN) 195 of July 14, 2009 - ANS) without the obligation of paying any fine to the Company; accordingly, this is a probable scenario with commercial substance for retention of significant insurance risk for the Company based on prior experiences.

Reinsurance contracts are also classified according to the insurance risk transfer principles of IFRS 4. Reinsurance contracts not classified as an insurance contract according to IFRS 4 are classified as financial assets.

2.17. Evaluation of liabilities arising from insurance contracts

2.17.1. Liabilities of insurance contracts: The Company uses IFRS 4 guidelines to evaluate insurance contracts and adjust the consolidated financial statements in conformity with IFRS. Under IFRS 4, the Company is allowed to adopt the previous accounting policies, that is, BR GAAP (accounting policies and practices generally accepted in Brazil, presented below), used for evaluation of liabilities arising from insurance contracts and assets arising from reinsurance contracts. In addition to using this exemption, the Company applied the minimum procedure standards for evaluation of insurance contracts, such as: (i) liability adequacy test, (ii) review of prudence level considered in evaluation of insurance contracts, among other applicable policies.

The Company did not use the Shadow Accounting principles, since it does not have contracts for which the evaluation of liabilities, or benefits to policyholders, are impacted by unrealized gains or losses on available-for-sale securities according to IAS 39, recorded in an equity reserve. The Company also did not identify situations in which excess prudence was used, as defined by IFRS 4, in the evaluation of insurance contracts under BR GAAP. The Company did not identify reserves for catastrophes not permitted by IFRS 4 on the date of adoption of this standard.

According to BR GAAP, technical reserves are constituted according to determinations of the National Council of Private Insurance (CNSP), Private Insurance Agency (SUSEP) and ANS, whose criteria, parameters and formulas are documented in technical actuarial notes, described as follows:

Casualty (automobile, transportation, property, etc.), life without a surviving beneficiary clause and health insurance lines: (i) The unearned premium reserve (PPNG) is calculated on a daily pro rata basis, based on issued premiums, and is intended to provide for the portion of the latter corresponding to the unexpired risk period, starting on the calculation base date, for casualty, group life and personal accidents insurance lines. (ii) The unexpired risk reserve (PRNE) is calculated on a daily pro rata basis, based on net premiums issued, and is intended to provide for the portion of the latter corresponding to the unexpired risk period, starting on the calculation base date, for individual life insurance. (iii) The unearned premium reserve for risks in effect but not issued (PPNG - RVNE) is intended to estimate the portion of unearned premiums related to risks assumed by the Company, which are already effective and in the process of being issued, in accordance with the methodology provided for in the technical actuarial notes in the casualty, group life and personal accidents insurance lines. (iv) The unexpired risk reserve for risks in effect but not issued (PRNE - RVNE) is intended to estimate the portion of unexpired risks related to risks assumed by the Company, which are already effective and in the process of being issued, in accordance with the methodology provided for in the technical actuarial notes for individual life insurance. (v) The reserve for unsettled claims (PSL) is based on estimates of indemnities payable, made upon the receipt of notices of claims, net of coinsurance adjustments. An additional reserve for unsettled claims (IBNER) is recorded to cover reported claims whose amounts are subject to changes during the claim analysis process. This reserve is calculated using statistical and actuarial techniques based on the historical behavior of claims, in accordance with the methodology provided for in the technical actuarial notes in the life and casualty insurance lines. For health insurance, PSL is constituted based on claims payable calculated upon the receipt of the claim notice, through the presentation of the medical bill or the service provider’s advice. (vi) The reserve for claims incurred but not reported (IBNR) for the casualty, life and health lines is calculated using statistical and actuarial techniques based on the historical behavior observed between the occurrence of claims and their being reported, in accordance with a technical actuarial note. The IBNR reserve for the DPVAT (mandatory insurance against personal injury caused by automotive vehicles) line is recognized pursuant to CNSP Resolution No 192/08. (vii) The premium deficiency reserve (PIP) for the life insurance portfolio is recognized to cover the insufficiency arising from the impossibility of applying the fee adjustment in the existing contracts due to a court decision. This reserve is calculated based on technical actuarial notes, considering the difference between the
The risk fluctuation reserve (POR) is recognized for the purpose of reducing impacts on risk rates, upon the occurrence of atypical and major claims, in the business, residential and condominium, and national and international transport insurance lines. This reserve is calculated based on a technical actuarial note. Mathematical reserves for vested benefits (PMBC) for the health insurance line are recognized based on the estimate of future medical and hospital expenses of the beneficiaries who are receiving a remission benefit (death of policyholder with maintenance of insurance of dependents without payment of premiums). This reserve is calculated in accordance with the methodology provided for in the technical actuarial notes, based on the present value of the related estimated expenses with a discount rate of 6% p.a. The reserve for administrative expenses (PDA) is recorded for the purpose of covering the administrative deficit, through the resources originating from the administrative results of the DPVAT computed monthly.

Pension plan and life insurance with a surviving beneficiary clause: The mathematical reserves for vested benefits (PMBC) represent the amount of obligations assumed with the participants of annuity and lump-sum pension plans, structured under the capitalization and allocation of coverage capital financial methods, and of life insurance with a surviving beneficiary clause. These reserves are calculated based on technical actuarial notes. The contribution deficiency reserve (PIC), calculated based on an actuarial valuation, is recognized to cover deviations resulting from subrogation of rights are included as a deduction in the evaluation (estimate of insurance contract payment flow) and, as a result, in liability arising from business combinations. For this test, the Company prepared a methodology based on its best estimate of all future cash flows, which also include additional and claim settlement expenses, using current assumptions for the test. For determination of estimated future cash flows, the contracts are grouped together based on similar features (or similar risk characteristics) and, since, the related insurance risks are managed collectively by management. Cash flows are brought to present value, based on assumptions of risk-free interest rates.

Should any deficiency be identified in the test, the Company immediately records the loss in the income statement, initially reducing the deferred acquisition cost (DAC) or other intangible assets and, subsequently, records additional reserves for insurance liabilities already recorded at the test date. Any intangible asset, such as DAC, which was written down due to this test cannot be reinstated by the Company when the test shows favorable results for the Company and its subsidiaries.

2.17.2. Liability Adequacy Test (LAT): As required by IFRS 4, the Company, at each reporting date, prepares the Liability Adequacy Test (LAT) of all contracts in effect on the test date. This test is prepared based on the net carrying amount of all liabilities arising from insurance contracts as permitted by IFRS 4, less intangible assets directly related to insurance contracts that include deferred acquisition expenses and value of business acquired (VOBA) arising from business combinations. For this test, the Company prepared a methodology based on its best estimate of all future cash flows, which also include additional and claim settlement expenses, using current assumptions for the test. For determination of estimated future cash flows, the contracts are grouped together based on similar features (or similar risk characteristics) and, since, the related insurance risks are managed collectively by management. Cash flows are brought to present value, based on assumptions of risk-free interest rates.

Some contracts allow the Company to acquire ownership of the asset or the right to sell a damaged asset that has been recovered (such as salvages). The Company also has the contractual right to seek or collect reimbursements from third parties, such as subrogation of rights, for payment of partial or total damages covered by an insurance contract. Consequently, as permitted by IFRS 4, estimates of recovery of salvages and reimbursements arising from subrogation of rights are included as a deduction in the evaluation (estimate of insurance contract payment flow) and, as a result, in liability adequacy tests. When the asset is recovered on a date subsequently to the claim event, the Company classifies it under ‘other assets’, stated at fair value, less costs to bring the asset to a condition of sale to use by third parties. For unexpired risk lines, the Company takes into consideration the observed earned premiums to make the best estimate of revenues from premiums in the period subsequent to the calculation base date.

For products of accumulation benefits (pension plan), also classified as insurance contracts, the Company prepared a methodology based on elements that directly impact the cash flow of these contracts, such as the periods participants remain in the plan rates of conversion into income, return on as-
sets guaranteed to the participants during the accumulation phase and concession of benefits (financial surplus), options of guaranteed interest rates (General Market Price Index (IGPM) inflation rate or realized assets gains above this rate for traditional products) and redemption options.

No deficiencies were identified in the tests of the groups for the years presented.

2.18. Financial liabilities

2.18.1. Loans and financing: Loan and financing liabilities are initially recognized at fair value, net of additional transaction costs directly attributable to the financial liability. These liabilities are subsequently measured based on the effective interest method, including on transaction costs, and the interest on the contracts is recorded up to the maturity of the contracts. The Company evaluates any early redemption options or special debt settlement rules with the purpose of identifying embedded derivatives in these contracts according to IFRS. For floating-rate loans, the effective interest rate is revised periodically, when the impact of a change in the effective interest rate of the contracts is significant.

2.18.2. Other financial liabilities: Other payables are initially recognized at fair market value, and any significant effects from adjustment to present value are recognized in accordance with the effective interest method up to the settlement date, whenever the effect of such adjustment to present value is material. For this calculation, whenever financial liabilities do not have a predetermined interest rate (or explicitly established in contract), the Company uses a market rate similar to the reference interest rate that would be hypothetically charged by a banking institution in the market, for financing or purchase of a similar asset, also considering the Company's credit risk for such purpose.

2.19. Employee benefits: The Company sponsors the Portoprev plan, which is classified as a defined contribution plan, according to IAS 19 criteria. Actuarial gains and losses are recorded in the statement of comprehensive income for the period in which they occur. The Company also offers post-employment benefits related to health and life insurance and benefits calculated using a benefit policy that determines a certain score for its employees according to their period of service. The liability of these obligations was calculated in accordance with a specific actuarial methodology based on turnover rates, interest rates for determination of current cost of service and interest costs, as defined in IAS 19. Other dismissal benefits, such as fine or provision for Government Severance Indemnity Fund for Employees (FGTS), were also calculated following this methodology for retired employees for whom this right has been already established.

Other labor provisions are calculated in accordance with the labor laws in effect on the date the financial statements are prepared, and are recorded on the accrual basis, as the services are rendered by the employees.

2.20. Other provisions, contingent assets and liabilities

The Company recognizes a provision only when there is a present obligation (either of a legal or social responsibility nature) as a result of past events, it is probable that the payment of resources will be required to settle the obligation and a reliable estimate of the provision can be made. Should none of these characteristics be met, the Company does not recognize a provision. The provisions are discounted to present value when the effect is significant.

The Company records provisions to cover future disbursements that may arise from civil, tax and labor litigation. Provisions are recorded based on an individual analysis, made by the legal counsel of the Company and its subsidiaries, of lawsuits in progress and expectations of unfavorable outcomes requiring future disbursements. Taxes which are being disputed in court are recorded based on the "legal obligation" concept. Legal obligations (tax and social security) arise from lawsuits related to tax obligations, whose legality or constitutionality is being challenged, and which, regardless of the evaluation of the likelihood of a favorable outcome, are fully recognized in the financial statements and monetarily restated in accordance with current tax legislation (Special System for Settlement and Custody (SELIC) interest rate).

Judicial deposits are monetarily restated and presented as a deduction from the corresponding liability, if any, providing offsetting criteria are met. When the offsetting criteria are not met, the judicial deposits are recorded under assets.

2.21. Capital

The Company's shares are classified as a component of equity when the Company is not obliged to transfer cash or other assets to third parties. Incremental costs, directly attributable to the issue of the Company's shares, are recorded in equity as deductions from the funds received.

When the Company buys back its shares (treasury shares), the amount paid, including incremental costs directly attributable to the transaction, is deducted from equity. When the shares are subsequently sold, any amount received is included in equity, net of any incremental costs directly attributable
2.22. Revenue recognition accounting policy

2.22.1. Recognition of premiums issued under insurance contracts: Revenues from premium of insurance contracts are recognized on a proportional basis, over the period of policy risk coverage. For investment contracts, if applicable, the Company does not recognize premiums received (or paid, for reinsurance premiums) in the income statement, but uses the deposit method of accounting applicable to financial assets and liabilities. Contributions from participants in the pension plan segment are recognized in the income statement at the time they are effectively received by the Company, for contracts that meet the definition of an insurance contract according to IFRS 4. Tax on Financial Transactions (IOF) payable on premiums received is recorded in the Company's liabilities and is retained and paid simultaneously with the receipt of the premium.

2.22.2. Interest and dividends received: Revenues from interest on financial instruments (including revenues from interest on instruments stated at fair value through profit or loss) are recognized in the income statement, in accordance with amortized cost method and the effective rate of return. When a financial asset becomes impaired, the Company reduces the asset's carrying amount to its recoverable value, corresponding to the estimated future cash flows discounted using the effective interest method, and continues to recognize interest on these financial assets as revenue from interest in the income statement. Interest charged on insurance premiums paid in installments is deferred for appropriation to the income statement over the same term of such installments.

Revenues from dividends on financial asset investments represented by equity instruments (shares) are recognized in the income statement when the right to receive the dividend payment is established.

2.22.3. Revenues from investment properties: Revenues from rental of investment properties (classified as operating leases) are recognized in the income statement for the period based on the straight-line method and proportionally to the rent period. Any incentives or rental expenses are recognized in accordance with the same method used for the revenue recognition.

2.22.4. Revenues from consortiums: Revenues from administration fees are recognized as the plan management services are rendered by the Company. Commissions on consortium share sales are recognized in the income statement when consortium shares are sold and the sale is concluded (or performed).

2.22.5. Loyalty programs: According to IFRIC 13, when an entity sells products or renders services and the sales contract includes multiple elements, the entity should appropriate revenue to the various elements in the contract based on the fair value of the consideration received in the transaction. In this respect, the Company evaluates situations in which the insurance contracts sold to policyholders include components of a significant financial amount, where the price of a part of the revenue or premium is increased to cover benefits that can be used by the Company's customers at third party merchants during the effectiveness of the insurance contracts. The Company evaluates the significance of these components and whether the revenue recognition standard (for example, the standard for use of these benefits) would differ significantly from that applied to the recognition of insurance premium issued based on the expiry term of the contract risk.

The Company also issues credit cards which offer various benefit programs to its customers. These programs include bonus payments based on frequent use or other loyalty parameters. The Company estimates its obligations related to the cost of future bonus, based on the fair value of these benefits, and takes into account several current assumptions for the valuation of this component in its financial statements. These assumptions include the manner in which the customers use the benefits, the type of benefit and estimate of benefits not claimed by the customer during the bonus exercise period.

2.22.6. Revenues from service rendering and sale of surveillance equipment: Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of taxes, returns, rebates and discounts and after eliminating intercompany sales. The Company recognizes revenue when the amount thereof can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on past experience, taking into consideration the type of customer, the type of transaction and the specifications of each arrangement.
2.23. Distribution of dividends and interest on capital

Dividend and interest on capital distributions to the Company’s shareholders are recognized as a liability in the financial statements at year-end based on the Company’s bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved by the shareholders.

The tax benefit of interest on capital is recognized in the income statement. The rate used to calculate interest on capital is limited to the variation of the Long-term Interest Rate (TJLP) for the applicable period and the higher of: (i) 50% of the Company’s profit (after deducting the Social Contribution on Net Income (CSLL) and before considering the aforementioned allocation and any deductions related to income tax); or (ii) 50% of the Company’s retained earnings and revenue reserves.

2.24. Income tax and social contribution

The income tax and social contribution expense for the periods presented includes current tax expenses and deferred tax effects. The Company recognizes in the income statement for the period the income tax and social contribution effects, except for tax effects of items which were directly recognized in equity; in these cases, the tax effects are also recognized in equity.

Current taxes are calculated based on tax laws and rules in effect on the date the balance sheet is prepared. In Brazil, current income tax is calculated at the base rate of 15% plus a 10% surtax on annual taxable income exceeding R$ 240. The provision for social contribution is calculated at the rate of 15% for insurance and financial companies and 9% for other subsidiaries and the Company (parent company). The provisions for deferred income tax and social contribution on temporary differences are recorded, and the amounts are transferred to taxes payable in current liabilities upon the realization or disposal of the corresponding assets.

Deferred taxes are recognized based on the liability method (IAS 12) on temporary differences between the asset and liability tax bases and the carrying amounts of these assets and liabilities in the financial statements. Rates used to calculate deferred taxes are those enacted or substantially enacted on the date of preparation of the balance sheet. Deferred tax assets are recognized to the extent it is probable that future taxable income will be available to realize the credits.
3. Accounting Estimates and Judgments

Accounting estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimates and judgments used in evaluation of insurance liabilities: Management is required to make significant judgments and use estimates for the calculation of the Company's insurance liabilities. Several sources of uncertainties should be considered in the estimation of liabilities to be ultimately settled by the Company. The Company uses all available internal and external information sources for past experience and indicators that may affect the decision-making of the Company's management and actuaries to define actuarial assumptions and the best estimate of claim settlement amounts for contracts whose insured event has already occurred. Consequently, the provisions may differ from the amounts actually paid in the future. The provisions that are affected the most by judgment and uncertainties are those related to high-risk insurance contracts (for example, special risks) and life insurance contracts (see Note 4.1 - sensitivity analysis).

(b) Estimates and judgments used in evaluation of provisions for tax, civil and labor contingencies: The Company has a large number of labor, tax and civil lawsuits in progress on the date of preparation of these consolidated financial statements in accordance with IFRS. Consequently, the process used by management to determine and record the accounting estimates takes into consideration the legal advice of experts, progress of the lawsuits and judgment status (or court) of each specific case. In addition, the Company uses its best judgment on these cases and historical information about losses, in which there is a high level of judgment used, to record the provisions in accordance with IAS 37.

(c) Estimates used in the calculation of impairment of financial assets: As required by IFRS, the Company applies the rules for analysis of impairment of individually significant receivables, as well as assumptions for evaluation of impairment for assets of similar risks on a group basis. In this respect, the Company uses a high level of judgment to determine the level of uncertainty about the realization of estimated contractual flows of financial assets, including premiums receivable from policyholders and credits receivable from loans granted to customers. This judgment considers the type of contract, industry, segment, localization of the debtor, payment history, and other relevant factors that may affect the recording of impairment losses on financial assets.

(d) Estimates used in the calculation of tax assets: Deferred tax assets are recognized to the extent it is probable that future taxable income will be available to realize the credits. This requires a high level of judgment by the Company's management for determination of estimates as to the expected generation and timing of future taxable income.

(e) Estimated fair value of financial instruments: The fair value of financial instruments that are not traded in an active market (for example, share of closely-held companies) is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Company has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.
4. Management of Risks Arising from Financial Instruments and Insurance Contracts

4.1. Insurance risk management

The Company offers to individuals, corporations and public entities in Brazil and Uruguay, through its direct and indirect subsidiaries (Porto Seguro, Porto Seguro Saúde, Porto Seguro Vida, Azul Seguros, Itaú Seguros de Auto e Residência and Porto Seguro Uruguay), a wide range of insurance products, including automobile, health, property, life, transportation and pension plan. The Company seeks to invest in the most modern and best risk selection and pricing processes. The key elements of the Company’s underwriting policy are, and will continue to be, the following: (i) maintenance of centralized underwriting control, to ensure that the Company’s policies and procedures are consistently and properly followed; (ii) ongoing monitoring of the quality of business proposed by the brokers; and (iii) use of techniques for the development of its own database referring to underwriting, claims and other statistical data, so that the Company can select and evaluate risks in a technical and commercially precise manner.

The Company defines insurance risk as the risk transferred through any contract in which there is the future possibility of loss and uncertainty as to the amount of indemnification resulting therefrom. Insurance contracts with transfer of significant risk are those in which the Company is obliged to pay a significant additional benefit to its policyholders in commercial scenarios, classified based on the comparison between the scenarios in which the event occurs, adversely affecting the policyholders, and scenarios in which the event does not occur. Because of the intrinsic nature of an insurance contract, the risk is, in a way, accidental and consequently subject to variations. For an insurance contract group to which the probability theory is applied for pricing and provision, the Company understands that the main risk transferred to the Company is that the risk of claims reported and the payment of benefits resulting from these events exceed the amounts recorded for insurance contract liabilities. In practice, these situations occur when the frequency and severity of claims and benefits to policyholders are higher than the amounts previously estimated, according to the methodology of calculation of these liabilities. Past experience demonstrates that the larger the group of similar risk insurance contracts, the lower the fluctuation in cash outflows to cover claim events will be. The Company uses risk diversification strategies and reinsurance programs with reinsurance companies having a high-quality credit risk rating, so that the adverse effect of atypical and major events can be minimized. Also, part of the credit and underwriting risks to which the Company is exposed is minimized because a relatively small portion of risks accepted have high insured amounts. Consequently, the possibilities of differences in severity of claims observed and recovery insufficiency or losses are minimized. This is evidenced by the fact that reinsurance premiums ceded totaled approximately 0.97% of written insurance premiums in 2010, and the amounts of recovered reinsurance claims represent 0.63% of gross retained claims in the same period.

In addition, retentions established in reinsurance contracts are equal to SUSEP’s technical limits or lower, in conformity with current legislation.

The factors that increase the insurance risk include the inability to diversify risk, type of risk, geographical issues and the type of business segment, which is a relevant factor for special risk lines in which the Company operates. The Company’s insurance risk management structure considers the similarity of risks transferred through the various contracts and lines in which the Company operates, as well as experience obtained over the years to deal with specific or special risks, and how they were managed in the past. The main insurance risk management segments are structured as follows:

- Private and commercial automobiles
- Health
- Life
- Property and credit
- Transportation
The Company’s risk underwriting objective is to develop its insurance business portfolio on a conservative and profitable basis. The Company believes that its risk underwriting techniques offer additional advantage in proper identification and understanding of risk and definition of insurance prices, mainly in relation to the automobile insurance line. The Company’s risk underwriting policies are defined solely by the head office, through its technical departments. The unit in the actuarial department responsible for the calculation of tariffs analyzes the appropriateness of the premium and uses exclusive data gathered and analyzed by the Company relative to each business line. Consequently, different prices are determined for asset insurance policies, in accordance with several variables applicable to each specific risk, such as in the case of automobile insurance, factors relating to automobile (age, make, model, etc.) and other factors relating to the policyholder’s profile. This methodology has the purpose of maintaining the quality of risk underwriting and price discipline. The Company pays special attention to general training for employees, outsourced employees and brokers, risk selection and continuous monitoring. In addition, the Company monitors the quality of business obtained through brokers and regional offices, in order to evaluate and improve their performance. Risks are underwritten by the Company after the review of experience with losses and automobile pricing reports, among others, and after considering all complaints, physical conditions and the replacement value of the property.

4.1.1. Private and commercial automobile insurance

The Company is the Brazilian leader in the automobile segment, establishing its reputation based on the innovation of products, customer service, relationship with brokers and, mainly, based on the level of sophistication of risk analysis. The Company offers automobile insurance to individuals and corporations that use the vehicle for private and/or commercial purposes. Automobile insurance provides coverage of one or more of the following risks: body, civil liability and personal damage resulting from the use of the automobile. Policyholders pay a deductible in case of a claim, except for full indemnification. The deductible varies according to the type of vehicle. Porto Seguro offer its automobile insurance policies for periods from 30 days up to three years. Of the total policies in effect as at December 31, 2010, approximately 99.70% were issued for one year. Insurance of automobiles for commercial purposes offers coverage for cars, pick-ups and trucks, and the same coverage options are provided. Insurance of automobiles for commercial purposes was developed to protect companies against losses resulting for partial or total loss due to accident, robbery or theft of the vehicle, optional civil liability, tangible and moral damages to third parties, personal accidents to passengers, civil liability of the transportation company in international journeys and damages to the vehicle in South American countries which are not part of the Mercosur (Southern Common Market). At December 31, 2010, insurance policies of automobiles for commercial purposes represented approximately 8.70% of total automobile insurance policies issued by the Company. Since 1996 the Company offers automobile insurance policies with tariffs based on the risk profile of users that meet certain selective underwriting criteria, based on factors such as age, marital status, gender, parking habits and geographical area in which the automobile is used. As part of its insurance risk management policy, the Company uses components that significantly reduce robbery or larceny of insured automobiles: (i) vehicle tracking and localization equipment; and (ii) recording of the chassis number in several parts of the internal vehicle body, which helps in the identification of stolen vehicles. In accordance with the insurance risk premium and for high-value vehicles, the Company installs on a freerental basis tracking equipment which helps in a possible recovery.

The process used by management to determine certain actuarial assumptions consists mainly of identifying the risk to be insured, the object to be insured, the maximum amount at risk and the availability of data necessary for establishment of tariffs and underwriting. Subsequently, management determines the actuarial assumptions relevant to the risk to be insured and the origin and reference of data to be used for establishment of tariffs and underwriting. Accordingly, for the Automobile Portfolio, management used the following for actuarial assumptions:

- Company’s database to determine prices of insured risks and underwriting criteria, the use of externally-generated data not being necessary;
- Database comprising information on a period of not less than 24 months, as from the analysis base date;
For sensitivity test purposes, management uses as actuarial assumptions the frequency of partial collision, frequency of robbery and larceny, market reference value - Economic Research Institute (FIPE) table, salvages and expenses with settlement of claims due to their impact on pricing of the risk to be insured.

The results of the sensitivity tests, net of tax effects, are the following:

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<tbody>
<tr>
<td>Increase of 5% in frequency of claims</td>
<td>(77,872)</td>
<td>(77,850)</td>
<td>(52,555)</td>
<td>(52,528)</td>
</tr>
<tr>
<td>Increase of 15% in administrative expenses</td>
<td>(16,650)</td>
<td>(16,648)</td>
<td>(9,914)</td>
<td>(9,894)</td>
</tr>
<tr>
<td>Increase of 15% in claim expenses</td>
<td>(17,523)</td>
<td>(17,518)</td>
<td>(8,137)</td>
<td>(8,118)</td>
</tr>
<tr>
<td>Increase of 10% in percentage of recovery of salvages</td>
<td>26,359</td>
<td>26,346</td>
<td>16,710</td>
<td>16,687</td>
</tr>
<tr>
<td>Decrease of 5% in percentage of recovery of salvages and reimbursements</td>
<td>(17,109)</td>
<td>(17,101)</td>
<td>(8,851)</td>
<td>(8,805)</td>
</tr>
</tbody>
</table>

**Maximum exposure to insurance risk**

<table>
<thead>
<tr>
<th>Location</th>
<th>2010</th>
<th>2010</th>
<th>2009</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>São Paulo</td>
<td>69,325,572</td>
<td>69,325,572</td>
<td>66,973,516</td>
<td>66,973,516</td>
</tr>
<tr>
<td>Rio de Janeiro</td>
<td>10,942,859</td>
<td>10,942,859</td>
<td>10,967,170</td>
<td>10,967,170</td>
</tr>
<tr>
<td>Other Brazilian regions</td>
<td>33,674,168</td>
<td>33,674,168</td>
<td>32,104,990</td>
<td>32,104,990</td>
</tr>
<tr>
<td>Uruguay</td>
<td>100,458</td>
<td>100,458</td>
<td>75,485</td>
<td>75,485</td>
</tr>
<tr>
<td>Total</td>
<td>114,043,057</td>
<td>114,043,057</td>
<td>110,121,161</td>
<td>110,121,161</td>
</tr>
</tbody>
</table>

4.1.2. Health: Porto Seguro Saúde has operated in the health insurance market since 1992. It has more than 4 thousand insured companies, approximately 467 thousand insured individuals and 11 thousand service providers, including hospitals, laboratories and medical clinics. It sells Heath and Dental Plan products in the Corporate and Small and Medium-Sized Entities versions.

**Accredited network:** The Company makes available to its policyholders an accredited network, including doctors, hospitals and laboratories. When determining its accredited network, Porto Seguro Saúde enters into contracts with service providers located in different geographical regions, in accordance with its needs, which are selected based on several factors, including specialization, experience, location, quality and cost of services. In order to maintain a high standard of customer service, service providers are subject to monitoring, through constant medical audit so as to maintain quality, conformity of the services rendered and control of costs of medical services.

Should the policyholder use the services rendered by a professional from the medical area who is not part of the accredited network, they can pay directly to the professional and subsequently request a reimbursement, in accordance with Porto Seguro’s reimbursement table. Also, in places where the accredited network does not exist, Porto Seguro Saúde operates in partnership with other insurance companies.
Optional co-participation: When contracting the Corporate Porto Seguro Saúde insurance plan, the customer may opt for co-participation, which helps encourage proper use of the plan, resulting in a better control over claims. In this case, the employee pays a small part of medical and hospital expenses only when the plan is used. When opting for co-participation, the customer receives a monthly discount on the premium.

Products:

Health - Porto Seguro Saúde has 11 medical plans with different amounts and conditions, in order to meet customers' different needs:

- Small and Medium-sized Entities: serves companies with from 20 to 99 individuals, including employees and their dependents;
- Corporate: serves companies with over 100 individuals, including employees and their dependents.

Dental plan - The policyholder of this plan, which covers approximately 84 thousand individuals, may choose any dentist; if they opt for a professional who is not part of the accredited network, the policyholder may require reimbursement, in accordance with the contracted plan.

- Small and Medium-sized Companies: serves companies with from 10 to 99 individuals, including employees and their dependents;
- Corporate: serves companies with over 100 individuals, including employees and their dependents.

Medical assistance products comply with the procedures established by ANS and offer benefits which vary according to the contracted plan. As part of its insurance risk management, Porto Seguro Saúde uses the increasing number of policyholders of its health insurance plans to negotiate contracts at favorable prices with service providers. Porto Seguro Saúde seeks to evaluate the quality and conformity of medical services provided by its network through surveys conducted with policyholders audits and interviews with doctors and policyholders in hospitals and other medical service units. General medical procedures do not require the prior approval of Porto Seguro Saúde. However, services such as hospitalization and time of hospitalization require previous approval by the medical audit team of Porto Seguro Saúde. This medical audit team also reviews retrospectively the procedures carried out by each health service provider, with the purpose of analyzing conformity and quality. The review of procedures usually involves the review of medical examinations and types of treatment and procedures carried out in an event. The process used by management to determine certain actuarial assumptions consists mainly of identifying the risk to be insured, the object to be insured, and the availability of data necessary for establishment of tariffs and underwriting. Subsequently, management determines the actuarial assumptions relevant to the risk to be insured and the origin and reference of data to be used for establishment of tariffs and underwriting. Accordingly, for the Health Portfolio, management used the following for actuarial assumptions:

- Company’s database to determine prices of insured risks and underwriting criteria, the use of externally-generated data not being necessary;
- Database comprising information on a period of not less than 24 months, as from the analysis base date;
- For sensitivity test purposes, management uses as actuarial assumptions the Portfolio Risk Premium, H+Ob (Hospital and Obstetric Coverage) plan Risk Premium, A+H+Ob (Outpatient, Hospital and Obstetric Coverage) plan Risk Premium, Claim Expenses and Dental Plan Portfolio Risk Premium due to their impact on insurance risk pricing.

Notwithstanding, management can maintain and/or decrease Portfolio Risk Premiums, as a result of improvements in the pricing processes. Accordingly, sensitivity tests were made with percentages lower than those used in the other Portfolios. The results of the sensitivity tests, net of tax effects, are the following:
### Impact on profit or loss and equity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of 2.5% in portfolio risk premium</td>
<td>(5,061)</td>
<td>(5,061)</td>
<td>(4,829)</td>
<td>(4,829)</td>
</tr>
<tr>
<td>Increase of 2.5% in risk premium of H+Ob plans</td>
<td>(25)</td>
<td>(25)</td>
<td>(24)</td>
<td>(24)</td>
</tr>
<tr>
<td>Increase of 2.5% in risk premium of A+H+Ob</td>
<td>(5,000)</td>
<td>(5,000)</td>
<td>(4,770)</td>
<td>(4,770)</td>
</tr>
<tr>
<td>Increase of 2.5% in claim expense risk</td>
<td>(278)</td>
<td>(278)</td>
<td>(247)</td>
<td>(247)</td>
</tr>
<tr>
<td>Increase of 2.5% in dental plan risk premium</td>
<td>(88)</td>
<td>(88)</td>
<td>(64)</td>
<td>(64)</td>
</tr>
</tbody>
</table>

*H+Ob* Hospital and Obstetric Coverage

*A+H+Ob* Outpatient, Hospital and Obstetric Coverage

#### 4.1.3. Life insurance without a surviving beneficiary clause

The Company offers individual and corporate life insurance plans, with several types of coverage. Corporate life insurance plans are acquired by small, medium and large entities as part of benefit plans offered to their employees. The sale of individual insurance plans is based on the consulting sale concept, in order to protect the customer and family. These insurance plans correspond to 4% of premiums written by the Company in 2010. At December 31, 2010, the life insurance portfolio had approximately 2.8 million policyholders. In this segment, underwriting is centralized, which ensures the proper and consistent application of policies and procedures concerning the product. The Company is constantly seeking the improvement of the risk selection and pricing processes. The Company’s policies include traditional life insurance, which are available with a wide range of additional coverage, such as death and disability by accident. Life insurance products sold by Porto Seguro offer as the main coverage indemnifications which will be paid in case of death of the policyholder, in exchange for payment of monthly premiums, sold on a simple allocation or coverage capital allocation basis. The process used by management to determine actuarial assumptions consists mainly of identifying the risk to be insured, the object to be insured, the maximum amount at risk and the availability of data necessary for establishment of tariffs and underwriting. Subsequently, management determines the actuarial assumptions relevant to the risk to be insured and the origin and reference of data to be used for establishment of tariffs and underwriting. Accordingly, for the Life Portfolio, management uses the following for actuarial assumptions:

- Database comprising information on a period of at least 24 months, as from the analysis base date;
- Use of Biometric Tables approved by current legislation that represent the best estimate of mortality for insured lives;
- For sensitivity test purposes, management uses as actuarial assumptions the portfolio risk premium, death coverage risk premium, additional coverage risk premium, claim expenses and amounts insured due to their impact on risk pricing.
### Impact on profit or loss and equity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of 5% in portfolio risk premium</td>
<td>(1,993)</td>
<td>(2,036)</td>
<td>(2,014)</td>
<td>(1,992)</td>
</tr>
<tr>
<td>Increase of 5% in death coverage risk premium</td>
<td>(1,332)</td>
<td>(1,360)</td>
<td>(1,345)</td>
<td>(1,331)</td>
</tr>
<tr>
<td>Increase of 5% in other coverage risk premium</td>
<td>(662)</td>
<td>(676)</td>
<td>(671)</td>
<td>(664)</td>
</tr>
<tr>
<td>Increase of 5% in claim expenses</td>
<td>(116)</td>
<td>(118)</td>
<td>(123)</td>
<td>(121)</td>
</tr>
<tr>
<td>Increase of 5% in insured amount</td>
<td>2,433</td>
<td>2,376</td>
<td>1,915</td>
<td>1,854</td>
</tr>
</tbody>
</table>

### 4.1.4. Property, civil liability and credit insurance:

- **At**he Company is the Brazilian leader in residential insurance. It offers property insurance (except for automobile insurance), which are divided into seven groups:

1. **Property**  
   - **(i)** Residential Insurance - residential insurance offers protection against damage to properties and their contents. Porto Seguro, Azul Seguros and Itaú Seguros de Auto e Residência issue policies for residential and vacation homes. Indemnification criteria are based on replacement up to the limit established in the policy. In some cases, a mandatory policyholder portion (POS) is applied, that is, a co-participation in losses to be indemnified in the case of a claim. Coverage amounts can be adjusted at the policyholder’s request. Premiums are established in accordance with Porto Seguro’s database, reflecting the experience relating to underwriting and pricing policy obtained over the past 12 months, including renewals. The main underwriting requirements refer to the state of use and condition of the property. Discount on premiums may be given based on the policyholder’s profile, experience with the Company, whether the property is located in a condominium or not and whether there is a security system monitored by specialized companies.  
   - **(ii)** Corporate Insurance - corporate insurance of Porto Seguro is designed for companies, public entities, independent contractors and owners of non-residential properties. It is focused on small and medium-sized industries, stores and services, ensuring protection against damages to property and its contents. In addition to the basic coverage (fire, explosion, smoke damage and aircraft crashes), the product offers the option to contract additional coverage, such as: electrical damages, theft of assets, loss of profit, civil liability, among others. Premiums are established on an individual basis in accordance with Porto Seguro’s database and the activity involved, for example: offices, retail stores, restaurants, drugstores, schools, etc. Discounts are given on policies comprising several places, groups of coverage, establishments located in shopping malls and with installed monitoring alarms.  
   - **(iii)** Condominium Insurance - Porto Seguro offers special plans for residential, commercial and mixed buildings and hotels. In addition to the basic coverage (fire, explosion, smoke damage and aircraft crashes), the product offers the option to contract additional coverage, such as: electrical damages, civil liability of the building manager, civil liability of the condominium, employee accident, theft of condominium assets, flood, among others. For corporate insurance, the Company also makes available a network of services/benefits that can be contracted by the policyholder, such as locksmith service, hydraulic and electric repairs, IT check-up and repairs of white goods (gas oven, refrigerator and microwave oven).

2. **Major Risks**  
   - **(i)** Multi-risk - offers insurance to companies, public entities, independent contractors and owners of non-residential properties of the large industrial, commercial and service segments. In addition to providing protection against damage to the property and its contents, in accordance with the basic coverage (fire, explosion, smoke damage and aircraft crashes), the product ensures the option to contract additional coverage, such as electrical damages, theft of assets, loss of profit, civil liability, among others. In this group, the Company makes available insurance for car dealers, destined to automobile stores (car dealers or multibrand car stores) and also for hotels, motels and lodges - which covers the assets of the establishment and of its guests.  
   - **(ii)** Engineering Risks - Porto Seguro Engineering Risks provides security in construction, expansions or refurbishment. It covers risks relating to construction, including fire, error in execution, larceny and robbery, damages caused to third parties, etc. For Major Risks insurance, the Company also makes available a network of services/benefits that can be contracted by the policyholder, such as: locksmith service, hydraulic and electric repairs, IT check-up and repairs of white goods (gas oven, refrigerator and microwave oven).
services/benefits that can be contracted by the policyholder, such as locksmith service, hydraulic and electric repairs, IT check-up and repairs of white goods (gas oven, refrigerator and microwave oven).

3. Mass market insurance - (i) Micro-insurance - this group includes micro-insurance that are sold through third parties. Porto Seguro operates in the extended guarantee line, which is sold in stores of electronic devices and housewares (department stores). Insurance for loss or theft of a card is also available, which ensures the payment of the bill to the third-party. (ii) Porto Real Estate Office - sold through real estate offices or real estate managers, this insurance covers leased residential and non-residential properties.

4. Rural (Agribusiness) - This provides agricultural insurance, covering hailstorm damages to fruits (plum, atemoya, kaki, fig, guava, apple, mango, nectarine, pear, peach and grape) and vegetables (eggplant, cucumber and tomato), and diseases (citrus canker and citrus greening disease) for citrus fruits (orange, lemon and tangerine). Insurance premiums can be subsidized by federal and state governments to farmers who contract agricultural insurance in up to 100% of the total, and the payment is made directly to the Company.

5. Contractual Obligation Guarantees (GOC) - This plan is offered by Porto Seguro to indemnify losses caused by the non-compliance with contracts. It is used in connection with requirements of public agencies or private companies, such as in the case of public bids or contract guarantee.

6. Lease Guarantee Deposit - Porto Seguro Rental is the lessor's guarantee deposit insurance destined to real estate owners, real estate offices and tenants, replacing the guarantor and other guarantees. It ensures to the real estate owner the receipt of rentals and charges, in the case of non-payment by the tenant. The insurance also has the Porto Seguro Services: free-of-charge services for maintenance of real estate in case of repairs.

7. Other Lines - (i) Civil Liability - the Company operates with the following types of insurance, among others: civil liability in service rendering in third-party properties, civil liability in surveillance operations, civil liability in civil construction / assembling and disassembling. (ii) Sundry Risks - this covers damages resulting from external causes to small, medium and large equipment. The Company currently insures portable equipment, such as semi-pro or professional cameras and camcorders, notebooks, smartphones and iPads. Movable equipment (only used in the urban zone) comprise tractors, backhoe loader, forklifts, among others. (iii) Events - destined to individuals and corporate entities which provide services relating to events, in the organization, promotion or presentation, and it can also be contracted by the final customers. Property insurance contract risks are reinsured through several types of reinsurance contracts, such as reinsurance of excess of liability of damages, excess of damages and/or portion. The type and retentions of the risk and other technical variables of this product are determined based on characteristics of each product and the availability in the local and foreign reinsurance market. The table below presents the maximum exposure to risks for the main Property Insurance line segments, before and after the transfer of insurance risk through reinsurance contracts:
### Maximum exposure to insurance risk

<table>
<thead>
<tr>
<th>Type</th>
<th>2010 Gross of reinsurance</th>
<th>2010 Net of reinsurance</th>
<th>2009 Gross of reinsurance</th>
<th>2009 Net of reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential insurance</td>
<td>168,199,274</td>
<td>162,992,887</td>
<td>154,028,946</td>
<td>152,234,114</td>
</tr>
<tr>
<td>Corporate reinsurance</td>
<td>121,188,360</td>
<td>119,508,481</td>
<td>87,676,205</td>
<td>87,646,435</td>
</tr>
<tr>
<td>Condominium insurance</td>
<td>48,077,669</td>
<td>46,271,382</td>
<td>50,780,641</td>
<td>50,170,524</td>
</tr>
<tr>
<td>Lessor’s guarantee deposit insurance</td>
<td>5,938,909</td>
<td>5,938,909</td>
<td>5,448,769</td>
<td>5,448,769</td>
</tr>
<tr>
<td>Other risks</td>
<td>1,167,384</td>
<td>586,126</td>
<td>887,800</td>
<td>518,152</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>344,571,596</strong></td>
<td><strong>335,297,785</strong></td>
<td><strong>298,822,361</strong></td>
<td><strong>296,017,994</strong></td>
</tr>
<tr>
<td>São Paulo</td>
<td>213,766,696</td>
<td>208,260,598</td>
<td>171,089,351</td>
<td>169,304,621</td>
</tr>
<tr>
<td>Rio de Janeiro</td>
<td>41,614,535</td>
<td>40,085,643</td>
<td>58,787,483</td>
<td>58,475,303</td>
</tr>
<tr>
<td>Other regions</td>
<td>89,190,365</td>
<td>86,951,544</td>
<td>68,945,527</td>
<td>68,238,070</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>344,571,596</strong></td>
<td><strong>335,297,785</strong></td>
<td><strong>298,822,361</strong></td>
<td><strong>296,017,994</strong></td>
</tr>
</tbody>
</table>

The process used by management to determine certain actuarial assumptions consists mainly of identifying the risk to be insured, the object to be insured, the maximum amount at risk and the availability of data necessary for establishment of tariffs and underwriting. Subsequently, management determines the actuarial assumptions relevant to the risk to be insured and the origin and reference of data to be used for establishment of tariffs and underwriting. Accordingly, for the property risk, civil liability, financial risks and rural risks portfolios, management uses the following for actuarial assumptions:

- The Company’s database to determine prices of insured risks and underwriting criteria, the use of externally-generated data not being necessary, except for Rural Risks and Financial Guarantees, since they require statistical experience of reinsurance companies that provide protection in these portfolios;

- Database comprising information on a period of at least 24 months, as from the analysis base date;

- The occurrence of claims from policies with high amounts insured and/or the occurrence of several claims arising from the same event may increase significantly the amount of average claims and/or frequency of claims of portfolios under analysis and, therefore, the Company acquired reinsurance protection, which also includes protection against catastrophe risk.

- For sensitivity test purposes, management uses the actuarial assumptions below, due to their impact on risk pricing.

The results of the sensitivity tests, net of tax effects, are the following:
### Maximum exposure to insurance risk

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of 5% in severity of lessor’s guarantee deposit claims</td>
<td>(2,000)</td>
<td>(1,995)</td>
<td>(1,813)</td>
<td>(1,742)</td>
</tr>
<tr>
<td>Increase of 5% in frequency of lessor’s guarantee deposit claims</td>
<td>(2,000)</td>
<td>(1,995)</td>
<td>(1,813)</td>
<td>(1,742)</td>
</tr>
<tr>
<td>Decrease of 10% in expenses with settlement and/or regulation of claims in property risks</td>
<td>1,775</td>
<td>1,694</td>
<td>1,092</td>
<td>834</td>
</tr>
<tr>
<td>Decrease of 5% in property risk premium</td>
<td>4,224</td>
<td>4,031</td>
<td>4,138</td>
<td>3,980</td>
</tr>
<tr>
<td>Decrease of 10% in expenses with settlement of claims in liability risks</td>
<td>58</td>
<td>57</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Decrease of 5% in liability risk premium</td>
<td>133</td>
<td>132</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>Decrease of 10% in expenses with settlement of claims in rural risks</td>
<td>9</td>
<td>16</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Decrease of 5% in rural risk premiums</td>
<td>760</td>
<td>137</td>
<td>207</td>
<td>62</td>
</tr>
</tbody>
</table>

### 4.1.5. Transportation:
Porto Seguro Transportation offers products that meet specific needs of shippers (owners of goods) and highway transport companies, in accordance with the company’s size and characteristics of the goods transported.

#### Products designed for cargo owners:
- More simple transports: destined to micro and small companies, the premiums are determined based on the type of merchandise, can be paid in installments and does not require communication of shipments, which is the great advantage of the product.
- National Transport - registered shipments: this coverage is available to companies operating in various segments, where the policyholder informs shipments through the electronic registration system (via Internet) and pays the premium in monthly installments, based on origin and destination of the transport.
- International Transport - insurance for import or export made by air, water or land. The policyholder has appropriate coverage for transportation risks and depending on the negotiated sales conditions may contract specific insurance (coverage for one sole shipment) or insurance for registered shipments.

#### Products designed for road transport companies:
- Civil liability of the road transport company (RCTR-C): this insurance ensures the payment of reimbursements due to material damages to assets or goods pertaining to third parties under the carrier’s responsibility in case of accidents caused by collision, rollover, ramming, overturning, fire or explosion of the transport vehicle.
- Optional civil liability - disappearance of goods (RCF-DC): with the purpose of protecting the transport companies, this coverage ensures the indemnification of losses and damages to transported goods, in case of robbery or disappearance of goods. It can only be contracted if the policyholder already has the RCTR-C insurance offered by the Company.
Unified / Total Transports: this insurance includes in one sole policy the RCTR-C and RCF-DC coverage and the possibility of contracting other additional coverage. The cost is calculated based on the region of origin and destination of each transport, charged through monthly bills. The process used by management to determine certain actuarial assumptions consists mainly of identifying the risk to be insured, the object to be insured, the maximum amount at risk and the availability of data necessary for establishment of tariffs and underwriting. Subsequently, management determines the actuarial assumptions relevant to the risk to be insured and the origin and reference of data to be used for establishment of tariffs and underwriting.

Accordingly, for the transport portfolio, management uses the following for actuarial assumptions:

- The Company's database to determine prices of insured risks and underwriting criteria, the use of externally-generated data not being necessary;
- Database comprising information on a period of at least 24 months, as from the analysis base date;
- The occurrence of claims from policies with high amounts insured and/or the occurrence of several claims arising from the same event may increase significantly the amount of average claims and/or frequency of claims of portfolios under analysis and, therefore, the Company acquired reinsurance protection, which also includes protection against catastrophe risk.
- For sensitivity test purposes, management uses the actuarial assumptions below, due to their impact on risk pricing.

The results of the sensitivity tests, net of tax effects, are the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of 10% in frequency of claims</td>
<td>(2,024)</td>
<td>(2,024)</td>
<td>(2,467)</td>
<td>(2,467)</td>
</tr>
<tr>
<td>Increase of 8% in claim expenses</td>
<td>(347)</td>
<td>(347)</td>
<td>(389)</td>
<td>(389)</td>
</tr>
<tr>
<td>Increase of 12% in claim expenses</td>
<td>(520)</td>
<td>(520)</td>
<td>(583)</td>
<td>(583)</td>
</tr>
<tr>
<td>Decrease of 15% in recovery of salvages</td>
<td>(8)</td>
<td>(8)</td>
<td>(10)</td>
<td>(10)</td>
</tr>
<tr>
<td>Decrease of 9% in revenues from reimbursement</td>
<td>(4)</td>
<td>(4)</td>
<td>(9)</td>
<td>(9)</td>
</tr>
<tr>
<td>Simulation of an atypical and major event, not yet observed by the Company, covered by Reinsurance and related to the risk of Robbery of Cargo</td>
<td>(2,4770)</td>
<td>(792)</td>
<td>(2,927)</td>
<td>(937)</td>
</tr>
</tbody>
</table>
Maximun exposure to insurance risk

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>São Paulo</td>
<td>10,406,402</td>
<td>10,406,402</td>
<td>11,670,634</td>
<td>11,669,701</td>
</tr>
<tr>
<td>Rio de Janeiro</td>
<td>586,448</td>
<td>586,448</td>
<td>686,019</td>
<td>685,965</td>
</tr>
<tr>
<td>Other regions</td>
<td>7,147,449</td>
<td>7,147,449</td>
<td>5,688,954</td>
<td>5,688,499</td>
</tr>
<tr>
<td>Total</td>
<td>18,140,299</td>
<td>18,140,299</td>
<td>18,045,607</td>
<td>18,044,165</td>
</tr>
</tbody>
</table>

4.1.6. Pension plan and life insurance with a surviving beneficiary clause: Currently, Porto Seguro Vida e Previdência sells pension plans to individuals and corporate entities, exclusively of the PGBL and VGBL types, offering guarantees against risk of death and disability, including options for income payment to spouses and children. The sale of these insurance plans is based on the consulting sale concept, in order to plan retirement and protect the customer and family. These contracts transfer significant insurance and financial risk to the Company and were classified as insurance contracts, in accordance with IFRS. The Company assumes insurance risk in pension plan contracts due to the possibilities of additional benefits, to be paid to participants. The characteristics of these possibilities are the following: the risk of the policyholder living more than the period estimated at the beginning of the contract; the commitment of paying a return on financial assets linked to future contingent payment of benefits to participants as income; or the possibility of paying lump-sum and/or annuity amounts, due to events covered by guarantees of death and/or disability, sold as a complement and option for pension plans. In addition, the Company provides the non-discretionary credit of gains on financial assets which are higher than those established in contract. The traditional plans, with guaranteed profitability, are no longer sold by the Company; however, there are contracts still in effect under these conditions. Financial guarantees included in these contracts affect the future cash flows of payments of benefits to participants, where the Company uses the Asset Liability Management (ALM) model for acquisition and maintenance of assets and analysis and mitigation of financial and insurance risk for contracts in effect.

The main characteristic of this model is the reinvestment of contributions paid by participants in assets linked to the contractual obligations, with term and return compatible with the pattern of future benefit payments. The Company’s insurance and financial risk management takes into consideration the maintenance levels of current and future costs for payment of benefits, as well as revenues from services charged from the participants, to cover these costs. It is worth mentioning that these plans have redemption options that may be exercised by the customer at any time. This enables the Company to constantly evaluate the respective persistence levels based on past experience, taking into consideration this study in the acquisition of financial assets, avoiding possible adverse effects and maintaining appropriate cash levels to meet all future contractual obligations. Section 4.2 below presents the Company’s liquidity analysis based on the ALM model used for insurance and financial risk management of these contracts. The process used by management to determine actuarial assumptions consists mainly of identifying the insurance risk and the availability of data necessary for establishment of tariffs and underwriting. Subsequently, management determines the actuarial assumptions relevant to the risk to be insured and the origin and reference of data to be used for establishment of tariffs and underwriting. Accordingly, for the pension plan portfolio, management used the following for actuarial assumptions:

- Biometric Tables approved by current legislation that represent the best estimate of mortality and/or survival for insured lives;
- An interest rate that is equal to or lower than the Brazilian base interest rate;
- Database comprising information on a period of at least 36 months, as from the analysis base date;
- For sensitivity test purposes, management uses the actuarial assumptions below, due to their impact on risk pricing. The results of the sensitivity tests, net of tax effects, are the following:
### Impact on profit or loss and equity

**Income for Disability**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of 5% in benefit reserve</td>
<td>187</td>
<td>187</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>Increase of 5% in risk rate</td>
<td>(124)</td>
<td>(124)</td>
<td>(55)</td>
<td>(55)</td>
</tr>
<tr>
<td>Increase of 5% in expenses with benefit payments</td>
<td>(163)</td>
<td>(163)</td>
<td>(72)</td>
<td>(72)</td>
</tr>
</tbody>
</table>

**Income for Disability - Guaranteed Minimum Term**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Increase of 5% in benefit reserve</td>
<td>12</td>
<td>12</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Increase of 5% in risk rate</td>
<td>(10)</td>
<td>(10)</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td>Increase of 5% in expenses with benefit payments</td>
<td>(6)</td>
<td>(6)</td>
<td>(3)</td>
<td>(3)</td>
</tr>
</tbody>
</table>

**Pension to Spouse**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Aumento do valor da provisão de benefício em 5%</td>
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<td>251</td>
<td>62</td>
<td>62</td>
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<tr>
<td>Aumento da taxa de risco em 5%</td>
<td>(71)</td>
<td>(71)</td>
<td>(25)</td>
<td>(25)</td>
</tr>
<tr>
<td>Aumento nas despesas de pagamento de benefício em 5%</td>
<td>(34)</td>
<td>(34)</td>
<td>(12)</td>
<td>(12)</td>
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</table>

**Fixed-term Pension**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Increase of 5% in benefit reserve</td>
<td>128</td>
<td>128</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Increase of 5% in risk rate</td>
<td>(71)</td>
<td>(71)</td>
<td>(25)</td>
<td>(25)</td>
</tr>
<tr>
<td>Increase of 5% in expenses with benefit payments</td>
<td>(62)</td>
<td>(62)</td>
<td>(22)</td>
<td>(22)</td>
</tr>
</tbody>
</table>

**Pension to Minors**

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Increase of 5% in benefit reserve</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>7</td>
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<tr>
<td>Increase of 5% in risk rate</td>
<td>(14)</td>
<td>(14)</td>
<td>(6)</td>
<td>(6)</td>
</tr>
<tr>
<td>Increase of 5% in expenses with benefit payments</td>
<td>(14)</td>
<td>(14)</td>
<td>(6)</td>
<td>(6)</td>
</tr>
</tbody>
</table>
4.2. Financial risk management

The Company is exposed to financial risks associated with its investment portfolio. In order to mitigate these risks, the ALM time model is used, in addition to considering the regulatory requirements and economic environment in which the Company operates and the financial assets are invested. This model is aligned with the analysis requirements established by IFRS and the capital management economic concept necessary to ensure solvency and availability of cash for the operation.

Financial risk management comprises the following categories: a) market risk, which is associated with the possibility of incurring losses due to variations in market prices of positions maintained in the portfolio; b) liquidity risk, which is related to possible lack of cash to cover the Company’s future obligations; c) credit risk, associated with the possibility of non-performance by a counterparty on a contract as established between the parties. The Company’s risk management policy has the purpose of ensuring that appropriate limits are respected to avoid losses derived from price variations which may adversely impact the results. According to this policy, the Company seeks to diversify investments in several markets, in order to obtain capital returns during a sustainable period, instead of concentrating exposures to risk factors that may adversely affect the business value.

The Company uses a series of sensitivity analyses and stress tests for financial risk management. The results of these analyses are used to mitigate risks and understand the impact on the Company’s profit or loss and equity under normal and stress conditions. These tests take into consideration historical scenarios and market condition scenarios estimated for future periods and the results are used in the planning and decision-making processes, as well as in identification of specific risks originated from the financial assets and liabilities held by the Company.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump-sum payment</td>
<td>Increase of 5% in benefit reserve</td>
<td>(154)</td>
<td>(140)</td>
<td>72</td>
<td>72</td>
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<tr>
<td></td>
<td>Increase of 5% in risk rate</td>
<td>91</td>
<td>83</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Increase of 5% in expenses with benefit payments</td>
<td>(176)</td>
<td>(176)</td>
<td>(66)</td>
<td>(66)</td>
</tr>
<tr>
<td>Survival</td>
<td>Decrease of 5% in discount rate</td>
<td>(5,375)</td>
<td>(5,375)</td>
<td>(7,799)</td>
<td>(7,799)</td>
</tr>
<tr>
<td></td>
<td>Decrease of 5% in mortality rate</td>
<td>(453)</td>
<td>(453)</td>
<td>(296)</td>
<td>(296)</td>
</tr>
</tbody>
</table>
ANNUAL REPORT 2010

Portfolio and Contractual and undiscounted cash flows (1), (2)

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>No stated maturity</th>
<th>0 to 30 days</th>
<th>1 to 6 months</th>
<th>6 to 12 months</th>
<th>Over 1 year</th>
<th>Total</th>
<th>Consolidated accounting balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash equivalents</td>
<td>39,443</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>39,443</td>
<td>39,443</td>
</tr>
<tr>
<td>At fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-rate assets</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td></td>
<td>45,195</td>
<td>14,142</td>
<td>41,407</td>
<td>3,976,112</td>
<td>4,076,856</td>
<td>4,076,856</td>
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<td>Corporate</td>
<td></td>
<td>1,460,709</td>
<td>20,225</td>
<td>40,754</td>
<td>1,305,551</td>
<td>2,827,239</td>
<td>2,453,519</td>
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<tr>
<td>Inflation indexes</td>
<td></td>
<td>8,621</td>
<td>110,594</td>
<td>12,340</td>
<td>399,010</td>
<td>530,565</td>
<td>530,565</td>
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<tr>
<td>Shares</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>44,869</td>
<td>44,869</td>
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<tr>
<td>Other</td>
<td></td>
<td>21,559</td>
<td>3,983</td>
<td>—</td>
<td>17,861</td>
<td>43,402</td>
<td>43,403</td>
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<tr>
<td>Available for sale</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating-rate assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>40,270</td>
<td>40,270</td>
<td>28,786</td>
</tr>
<tr>
<td>Corporate</td>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>344,950</td>
<td>344,950</td>
<td>269,426</td>
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<tr>
<td>Shares</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>10,389</td>
<td>10,389</td>
</tr>
<tr>
<td>Loans and receivables, at fixed rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lending operations</td>
<td></td>
<td>400,437</td>
<td>46,845</td>
<td>—</td>
<td>—</td>
<td>447,282</td>
<td>367,631</td>
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<tr>
<td>Premiums receivable from policyholders</td>
<td></td>
<td>711,561</td>
<td>1,046,373</td>
<td>162,875</td>
<td>6,688</td>
<td>1,927,497</td>
<td>1,925,765</td>
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<tr>
<td>Notes and credits receivable</td>
<td>766,444</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>766,444</td>
<td>766,444</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>7,620</td>
<td>22,166</td>
<td>4,849</td>
<td>—</td>
<td>—</td>
<td>34,635</td>
<td>34,635</td>
</tr>
<tr>
<td>Total financial and insurance contract assets</td>
<td>868,765</td>
<td>2,684,401</td>
<td>1,252,512</td>
<td>274,906</td>
<td>6,294,307</td>
<td>11,374,891</td>
<td>10,772,582</td>
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<tr>
<td>Provisions for insurance contracts (1)</td>
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<td>2,157,808</td>
<td>1,297,096</td>
<td>14,155,746</td>
<td>17,612,949</td>
<td>6,409,066</td>
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<tr>
<td>Insurance and reinsurance payables</td>
<td>87,055</td>
<td>102,781</td>
<td>151,201</td>
<td>22,319</td>
<td>1,012</td>
<td>364,368</td>
<td>384,317</td>
</tr>
<tr>
<td>Loans and financing</td>
<td>64,527</td>
<td>174,354</td>
<td>53,584</td>
<td>—</td>
<td>—</td>
<td>292,465</td>
<td>292,465</td>
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<tr>
<td>Credit cards</td>
<td>189,608</td>
<td>539,217</td>
<td>42,347</td>
<td>—</td>
<td>—</td>
<td>771,172</td>
<td>771,172</td>
</tr>
<tr>
<td>Total financial and insurance contract liabilities</td>
<td>87,055</td>
<td>359,215</td>
<td>3,022,580</td>
<td>1,415,346</td>
<td>14,156,758</td>
<td>19,040,954</td>
<td>7,857,020</td>
</tr>
</tbody>
</table>

(1) Estimated cash flows based on management’s judgment and studies of the persistence of pension plan policyholders who have the redemption option, expiration of risk of insurance contracts, and the best management expectation as to the date of settlement of estimated claims.

(2) Floating-rate financial assets and liabilities were distributed in these tables based on contractual cash flows, and balances were projected based on the expected interest rate and rates of the Interbank Deposit Certificate (CDI) and foreign exchange rates disclosed for future periods on or near the settlement dates (rates were estimated for periods in which there were none available on a date near to the estimated date for settlement of the liability).
<table>
<thead>
<tr>
<th>Portfolio</th>
<th>No stated maturity</th>
<th>0 to 30 days</th>
<th>1 to 6 months</th>
<th>6 to 12 months</th>
<th>Over 1 year</th>
<th>Total</th>
<th>Consolidated accounting balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Cash and Cash equivalents</td>
<td>38,040</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>38,040</td>
<td>38,040</td>
</tr>
<tr>
<td>- At fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-rate assets</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
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<td>—</td>
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<td>10,992</td>
<td>18,874</td>
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<td>5,823</td>
<td>10,037</td>
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<td>338,697</td>
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<td>Shares</td>
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<td>—</td>
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<td>—</td>
<td>54,080</td>
<td>54,080</td>
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<tr>
<td>Other</td>
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<td>2,272</td>
<td>4</td>
<td>—</td>
<td>384</td>
<td>2,660</td>
<td>2,660</td>
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<tr>
<td>Floating-rate assets</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>—</td>
<td>4,663</td>
<td>33,560</td>
<td>28,026</td>
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<td>813,868</td>
<td>389,621</td>
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<tr>
<td>Corporate</td>
<td>—</td>
<td>—</td>
<td>396,200</td>
<td>155,715</td>
<td>42,006</td>
<td>593,921</td>
<td>527,455</td>
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<tr>
<td>Shares</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>9,726</td>
<td>9,726</td>
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<tr>
<td>Loans and receivables, at fixed rates</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Lending operations</td>
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<td>—</td>
<td>—</td>
<td>454,043</td>
<td>360,445</td>
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<tr>
<td>Premiums receivable from policyholders</td>
<td>—</td>
<td>603,374</td>
<td>873,099</td>
<td>121,539</td>
<td>6,884</td>
<td>1,604,896</td>
<td>1,651,520</td>
</tr>
<tr>
<td>Notes and credits receivable</td>
<td>574,598</td>
<td>—</td>
<td>396,200</td>
<td>155,715</td>
<td>42,006</td>
<td>593,921</td>
<td>574,598</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>3,192</td>
<td>9,285</td>
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<td>Total financial and insurance contract assets</td>
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<td>5,520,909</td>
<td>10,867,261</td>
<td>9,110,414</td>
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<td>Provisions for insurance contracts (1)</td>
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<td>2,048,686</td>
<td>1,122,762</td>
<td>14,391,843</td>
<td>17,564,514</td>
<td>5,488,427</td>
</tr>
<tr>
<td>- Insurance and reinsurance payables</td>
<td>71,223</td>
<td>90,233</td>
<td>149,542</td>
<td>20,817</td>
<td>753</td>
<td>332,568</td>
<td>356,732</td>
</tr>
<tr>
<td>- Loans and financing</td>
<td>—</td>
<td>40,268</td>
<td>162,263</td>
<td>120,279</td>
<td>—</td>
<td>322,810</td>
<td>310,164</td>
</tr>
<tr>
<td>- Credit cards</td>
<td>—</td>
<td>145,172</td>
<td>412,847</td>
<td>22,556</td>
<td>—</td>
<td>580,575</td>
<td>580,575</td>
</tr>
<tr>
<td>Total financial and insurance contract liabilities</td>
<td>71,223</td>
<td>276,895</td>
<td>2,773,338</td>
<td>1,286,414</td>
<td>14,392,596</td>
<td>18,800,466</td>
<td>6,735,898</td>
</tr>
</tbody>
</table>

(1) Estimated cash flows based on management’s judgment and studies of the persistence of pension plan policyholders who have the redemption option, expiration of risk of insurance contracts, and the best management expectation as to the date of settlement of estimated claims.

(2) Floating-rate financial assets and liabilities were distributed in these tables based on contractual cash flows, and balances were projected based on the expected interest curve and rates of the Interbank Deposit Certificate (CDI) and foreign exchange rates disclosed for future periods on or near the settlement dates (rates were estimated for periods in which there were none available on a date near to the estimated date for settlement of the liability).
The Company's risk management policy has the purpose of ensuring that appropriate limits are respected to avoid losses derived from variations in prices which may adversely impact the results. According to this policy, the Company seeks to diversify investments in several markets, in order to obtain capital returns instead of concentrating exposures to risk factors that may adversely affect the business value. Certain contracts with service providers and others are periodically adjusted based on inflation or general consumer price indexes.

The Company uses a series of sensitivity analyses and stress tests for financial risk management. The results of these analyses are used to manage risks and understand the impact on the Company's profit or loss and equity under normal and stress conditions. These tests take into consideration historical scenarios and market condition scenarios estimated for future periods and the results are used in the decision-making and planning processes, as well as in identification of specific risks originated from the financial assets and liabilities held by the Company.

The table below presents a sensitivity analysis of financial risks of the Company's financial assets and liabilities, taking into consideration management's best estimate of a reasonable expected change in these variables and possible impacts on the Company's profit or loss and equity.

<table>
<thead>
<tr>
<th>Classes</th>
<th>Assumptions</th>
<th>Consolidated accounting balance</th>
<th>Change - profit or loss / equity</th>
<th>New balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-rate assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>Increase of 2.4% in rate</td>
<td>4,076,856</td>
<td>(46,988)</td>
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<tr>
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<td></td>
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<tr>
<td>Public</td>
<td>Increase of 0.30% Over</td>
<td>2,482,305</td>
<td>(723)</td>
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<td>Increase of 112% of CDI</td>
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<td>(2,380)</td>
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<td>Inflation indexes</td>
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<td>(48,960)</td>
<td>481,605</td>
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<tr>
<td>Shares</td>
<td>Decrease of 10%</td>
<td>44,869</td>
<td>(5,987)</td>
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<td></td>
<td>53,792</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td>7,638,934</td>
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<tr>
<td>Impact net of tax effects</td>
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<td></td>
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2010

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</tr>
<tr>
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<td>Public</td>
<td>Increase of 0.30% Over</td>
<td>2,838,967</td>
<td>(183)</td>
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<td>Increase of 107% of CDI</td>
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<td>(939)</td>
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<td>(4,030)</td>
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<td>(131,123)</td>
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2009
The sensitivity analyses in this section were estimated based on probable scenarios. It is worth mentioning that there are various limitations as to alignment or not between the expected changes and the future actual results (realized or not); these results may differ significantly from the results estimated based on the sensitivity analyses presented in these financial statements.

4.3. Credit risk management

Credit risk is the risk of incurring a loss on financial and reinsurance assets, due to the total or partial non-performance of the counterparty under a contract signed with the Company and its subsidiaries. Management has policies to ensure that limits or certain exposures to credit risk are not exceeded, implemented through monitoring and compliance with the credit risk policy for individual or collective financial assets which share similar risks and taking into consideration the financial capacity of the counterparty to meet its obligations and dynamic market factors. The Company also issues lessor's guarantee deposit insurance contracts to its policyholders, who are subject to significant credit risk due to the characteristics of this product.

Credit risk limits are determined based on the counterparty's credit rating, in order to ensure that the overall exposure to credit risk is managed and controlled in compliance with the established policies. When certain counterparties are not rated by recognized credit rating agencies, management uses market information and experience to classify them under a credit risk rating; these situations, however, are widely discussed and evaluated before the Company purchases certain assets, and restrictions are placed on operating areas, in order to limit credit risk exposure in the case of assets acquired from counterparties are not rated.

The table below presents all financial and reinsurance assets held by the Company and its subsidiaries distributed by credit rating disclosed by well-known rating agencies. "Unrated" assets comprise mainly receivables from policyholders who do not have individual credit ratings. The maximum credit risk exposure originated from premiums to be received from policyholders is significantly reduced since, in certain circumstances, the coverage of claims may be canceled (according to Brazilian legislation), if the premiums are not paid by the due dates. The policy on issuance of insurance contracts takes into consideration all the aspects and policies of quality in acceptance of insurance risk, as well as a stringent analysis of the policyholders’ credit risk, in which the Company confirmed the policyholders’ credit profile through credit agencies for individuals and corporate entities and historical data on unusual situations and payments of premiums from policyholders derived from renewal of contracts. Based on this approach, liquidity risk management considers the collection of premiums of all contracts issued to reinvest these funds, and a consistency with the capital management policy, to be an essential part of the operating cycle.
### Portfolio breakdown by class and accounting category

<table>
<thead>
<tr>
<th>Portfolio breakdown by class and accounting category</th>
<th>AAA.br (Moody’s)</th>
<th>AA</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>Unrated</th>
<th>Consolidated accounting balance</th>
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</thead>
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<td>—</td>
<td>39,443</td>
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<tr>
<td>- At fair value through profit or loss</td>
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<td></td>
<td></td>
<td></td>
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</tr>
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<td>—</td>
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<td>4,076,856</td>
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<td>—</td>
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<td>—</td>
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<td>—</td>
<td>—</td>
<td>530,565</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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</tr>
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<td>- Loans and receivables, at fixed rates</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Lending operations (ii)</td>
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<td>299,846</td>
<td>16,057</td>
<td>16,541</td>
<td>9,661</td>
<td>5,889</td>
<td>2,974</td>
<td>2,048</td>
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<td>34,635</td>
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### Maximum exposure to credit risk

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<th>AAA.br (Moody’s)</th>
<th>AA</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>Unrated</th>
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<td>7,959,057</td>
<td>299,846</td>
<td>16,057</td>
<td>16,541</td>
<td>9,661</td>
<td>5,889</td>
<td>2,974</td>
<td>2,048</td>
<td>2,010,232</td>
<td>10,772,852</td>
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</table>

(i) Refers to IRB shares and DPVAT agreement.
(ii) Refer to risk reclassification of the Brazilian Central Bank.
### Portfolio breakdown by class and accounting category

<table>
<thead>
<tr>
<th>AAA.br</th>
<th>AA</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
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<th>Consolidated accounting balance</th>
</tr>
</thead>
<tbody>
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<td>360,445</td>
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<td>18,473</td>
<td>13,409</td>
<td>8,756</td>
<td>5,569</td>
<td>2,680</td>
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</tr>
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<td>1,651,520</td>
<td>1,651,520</td>
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<td>14,508</td>
<td>14,508</td>
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<tr>
<td><strong>Maximum exposure to credit risk</strong></td>
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<td>6,230,671</td>
<td>289,802</td>
<td>21,756</td>
<td>18,473</td>
<td>13,409</td>
<td>8,756</td>
<td>5,569</td>
<td>2,680</td>
<td>9,110,414</td>
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</tbody>
</table>

(i) Refers to IRB shares and DPVAT agreement.
(ii) Refer to risk reclassification of the Brazilian Central Bank.
The reinsurance program and policy consider only market participants and reinsurance companies with high credit quality. Up to the base date of analysis, reinsurance partners were the following: IRB-Brasil Resseguros S.A.; Hannover Rückversicherung AG.; Catlin Brasil Serviços Técnicos Ltda.; Everest Reinsurance Company Escritório de Representação no Brasil Ltda.; Transatlantic Reinsurance Company; XL Resseguros Brasil S.A.; Scor Reinsurance Escritório de Representação no Brasil Ltda.; Odyssey América Reinsurance Corporation Escritório de Representação no Brasil Ltda.; Alterra At L’LOYDS (Sindicato 1400); AON Benfield Brasil Corretora de Resseguros Ltda. and Munchener Rück do Brasil Resseguradora S.A. Reinsurance companies are subject to a continuous credit risk analysis process to ensure that the objectives of credit and insurance risk mitigation are achieved.

Total financial and reinsurance assets grouped by class of assets and divided into assets impaired and assets overdue or not yet due and not classified as impaired, are shown in the table below:

| Portfolio breakdown by class and accounting category |  | |
|---|---|---|---|---|---|---|---|---|---|
| | Assets not yet due and not impaired | | | | | | | | |
| | 0 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | Over 180 days | Assets impaired | Consolidated accounting balance |
| - Cash and Cash equivalents | 39,443 | | | | | | 39,443 |
| - At fair value through profit or loss | | | | | | | |
| Fixed-rate assets | | | | | | | |
| Public | 4,076,856 | | | | | | 4,076,856 |
| Floating-rate assets | | | | | | | |
| Public | 2,453,519 | | | | | | 2,453,519 |
| Corporate | 181,121 | | | | | | 181,121 |
| Inflation indexes | 530,565 | | | | | | 530,565 |
| Shares | 44,869 | | | | | | 44,869 |
| Other | 43,403 | | | | | | 43,403 |
| - Available for sale | | | | | | | |
| Floating-rate assets | | | | | | | |
| Public | 28,786 | | | | | | 28,786 |
| Corporate | 269,426 | | | | | | 269,426 |
| Shares (i) | 10,389 | | | | | | 10,389 |
| - Loans and receivables, at fixed rates | | | | | | | |
| Lending operations (ii) | 68,227 | 263,981 | 17,055 | 10,748 | 21,191 | 36,714 | (50,285) | 367,631 |
| Premiums receivable from policyholders | 1,831,160 | 73,119 | 11,545 | 5,659 | 6,526 | 11,880 | (14,124) | 1,925,765 |
| Notes and credits receivable | 770,295 | | | | | | (3,851) | 766,444 |
| - Reinsurance assets | 34,635 | | | | | | | 34,635 |
| Total | 10,382,694 | 337,100 | 28,600 | 16,407 | 27,717 | 48,594 | (68,260) | 10,772,852 |
## Portfolio breakdown by class and accounting category

<table>
<thead>
<tr>
<th>Portfolio breakdown by class and accounting category</th>
<th>Assets not yet due and not impaired</th>
<th>Assets overdue and not impaired</th>
<th>Consolidated accounting balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 to 30 days</td>
<td>31 to 60 days</td>
<td>61 to 90 days</td>
</tr>
<tr>
<td>- Cash and Cash equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- At fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-rate assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,421,668</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating-rate assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,449,346</td>
<td></td>
<td></td>
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<tr>
<td>Public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>278,050</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation indexes</td>
<td>338,697</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares</td>
<td>54,080</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,660</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Available for sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating-rate assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>389,621</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>527,455</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares (I)</td>
<td>9,726</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Loans and receivables, at fixed rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lending operations (ii)</td>
<td>291,261</td>
<td>21,976</td>
<td>19,044</td>
</tr>
<tr>
<td>Premiums receivable from policyholders</td>
<td>1,541,612</td>
<td>85,939</td>
<td>14,337</td>
</tr>
<tr>
<td>Notes and credits receivable</td>
<td>577,485</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Reinsurance assets</td>
<td>14,508</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8,934,209</td>
<td>107,915</td>
<td>33,381</td>
</tr>
</tbody>
</table>
4.4. Capital risk management

The Company carries out its capital risk management based on a centralized management model, with the main purpose of meeting the requirements of minimum regulatory capital for the insurance and financial segments, in accordance with capital requirements defined by CNSP, SUSEP, ANS and the Brazilian Central Bank (BACEN). The Company’s strategy and model consider both “regulatory capital” and “economic capital” in accordance with the capital risk management view adopted by the Company and its subsidiaries.

The capital risk management strategy is to continue to maximize the Company’s capital value through optimization and diversification of available capital sources. The decisions about allocation of capital are made as part of the periodical review of the Company’s strategic planning.

The main objectives of the Company’s capital management are: (i) maintain levels of capital sufficient to meet the minimum regulatory requirements determined by CNSP, SUSEP, ANS and BACEN; (ii) maintain or increase the Company’s credit rating over time and related risk credit strategy; and (iii) optimize returns on capital for the shareholders. During the periods presented and prior periods, the Company’s capital exceeded the minimum regulatory requirements.

4.4.1. Additional capital based on the underwriting risk of insurance companies: On December 26, 2006 SUSEP disclosed the CNSP Resolutions No 155 and No 158, which established the capital allocation rules of underwriting risks of the various insurance lines, and also established the criteria of the regulatory agency concerning a possible capital deficiency of insurance companies, to be effective as from January 2008. In December 2007 SUSEP issued CNSP Resolution No 178 and SUSEP Circular Letter No 355 revoking Resolution No 158 and increasing the period for attaining the minimum capital from three to four years. For the mentioned Resolutions, the following concepts will be considered

- Minimum required capital: capital amount which the insurance company should maintain, at any time, to guarantee its operations, equivalent to the sum of the Base Capital and the Additional Capital;
- Base capital: fixed amount of capital which the insurance company should maintain, at any time. The Base Capital to guarantee the insurance companies’ operations in the whole country is R$ 15,000,000.00 (fifteen million reais).
- Additional capital: variable amount of capital which the insurance company should maintain, at any time, to guarantee the risks inherent to its operations.

The subsidiaries Porto Cia, Azul Seguros and ISa+1+1 duly comply with these rules. Therefore, no capital contribution will be necessary.

4.4.2. Summary of the report describing the risk management structure: The risk management structure comprises principles, policies, responsibilities, procedures and actions. It includes market, liquidity, operating and credit risks. To mitigate these risks, the structure is compatible with the nature and complexity of products, services, processes and systems of the subsidiaries Portopar and Portoseg. Accordingly, management reviews this strategy, as well as its policies, annually, or earlier if extraordinary events or adverse situations occur. The complete report describing risk management is available at Porto Seguro’s corporate website, at the area relating to investments - Porto Seguro Investments and Portoseg.
The Company offers to individuals, corporations and public entities in Brazil and Uruguay, through its direct and indirect subsidiaries, a wide range of insurance products, including: (i) Insurance - automobile, health, property, transportation, financial risks, personal and rural; (ii) Financial and consortium of assets - financing for the acquisition of assets, working capital loans and credit card transactions, management of consortium groups formed to acquire properties and other assets; (iii) Services - services for the protection and electronic surveillance of properties and vehicles; (iv) Private pension plan - pension plans and similar products. The main revenue items in the operating segments are:

Premiums earned - Earned premiums comprise insurance premiums issued, net of cancellations, refunds, and premiums ceded to other insurance companies;

Pension plan contributions - The pension plan contributions arise from the monthly contributions made by each participant in the pension plans;

Service rendering - Service rendering derives from several segments in which the Company operates;

Lending operations - Income from lending operations represents the interest charged on the loans, financing and credit cards used in revolving credit arrangements or payment of bills in installments;

Segments were grouped by products, in accordance with the classification used in the financial statements and in the Executive Board's decision-making process. The criteria for allocation of assets and liabilities to each segment were the proportion to total revenue (sum of all earned premiums, pension plan contributions, service rendering and lending operations). The Company does not have any significant concentration of revenue by customer or economic group.
<table>
<thead>
<tr>
<th>Segment</th>
<th>Premiums - automobile</th>
<th>Premiums - Porto Seguro Saúde</th>
<th>Premiums - personal and pension plan contributions</th>
<th>Revenues from consortia</th>
<th>Lending operations</th>
<th>Other</th>
<th>Consolidated IFRS 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance premiums written and pension plan</td>
<td>5,425,984</td>
<td>715,114</td>
<td>602,148</td>
<td>—</td>
<td>—</td>
<td>1,198,324</td>
<td>7,941,570</td>
</tr>
<tr>
<td>Earned premiums</td>
<td>5,120,737</td>
<td>726,525</td>
<td>331,174</td>
<td>—</td>
<td>—</td>
<td>1,152,560</td>
<td>7,330,996</td>
</tr>
<tr>
<td>Income from services rendered</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>133,737</td>
<td>—</td>
<td>140,235</td>
<td>273,972</td>
</tr>
<tr>
<td>Lending operations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>168,671</td>
<td>—</td>
<td>168,671</td>
</tr>
<tr>
<td>Net retained claims</td>
<td>(2,982,063)</td>
<td>(511,930)</td>
<td>(136,403)</td>
<td>—</td>
<td>—</td>
<td>(542,299)</td>
<td>(4,172,695)</td>
</tr>
<tr>
<td>Amortization of deferred acquisition costs</td>
<td>(1,132,510)</td>
<td>(67,241)</td>
<td>(94,873)</td>
<td>(28,746)</td>
<td>(8,165)</td>
<td>(1,550,080)</td>
<td></td>
</tr>
<tr>
<td>Other operating income (expenses)</td>
<td>68,278</td>
<td>(1,477)</td>
<td>6,140</td>
<td>193</td>
<td>(12,128)</td>
<td>728</td>
<td></td>
</tr>
<tr>
<td>Costs of services rendered</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(34,759)</td>
<td>(34,759)</td>
</tr>
<tr>
<td>Pis/Cofins taxes</td>
<td>(123,452)</td>
<td>(7,807)</td>
<td>(11,735)</td>
<td>(18,331)</td>
<td>(13,629)</td>
<td>(62,885)</td>
<td>(237,839)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(820,248)</td>
<td>(69,800)</td>
<td>(88,132)</td>
<td>(52,087)</td>
<td>(81,828)</td>
<td>(349,915)</td>
<td>(1,462,010)</td>
</tr>
<tr>
<td>Total assets of segments</td>
<td>7,366,855</td>
<td>345,207</td>
<td>2,310,358</td>
<td>168,692</td>
<td>1,231,614</td>
<td>3,374,977</td>
<td>14,797,703</td>
</tr>
<tr>
<td>Total equity and liabilities of segments</td>
<td>7,366,855</td>
<td>345,207</td>
<td>2,310,358</td>
<td>168,692</td>
<td>1,231,614</td>
<td>3,374,977</td>
<td>14,797,703</td>
</tr>
<tr>
<td>Depreciation by segment</td>
<td>(21,272)</td>
<td>—</td>
<td>(2,757)</td>
<td>(15)</td>
<td>(189)</td>
<td>(59,693)</td>
<td>(83,926)</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>61,707</td>
<td>(72,292)</td>
</tr>
<tr>
<td>- Amortization of other intangibles</td>
<td>(7,680)</td>
<td>(2,117)</td>
<td>(788)</td>
<td>—</td>
<td>—</td>
<td>61,707</td>
<td>(72,292)</td>
</tr>
<tr>
<td>Additions during the period:</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>- to fixed assets</td>
<td>99,073</td>
<td>—</td>
<td>14,287</td>
<td>46</td>
<td>—</td>
<td>25,121</td>
<td>138,527</td>
</tr>
<tr>
<td>- to intangible assets</td>
<td>20,028</td>
<td>4,484</td>
<td>2,859</td>
<td>—</td>
<td>601</td>
<td>196,766</td>
<td>233,648</td>
</tr>
<tr>
<td>Segment</td>
<td>Premiums - automobile</td>
<td>Premiums - Porto Seguro Saúde</td>
<td>Premiums - personal and pension plan contributions</td>
<td>Revenues from consortiums</td>
<td>Lending operations</td>
<td>Other</td>
<td>Consolidated IFRS 2009</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------</td>
<td>-------------------</td>
<td>-------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Insurance premiums written and pension plan</td>
<td>3,923,905</td>
<td>662,385</td>
<td>520,649</td>
<td>—</td>
<td>—</td>
<td>760,678</td>
<td>5,867,617</td>
</tr>
<tr>
<td>Earned premiums</td>
<td>3,673,262</td>
<td>664,689</td>
<td>303,263</td>
<td>—</td>
<td>—</td>
<td>726,918</td>
<td>5,368,131</td>
</tr>
<tr>
<td>Income from services rendered</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>114,153</td>
<td>—</td>
<td>94,922</td>
<td>209,075</td>
</tr>
<tr>
<td>Lending operations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>139,706</td>
<td>—</td>
<td>139,706</td>
<td></td>
</tr>
<tr>
<td>Net retained claims</td>
<td>(2,062,709)</td>
<td>(503,443)</td>
<td>(127,248)</td>
<td>—</td>
<td>—</td>
<td>(398,018)</td>
<td>(3,091,418)</td>
</tr>
<tr>
<td>Amortization of deferred acquisition costs</td>
<td>(854,055)</td>
<td>(62,623)</td>
<td>(95,760)</td>
<td>(23,520)</td>
<td>(9,129)</td>
<td>(143,806)</td>
<td>(1,188,893)</td>
</tr>
<tr>
<td>Other operating income (expenses)</td>
<td>(46,387)</td>
<td>(4,245)</td>
<td>(1,183)</td>
<td>275,000</td>
<td>(85,009)</td>
<td>(56,126)</td>
<td>(192,675)</td>
</tr>
<tr>
<td>Costs of services rendered</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(36,094)</td>
<td></td>
</tr>
<tr>
<td>PIS/Cofins taxes</td>
<td>(98,877)</td>
<td>(9,041)</td>
<td>(9,850)</td>
<td>(15,471)</td>
<td>(7,543)</td>
<td>(47,289)</td>
<td>(188,071)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(607,901)</td>
<td>(64,779)</td>
<td>(73,982)</td>
<td>(41,211)</td>
<td>(60,333)</td>
<td>(212,130)</td>
<td>(1,060,336)</td>
</tr>
<tr>
<td>Operating result</td>
<td>3,333</td>
<td>20,558</td>
<td>(4,760)</td>
<td>34,226</td>
<td>(22,308)</td>
<td>(71,624)</td>
<td>(40,575)</td>
</tr>
<tr>
<td>Finance income or cost and properties for rent</td>
<td>325,222</td>
<td>27,489</td>
<td>56,462</td>
<td>12,354</td>
<td>2,996</td>
<td>113,271</td>
<td>537,794</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>328,555</td>
<td>48,047</td>
<td>51,702</td>
<td>46,580</td>
<td>(19,312)</td>
<td>41,647</td>
<td>497,219</td>
</tr>
<tr>
<td>Income tax and social contribution</td>
<td>(78,957)</td>
<td>(15,370)</td>
<td>(14,263)</td>
<td>(13,007)</td>
<td>11,644</td>
<td>11,806</td>
<td>(98,147)</td>
</tr>
<tr>
<td>Profit before profit sharing</td>
<td>249,598</td>
<td>32,677</td>
<td>37,439</td>
<td>33,573</td>
<td>(7,668)</td>
<td>53,453</td>
<td>399,072</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(80,786)</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>249,598</td>
<td>32,677</td>
<td>37,439</td>
<td>33,573</td>
<td>(7,668)</td>
<td>53,453</td>
<td>318,286</td>
</tr>
</tbody>
</table>

Supplementary information:

| Total assets of segments                     | 6,786,994              | 281,709                       | 1,834,069                                     | 139,875                   | 1,027,404        | 2,734,656 | 12,804,708            |
| Total equity and liabilities of segments     | 6,786,994              | 281,709                       | 1,834,069                                     | 139,875                   | 1,027,404        | 2,734,656 | 12,804,708            |
| Depreciation by segment                      | (21,588)               | —                             | (2,417)                                       | (9)                       | —                 | (68,850) | (92,864)               |
| Amortization of intangible assets            |                         |                               |                                               |                           |                   |         |                       |
| - Amortization of other intangibles          | (5,581)                | (1,264)                       | (539)                                         | —                         | (189)            | (4,253)  | (11,825)               |
| Additions during the period                  |                         |                               |                                               |                           |                   |         |                       |
| - to fixed assets                            | 75,899                 | —                             | 6,379                                         | —                         | —                 | 24,759   | 107,036                |
| - to intangible assets                       | 9,235                  | 4,387                         | 907                                           | —                         | —                 | 581,669  | 596,198                |
### 6. Financial Assets

#### 6.1. Financial assets at fair value through profit or loss

<table>
<thead>
<tr>
<th>Assets at fair value through profit or loss</th>
<th>December</th>
<th>January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>Insure companies</td>
<td>Pension plans</td>
</tr>
<tr>
<td>Open funds</td>
<td>259,444</td>
<td>28,174</td>
</tr>
<tr>
<td>Fixed-income securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment fund quotas</td>
<td>237</td>
<td>10</td>
</tr>
<tr>
<td>Retained funds - IRB</td>
<td>1,844</td>
<td>—</td>
</tr>
<tr>
<td>Other investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total de fundos abertos</td>
<td>261,525</td>
<td>28,184</td>
</tr>
<tr>
<td>Variable-income securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment fund quotas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total exclusive funds</td>
<td>4,595,072</td>
<td>1,685,983</td>
</tr>
<tr>
<td>Financial Treasury Bills - LFT</td>
<td>1,295,187</td>
<td>572,627</td>
</tr>
<tr>
<td>National Treasury Bills- LTN</td>
<td>2,596,881</td>
<td>477,879</td>
</tr>
<tr>
<td>National Treasury Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NTN - series B</td>
<td>58,987</td>
<td>181</td>
</tr>
<tr>
<td>National Treasury Notes</td>
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<td></td>
</tr>
<tr>
<td>NTN - series C</td>
<td></td>
<td>470,363</td>
</tr>
<tr>
<td>National Treasury Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NTN - series F</td>
<td>528,795</td>
<td>88,965</td>
</tr>
<tr>
<td>Private securities</td>
<td>98,138</td>
<td>52,822</td>
</tr>
<tr>
<td>Variable-income securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies</td>
<td>17,084</td>
<td>23,146</td>
</tr>
<tr>
<td>Total exclusive funds</td>
<td>4,595,072</td>
<td>1,685,983</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td>21,843</td>
</tr>
<tr>
<td>Total trading securities</td>
<td>4,856,597</td>
<td>1,736,010</td>
</tr>
<tr>
<td>Current</td>
<td>7,312,157</td>
<td>5,543,405</td>
</tr>
<tr>
<td>Non-current</td>
<td>18,176</td>
<td>1,096</td>
</tr>
</tbody>
</table>
### 6.2. Available-for sale financial assets

<table>
<thead>
<tr>
<th>Available-for-sale securities</th>
<th>Insurance companies</th>
<th>Pension plans</th>
<th>Other activities</th>
<th>Consolidated</th>
<th>Consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Own portfolio</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-income securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private securities</td>
<td>249,192</td>
<td>20,234</td>
<td>—</td>
<td>269,426</td>
<td>527,455</td>
<td>534,877</td>
</tr>
<tr>
<td>Financial Treasury Bills (LFTs)</td>
<td>—</td>
<td>28,786</td>
<td>—</td>
<td>28,786</td>
<td>389,621</td>
<td>333,799</td>
</tr>
<tr>
<td><strong>Total own portfolio</strong></td>
<td>249,192</td>
<td>49,020</td>
<td>—</td>
<td>298,212</td>
<td>917,076</td>
<td>868,676</td>
</tr>
<tr>
<td>Investment in IRB</td>
<td>8,428</td>
<td>—</td>
<td>—</td>
<td>8,428</td>
<td>8,428</td>
<td>8,428</td>
</tr>
<tr>
<td>Other investments</td>
<td>1,630</td>
<td>—</td>
<td>331</td>
<td>1,961</td>
<td>1,298</td>
<td>1,315</td>
</tr>
<tr>
<td><strong>Total available-for-sale securities</strong></td>
<td>259,250</td>
<td>49,020</td>
<td>331</td>
<td>308,601</td>
<td>926,802</td>
<td>878,419</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td>—</td>
<td>592,162</td>
<td>136,254</td>
<td>731,416</td>
<td>6,135,567</td>
<td>3,372,542</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td>308,601</td>
<td>334,640</td>
<td>742,165</td>
<td>7,638,934</td>
<td>6,471,303</td>
<td>4,138,705</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>7,638,934</td>
<td>6,471,303</td>
<td>4,138,705</td>
<td>7,312,157</td>
<td>6,135,567</td>
<td>3,372,542</td>
</tr>
<tr>
<td><strong>Total Não circulante</strong></td>
<td>326,777</td>
<td>335,736</td>
<td>766,163</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Breakdown of available-for-sale securities comparing the amortized cost value to the market value**

<table>
<thead>
<tr>
<th></th>
<th>Amortized cost</th>
<th>Adjustment to market value</th>
<th>Market value</th>
<th>Market value</th>
<th>Market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private securities</td>
<td>268,069</td>
<td>1,357</td>
<td>269,426</td>
<td>527,455</td>
<td>534,877</td>
</tr>
<tr>
<td>Financial Treasury Bills (LFTs)</td>
<td>28,786</td>
<td>—</td>
<td>28,786</td>
<td>389,621</td>
<td>333,799</td>
</tr>
<tr>
<td>Investment in IRB (i)</td>
<td>8,428</td>
<td>—</td>
<td>8,428</td>
<td>8,428</td>
<td>8,428</td>
</tr>
<tr>
<td>Other investments (i)</td>
<td>1,961</td>
<td>—</td>
<td>1,961</td>
<td>1,298</td>
<td>1,315</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>307,244</td>
<td>1,357</td>
<td>308,601</td>
<td>926,802</td>
<td>878,419</td>
</tr>
</tbody>
</table>

(i) Investments stated at cost of acquisition, less any impairment, when applicable. The Company opted for the exemption permitted by IAS 39, whereby the investment was stated at cost because the difference between the minimum and maximum quotations for this asset in the market is very wide and disperse.
6.3. Fair value estimate

The balances, net of impairment provision, of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. IFRS 7 requires the disclosure by level, relating to measurement at fair value, based on the following levels:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).
- Classified in this category when discounted cash flow or another methodology is used to determine the asset price based on market data and when all this data can be observed in the open market (level 2).
- Asset which is not based on data observed in the market and the Company uses internal assumptions to determine its methodology and classification (level 3).
The table below shows all the Company’s financial assets measured at fair value:

### At fair value through profit or loss

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Consolidated</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Open funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-income securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment fund quotas</td>
<td>350,406</td>
<td>—</td>
<td>350,406</td>
<td>97,121</td>
<td>—</td>
<td>97,121</td>
</tr>
<tr>
<td>Retained funds - IRB</td>
<td>247</td>
<td>—</td>
<td>247</td>
<td>402</td>
<td>—</td>
<td>402</td>
</tr>
<tr>
<td>Other investments</td>
<td>1,844</td>
<td>—</td>
<td>1,844</td>
<td>298</td>
<td>—</td>
<td>298</td>
</tr>
<tr>
<td><strong>Total open funds</strong></td>
<td>352,497</td>
<td>—</td>
<td>352,497</td>
<td>97,821</td>
<td>—</td>
<td>97,821</td>
</tr>
<tr>
<td><strong>Exclusive funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-income securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Treasury Bills (LFTs) (i)</td>
<td>908,106</td>
<td>1,261,603</td>
<td>2,169,709</td>
<td>973,149</td>
<td>1,418,669</td>
<td>2,391,818</td>
</tr>
<tr>
<td>National Treasury Bills (LTNs)</td>
<td>3,411,968</td>
<td>—</td>
<td>3,411,968</td>
<td>1,988,327</td>
<td>—</td>
<td>1,988,327</td>
</tr>
<tr>
<td>National Treasury Notes (NTNs) - Series B</td>
<td>60,203</td>
<td>—</td>
<td>60,203</td>
<td>56,752</td>
<td>—</td>
<td>56,752</td>
</tr>
<tr>
<td>National Treasury Notes (NTNs) - Series C</td>
<td>470,363</td>
<td>—</td>
<td>470,363</td>
<td>281,946</td>
<td>—</td>
<td>281,946</td>
</tr>
<tr>
<td>National Treasury Notes (NTNs) - Series F</td>
<td>617,760</td>
<td>—</td>
<td>617,760</td>
<td>394,909</td>
<td>—</td>
<td>394,909</td>
</tr>
<tr>
<td>Private securities</td>
<td>—</td>
<td>181,121</td>
<td>181,121</td>
<td></td>
<td>—</td>
<td>278,050</td>
</tr>
<tr>
<td><strong>Total exclusive funds</strong></td>
<td>5,513,269</td>
<td>1,442,724</td>
<td>6,955,993</td>
<td>3,749,163</td>
<td>1,696,719</td>
<td>5,445,882</td>
</tr>
<tr>
<td>Variable-income securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares of publicly-held companies</td>
<td>44,869</td>
<td>—</td>
<td>44,869</td>
<td>54,080</td>
<td>—</td>
<td>54,080</td>
</tr>
<tr>
<td><strong>Total exclusive funds</strong></td>
<td>5,513,269</td>
<td>1,442,724</td>
<td>6,955,993</td>
<td>3,749,163</td>
<td>1,696,719</td>
<td>5,445,882</td>
</tr>
<tr>
<td><strong>Total trading securities</strong></td>
<td>5,887,609</td>
<td>1,442,724</td>
<td>7,330,333</td>
<td>3,847,782</td>
<td>1,696,719</td>
<td>5,544,501</td>
</tr>
<tr>
<td><strong>Available-for-sale securities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own portfolio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private securities</td>
<td>—</td>
<td>269,426</td>
<td>269,426</td>
<td>—</td>
<td>527,455</td>
<td>527,455</td>
</tr>
<tr>
<td>Financial Treasury Bills (LFTs)</td>
<td>28,786</td>
<td>—</td>
<td>28,786</td>
<td>389,621</td>
<td>—</td>
<td>389,621</td>
</tr>
<tr>
<td><strong>Total own portfolio</strong></td>
<td>28,786</td>
<td>269,426</td>
<td>298,212</td>
<td>389,621</td>
<td>527,455</td>
<td>917,076</td>
</tr>
<tr>
<td>Investment in IRB</td>
<td>—</td>
<td>8,428</td>
<td>8,428</td>
<td>—</td>
<td>8,428</td>
<td>8,428</td>
</tr>
<tr>
<td>Other investments</td>
<td>—</td>
<td>1,961</td>
<td>1,961</td>
<td>—</td>
<td>1,298</td>
<td>1,298</td>
</tr>
<tr>
<td><strong>Total available-for-sale securities</strong></td>
<td>28,786</td>
<td>279,815</td>
<td>308,601</td>
<td>389,621</td>
<td>537,181</td>
<td>926,802</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>5,916,395</td>
<td>1,722,539</td>
<td>7,638,934</td>
<td>4,237,403</td>
<td>2,233,900</td>
<td>6,471,303</td>
</tr>
</tbody>
</table>

(i) Repurchase agreements backed by government securities are included in level 2.
The market value of government securities is based on the "unit market price" disclosed by the Brazilian Association of Financial and Capital Markets Entities (ANBIMA) at the balance sheet dates, and the government securities related to Seguradora Líder are valued at PU$50 of SELIC disclosed daily by BACEN. Investment fund quotas are valued based on the price of the quota disclosed by the fund’s manager at the balance sheet dates. Private securities are valued at market through the same pricing methodology adopted by the manager of investment funds included in the portfolios. The fair value of instruments traded in an active market (such as trading and available-for-sale instruments) is based on quoted market prices at the balance sheet date. The quoted price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses several methodologies and assumptions based on current market conditions at the reporting date. The Company uses market prices quoted for similar instruments to estimate the fair value of long-term debts for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. Fair value of interest swaps is calculated as the present value of estimated future cash flows.

6.4. Derivative financial instruments

| Description                                      | Notional reference value (cost) | Fair value | 2010 Effect on profit or loss for the year | Notional reference value (cost) | Fair value | Effect on profit or loss for the year | December 2009 | January 1, 2009 |
|--------------------------------------------------|---------------------------------|------------|--------------------------------------------|---------------------------------|------------|----------------------------------------|---------------|----------------|}
| Swap contracts value                              |                                 |            |                                            |                                 |            |                                        |               |                |
| Foreign currency (USD) + exchange coupon          | —                               | —          |                                            | 34,421                          | 41,436     |                                        | 414           | 84,289          |
| IGPM rate + fixed rate                            | 200,000                         | 283,015    | 21,843                                     | 200,000                         | 238,369    |                                        | 384           | 214,487         |
| Asset position (total)                            | 200,000                         | 283,015    | 21,843                                     | 234,421                         | 279,805    |                                        | 798           | 295,776         |
| Floating rate (CDI)                               | —                               | —          |                                            | 34,421                          | 41,022     |                                        | —             | 60,577          |
| Floating rate (CDI)                               | 200,000                         | 261,172    |                                            | 200,000                         | 237,985    |                                        | —             | 216,554         |
| Liability position (total)                        | 200,000                         | 261,172    |                                            | 234,421                         | 279,007    |                                        | —             | 277,131         |

6.4.1. Sensitivity analysis of asset and liability financial instruments at fair value through profit or loss (*)

<table>
<thead>
<tr>
<th>Operation</th>
<th>Risk</th>
<th>Probable scenario</th>
<th>Possible scenario (25%)</th>
<th>Remote scenario (50%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate</td>
<td>Fixed interest rates</td>
<td>(48,714)</td>
<td>(118,555)</td>
<td>(183,121)</td>
</tr>
<tr>
<td>Inflation</td>
<td>Coupon rate of price indexes</td>
<td>(49,161)</td>
<td>(93,644)</td>
<td>(130,383)</td>
</tr>
<tr>
<td>Variable income</td>
<td>Share prices</td>
<td>(7,416)</td>
<td>(9,235)</td>
<td>(18,331)</td>
</tr>
<tr>
<td>IGP-M swap</td>
<td>Coupon rate of price indexes</td>
<td>36,704</td>
<td>46,093</td>
<td>55,567</td>
</tr>
</tbody>
</table>

(*) For the determination of a probable scenario for the sensitivity analysis of financial instruments, the stress scenarios made available by BM&FBovespa were used. For the possible and remote scenarios, a stress factor of 25% and 50%, respectively, was used, as recommended by CVM Instruction No. 475 of December 17, 2008.
6.5. Loans and receivables

6.5.1. Lending operations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>49,162</td>
<td>48,128</td>
<td>48,534</td>
<td>49,162</td>
</tr>
<tr>
<td>Financing</td>
<td>240,206</td>
<td>239,974</td>
<td>259,833</td>
<td>240,206</td>
</tr>
<tr>
<td>Credit card (*)</td>
<td>128,215</td>
<td>146,859</td>
<td>43,767</td>
<td>128,215</td>
</tr>
<tr>
<td>Other</td>
<td>333</td>
<td>173</td>
<td>333</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>417,916</strong></td>
<td><strong>352,134</strong></td>
<td><strong>352,134</strong></td>
<td><strong>352,134</strong></td>
</tr>
</tbody>
</table>

Allowance for doubtful accounts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>417,916</strong></td>
<td><strong>352,134</strong></td>
<td><strong>352,134</strong></td>
<td><strong>352,134</strong></td>
</tr>
</tbody>
</table>

(*) Refer to receivables from holders of credit cards billed.

6.5.2. Premiums receivable from policyholders

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>1,522,511</td>
<td>(2,726)</td>
<td>1,519,785</td>
<td>(1,750)</td>
</tr>
<tr>
<td>Casualty</td>
<td>275,611</td>
<td>(2,273)</td>
<td>273,338</td>
<td>(2,440)</td>
</tr>
<tr>
<td>Transportation</td>
<td>13,062</td>
<td>(1,045)</td>
<td>12,017</td>
<td>(3,265)</td>
</tr>
<tr>
<td>Life</td>
<td>98,231</td>
<td>(4,530)</td>
<td>93,701</td>
<td>(6,587)</td>
</tr>
<tr>
<td>Health</td>
<td>8,082</td>
<td>(1,496)</td>
<td>6,586</td>
<td>(5,308)</td>
</tr>
<tr>
<td>Uruguay</td>
<td>22,392</td>
<td>(2,054)</td>
<td>20,338</td>
<td>(2,464)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,939,889</strong></td>
<td>(14,124)</td>
<td><strong>1,925,765</strong></td>
<td>(21,814)</td>
</tr>
</tbody>
</table>

(*) Refer to receivables from holders of credit cards billed.
6.5.3. Notes and credits receivable

<table>
<thead>
<tr>
<th></th>
<th>December 2010</th>
<th>January 1 2009</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card operations (*)</td>
<td>770,295</td>
<td>577,485</td>
<td>303,891</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(3,851)</td>
<td>(2,887)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>766,444</td>
<td>574,598</td>
<td>303,891</td>
</tr>
</tbody>
</table>

(*) Refer to receivables from holders of credit cards not yet due or not billed. These amounts are classified as credits with loan characteristics with a corresponding entry in accounts payable to merchants. See Note 17.

6.5.4. Impairment of financial assets

Changes in the provision for impairment for all classes of financial assets are shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Loans</th>
<th>Financing</th>
<th>Credit cards</th>
<th>Premiums receivable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1, 2009</td>
<td>4,524</td>
<td>11,746</td>
<td>4,334</td>
<td>21,125</td>
<td>41,729</td>
</tr>
<tr>
<td>Provisions for the year</td>
<td>7,493</td>
<td>8,742</td>
<td>72,065</td>
<td>11,107</td>
<td>99,407</td>
</tr>
<tr>
<td>Reversal of provisions for impairment</td>
<td>(6,430)</td>
<td>(8,052)</td>
<td>(16,846)</td>
<td>(10,418)</td>
<td>(41,746)</td>
</tr>
<tr>
<td>At December 31, 2009</td>
<td>5,587</td>
<td>12,436</td>
<td>59,553</td>
<td>21,814</td>
<td>99,390</td>
</tr>
<tr>
<td>Provisions for the year</td>
<td>2,011</td>
<td>3,240</td>
<td>1,921</td>
<td>3,031</td>
<td>10,203</td>
</tr>
<tr>
<td>Reversal of provisions for impairment</td>
<td>(4,884)</td>
<td>(7,429)</td>
<td>(18,299)</td>
<td>(10,721)</td>
<td>(41,333)</td>
</tr>
<tr>
<td>At December 31, 2010</td>
<td>2,714</td>
<td>8,247</td>
<td>43,175</td>
<td>14,124</td>
<td>68,260</td>
</tr>
<tr>
<td>Total de credits individually significant classified as impaired</td>
<td>1,009</td>
<td>2,246</td>
<td>11,383</td>
<td>—</td>
<td>14,638</td>
</tr>
</tbody>
</table>

For financing granted to customers the assets financed are pledged in guarantee. Total guarantees recovered by the Company for credits considered individually or collectively as impaired totaled R$ 3,719 and R$ 2,911 at December 31, 2010 and 2009, respectively (fair value). Impairment losses were recorded in ‘Other operating expenses’, in the income statement. The release of the present value adjustment is included in ‘Revenues from lending operations’, in the income statement. Amounts recorded in provisions as impairment losses are usually written off when management no longer expects the recovery of the financial asset.
7. Deferred Income Tax and Social Contribution

Deferred taxes are calculated on income tax and social contribution losses and the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The currently enacted rates of 25% for income tax and 15% for social contribution are used to calculate deferred taxes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset temporary differences and/or tax losses, considering projections of future results based on internal assumptions and future economic scenarios, which may, therefore, suffer changes.

7.1. Assets

<table>
<thead>
<tr>
<th>Temporary differences (i)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
</tr>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Provision for legal obligations – COFINS</td>
<td>387,854</td>
</tr>
<tr>
<td>Provision for legal obligations – PIS and INSS</td>
<td>55,121</td>
</tr>
<tr>
<td>Provision for credit risks</td>
<td>20,797</td>
</tr>
<tr>
<td>Provision for civil contingencies</td>
<td>6,462</td>
</tr>
<tr>
<td>Other provisions</td>
<td>57,122</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>16,036</td>
</tr>
<tr>
<td>Provision for legal obligations – increase in CSLL rate</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>543,392</td>
</tr>
</tbody>
</table>

(i) Tax credits are recorded in assets and were determined according to current legislation. Management, based on estimated future taxable income and other factors, expects the realization of tax credits according to the following assumptions: (a) Provision for legal obligations - made in connection with lawsuits basically involving tax claims, the realization of which depends on the outcome of the lawsuit; (b) Allowance for doubtful accounts - realized depending on the legal deductibility conditions, in accordance with Law 9,430/96, after all legal measures for collection have been exhausted. Possible recoveries of or reduction in the loss are recorded as decreases in the provision and are excluded for tax purposes; (c) Provision for contingent liabilities - made in connection with lawsuits basically involving labor claims, the realization of which depends on the progress of the lawsuit.

Should all lawsuits be concluded, in accordance with a technical study, the credits would be totally realized within 5 years.

7.1.1. Changes

|                                                        | Consolidated                                      |
|                                                        | December | January 1 |
|                                                        | 2010     | 2009      | 2009      |
| Opening balance                                        | 439,472  | 323,029   | 250,420   |
| Additions                                              | 116,425  | 88,862    | 70,078    |
| Reversals                                              | (28,854) | (16,310)  | (33,774)  |
| Monetary restatement                                   | 16,349   | 43,891    | 36,305    |
| **Closing balance**                                    | 543,392  | 439,472   | 323,029   |
7.2. Liabilities

<table>
<thead>
<tr>
<th>Nature</th>
<th>Parent December</th>
<th>Parent January 1</th>
<th>Consolidated December</th>
<th>Consolidated January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax and social contribution on business combination - iSa+r</td>
<td>346,877</td>
<td>—</td>
<td>346,877</td>
<td>—</td>
</tr>
<tr>
<td>Income tax and social contribution on future realization of</td>
<td>—</td>
<td>—</td>
<td>70,291</td>
<td>72,229</td>
</tr>
<tr>
<td>revaluation reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax and social contribution on effects of adjustment of</td>
<td>—</td>
<td>—</td>
<td>543</td>
<td>116</td>
</tr>
<tr>
<td>securities to market value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax and social contribution on deferred PIS and CORINS (i)</td>
<td>8,103</td>
<td>—</td>
<td>20,467</td>
<td>—</td>
</tr>
<tr>
<td>Other (ii)</td>
<td></td>
<td></td>
<td>8,165</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td><strong>354,980</strong></td>
<td><strong>370,605</strong></td>
<td><strong>446,343</strong></td>
<td><strong>449,357</strong></td>
</tr>
</tbody>
</table>

(i) Porto Cia, Porto Saúde and Azul Seguros.
(ii) Deferred income tax and social contribution on write-off of negative goodwill, see Note 13 (b).

7.2.1. Changes

<table>
<thead>
<tr>
<th>Nature</th>
<th>Parent December</th>
<th>Parent January 1</th>
<th>Consolidated December</th>
<th>Consolidated January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>377,605</td>
<td>—</td>
<td>449,357</td>
<td>72,345</td>
</tr>
<tr>
<td>Additions</td>
<td>8,103</td>
<td>377,605</td>
<td>28,646</td>
<td>378,168</td>
</tr>
<tr>
<td>Reversals</td>
<td>(30,728)</td>
<td>—</td>
<td>(31,660)</td>
<td>(1,156)</td>
</tr>
</tbody>
</table>

Closing balance | **354,980** | **377,605** | **446,343** | **449,357** | **72,345** |
### 7.3. Reconciliation of income tax and social contribution benefit (expenses)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax, social contribution and profit sharing</td>
<td>583,183</td>
<td>312,131</td>
<td>1,032,217</td>
<td>497,219</td>
</tr>
<tr>
<td>Standard rate - %</td>
<td>34%</td>
<td>34%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Computation of income tax and social contribution expenses at the standard rate</strong></td>
<td>(198,282)</td>
<td>(106,125)</td>
<td>(412,887)</td>
<td>(198,888)</td>
</tr>
<tr>
<td>Equity in the earnings of subsidiaries</td>
<td>212,095</td>
<td>118,062</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest on capital</td>
<td>7,559</td>
<td>(551)</td>
<td>68,899</td>
<td>45,780</td>
</tr>
<tr>
<td>Increase from 9% to 15 % of CSLL rate</td>
<td>—</td>
<td>—</td>
<td>34,028</td>
<td>24,689</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>27,995</td>
</tr>
<tr>
<td>Tax incentives</td>
<td>—</td>
<td>—</td>
<td>10,060</td>
<td>3,742</td>
</tr>
<tr>
<td>Dividends received</td>
<td>—</td>
<td>—</td>
<td>1,201</td>
<td>1,941</td>
</tr>
<tr>
<td>Non-deductible expenses, net of non-taxable income</td>
<td>—</td>
<td>—</td>
<td>(6,859)</td>
<td>(7,133)</td>
</tr>
<tr>
<td>Offset of tax loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>7,002</td>
</tr>
<tr>
<td>Reversal of valuation allowance - tax loss (*)</td>
<td>13,058</td>
<td>—</td>
<td>13,058</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>5,478</td>
<td>900</td>
<td>10,012</td>
<td>(3,275)</td>
</tr>
<tr>
<td><strong>Income tax and social contribution benefit (expenses)</strong></td>
<td>39,908</td>
<td>12,286</td>
<td>(282,488)</td>
<td>(98,147)</td>
</tr>
<tr>
<td><strong>Income tax and social contribution effect of temporary differences</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COFINS</td>
<td>—</td>
<td>—</td>
<td>58,185</td>
<td>94,187</td>
</tr>
<tr>
<td>PIS and INSS</td>
<td>—</td>
<td>—</td>
<td>8,410</td>
<td>16,500</td>
</tr>
<tr>
<td>Provision for credit risks</td>
<td>—</td>
<td>—</td>
<td>(6,014)</td>
<td>19,899</td>
</tr>
<tr>
<td>Civil contingencies</td>
<td>—</td>
<td>—</td>
<td>108</td>
<td>4,078</td>
</tr>
<tr>
<td>Increase from 9% to 15 % of CSLL rate</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(18,364)</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>—</td>
<td>—</td>
<td>16,036</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>— (6,292)</td>
<td>27,195</td>
<td>143</td>
<td></td>
</tr>
<tr>
<td><strong>Total deferred income tax and social contribution</strong></td>
<td>— (6,292)</td>
<td>103,920</td>
<td>116,443</td>
<td></td>
</tr>
<tr>
<td>Current income tax and social contribution</td>
<td>39,908</td>
<td>12,286</td>
<td>(386,408)</td>
<td>(214,590)</td>
</tr>
<tr>
<td><strong>Income tax and social contribution benefit (expenses)</strong></td>
<td>39,908</td>
<td>5,994</td>
<td>(282,488)</td>
<td>(98,147)</td>
</tr>
</tbody>
</table>

(*) See Note 8 (iv)
## 8. Taxes and Contributions Recoverable

<table>
<thead>
<tr>
<th></th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
<td>January 1</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>10,430</td>
<td>6,593</td>
</tr>
<tr>
<td>Social contribution</td>
<td>1,582</td>
<td>423</td>
</tr>
<tr>
<td>Outros Other</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td></td>
<td>12,012</td>
<td>7,016</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Investment Fund (FINSOCIAL)</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td>National Institute of Social Security (INSS) - independent contractors</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td>Supplementary State Income Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(AIRE) (iii)</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td>Income tax</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td>Social contribution</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td>Tax credit - tax losses</td>
<td>15,980</td>
<td>14,984</td>
</tr>
<tr>
<td>Valuation allowance - tax losses (iv)</td>
<td>——</td>
<td>(14,984)</td>
</tr>
<tr>
<td>Social Contribution on Revenues (COFINS)</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td>Social Integration Program (PIS)</td>
<td>——</td>
<td>——</td>
</tr>
<tr>
<td></td>
<td>15,980</td>
<td>——</td>
</tr>
<tr>
<td></td>
<td>27,992</td>
<td>7,016</td>
</tr>
</tbody>
</table>

(i) **FINSOCIAL**: The subsidiary Porto Seguro filed a claim for refund of overpayment of amounts collected by and paid to the Federal Government as FINSOCIAL. The lawsuit resulted in a final favorable judgment and the Federal Government was ordered to refund the overpayment in ten installments, through a bond to pay court-ordered debt. Nine installments were released up to date. The installments 5 to 9 were attached for PIS purposes. The subsidiary Porto Seguro awaits the approval of the installment 10 and the release of the other installments.

(ii) **National Institute of Social Security (INSS) - independent contractors**: The subsidiary Porto Seguro filed a claim for refund of overpayment because of the 20% contribution to the National Social Security Institute (INSS) levied on payments to independent contractors, day workers, and officers. The lawsuit resulted in a final favorable judgment and the Federal Government was ordered to refund the overpayment in ten installments, through a bond to pay court-ordered debt. Eight installments were released up to date. The installment 7 was attached for PIS purposes. The subsidiary Porto Seguro awaits the approval of the installments 8 and 10 and the release of the blocked installment.

(iii) **Supplementary State Income Tax (AIRE)**: The subsidiary Porto Seguro filed a claim for refund of overpayment of amounts collected by and paid to the Government of the State of São Paulo as AIRE. The lawsuit resulted in a favorable judgment, and the State Government was ordered to refund the overpayment in ten installments, through a bond to pay court-ordered debt. To date, six installments were released.

(iv) **Valuation allowance - tax losses**: In prior years, the Company did not have profitability sufficient to use the tax credit arising from tax losses. In 2010, the valuation allowance for tax losses was reversed, considering the expectation of tax credit realization in an updated technical study.
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010  
(All amounts in R$ thousands unless otherwise stated)

### 9. Non-financial Assets Held for Sale

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Salvages for sale (i)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>91,189</td>
<td>86,525</td>
<td>37,667</td>
</tr>
<tr>
<td>Assets received from third parties (ii)</td>
<td>1,573</td>
<td>1,296</td>
<td>3,047</td>
</tr>
<tr>
<td></td>
<td>92,762</td>
<td>87,821</td>
<td>40,714</td>
</tr>
</tbody>
</table>

(i) Refers to salvages arising from total indemnifications in car accidents and recovery of stolen vehicles, recorded at estimated realizable value.

(ii) Refers to assets received as payment in kind, as well as to assets which have been repossessed and are intended for sale.
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

10. Other Assets

<table>
<thead>
<tr>
<th></th>
<th>Parent December</th>
<th>Parent January 1</th>
<th>Consolidated December</th>
<th>Consolidated January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Other accounts receivable (10.1)</td>
<td>545</td>
<td>379</td>
<td>275</td>
<td>271,577</td>
</tr>
<tr>
<td>Supplies</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>10,975</td>
</tr>
<tr>
<td>GPS equipment</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Judicial deposits (10.2)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>313,225</td>
</tr>
<tr>
<td></td>
<td>545</td>
<td>379</td>
<td>275</td>
<td>595,777</td>
</tr>
<tr>
<td>Current</td>
<td>545</td>
<td>279</td>
<td>175</td>
<td>268,810</td>
</tr>
<tr>
<td>Non-current</td>
<td>—</td>
<td>100</td>
<td>100</td>
<td>326,967</td>
</tr>
</tbody>
</table>

10.1. Other accounts receivable

<table>
<thead>
<tr>
<th></th>
<th>Parent December</th>
<th>Parent January 1</th>
<th>Consolidated December</th>
<th>Consolidated January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions on policies in process of issue (*)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>122,351</td>
</tr>
<tr>
<td>Receivables from IRB</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>39,880</td>
</tr>
<tr>
<td>Notes and credits receivable - credit card</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3,433</td>
</tr>
<tr>
<td>Advances to employees</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>13,169</td>
</tr>
<tr>
<td>Undeposited checks</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>11,423</td>
</tr>
<tr>
<td>Receivable from policyholders</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>13,030</td>
</tr>
<tr>
<td>DPVAT agreement</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,805</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>10,034</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>202</td>
<td>102</td>
<td>122</td>
<td>7,876</td>
</tr>
<tr>
<td>Advances to agents</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,633</td>
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<td>Administrative advances</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,181</td>
</tr>
<tr>
<td>Advances to suppliers</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>127</td>
</tr>
<tr>
<td>Other</td>
<td>343</td>
<td>177</td>
<td>53</td>
<td>24,893</td>
</tr>
<tr>
<td></td>
<td>545</td>
<td>279</td>
<td>175</td>
<td>257,835</td>
</tr>
</tbody>
</table>

Non-current

|                      |                 |                  |                       |                        |
| Advances to employees | —               | —                | —                     | 3,561                  | 3,154                  | 2,732                  |
| Undeposited checks   | —               | —                | —                     | 4,324                  | 3,962                  | —                     |
| Credits receivable   | —               | —                | —                     | 213                    | 2,672                  | 1,849                  |
| Advances to agents   | —               | —                | —                     | 61                     | 110                    | 1,653                  |
| Other                | —               | 100              | 100                   | 5,583                  | 3,867                  | 1,255                  |
|                      | 545             | 379              | 275                   | 271,577                | 247,970                | 175,670                |

(*) These represent the payment of commissions to brokers on policies still in the process of issue.
10.2. Judicial deposits

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
<td>January 1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
<td>2009</td>
</tr>
<tr>
<td>Income tax and social contribution</td>
<td>192,149</td>
<td>202,691</td>
<td>186,771</td>
</tr>
<tr>
<td>Offset of tax loss - income tax basis (*)</td>
<td>24,652</td>
<td>20,307</td>
<td>47,607</td>
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<tr>
<td>Claims</td>
<td>63,176</td>
<td>49,236</td>
<td>44,830</td>
</tr>
<tr>
<td>CSLL</td>
<td>11,001</td>
<td>7,327</td>
<td>6,919</td>
</tr>
<tr>
<td>INSS - independent contractors</td>
<td>11,208</td>
<td>8,889</td>
<td>5,561</td>
</tr>
<tr>
<td>Property Transfer Tax (ITBI)</td>
<td>—</td>
<td>2,981</td>
<td>2,712</td>
</tr>
<tr>
<td>Other</td>
<td>11,039</td>
<td>1,912</td>
<td>344,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>313,225</strong></td>
<td><strong>293,343</strong></td>
<td><strong>294,744</strong></td>
</tr>
</tbody>
</table>

(*) Refers to tax losses up to 1994, fully offset in 1995, in non-compliance with the legal limit of 30% of profit for the year.
**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010**
(All amounts in R$ thousands unless otherwise stated)

### 11. Intangible Assets

<table>
<thead>
<tr>
<th></th>
<th>Net book value at 12/31/2009</th>
<th>Acquisitions/ Additions</th>
<th>Disposals/ appropriation</th>
<th>Amortization expenses</th>
<th>Other/ transfers</th>
<th>Cost</th>
<th>Accumulated amortization</th>
<th>Net</th>
<th>12/31/2010 Annual amortization rates - %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of systems</td>
<td>33,772</td>
<td>43,330</td>
<td>(7)</td>
<td>(10,350)</td>
<td>136</td>
<td>113,453</td>
<td>(46,572)</td>
<td>66,881</td>
<td>20</td>
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<tr>
<td>Trademarks and patents</td>
<td>2,722</td>
<td>1,059</td>
<td>—</td>
<td>(446)</td>
<td>(614)</td>
<td>4,419</td>
<td>(1,698)</td>
<td>2,721</td>
<td>10</td>
</tr>
<tr>
<td>Selling rights</td>
<td>8,039</td>
<td>—</td>
<td>(2,202)</td>
<td>(1)</td>
<td>10,000</td>
<td>5,836</td>
<td>(4,165)</td>
<td>5,836</td>
<td>20</td>
</tr>
<tr>
<td>Goodwill on acquisition of investments</td>
<td>4,940</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,940</td>
<td>—</td>
<td>4,940</td>
<td></td>
</tr>
<tr>
<td>Insurance contracts (i)</td>
<td>607,326</td>
<td>1,443,509</td>
<td>(1,350,046)</td>
<td>—</td>
<td>—</td>
<td>696,818</td>
<td>—</td>
<td>696,818</td>
<td></td>
</tr>
<tr>
<td>Brand - ISa+r (ii)</td>
<td>246,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>246,000</td>
<td>—</td>
<td>246,000</td>
<td></td>
</tr>
<tr>
<td>Customer relationship and VOBA - ISa+r (ii)</td>
<td>114,066</td>
<td>—</td>
<td>—</td>
<td>(47,200)</td>
<td>—</td>
<td>118,000</td>
<td>(51,134)</td>
<td>66,866</td>
<td>40</td>
</tr>
<tr>
<td>Distribution channel - ISa+r (ii)</td>
<td>566,948</td>
<td>—</td>
<td>(12,622)</td>
<td>—</td>
<td>—</td>
<td>568,000</td>
<td>(13,673)</td>
<td>554,327</td>
<td>2.2</td>
</tr>
<tr>
<td>Goodwill on acquisition of investments - ISa+r (ii) and 11.1</td>
<td>346,800</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>346,800</td>
<td>—</td>
<td>346,800</td>
<td></td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td><strong>1,930,613</strong></td>
<td><strong>1,487,898</strong></td>
<td><strong>(1,350,053)</strong></td>
<td><strong>(72,820)</strong></td>
<td><strong>(479)</strong></td>
<td><strong>2,108,430</strong></td>
<td><strong>(117,242)</strong></td>
<td><strong>1,991,189</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net book value at 1/1/2009</th>
<th>Acquisitions/ Additions</th>
<th>Disposals/ appropriation</th>
<th>Amortization expenses</th>
<th>Other/ transfers</th>
<th>Cost</th>
<th>Accumulated amortization</th>
<th>Net</th>
<th>12/31/2010 Annual amortization rates - %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of systems</td>
<td>20,100</td>
<td>16,406</td>
<td>(36)</td>
<td>(7,028)</td>
<td>4,330</td>
<td>70,298</td>
<td>(36,526)</td>
<td>33,772</td>
<td>20</td>
</tr>
<tr>
<td>Trademarks and patents</td>
<td>469</td>
<td>204</td>
<td>—</td>
<td>(49)</td>
<td>2,098</td>
<td>3,264</td>
<td>(542)</td>
<td>2,722</td>
<td>10</td>
</tr>
<tr>
<td>Selling rights</td>
<td>4,467</td>
<td>1,319</td>
<td>—</td>
<td>(290)</td>
<td>2,543</td>
<td>8,038</td>
<td>—</td>
<td>8,039</td>
<td>20</td>
</tr>
<tr>
<td>Goodwill on acquisition of investments</td>
<td>4,940</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,940</td>
<td>—</td>
<td>4,940</td>
<td></td>
</tr>
<tr>
<td>Insurance contracts (i)</td>
<td>402,557</td>
<td>965,286</td>
<td>(759,379)</td>
<td>—</td>
<td>—</td>
<td>607,326</td>
<td>—</td>
<td>607,326</td>
<td></td>
</tr>
<tr>
<td>Brand - ISa+r (ii)</td>
<td>—</td>
<td>246,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>246,000</td>
<td>—</td>
<td>246,000</td>
<td></td>
</tr>
<tr>
<td>Customer relationship and VOBA - ISa+r (ii)</td>
<td>—</td>
<td>118,000</td>
<td>—</td>
<td>(3,934)</td>
<td>—</td>
<td>118,000</td>
<td>(3,934)</td>
<td>114,066</td>
<td>40</td>
</tr>
<tr>
<td>Distribution channel - ISa+r (ii)</td>
<td>—</td>
<td>568,000</td>
<td>—</td>
<td>(1,052)</td>
<td>—</td>
<td>568,000</td>
<td>(1,052)</td>
<td>566,948</td>
<td>2.2</td>
</tr>
<tr>
<td>Goodwill on acquisition of investments - ISa+r (ii) and 11.1</td>
<td>—</td>
<td>346,800</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>346,800</td>
<td>—</td>
<td>346,800</td>
<td></td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td><strong>432,533</strong></td>
<td><strong>2,262,015</strong></td>
<td><strong>(759,415)</strong></td>
<td><strong>(12,353)</strong></td>
<td><strong>8,971</strong></td>
<td><strong>1,972,666</strong></td>
<td><strong>(42,054)</strong></td>
<td><strong>1,930,613</strong></td>
<td></td>
</tr>
</tbody>
</table>

(i) Refer to deferred selling expenses to defer.
(ii) Intangible assets in the acquisition of ISa+r of 11/30/2009, see Note 35.
Intangible assets arising from acquisition of insurance contracts (DAC) follows:

<table>
<thead>
<tr>
<th></th>
<th>December 2010</th>
<th>December 2009</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>546,140</td>
<td>485,683</td>
<td>322,868</td>
</tr>
<tr>
<td>Property</td>
<td>91,719</td>
<td>73,896</td>
<td>38,741</td>
</tr>
<tr>
<td>Financial risks</td>
<td>28,692</td>
<td>25,457</td>
<td>23,275</td>
</tr>
<tr>
<td>Personal</td>
<td>21,827</td>
<td>14,897</td>
<td>11,809</td>
</tr>
<tr>
<td>Health</td>
<td>1,231</td>
<td>935,000</td>
<td>1,136</td>
</tr>
<tr>
<td>Liability</td>
<td>918</td>
<td>621</td>
<td>534</td>
</tr>
<tr>
<td>Transportation</td>
<td>637</td>
<td>1,038</td>
<td>489</td>
</tr>
<tr>
<td>Other</td>
<td>5,654</td>
<td>4,799</td>
<td>3,705</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>696,818</strong></td>
<td><strong>607,326</strong></td>
<td><strong>402,557</strong></td>
</tr>
</tbody>
</table>

DAC and intangible assets directly related to insurance contracts are considered in the adequacy test of insurance liabilities, in accordance with IFRS 4, in which the net amount of the percentage charged on insurance contracts for administrative expenses is reduced by the DAC (see accounting policy 2.16).

### 11.1. Impairment tests of goodwill

At December 31, 2010, the carrying amount of goodwill was tested for impairment based on its value in use, in accordance with the discounted cash flow for the Cash-Generating Unit (CGU). The estimation of value in use involves the utilization of assumptions, judgments and projections of future cash flows and represents the Company’s best estimate as approved by management. Based on the Company’s asset recovery test, the recognition of impairment losses was not necessary. The methodology consists of projecting the Company’s results for a defined period and discounting them to present value, thus determining the business’s economic value for shareholders. The Shareholders Free Cash Flow (“Free Cash Flow”) was discounted to present value, which is equivalent to the maximum of dividends that can be paid, less capital contributions to the Company made by the shareholders, after complying with certain gearing restrictions and other regulatory requirements.
### 12. Investment Properties

The Company has certain commercial properties which are leased to third parties through contracts classified as operating lease contracts, according to IAS 17. The Company uses the cost model (IAS 40) to record these assets. The tables below present the changes in carrying amount of these assets and other significant financial information for investment properties:

#### At the beginning of the year

<table>
<thead>
<tr>
<th></th>
<th>December 2010</th>
<th>January 1 2009</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At the beginning of the year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(184)</td>
<td>(197)</td>
<td>(181)</td>
</tr>
<tr>
<td>Transfers</td>
<td>—</td>
<td>(783)</td>
<td>(806)</td>
</tr>
<tr>
<td><strong>Fair value of investment properties at end of year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>12,066</td>
<td>12,066</td>
<td>12,849</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(3,056)</td>
<td>(2,872)</td>
<td>(2,675)</td>
</tr>
<tr>
<td>Income from rentals - investment properties</td>
<td>2,393</td>
<td>2,306</td>
<td>1,697</td>
</tr>
<tr>
<td>Other income from rentals</td>
<td>3,097</td>
<td>1,643</td>
<td>1,646</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,490</td>
<td>3,949</td>
<td>3,343</td>
</tr>
</tbody>
</table>

(*) Direct operating expenses, repairs and maintenance of assets during the year for assets that generated income from rentals in the same period

Investment properties are depreciated on the straight-line method, using an annual depreciation rate of 2%. Most of rental contracts carry an option to renew for 4 years and rentals are adjusted by the IGP-M/FGV index. Since the revaluation was carried out on a date relatively close to that of the preparation of these financial statements, management believes the fair value of these assets does not differ significantly from the values adopted as deemed cost. Investment properties were revalued by independent and qualified external appraisers on December 22, 2006. Revaluations were made based on prices of assets in an active market for all properties. When market prices were not available, the independent appraisers used projections of discounted cash flows. The revaluation amount was used as deemed cost for adoption of IFRS, in accordance with voluntary exemption permitted by IFRS 1.

Total future minimum rentals receivable of these contracts is shown in the table below:

<table>
<thead>
<tr>
<th>Future minimum rentals receivable</th>
<th>December 2010</th>
<th>January 1 2009</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Up to 1 year</td>
<td>2,188</td>
<td>2,206</td>
<td>2,260</td>
</tr>
<tr>
<td>- 1 to 5 years</td>
<td>3,846</td>
<td>6,034</td>
<td>8,239</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,034</td>
<td>8,240</td>
<td>10,499</td>
</tr>
</tbody>
</table>
## 13. Investments in Subsidiaries - Parent Company

(a) Investments in subsidiaries are as follows:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Share capital</th>
<th>Ownership interest(%)</th>
<th>Equity in the earnings of subsidiaries</th>
<th>Capital increase</th>
<th>Adjustment of the securities of subsidiaries</th>
<th>Carrying value adjustment</th>
<th>Employee benefits(i)</th>
<th>Interest on capital/Dividends</th>
<th>Amortization</th>
<th>Balances at 12/31/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Porto Seguro</td>
<td>680,000</td>
<td>100</td>
<td>1,313,099</td>
<td>234,650</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,460,053</td>
</tr>
<tr>
<td>Azul Seguros</td>
<td>100,000</td>
<td>99,71</td>
<td>213,720</td>
<td>87,161</td>
<td>161</td>
<td>—</td>
<td>161</td>
<td>(3,141)</td>
<td>(677)</td>
<td>276,676</td>
</tr>
<tr>
<td>ISa+r</td>
<td>944,673</td>
<td>99,99</td>
<td>976,358</td>
<td>212,208</td>
<td>22</td>
<td>(3,141)</td>
<td>161</td>
<td>(124)</td>
<td>(23,689)</td>
<td>1,126,421</td>
</tr>
<tr>
<td>Proteção e Monitor</td>
<td>16,984</td>
<td>99,98</td>
<td>30,777</td>
<td>5,694</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>34,847</td>
</tr>
<tr>
<td>Porto Consórcio</td>
<td>29,500</td>
<td>99,99</td>
<td>117,968</td>
<td>32,823</td>
<td>(84)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>143,711</td>
</tr>
<tr>
<td>Portoseg</td>
<td>130,000</td>
<td>99,98</td>
<td>128,479</td>
<td>35,199</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(9,644)</td>
<td>153,963</td>
</tr>
<tr>
<td>Portopar</td>
<td>1,500</td>
<td>99,99</td>
<td>11,796</td>
<td>14,166</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(61)</td>
<td>22,360</td>
</tr>
<tr>
<td>Portoserv</td>
<td>200</td>
<td>99,50</td>
<td>934</td>
<td>181</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,115</td>
</tr>
<tr>
<td>Crediporto</td>
<td>500</td>
<td>99,80</td>
<td>328</td>
<td>668</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>929</td>
</tr>
<tr>
<td>Integração</td>
<td>60</td>
<td>99,98</td>
<td>452</td>
<td>(169)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>283</td>
</tr>
<tr>
<td>Serviços</td>
<td>16,100</td>
<td>99,98</td>
<td>2,513</td>
<td>951</td>
<td>14,000</td>
<td>(3)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>17,461</td>
</tr>
<tr>
<td>Serviços Médicos</td>
<td>150</td>
<td>99,93</td>
<td>14</td>
<td>49</td>
<td>—</td>
<td>(12)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>51</td>
</tr>
<tr>
<td>Portomed S.A.</td>
<td>4,000</td>
<td>99,00</td>
<td>—</td>
<td>227</td>
<td>3,960</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,187</td>
</tr>
<tr>
<td>Negative goodwill (ii)</td>
<td>—</td>
<td>—</td>
<td>23,831</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(23,831)</td>
<td>—</td>
</tr>
<tr>
<td>Business combination - ISa+r (iii)</td>
<td>—</td>
<td>—</td>
<td>1,273,814</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(59,821)</td>
<td>1,213,993</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,923,667</strong></td>
<td><strong>4,095,382</strong></td>
<td><strong>623,808</strong></td>
<td><strong>17,960</strong></td>
<td><strong>(324)</strong></td>
<td><strong>(1,106)</strong></td>
<td><strong>(19,820)</strong></td>
<td><strong>(174,899)</strong></td>
<td><strong>(83,652)</strong></td>
<td><strong>4,456,050</strong></td>
</tr>
</tbody>
</table>

(i) see Note 33 - Employee benefits  
(ii) see item (b)  
(iii) see Note 35 - Business combination
Indirect subsidiaries:

<table>
<thead>
<tr>
<th>Company</th>
<th>Ownership interest - % 2010 and 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Porto Seguro Vida</td>
<td>99.97</td>
</tr>
<tr>
<td>Porto Seguro Saúde</td>
<td>99.98</td>
</tr>
<tr>
<td>Porto Seguro Uruguay</td>
<td>100.00</td>
</tr>
<tr>
<td>Porto Seguro Atendimento</td>
<td>99.94</td>
</tr>
<tr>
<td>Porto Seguro Telecomunicações</td>
<td>80.10</td>
</tr>
<tr>
<td>Franco</td>
<td>99.99</td>
</tr>
</tbody>
</table>

(b) Negative goodwill:

On November 28, 2003, the Company acquired the ownership control of Azul Seguros, with a negative goodwill of R$23,831. In accordance with IFRS 3, residual negative goodwill originated from a transaction which qualifies as a business combination should be recognized as a gain immediately in the income statement. At December 31, 2010, the Company reversed R$ 15,728 to equity (reserves), net of tax effects.
14. Fixed Assets

14.1. Own assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties in use</td>
<td>380,430</td>
<td>13,423</td>
<td>—</td>
<td>(4,999)</td>
<td>19,747</td>
<td>430,829</td>
<td>(22,228)</td>
<td>408,601</td>
<td></td>
</tr>
<tr>
<td>Land (i)</td>
<td>166,407</td>
<td>13,321</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>177,803</td>
<td>—</td>
<td>177,803</td>
<td></td>
</tr>
<tr>
<td>Buildings (ii)</td>
<td>214,023</td>
<td>102</td>
<td>—</td>
<td>(4,999)</td>
<td>21,672</td>
<td>253,026</td>
<td>(22,228)</td>
<td>230,798</td>
<td>2.50</td>
</tr>
<tr>
<td>Assets in use</td>
<td>184,151</td>
<td>51,159</td>
<td>(12,420)</td>
<td>(77,578)</td>
<td>96</td>
<td>422,761</td>
<td>(277,353)</td>
<td>145,408</td>
<td></td>
</tr>
<tr>
<td>IT</td>
<td>50,141</td>
<td>14,155</td>
<td>(7,019)</td>
<td>(14,846)</td>
<td>(1,987)</td>
<td>119,593</td>
<td>(79,149)</td>
<td>40,444</td>
<td>20</td>
</tr>
<tr>
<td>Equipment</td>
<td>16,042</td>
<td>17,367</td>
<td>(161)</td>
<td>(2,947)</td>
<td>(5,044)</td>
<td>44,759</td>
<td>(19,502)</td>
<td>25,257</td>
<td>10</td>
</tr>
<tr>
<td>Equipment held by third parties</td>
<td>8,848</td>
<td>—</td>
<td>—</td>
<td>(1,626)</td>
<td>5,255</td>
<td>21,151</td>
<td>(8,674)</td>
<td>12,477</td>
<td>10</td>
</tr>
<tr>
<td>Furniture, machines and fittings</td>
<td>24,199</td>
<td>5,948</td>
<td>(928)</td>
<td>(4,072)</td>
<td>2,051</td>
<td>51,136</td>
<td>(23,938)</td>
<td>27,198</td>
<td>10</td>
</tr>
<tr>
<td>Vehicles</td>
<td>9,659</td>
<td>6,169</td>
<td>(1,411)</td>
<td>(3,349)</td>
<td>142</td>
<td>18,485</td>
<td>(7,275)</td>
<td>11,210</td>
<td>20</td>
</tr>
<tr>
<td>Tracking equipment</td>
<td>75,262</td>
<td>7,520</td>
<td>(2,901)</td>
<td>(50,738)</td>
<td>(321)</td>
<td>167,637</td>
<td>(138,815)</td>
<td>28,822</td>
<td>33.33</td>
</tr>
<tr>
<td>Other</td>
<td>57,151</td>
<td>73,945</td>
<td>(191)</td>
<td>(1,165)</td>
<td>(21,758)</td>
<td>112,240</td>
<td>(4,258)</td>
<td>107,982</td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>53,835</td>
<td>68,436</td>
<td>—</td>
<td>—</td>
<td>(22,338)</td>
<td>99,933</td>
<td>—</td>
<td>99,933</td>
<td></td>
</tr>
<tr>
<td>Other (leasehold improvements and works of art)</td>
<td>3,316</td>
<td>5,509</td>
<td>(191)</td>
<td>(1,165)</td>
<td>580</td>
<td>12,307</td>
<td>(4,258)</td>
<td>8,049</td>
<td>20 à 100</td>
</tr>
<tr>
<td>Total</td>
<td>621,732</td>
<td>138,527</td>
<td>(12,611)</td>
<td>(83,742)</td>
<td>(1,915)</td>
<td>965,830</td>
<td>(303,839)</td>
<td>661,991</td>
<td></td>
</tr>
</tbody>
</table>
### Net book value at 1/1/2009

<table>
<thead>
<tr>
<th>Category</th>
<th>Acquisitions</th>
<th>Disposals</th>
<th>Depreciation expenses</th>
<th>Other/ transfers</th>
<th>Cost</th>
<th>Accumulated depreciation</th>
<th>Net at 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties in use</td>
<td>345,137</td>
<td>—</td>
<td>(4,942)</td>
<td>25,033</td>
<td>397,920</td>
<td>(17,490)</td>
<td>380,430</td>
</tr>
<tr>
<td>Land (i)</td>
<td>153,285</td>
<td>—</td>
<td>—</td>
<td>(2,079)</td>
<td>166,407</td>
<td>—</td>
<td>166,407</td>
</tr>
<tr>
<td>Buildings (ii)</td>
<td>191,852</td>
<td>1</td>
<td>(4,942)</td>
<td>27,112</td>
<td>231,513</td>
<td>(17,490)</td>
<td>214,023</td>
</tr>
<tr>
<td><strong>Net at 12/31/2009</strong></td>
<td><strong>226,143</strong></td>
<td><strong>57,654</strong></td>
<td><strong>(12,862)</strong></td>
<td><strong>410</strong></td>
<td><strong>423,127</strong></td>
<td><strong>(238,976)</strong></td>
<td><strong>184,151</strong></td>
</tr>
<tr>
<td>IT</td>
<td>48,071</td>
<td>17,420</td>
<td>(215)</td>
<td>(16,231)</td>
<td>109,545</td>
<td>(79,404)</td>
<td>50,141</td>
</tr>
<tr>
<td>Equipment</td>
<td>14,910</td>
<td>11,782</td>
<td>(2,776)</td>
<td>(5,230)</td>
<td>38,572</td>
<td>(22,215)</td>
<td>16,357</td>
</tr>
<tr>
<td>Equipment held by third parties</td>
<td>7,754</td>
<td>—</td>
<td>(749)</td>
<td>5,241</td>
<td>12,246</td>
<td>(3,398)</td>
<td>8,848</td>
</tr>
<tr>
<td>Furniture, machines and fittings</td>
<td>23,424</td>
<td>4,886</td>
<td>(332)</td>
<td>159</td>
<td>47,628</td>
<td>(23,429)</td>
<td>24,199</td>
</tr>
<tr>
<td>Vehicles</td>
<td>10,950</td>
<td>2,757</td>
<td>(990)</td>
<td>(2,908)</td>
<td>15,874</td>
<td>(6,215)</td>
<td>9,659</td>
</tr>
<tr>
<td>Tracking equipment</td>
<td>121,034</td>
<td>20,809</td>
<td>(7,800)</td>
<td>(706)</td>
<td>179,577</td>
<td>(104,315)</td>
<td>75,262</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td><strong>57,077</strong></td>
<td><strong>34,180</strong></td>
<td>(118)</td>
<td><strong>(531)</strong></td>
<td><strong>61,653</strong></td>
<td><strong>(4,502)</strong></td>
<td><strong>57,151</strong></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>45,484</td>
<td>33,495</td>
<td>—</td>
<td>(25,144)</td>
<td>53,835</td>
<td>—</td>
<td>53,835</td>
</tr>
<tr>
<td>Other (leasehold improvements and works of art)</td>
<td>11,593</td>
<td>685,000</td>
<td>(118)</td>
<td>(531)</td>
<td>7,818</td>
<td>(4,502)</td>
<td>3,316</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>628,357</strong></td>
<td><strong>107,036</strong></td>
<td><strong>(12,980)</strong></td>
<td><strong>(8,014)</strong></td>
<td><strong>882,700</strong></td>
<td><strong>(260,968)</strong></td>
<td><strong>621,732</strong></td>
</tr>
</tbody>
</table>

(i) This item is not depreciated  
(ii) Weighted average rate was used for this item.

Fixed assets and intangible assets are evaluated for impairment on each reporting date and also whenever management identifies objective evidence of impairment due to factors resulted or not from the Company's business. The recoverable amount of the Company’s CGUs is determined based on value-in-use calculations. CGUs are determined and grouped by management based on the geographical distribution of their business, where management identifies specific cash flows according to this distribution. The Company uses pre-tax cash flow projections estimated based on financial budgets approved by the management and using a maximum period of 5 years for the projections. The Company does not use growth projections that exceed the growth rates of insurance business in Brazil and of the business segments.
Intangible assets (except for those directly related to insurance contracts, such as DAC) are evaluated for impairment according to IAS 36. The Company did not identify any impairment as a result of the tests carried out in 2010 and 2009. The Company uses the following assumptions to calculate impairment and cash flow projections:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>December 2010</th>
<th>December 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selic rate</td>
<td>9.4%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Risk rate</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

At December 31, 2010 and 2009, the Company’s fixed assets totaled R$126,565 and R$126,704, respectively, which could be used to guarantee technical reserves related to insurance contracts with SUSEP. Up to date, these fixed assets were not pledged in guarantee of technical reserves.

14.2. Leased assets: The Company leases several assets (mainly third-party properties through operating lease contracts) to conduct its business in the branches located in various regions of Brazil, where the Company and its subsidiaries are lessees of the properties. Total future minimum rentals payable in accordance with these contracts is shown in the table below:

<table>
<thead>
<tr>
<th>Future minimum rentals payable</th>
<th>December 2010</th>
<th>December 2009</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1 year</td>
<td>10,974</td>
<td>11,255</td>
<td>9,164</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>27,842</td>
<td>16,502</td>
<td>14,177</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>—</td>
<td>78</td>
<td>128</td>
</tr>
<tr>
<td>Total</td>
<td>38,816</td>
<td>27,835</td>
<td>23,469</td>
</tr>
</tbody>
</table>

Total rental expenses of operating lease contracts recognized in the income statement was R$10,684 (R$9,857 in 2009). These contracts do not have an asset purchase option and most of them can be renewed for 6 years.
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

15. Liabilities of Insurance Contracts

<table>
<thead>
<tr>
<th></th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical reserves for insurance contracts (15.1)</td>
<td>5,227,368</td>
<td>5,157,297</td>
<td>4,496,968</td>
<td>4,452,651</td>
<td>2,722,201</td>
<td>2,704,967</td>
</tr>
<tr>
<td>Technical reserves for pension plans (15.2)</td>
<td>1,141,606</td>
<td>1,141,606</td>
<td>952,650</td>
<td>952,650</td>
<td>829,528</td>
<td>829,528</td>
</tr>
<tr>
<td>Other reserves for insurance contracts and pension plan (15.3)</td>
<td>40,092</td>
<td>40,092</td>
<td>38,809</td>
<td>38,809</td>
<td>34,472</td>
<td>34,472</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,409,066</strong></td>
<td><strong>6,338,995</strong></td>
<td><strong>5,488,427</strong></td>
<td><strong>5,444,110</strong></td>
<td><strong>3,586,201</strong></td>
<td><strong>3,568,967</strong></td>
</tr>
<tr>
<td>Current</td>
<td><strong>6,393,514</strong></td>
<td><strong>6,323,443</strong></td>
<td><strong>5,473,436</strong></td>
<td><strong>5,429,119</strong></td>
<td><strong>3,569,743</strong></td>
<td><strong>3,552,509</strong></td>
</tr>
<tr>
<td>Non-current</td>
<td><strong>15,552</strong></td>
<td><strong>15,552</strong></td>
<td><strong>14,991</strong></td>
<td><strong>14,991</strong></td>
<td><strong>16,458</strong></td>
<td><strong>16,458</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,409,066</strong></td>
<td><strong>6,338,995</strong></td>
<td><strong>5,488,427</strong></td>
<td><strong>5,444,110</strong></td>
<td><strong>3,586,201</strong></td>
<td><strong>3,568,967</strong></td>
</tr>
</tbody>
</table>

15.1. Technical reserves for insurance contracts

<table>
<thead>
<tr>
<th></th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for unearned premiums</td>
<td>3,383,192</td>
<td>3,348,558</td>
<td>3,011,883</td>
<td>2,997,376</td>
<td>1,876,337</td>
<td>1,864,732</td>
</tr>
<tr>
<td>Unsettled claims/unpaid benefits reserve</td>
<td>1,203,996</td>
<td>1,169,020</td>
<td>978,531</td>
<td>948,986</td>
<td>480,873</td>
<td>475,244</td>
</tr>
<tr>
<td>Reserve for claims incurred but not reported</td>
<td>183,993</td>
<td>183,532</td>
<td>166,741</td>
<td>166,449</td>
<td>113,559</td>
<td>113,559</td>
</tr>
<tr>
<td>Provision for insufficiency of premiums</td>
<td>20,679</td>
<td>20,679</td>
<td>14,437</td>
<td>14,437</td>
<td>14,989</td>
<td>14,989</td>
</tr>
<tr>
<td>Unexpired risks reserve (PRNE)</td>
<td>433,479</td>
<td>433,479</td>
<td>323,904</td>
<td>323,904</td>
<td>235,223</td>
<td>235,223</td>
</tr>
<tr>
<td>Mathematical reserve - insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,227,368</strong></td>
<td><strong>5,157,297</strong></td>
<td><strong>4,496,968</strong></td>
<td><strong>4,452,651</strong></td>
<td><strong>2,722,201</strong></td>
<td><strong>2,704,967</strong></td>
</tr>
<tr>
<td>Current</td>
<td><strong>5,212,296</strong></td>
<td><strong>5,142,225</strong></td>
<td><strong>4,482,734</strong></td>
<td><strong>4,438,417</strong></td>
<td><strong>2,706,890</strong></td>
<td><strong>2,689,656</strong></td>
</tr>
<tr>
<td>Non-current</td>
<td><strong>15,072</strong></td>
<td><strong>15,072</strong></td>
<td><strong>14,234</strong></td>
<td><strong>14,234</strong></td>
<td><strong>15,311</strong></td>
<td><strong>15,311</strong></td>
</tr>
</tbody>
</table>
15.2. Technical reserves for pension plan contracts

<table>
<thead>
<tr>
<th></th>
<th>December 2010</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross of reinsurance</td>
<td>Net of reinsurance</td>
</tr>
<tr>
<td>Mathematical reserve for unvested benefits</td>
<td>1,061,605</td>
<td>1,061,605</td>
</tr>
<tr>
<td>Mathematical reserve for vested benefits</td>
<td>33,997</td>
<td>33,997</td>
</tr>
<tr>
<td>Contribution deficiency reserve</td>
<td>46,004</td>
<td>46,004</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,141,606</strong></td>
<td><strong>1,141,606</strong></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td><strong>1,141,126</strong></td>
<td><strong>1,141,126</strong></td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td>480</td>
<td>480</td>
</tr>
</tbody>
</table>

15.3. Other reserves for insurance and pension plan contracts

<table>
<thead>
<tr>
<th></th>
<th>December 2010</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross of reinsurance</td>
<td>Net of reinsurance</td>
</tr>
<tr>
<td>VGBL</td>
<td>15,199</td>
<td>15,199</td>
</tr>
<tr>
<td>Property</td>
<td>10,499</td>
<td>10,499</td>
</tr>
<tr>
<td>Personal</td>
<td>7,865</td>
<td>7,865</td>
</tr>
<tr>
<td>Transportation</td>
<td>6,003</td>
<td>6,003</td>
</tr>
<tr>
<td>DPVAT</td>
<td>451</td>
<td>451</td>
</tr>
<tr>
<td>Automobile</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Responsibility</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40,092</strong></td>
<td><strong>40,092</strong></td>
</tr>
</tbody>
</table>
Other reserve balances refer to:

<table>
<thead>
<tr>
<th></th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve for risk fluctuation</td>
<td>16,527</td>
<td>16,527</td>
<td>17,216</td>
<td>17,216</td>
<td>13,733</td>
<td>13,733</td>
</tr>
<tr>
<td>Administrative expenses reserve</td>
<td>16,204</td>
<td>16,204</td>
<td>15,054</td>
<td>15,054</td>
<td>9,728</td>
<td>9,728</td>
</tr>
<tr>
<td>Redemption reserve and other amounts</td>
<td>2,168</td>
<td>2,168</td>
<td>3,807</td>
<td>3,807</td>
<td>5,277</td>
<td>5,277</td>
</tr>
<tr>
<td>Commercial strategy reserve</td>
<td>—</td>
<td>—</td>
<td>304</td>
<td>304</td>
<td>2,736</td>
<td>2,736</td>
</tr>
<tr>
<td>Extended guarantee reserve</td>
<td>4,637</td>
<td>4,637</td>
<td>1,905</td>
<td>1,905</td>
<td>2,473</td>
<td>2,473</td>
</tr>
<tr>
<td>Other</td>
<td>556</td>
<td>556</td>
<td>523</td>
<td>523</td>
<td>525</td>
<td>525</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40,092</strong></td>
<td><strong>40,092</strong></td>
<td><strong>38,809</strong></td>
<td><strong>38,809</strong></td>
<td><strong>34,472</strong></td>
<td><strong>34,472</strong></td>
</tr>
</tbody>
</table>

Other reserve balances refer to:

<table>
<thead>
<tr>
<th></th>
<th>December 2010</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casualty and group life</td>
<td>4,683,141</td>
<td>4,092,641</td>
</tr>
<tr>
<td>Pension plan</td>
<td>1,164,981</td>
<td>974,866</td>
</tr>
<tr>
<td>Life insurance with survivor coverage</td>
<td>463,212</td>
<td>345,555</td>
</tr>
<tr>
<td>Health insurance</td>
<td>97,732</td>
<td>75,365</td>
</tr>
<tr>
<td><strong>Total technical reserves</strong></td>
<td><strong>6,409,066</strong></td>
<td><strong>5,488,427</strong></td>
</tr>
<tr>
<td>(—) Reinsurance operations</td>
<td>(61,887)</td>
<td>(40,812)</td>
</tr>
<tr>
<td>(—) Funds and reserves retained by IRB</td>
<td>(374)</td>
<td>(402)</td>
</tr>
<tr>
<td>(—) Credit rights (*)</td>
<td>(1,441,131)</td>
<td>(1,221,681)</td>
</tr>
<tr>
<td><strong>Amount to be guaranteed</strong></td>
<td><strong>4,905,674</strong></td>
<td><strong>4,225,532</strong></td>
</tr>
<tr>
<td>Fixed-income government securities</td>
<td>22,420</td>
<td>389,621</td>
</tr>
<tr>
<td>Fixed-income private securities</td>
<td>269,426</td>
<td>339,568</td>
</tr>
<tr>
<td>Investment fund quotas</td>
<td>3,912,168</td>
<td>2,996,680</td>
</tr>
<tr>
<td>Specially constituted fund quotas</td>
<td>974,163</td>
<td>716,861</td>
</tr>
<tr>
<td><strong>Technical reserve guarantees</strong></td>
<td><strong>5,178,177</strong></td>
<td><strong>4,442,730</strong></td>
</tr>
</tbody>
</table>

(*) Refers to installments not yet due of premiums receivable and unexpired insurance risks.
15.5. Changes in reserves for claims in years after their establishment

The changes in the reserves for claims (claim development table) are shown below:

### Reserves for Claims - gross of reinsurance (\(i\)) (in R$ millions)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves for claims at the end of the previous year</td>
<td>320.2</td>
<td>444.2</td>
<td>473.7</td>
<td>467.5</td>
<td>519.0</td>
<td>522.0</td>
<td>494.4</td>
<td>532.3</td>
</tr>
<tr>
<td>Balances of ISa+r ((ii))</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>433.8</td>
</tr>
<tr>
<td>Claims reported</td>
<td>1,450.0</td>
<td>1,625.6</td>
<td>1,923.7</td>
<td>2,017.2</td>
<td>2,153.8</td>
<td>2,449.3</td>
<td>2,737.4</td>
<td>4,007.7</td>
</tr>
<tr>
<td>Current year</td>
<td>1,407.7</td>
<td>1,581.5</td>
<td>1,861.8</td>
<td>1,940.3</td>
<td>2,084.8</td>
<td>2,310.9</td>
<td>2,519.2</td>
<td>3,671.6</td>
</tr>
<tr>
<td>Prior years</td>
<td>42.3</td>
<td>44.1</td>
<td>61.9</td>
<td>76.9</td>
<td>69.0</td>
<td>138.4</td>
<td>218.2</td>
<td>336.1</td>
</tr>
<tr>
<td>Payments</td>
<td>(1,326.0)</td>
<td>(1,596.1)</td>
<td>(1,929.9)</td>
<td>(1,965.7)</td>
<td>(2,150.8)</td>
<td>(2,476.9)</td>
<td>(2,699.5)</td>
<td>(3,856.2)</td>
</tr>
<tr>
<td>Current year</td>
<td>(1,142.0)</td>
<td>(1,386.7)</td>
<td>(1,700.9)</td>
<td>(1,750.1)</td>
<td>(1,891.9)</td>
<td>(2,207.7)</td>
<td>(2,334.0)</td>
<td>(3,291.2)</td>
</tr>
<tr>
<td>Prior years</td>
<td>(184.0)</td>
<td>(209.4)</td>
<td>(229.0)</td>
<td>(215.6)</td>
<td>(258.9)</td>
<td>(269.2)</td>
<td>(365.5)</td>
<td>(565.0)</td>
</tr>
<tr>
<td>Reserves for claims at the end of the year</td>
<td>444.2</td>
<td>473.7</td>
<td>467.5</td>
<td>519.0</td>
<td>522.0</td>
<td>494.4</td>
<td>532.3</td>
<td>1,117.6</td>
</tr>
</tbody>
</table>

(i) Does not include reserves of Porto Seguro Uruguay, Porto Seguro Vida, DPVAT and retrocession.

(ii) The increase of reserves for claims from 2009 to 2010 is due to the inclusion of ISa+r.
The table below shows the development of claims payments. The line “Cumulative excess (deficiency)” reflects the difference between the last recalculated reserve amount and the reserve amount originally established. The purpose of this table is to show the consistency of the Company’s policy related to reserves for claims.

<table>
<thead>
<tr>
<th>Reserves for claims (*)</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative amount paid up to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One year later</td>
<td>184.1</td>
<td>209.5</td>
<td>229.0</td>
<td>215.6</td>
<td>258.9</td>
<td>269.2</td>
<td>365.5</td>
<td>565.0</td>
</tr>
<tr>
<td>Two years later</td>
<td>193.5</td>
<td>221.3</td>
<td>240.2</td>
<td>264.0</td>
<td>296.5</td>
<td>311.5</td>
<td>393.4</td>
<td>—</td>
</tr>
<tr>
<td>Three years later</td>
<td>199.4</td>
<td>231.9</td>
<td>246.8</td>
<td>292.8</td>
<td>325.1</td>
<td>329.3</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Four years later</td>
<td>206.0</td>
<td>240.0</td>
<td>271.3</td>
<td>317.3</td>
<td>341.1</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Five years later</td>
<td>211.4</td>
<td>260.3</td>
<td>293.3</td>
<td>332.6</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Six years later</td>
<td>228.4</td>
<td>279.4</td>
<td>307.3</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Seven years later</td>
<td>245.0</td>
<td>289.9</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Eight years later</td>
<td>253.3</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reestimated reserves</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative excess (deficiency)</td>
<td>0.7</td>
<td>81.9</td>
<td>77.0</td>
<td>29.6</td>
<td>61.8</td>
<td>56.4</td>
<td>(62.7)</td>
<td>7.4</td>
</tr>
</tbody>
</table>
### Reserves for claims (*)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31</td>
<td>307.7</td>
<td>422.2</td>
<td>449.5</td>
<td>449.0</td>
<td>497.4</td>
<td>500.7</td>
<td>479.1</td>
<td>940.1</td>
</tr>
</tbody>
</table>

### Cumulative amount paid up to

<table>
<thead>
<tr>
<th>Period</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year later</td>
<td>184.1</td>
<td>209.5</td>
<td>229.0</td>
<td>215.6</td>
<td>258.9</td>
<td>269.2</td>
<td>365.5</td>
<td>550.5</td>
</tr>
<tr>
<td>Two years later</td>
<td>193.5</td>
<td>221.3</td>
<td>240.2</td>
<td>264.0</td>
<td>296.5</td>
<td>311.5</td>
<td>384.5</td>
<td>—</td>
</tr>
<tr>
<td>Three years later</td>
<td>199.4</td>
<td>231.9</td>
<td>246.8</td>
<td>292.8</td>
<td>325.1</td>
<td>324.1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Four years later</td>
<td>206.0</td>
<td>240.0</td>
<td>271.3</td>
<td>317.3</td>
<td>335.9</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Five years later</td>
<td>211.4</td>
<td>260.3</td>
<td>293.3</td>
<td>327.5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Six years later</td>
<td>228.4</td>
<td>279.4</td>
<td>302.1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Seven years later</td>
<td>245.0</td>
<td>288.4</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Eight years later</td>
<td>251.8</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### Estimated reserves

<table>
<thead>
<tr>
<th>Period</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year later</td>
<td>104.9</td>
<td>143.0</td>
<td>162.6</td>
<td>169.5</td>
<td>159.6</td>
<td>136.3</td>
<td>150.2</td>
<td>382.2</td>
</tr>
<tr>
<td>Two years later</td>
<td>91.2</td>
<td>138.4</td>
<td>146.3</td>
<td>139.2</td>
<td>117.9</td>
<td>126.9</td>
<td>147.9</td>
<td>—</td>
</tr>
<tr>
<td>Three years later</td>
<td>92.1</td>
<td>124.0</td>
<td>120.9</td>
<td>104.0</td>
<td>111.1</td>
<td>123.0</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Four years later</td>
<td>81.6</td>
<td>101.4</td>
<td>91.1</td>
<td>97.2</td>
<td>104.8</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Five years later</td>
<td>63.1</td>
<td>77.3</td>
<td>85.2</td>
<td>90.6</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Six years later</td>
<td>64.8</td>
<td>71.8</td>
<td>79.5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Seven years later</td>
<td>60.5</td>
<td>66.8</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Eight years later</td>
<td>57.1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### Cumulative excess (deficiency)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31</td>
<td>(1.2)</td>
<td>67.0</td>
<td>67.9</td>
<td>30.9</td>
<td>56.7</td>
<td>53.6</td>
<td>(53.3)</td>
<td>7.4</td>
</tr>
</tbody>
</table>

(*) Does not include reserves of Porto Seguro Uruguay, Porto Seguro Vida, DPVAT and retrocession. The inclusion of these reserves may distort the information presented in the table above, considering that they are not material (e.g., Porto Seguro Uruguay and retrocession), are not applicable (e.g., Porto Seguro Vida) or are calculated based on different methodologies (e.g., DPVAT).
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010  
(All amounts in R$ thousands unless otherwise stated)

16. Insurance and Reinsurance Payables  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions on premiums issued</td>
<td>297,262</td>
<td>287,540</td>
<td>203,539</td>
<td></td>
</tr>
<tr>
<td>Other insurance payables (16.1)</td>
<td>56,894</td>
<td>53,667</td>
<td>36,787</td>
<td></td>
</tr>
<tr>
<td>IRB - Brasil Resseguros S.A.</td>
<td>30,161</td>
<td>15,525</td>
<td>9,811</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>384,317</strong></td>
<td><strong>356,732</strong></td>
<td><strong>250,137</strong></td>
<td></td>
</tr>
</tbody>
</table>

16.1. Other insurance payables  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistance services</td>
<td>27,629</td>
<td>21,573</td>
<td>12,638</td>
<td></td>
</tr>
<tr>
<td>Payables – DPVAT</td>
<td>1,062</td>
<td>10,418</td>
<td>10,219</td>
<td></td>
</tr>
<tr>
<td>Provision for operating expenses</td>
<td>6,915</td>
<td>4,286</td>
<td>5,030</td>
<td></td>
</tr>
<tr>
<td>Deferred commissions - Reinsurance</td>
<td>9,128</td>
<td>2,736</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Premiums to be refunded</td>
<td>4,024</td>
<td>3,560</td>
<td>4,180</td>
<td></td>
</tr>
<tr>
<td>Agents and correspondents</td>
<td>2,522</td>
<td>1,628</td>
<td>251</td>
<td></td>
</tr>
<tr>
<td>Insurance companies</td>
<td>503</td>
<td>513</td>
<td>518</td>
<td></td>
</tr>
<tr>
<td>Bonus expenses - Porto Socorro</td>
<td>333</td>
<td>508</td>
<td>356</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4,778</td>
<td>8,445</td>
<td>3,595</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56,894</strong></td>
<td><strong>53,667</strong></td>
<td><strong>36,787</strong></td>
<td></td>
</tr>
</tbody>
</table>

16.2. Changes in balances of insurance and reinsurance contracts  

The changes in liabilities of insurance contracts and assets of reinsurance contracts for the years ended December 31, 2010 and 2009 are shown in the table below:

<table>
<thead>
<tr>
<th>Liabilities of insurance contracts</th>
<th>Assets of reinsurance contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At January 1, 2009</strong></td>
<td><strong>At December 31, 2009</strong></td>
</tr>
<tr>
<td>3,586,201</td>
<td>5,488,427</td>
</tr>
<tr>
<td>New contracts issued and claims reported</td>
<td>9,213,448</td>
</tr>
<tr>
<td>Expired risks</td>
<td>(4,562,364)</td>
</tr>
<tr>
<td>Payments and receipts</td>
<td>(2,746,631)</td>
</tr>
<tr>
<td>Impairment of reinsurance assets</td>
<td>—</td>
</tr>
<tr>
<td>Reversal of PCP and POL (*)</td>
<td>(2,227)</td>
</tr>
<tr>
<td><strong>At December 31, 2009</strong></td>
<td><strong>At December 31, 2010</strong></td>
</tr>
<tr>
<td>5,488,427</td>
<td>6,409,066</td>
</tr>
<tr>
<td>New contracts issued and claims reported</td>
<td>12,572,153</td>
</tr>
<tr>
<td>Expired risks</td>
<td>(7,887,580)</td>
</tr>
<tr>
<td>Payments and receipts</td>
<td>(3,761,620)</td>
</tr>
<tr>
<td>Impairment of reinsurance assets</td>
<td>—</td>
</tr>
<tr>
<td>Reversal of PCP and POL (*)</td>
<td>(2,314)</td>
</tr>
</tbody>
</table>

(*) See Note 39.
16.2.1. Changes in commissions received from reinsurance companies or agents

<table>
<thead>
<tr>
<th></th>
<th>Commissions received from agents and reinsurance companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1, 2009</td>
<td>683</td>
</tr>
<tr>
<td>Additions</td>
<td>4,828</td>
</tr>
<tr>
<td>Payments</td>
<td>(4,062)</td>
</tr>
<tr>
<td><strong>Net carrying amount at December 31, 2009</strong></td>
<td>1,449</td>
</tr>
<tr>
<td>Additions</td>
<td>15,494</td>
</tr>
<tr>
<td>Payments</td>
<td>(12,463)</td>
</tr>
<tr>
<td><strong>Net carrying amount at December 31, 2010</strong></td>
<td>4,480</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010  
(All amounts in R$ thousands unless otherwise stated)

### 17. Financial Liabilities

The Company’s financial liabilities at December 31, 2010 and 2009 comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>Accounting balance</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
<td>January 1</td>
</tr>
<tr>
<td>Credit card transactions (i)</td>
<td>771,172</td>
<td>580,575</td>
</tr>
<tr>
<td>Funds from acceptance and issue of securities</td>
<td>57,069</td>
<td>91,144</td>
</tr>
<tr>
<td>Borrowings and onlendings (ii)</td>
<td>—</td>
<td>39,859</td>
</tr>
<tr>
<td>Interbank deposits</td>
<td>235,396</td>
<td>179,161</td>
</tr>
<tr>
<td></td>
<td>1,063,637</td>
<td>890,739</td>
</tr>
<tr>
<td>Current</td>
<td>1,063,637</td>
<td>890,739</td>
</tr>
<tr>
<td>Non-current</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(i) Refers mainly to amounts payable to merchants arising from credit card transactions.

(ii) Refers to a contract denominated in US dollar at the nominal value of R$ 34,421 related to a derivative instrument to hedge against exchange risk exposure, whereby the effective cost remains linked to CDI rate variation, settled on 7/30/2010.
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

18. Taxes and Contributions Payable

<table>
<thead>
<tr>
<th>Current liabilities</th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
<td>January 1</td>
</tr>
<tr>
<td>IOF sobre prêmios de seguros</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Contributions to INSS and FGTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FGTS</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Income tax</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Social contribution</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Withholding Income Tax (IRRF)</td>
<td>789</td>
<td>193</td>
</tr>
<tr>
<td>Services tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services tax (ISS) withheld at source</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>PIS and COFINS contributions</td>
<td>3,681</td>
<td>462</td>
</tr>
<tr>
<td>Other(*)</td>
<td>—</td>
<td>127</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,483</strong></td>
<td><strong>790</strong></td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)


The Company and its subsidiaries are parties to lawsuits involving tax contingencies and labor and civil claims. Provisions for losses arising from these lawsuits are estimated and periodically updated by management, based on the opinion of the Company's legal department and external legal advisors.

(i) The balances of the provisions constituted are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 2010</td>
<td>January 1 2010</td>
</tr>
<tr>
<td>(a) Legal obligations</td>
<td>59,269</td>
<td>55,367</td>
</tr>
<tr>
<td></td>
<td>48,911</td>
<td>1,621,155</td>
</tr>
<tr>
<td>(—) Judicial deposits</td>
<td>(59,269)</td>
<td>(52,872)</td>
</tr>
<tr>
<td></td>
<td>(39,222)</td>
<td>(39,222)</td>
</tr>
<tr>
<td></td>
<td>2,495</td>
<td>9,689</td>
</tr>
<tr>
<td>(b) Labor claims</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(—) Judicial deposits</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>4,778</td>
<td>7,550</td>
</tr>
<tr>
<td>(c) Civil claims</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>2,495</td>
<td>9,689</td>
</tr>
<tr>
<td>(—) Judicial deposits</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>
(ii) Changes in provisions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax</td>
<td>Labor</td>
<td>Civil</td>
</tr>
<tr>
<td>Opening balance</td>
<td>1,621,155</td>
<td>14,357</td>
<td>23,641</td>
</tr>
<tr>
<td>Additions</td>
<td>186,545</td>
<td>3,224</td>
<td>15,987</td>
</tr>
<tr>
<td>Reversals (*)</td>
<td>(33,467)</td>
<td>(4,210)</td>
<td>(8,197)</td>
</tr>
<tr>
<td>Monetary restatement</td>
<td>133,075</td>
<td>184</td>
<td>1,302</td>
</tr>
<tr>
<td>Closing balance</td>
<td>1,907,308</td>
<td>13,555</td>
<td>32,733</td>
</tr>
</tbody>
</table>

(—) Deposits

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax</td>
<td>Labor</td>
<td>Civil</td>
</tr>
<tr>
<td>Judicial</td>
<td>(727,647)</td>
<td>(8,777)</td>
<td>(6,553)</td>
</tr>
<tr>
<td>Net provision</td>
<td>1,179,661</td>
<td>4,778</td>
<td>26,180</td>
</tr>
<tr>
<td>Number of proceedings</td>
<td>124</td>
<td>550</td>
<td>1,941</td>
</tr>
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</table>

(*) See item (a) below.
### (a) Legal obligations - tax and social security - composition by nature

<table>
<thead>
<tr>
<th></th>
<th>Parent December 2010</th>
<th>Parent January 1 2010</th>
<th>Consolidated December 2010</th>
<th>Consolidated January 1 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COFINS</strong></td>
<td>48,785</td>
<td>45,572</td>
<td>1,115,812</td>
<td>956,910</td>
</tr>
<tr>
<td><strong>PIS</strong></td>
<td>10,484</td>
<td>9,795</td>
<td>275,578</td>
<td>247,267</td>
</tr>
<tr>
<td><strong>INSS - independent contractors base</strong></td>
<td>—</td>
<td>—</td>
<td>150,815</td>
<td>142,385</td>
</tr>
<tr>
<td><strong>Social contribution</strong></td>
<td>—</td>
<td>—</td>
<td>69,647</td>
<td>24,441</td>
</tr>
<tr>
<td><strong>- Base</strong></td>
<td>—</td>
<td>—</td>
<td>44,865</td>
<td>41,377</td>
</tr>
<tr>
<td><strong>- Rate difference of 6%</strong></td>
<td>—</td>
<td>—</td>
<td>32,741</td>
<td>32,741</td>
</tr>
<tr>
<td><strong>Income tax loss offset</strong></td>
<td>—</td>
<td>—</td>
<td>200,754</td>
<td>165,663</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>—</td>
<td>—</td>
<td>4,115</td>
<td>4,362</td>
</tr>
<tr>
<td><strong>Provision for Employee Food Benefit Program (PAT)</strong></td>
<td>—</td>
<td>—</td>
<td>3,542</td>
<td>—</td>
</tr>
<tr>
<td><strong>Provision for Occupational Accident Prevention Factor (FAP)</strong></td>
<td>—</td>
<td>—</td>
<td>9,439</td>
<td>6,009</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>—</td>
<td>—</td>
<td>1,179,661</td>
<td>1,008,012</td>
</tr>
<tr>
<td><strong>Total legal obligations</strong></td>
<td>59,269</td>
<td>55,367</td>
<td>1,907,308</td>
<td>1,621,155</td>
</tr>
<tr>
<td>(—) Judicial deposits</td>
<td>(59,269)</td>
<td>(52,872)</td>
<td>(39,222)</td>
<td>(613,143)</td>
</tr>
<tr>
<td><strong>Net provision</strong></td>
<td>—</td>
<td>—</td>
<td>1,179,661</td>
<td>1,008,012</td>
</tr>
</tbody>
</table>

(i) **COFINS:** With the enactment of Law No 9718/98, insurance and pension plan companies, among others, became subject to Social Contribution on Revenues (COFINS) levied on their revenues, at the rate of 3% as from February 1999, and at the rate of 4% after the enactment of Law No 10684/03. The subsidiaries Porto Seguro, Porto Seguro Vida, Porto Seguro Saúde, Azul Seguros, ISA+R and Portopar challenged this taxation in court, as well as the tax basis established by Law No 9718/98, which considered billings to be equivalent to gross revenue. On June 28, 2006, in a lawsuit filed by the subsidiaries Porto Seguro and Porto Seguro Vida, the Federal Supreme Court (STF) rendered a final decision, disallowing the levy of COFINS on revenues other than those from services provided and sales of goods. Accordingly, in October 2006, the subsidiaries reversed the portion of the provisions related to COFINS on financial revenues. Considering the appeals filed by the Federal Government, which are pending judgment, the Company maintains the provisions on insurance premium revenues. The lawsuit filed by Porto Seguro Saúde had an unfavorable outcome, against which the Company filed special and extraordinary appeals, currently pending judgment. The period without a favorable decision or payment is suspended in view of the judicial deposits made. The lawsuit filed by the subsidiary ISA+R was deemed groundless, against which the company filed appeals, currently pending judgment. The Company’s legal counsel classifies this lawsuit as possible loss. The lawsuit filed by the subsidiary Azul Seguros had a decision of STF which determined the levy of COFINS on billings from its corporate activities. The company filed an appeal against this decision and is currently awaiting court decision. Since 2006 the company no longer pays COFINS on its finance income and records the corresponding provision. The Company’s legal counsel classifies this lawsuit as remote loss, in relation to non-operating income, and as possible loss, in relation to revenue from insurance premiums. The period without a favorable decision or payment is suspended in view of the judicial deposits made. In the lawsuit filed by the subsidiary Portopar, the decision deemed the claim partially valid, recognizing the payment of COFINS only on services rendered. Currently, the subsidiary is awaiting judgment of the request for clarification of decision of the appeal filed by Portopar. The Company’s legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made. With the enactment of Law No 11941, of May 27, 2009, which revoked Law No 9718/98 in relation to the increase of the PIS and COFINS calculation basis, the subsidiaries Porto Seguro Saúde and ISA+R, as from May 2009, no longer provide the amounts related to COFINS on other revenues.
(ii) **PIS**: The subsidiaries Porto Seguro, Porto Seguro Vida, Porto Seguro Saúde and Azul Seguros are challenging the levy of the Social Integration Program (PIS) contribution, introduced under the provisions of Constitutional Amendments 01/94, 10/96 and 17/97 and Law No 9718/98, changing the tax basis and the rate, which began to be calculated on gross operating revenue. In the case of the Constitutional Amendment 01/94, the subsidiary Porto Seguro Vida awaits judgment of appeals. The subsidiary opted for the tax debt installments program in November 2009; therefore, it partially discontinued the lawsuit in relation to 1995. The Company’s legal counsel classifies these lawsuits as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made. In the lawsuit filed by the subsidiary Azul Seguros, the decision was as to partial validity in respect of the retrospective payment. The Company and its subsidiary await judgment of the extraordinary appeal. The Company’s legal counsel classifies this lawsuit as remote loss in relation to the discussion of retrospective payment and possible loss in relation to calculation basis. The period without a favorable decision or payment is suspended in view of the judicial deposits made. In the case of Constitutional Amendment 10/96, in relation to the lawsuit filed by the subsidiaries Porto Seguro and Porto Seguro Vida, the decision was as to partial validity in respect of the retrospective payment. The provision for 1996 was reversed, since the statute of limitations for the subsidiary Porto Seguro was recognized. Currently, the subsidiaries are awaiting judgment of special and extraordinary appeals, as well as the release of the deposit related to 1996, in which the statute of limitations was recognized. The Company’s legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made. In the lawsuit filed by the subsidiary Azul Seguros, the claims were deemed valid but the decision was unfavorable. The Company and its subsidiary await judgment of the extraordinary appeal. The Company’s legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made. In the lawsuit discussing the Constitutional Amendment 17/97, the decision was as to partial validity in respect of the retrospective payment for the subsidiaries Porto Seguro and Porto Seguro Vida. Currently the lawsuit is pending judgment of special and extraordinary appeals. The provision for the subsidiary Porto Seguro for the period from March to May 1998 was reversed, since the statute of limitations was recognized. The Company’s legal counsel classifies this lawsuit as possible loss. In the lawsuit filed by the subsidiary Azul Seguros, the decision deemed the claims partially valid in respect of the retrospective payment and there was a final favorable outcome on August 16, 2006. Currently, the Company is awaiting the release of the judicial deposit relating to the favorable outcome of the lawsuit. In the lawsuit filed by the company Motor Union, merged into the subsidiary Azul Seguros, the claims were deemed partially valid in respect of the retrospective payment but the decision was an unfavorable outcome. Currently, the Company is awaiting judgment of the request for clarification of decision of the appeals. The Company’s legal counsel classifies this lawsuit as remote loss in relation to the retrospective payment and possible loss in relation to the other periods. The period without a favorable decision or payment is suspended in view of the judicial deposits made. In the lawsuit discussing the Law No 9718/98 filed by the subsidiaries Porto Seguro and Porto Seguro Vida, the decision deemed the claims partially valid, recognizing that the subsidiaries may pay PIS without the increase in calculation basis introduced by article 3, paragraph 1, of Law No 9718/98, in effect as from the base period of 2000. Currently, the appeals filed by the subsidiaries await judgment. The Company’s legal counsel classifies this lawsuit as possible loss. The period without a favorable decision is suspended in view of the judicial deposits made. The lawsuit filed by the subsidiary Porto Seguro Saúde was deemed groundless, against which the Company filed appeals, currently pending judgment. The Company’s legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made. In the lawsuit filed by the subsidiary Azul Seguros, the decision deemed the claims groundless and there was a partially favorable decision as to the increase in calculation basis. Currently the lawsuit is pending judgment of special and extraordinary appeals filed by the Federal Government. The Company’s legal counsel classifies this lawsuit as remote loss, in relation to non-operating income, and as probable loss, in relation to revenue from insurance premiums. The period without a favorable decision or payment is suspended in view of the judicial deposits made. With the enactment of Law No 11941 on May 27, 2009, paragraph 1 of article 3 of Law No9718/98 was revoked in relation to the PIS and COFINS calculation basis increase. Accordingly, as from May 2009, the subsidiaries Porto Seguro, Porto Seguro Vida, Porto Seguro Saúde and Azul Seguros no longer provide the amounts related to PIS on other revenues.

(iii) **PIS and COFINS - revenues from interest on capital**: The Company has filed a lawsuit to challenge the legality and constitutionality of sole paragraph of article 1 of Decree No 5164/04, which addresses the levy of PIS and COFINS on amounts received as interest on capital. This lawsuit was deemed groundless and the Company has filed an appeal on the merits of the case, which is pending judgment. The Company’s legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made.

(iv) **National Institute of Social Security (INSS) - independent contractors**: The subsidiaries Porto Seguro, Porto Seguro Vida and Portopar are challenging in court the increase of rate from 15% to 20%, as well as the additional 2.5% of social security contribution on compensation of independent contractors, proprietors and day workers, in accordance with Law No 9876/99. In the lawsuit filed by the subsidiary Porto Seguro, there were unfavorable decisions, against which special and extraordinary appeals were filed, currently waiting judgment. The Company’s legal counsel classifies this lawsuit as possible loss. The period without a favorable decision...
or payment is suspended in view of the judicial deposits made. The lawsuit filed by the subsidiary Porto Seguro Vida was deemed groundless. Currently, the appeals await judgment. In the lawsuit filed by the subsidiary Portopar, since the statute of limitations of the amount under discussion was recognized, the subsidiary required the discontinuation of the lawsuit. Currently, the subsidiary awaits the release of the amounts deposited in court.

(v) National Institute of Social Security (INSS) - brokers and additional 2.5%: The subsidiary Azul Seguros is challenging in court the levy of INSS on amounts paid to insurance brokers, required in accordance with item III of article 22 of Law No 8212/91, as well as the additional 2.5% payment, established in article 1 of Law No 9876/99. With the enactment of Law No 11941/2009, the Company enrolled in the fiscal debts installments program in November 2009 for INSS on amounts paid to insurance brokers, and obtained the approval of partial discontinuation of this lawsuit, with entitlement to the benefits established in the fiscal amnesty. The lawsuit referring to the additional 2.5% payment is still in progress. Concerning the discussion on the additional 2.5% payment, the decision was unfavorable to the Company. Currently, the Company is awaiting admissibility of its appeal. The Company's legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made.

(vi) Social Contribution on Net Income (deductibility from the Corporate Income Tax (IRPJ) calculation basis): The subsidiaries Porto Seguro, Porto Seguro Vida, Porto Seguro Saúde, Portopar and Azul Seguros are challenging the legality and constitutionality of Provisional Measure No 413/08 which increased the social contribution rate for financial institutions and insurance companies from 9% to 15%. With the enactment of Law 11941/09, the subsidiaries opted for the tax debt payment in installments program in November 2009, which was approved. Currently, the subsidiaries are awaiting the approval of a request of release of the deposit, which was overstated, considering the benefit of the program.

(vii) Social Contribution (rate difference - 9% to 15% of CSLL): The subsidiaries Porto Seguro, Porto Seguro Vida, Porto Seguro Saúde, Portoseg, Portopar and Azul Seguros are challenging the legality and constitutionality of Law No 9316/96, which prohibited the deduction of social contribution on net income from the Corporate Income Tax (IRPJ) calculation basis. The lawsuits filed by the subsidiaries Porto Seguro and Porto Seguro Vida were considered valid but obtained an unfavorable decision. Currently, the subsidiaries are awaiting judgment of extraordinary appeal and the admission of special appeal. The enforceability of the tax is suspended in view of the interlocutory injunction which will be valid up to the judgment of the extraordinary appeal. The Company's legal counsel classifies this lawsuit as possible loss. In the lawsuit filed by the subsidiary Porto Seguro Saúde, the claims were deemed valid but there was an unfavorable decision. Currently, the subsidiary is awaiting the transfer of the extraordinary appeal to the STF for judgment. The subsidiary Azul Seguros has filed a lawsuit to challenge the right to calculate CSLL based on the rate established in the heading of article 19 of Law No 9249/95, and not on the rate imposed by the Constitutional Amendment 10 of March 4, 1996. There was partially favorable decision for the payment of CSLL at the rate of 18% only in the period from January to June 7, 1996. The Company and the Federal Government filed appeals against this decision. The case was transferred to the
Regional Federal Court (TRF) of the second region. The Company's legal counsel classifies this lawsuit as probable loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made.

(ix) CSLL: The company Rio Branco, merged into the subsidiary Azul Seguros, was challenged by the SRF for the non-payment of CSLL in the period from 1992 to 2000. The Company filed appeals and obtained decision which recognized the statute of limitation as to the years 1992, 1993 and 1994 and extinguishing the sole fine charged in 1997. The appeal filed by the Federal Government against the statute of limitation of the sole fine was admitted. Currently the special appeal filed by the Federal Government, as well as the special appeal filed by the merged company against the decision that deemed the voluntary appeal partially valid, await judgment. The Company's legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made.

(x) Deductibility of taxes and contributions from the IRPJ and CSLL calculation bases: The subsidiaries Porto Seguro, Porto Seguro Vida, Porto Seguro Saúde and Portopar are challenging the constitutionality of the law which prohibited the deduction of taxes and contributions being discussed in court from the IRPJ and CSLL calculation bases by the accrual method. The lawsuit filed by the subsidiaries Porto Seguro and Porto Seguro Vida was deemed groundless and currently the appeals filed await judgment. The Company's legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made. The lawsuits filed by the subsidiary Porto Seguro Saúde were deemed groundless. Currently, the Company is awaiting judgment of the request for clarification of decision of the appeals. The Company's legal counsel classifies this lawsuit as possible loss. The period without a favorable decision or payment is suspended in view of the judicial deposits made.

(xi) Employee Food Benefit Program (PAT): The Company and its subsidiaries Porto Seguro Vida, Porto Seguro Saúde and ISa+r filed for a writ of mandamus in order to discuss in court the limit of maximum cost per meal established by a non-statutory regulation and the change in system prescribed in Law No 6321/76, which established the deduction of expenses with PAT from the IRPJ calculation basis (taxable income), not directly from the tax payable, thus not considering the IRPJ surtax. The lawsuit filed by the subsidiaries Porto Seguro, Porto Seguro Vida and Porto Seguro Saúde was deemed valid. Currently, the appeals filed by the Federal Government await judgment. Since the issuance of a Declaratory Act by the National Treasury Legal Department (PGFN), which authorized prosecutors not to file appeals against discussions as to the limit of cost per meal, the subsidiaries reversed the provision relating to this limitation and maintained the provision for the difference between the deduction of PAT from taxable income the deduction from income tax due. The Company's legal counsel classifies this lawsuit as remote loss in relation to the limit of cost per meal, and as possible loss in relation to the deductibility from taxable income and not from the income tax due.

(xii) Tax loss offset: The subsidiary Porto Seguro challenged provisions established by Law No 8981/95, exclusively as to the limitation of tax loss offset in 30% of adjusted profit, and deposited in court the related amount. With the enactment of Law 11941/2009, the Company opted for the tax debt payment in installments program in November 2009 and currently awaits approval of discontinuation of the lawsuits, with entitlement to the benefits established in the program. In the lawsuit filed by the subsidiary Azul Seguros in 2004, after the statute of limitations period, the discontinuation of the lawsuit in relation to the discussion on income tax (article 42 of Law No 8981/95) was required, waiving the right on which the lawsuit is based. In 2009, the deposit of the amount with which the Company agreed in the case records was released in favor of the Federal Government. An authorization for the release to the Company of the remaining balance of R$ 3,637 was issued, and the lawsuit is now terminated.

(xiii) Deductibility of interest on capital from the social contribution basis (1996): The subsidiary Porto Seguro is claiming in court the deductibility of expenses relating to interest on capital in the social contribution calculation basis, in the base period of 1996. The lawsuit was deemed valid and, currently, the subsidiary awaits judgment of the request for clarification of decision of the appeal. The Company's legal counsel classifies
this lawsuit as possible loss. 

(xiv) FAP: The subsidiaries Porto Seguro, Porto Seguro Saúde, Porto Consórcio, Portoseg and Azul Seguros are challenging the legality and constitutionality of the Occupational Accident Prevention Factor (FAP) on the rate established for contribution to SAT, in accordance with Decrees No 6042/2007 and 6957/2009. In the lawsuit filed by the subsidiary Porto Seguro, the enforceability of the tax is suspended in view of the administrative appeal. Currently the lawsuit awaits judgment in the lower court. The Company’s legal counsel classifies this lawsuit as possible loss. In the lawsuit filed by the subsidiary Porto Seguro Saúde, the enforceability of the tax is suspended in view of the administrative appeal. Currently the lawsuit awaits judgment in the lower court. The Company’s legal counsel classifies this lawsuit as possible loss. In the lawsuit filed by the subsidiary Porto Seguro Consórcio, the enforceability of the tax is suspended in view of the administrative appeal. Currently the lawsuit awaits judgment in the lower court. The Company’s legal counsel classifies this lawsuit as possible loss. In the lawsuit filed by the subsidiary Portoseg, the enforceability of the tax is suspended in view of the administrative appeal. The lawsuit was deemed groundless and, currently, awaits judgment of appeal. The Company’s legal counsel classifies this lawsuit as possible loss. In the lawsuit filed by the subsidiary Azul Seguros, the enforceability of the tax is suspended in view of the administrative appeal.

(b) Labor claims: The subsidiaries Porto Seguro, Porto Seguro Vida, Porto Seguro Saúde, Azul Seguros, Proteção e Monitoramento, Porto Consórcio, ISa+r, Porto Serviços and Portomed are parties to various labor lawsuits. The most frequent claims refer to overtime, overtime effects and weekly remunerated rest period, termination pay, salary equalization and undue payroll deductions. In addition to the provisions recorded, there are other contingent liabilities, amounting to R$ 7,024, for which no provision is necessary, according to the opinion of the subsidiaries’ legal advisors (possible loss).

(c) Civil claims: The subsidiaries Porto Seguro, Azul Seguros, Porto Consórcio, Porto Vida, Portoseg and ISa+r are parties to civil lawsuits with several different objectives. In addition to the provisions recorded, there are other unaccrued contingent liabilities, amounting to a risk of R$ 37,207, for which no provision is necessary, according to the opinion of the subsidiaries’ legal advisors (possible loss).


### NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

(All amounts in R$ thousands unless otherwise stated)

#### 20. Other Liabilities

<table>
<thead>
<tr>
<th></th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on capital and dividends payable</td>
<td>153,026</td>
<td>52,547</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Suppliers</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Provision for vacation pay and social charges</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Third-party deposits</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Uncleared checks</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Refund to consortium members</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Provision for loyalty credit card</td>
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<td>—</td>
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<tr>
<td>Amounts payable</td>
<td>—</td>
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<tr>
<td>Employee benefits(i)</td>
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<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>1,892</td>
<td>35,138</td>
</tr>
<tr>
<td></td>
<td><strong>154,918</strong></td>
<td><strong>87,685</strong></td>
</tr>
<tr>
<td>Current</td>
<td>154,918</td>
<td>87,685</td>
</tr>
<tr>
<td>Non-current</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(i) See Note 33 (b).
21. Share Capital and Reserves - Parent Company

(a) Capital
At December 31, 2010, subscribed and paid-up capital is R$ 1,870,000, comprising 327,641,730 common nominative book-entry shares, with no par value.

(b) Treasury shares and share repurchase program
On March 27, 2009 the Extraordinary General Meeting approved the cancellation of 1,293,600 common shares, with no par value, held in treasury up to February 2009, in the amount of R$ 23,462, already deducted from revenue reserves. After the cancellation the Company had 229,349,211 common shares. On February 22, 2011, the Board of Directors approved a new share repurchase program with the following conditions:

- **Effectiveness of the Program**: beginning on 2/23/2011 and ending 2/22/2012;
- **Number of shares to be acquired**: limit of 9,869,984 shares, which corresponds to 10% of total of shares in the market;
- **Amount of the Program**: the number of shares to be acquired represents, at the latest quotation, the equivalent of R$ 251.8 million.

(c) Reservas

(i) **Capital reserves**: In November and December 2004, 6,881,216 shares were issued at the unit value of R$ 18.75, of which R$ 6.89 of each share were allocated to the “Share premium” account, totaling R$ 47,412. At December 31, 2010, the balance was R$ 959,412.

(ii) **Legal reserve**: The legal reserve, established through the appropriation of 5% of profit for the year, has the purpose of ensuring the integrity of capital, in accordance with article 193 of Law No 6404/76. At December 31, 2010, the balance was R$ 156,295.

(iii) **Statutory reserve**: The reserve for capital maintenance equity investments has the purpose of preserving the integrity of equity and the Company’s investment in its subsidiaries and associates, avoiding the capital loss resulting from distribution of unrealized income. In each year, unrealized profit exceeding the amount allocated to the unrealized income reserve established by article 197 of Law No 6404/76 will be appropriated to this reserve. At December 31, 2010, the balance was R$ 1,366,535.

(d) Dividends and interest on capital
In a meeting of the Board of Directors held on February 23, 2011 (2009 - February 22, 2010), the Company’s management approved the distribution to its shareholders of interest on capital, net of income tax, calculated based on the Long-term Interest Rate (TJLP), and deducted from the minimum mandatory dividend, amounting to R$150,450 (2009 - R$ 98,473). Minimum dividends relating to 2010 and 2009 to be paid totaled R$ 150,450 and R$ 78,412, respectively. An additional dividend in respect of the year ended December 31, 2010 of R$ 0.27 per share, representing a total dividend of R$ 87,099, is to be proposed at the annual general meeting on March 30, 2011. These financial statements reflect the mandatory minimum dividends provided for in the Company’s bylaws, of 25% of the parent company’s accounting profit. The provision related to any amount that exceeds the compulsory minimum dividend will be recognized on the date it is approved.
<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year (IFRS)</td>
<td>623,091</td>
<td>318,125</td>
</tr>
<tr>
<td>IFRS adjustment</td>
<td>821</td>
<td>10,291</td>
</tr>
<tr>
<td>Profit for the year (BRGAAP)</td>
<td>623,912</td>
<td>328,416</td>
</tr>
<tr>
<td>(—) Legal reserve – 5%</td>
<td>31,196</td>
<td>16,421</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>592,716</td>
<td>311,995</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realization of revaluation reserve - BR GAAP</td>
<td>1,154</td>
<td>1,652</td>
</tr>
<tr>
<td>Basic profit to determine dividend</td>
<td>593,870</td>
<td>313,647</td>
</tr>
<tr>
<td>Mandatory minimum dividends</td>
<td>150,450</td>
<td>78,412</td>
</tr>
<tr>
<td>Additional dividends proposed - recorded as a separate</td>
<td>87,099</td>
<td>20,061</td>
</tr>
<tr>
<td>item in changes in equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>237,549</td>
<td>98,473</td>
</tr>
<tr>
<td>Total per share (R$)</td>
<td>0.73</td>
<td>0.39</td>
</tr>
</tbody>
</table>
## 22. Earned Insurance Premiums and Pension Plan Contributions

Earned premiums comprise issued insurance premiums, net of cancellations, refunds, and premiums ceded to other insurance companies and pension plan contributions. The amounts of the principal insurance lines are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>5,434,768</td>
<td>(8,572)</td>
<td>5,426,196</td>
<td>3,865,048</td>
<td>(2,785)</td>
<td>3,862,263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DPVAT</td>
<td>268,839</td>
<td>—</td>
<td>268,839</td>
<td>205,323</td>
<td>—</td>
<td>205,323</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>715,114</td>
<td>—</td>
<td>715,114</td>
<td>662,385</td>
<td>—</td>
<td>662,385</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal</td>
<td>320,096</td>
<td>(6,394)</td>
<td>313,702</td>
<td>276,848</td>
<td>(7,443)</td>
<td>269,405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>610,939</td>
<td>(12,027)</td>
<td>598,912</td>
<td>332,310</td>
<td>(8,593)</td>
<td>323,717</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>92,610</td>
<td>(988)</td>
<td>91,622</td>
<td>84,379</td>
<td>(707)</td>
<td>83,672</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability</td>
<td>11,186</td>
<td>(1,178)</td>
<td>10,008</td>
<td>8,863</td>
<td>(582)</td>
<td>8,281</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial risks</td>
<td>196,206</td>
<td>(3,819)</td>
<td>192,387</td>
<td>179,882</td>
<td>(3,519)</td>
<td>176,363</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>48,755</td>
<td>(43,193)</td>
<td>5,562</td>
<td>15,569</td>
<td>(13,015)</td>
<td>2,554</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uruguay</td>
<td>66,973</td>
<td>(367)</td>
<td>66,606</td>
<td>56,224</td>
<td>(274)</td>
<td>55,950</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VGBL premiums</td>
<td>7,765,486</td>
<td>(76,538)</td>
<td>7,688,948</td>
<td>5,686,831</td>
<td>(36,918)</td>
<td>5,649,913</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,879,788</td>
<td>(76,538)</td>
</tr>
<tr>
<td>Pension plan</td>
<td>138,320</td>
<td>—</td>
<td>138,320</td>
<td>125,090</td>
<td>—</td>
<td>125,090</td>
<td></td>
<td></td>
</tr>
<tr>
<td>contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,018,108</td>
<td>(76,538)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,941,570</td>
<td>(36,918)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,904,535</td>
<td>(36,918)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,867,617</td>
<td></td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

### 23. Other Operating Income

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for policy costs</td>
<td>361,436</td>
<td>209,861</td>
</tr>
<tr>
<td>Income - insurance</td>
<td>50,826</td>
<td>29,943</td>
</tr>
<tr>
<td>Other income - credit cards</td>
<td>74,225</td>
<td>26,570</td>
</tr>
<tr>
<td>Arrears interest and fine - credit cards</td>
<td>16,227</td>
<td>12,554</td>
</tr>
<tr>
<td>Income - pension plan</td>
<td>9,947</td>
<td>7,156</td>
</tr>
<tr>
<td>Other</td>
<td>7,554</td>
<td>7,733</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>520,215</strong></td>
<td><strong>293,817</strong></td>
</tr>
</tbody>
</table>
24. Changes in Technical Reserves

Expenses with technical reserves were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unearned premium reserve</td>
<td>372,391</td>
<td>352,197</td>
<td>388,268</td>
<td>375,380</td>
</tr>
<tr>
<td>Pension plan reserve</td>
<td>137,375</td>
<td>137,375</td>
<td>120,805</td>
<td>120,805</td>
</tr>
<tr>
<td>Mathematical reserve</td>
<td>4,099</td>
<td>4,099</td>
<td>4,560</td>
<td>4,560</td>
</tr>
<tr>
<td>Unexpired risks reserve</td>
<td>6,253</td>
<td>6,253</td>
<td>(909)</td>
<td>(913)</td>
</tr>
<tr>
<td>Other reserves</td>
<td>110,650</td>
<td>110,650</td>
<td>(346)</td>
<td>(346)</td>
</tr>
<tr>
<td><strong>Total changes in technical reserves</strong></td>
<td><strong>630,768</strong></td>
<td><strong>610,574</strong></td>
<td><strong>512,378</strong></td>
<td><strong>499,486</strong></td>
</tr>
</tbody>
</table>
## 25. Retained Claims

Retained claims comprise reported indemnifications. The table below shows retained claims gross and net of recovery of reinsurance and co-insurance and before salvages and reimbursements. The amounts of the principal insurance lines are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>3,424,609</td>
<td>3,414,498</td>
<td>2,291,969</td>
<td>2,284,413</td>
</tr>
<tr>
<td>Health</td>
<td>511,930</td>
<td>511,930</td>
<td>503,443</td>
<td>503,443</td>
</tr>
<tr>
<td>Property</td>
<td>208,477</td>
<td>203,525</td>
<td>136,833</td>
<td>128,279</td>
</tr>
<tr>
<td>Personal</td>
<td>103,168</td>
<td>98,945</td>
<td>92,696</td>
<td>90,918</td>
</tr>
<tr>
<td>Financial risks</td>
<td>86,407</td>
<td>86,686</td>
<td>116,227</td>
<td>114,944</td>
</tr>
<tr>
<td>Transportation</td>
<td>47,750</td>
<td>47,812</td>
<td>45,338</td>
<td>45,518</td>
</tr>
<tr>
<td>Liability</td>
<td>6,398</td>
<td>4,879</td>
<td>1,656</td>
<td>1,193</td>
</tr>
<tr>
<td>DPVAT</td>
<td>235,586</td>
<td>235,589</td>
<td>179,877</td>
<td>179,865</td>
</tr>
<tr>
<td>Other</td>
<td>10,577</td>
<td>1,666</td>
<td>5,056</td>
<td>146</td>
</tr>
<tr>
<td>Porto Seguro Uruguay</td>
<td>26,747</td>
<td>26,747</td>
<td>22,037</td>
<td>22,037</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,661,649</strong></td>
<td><strong>4,632,277</strong></td>
<td><strong>3,395,132</strong></td>
<td><strong>3,370,756</strong></td>
</tr>
</tbody>
</table>

Additional notes:

25. Retained Claims

Retained claims comprise reported indemnifications. The table below shows retained claims gross and net of recovery of reinsurance and co-insurance and before salvages and reimbursements. The amounts of the principal insurance lines are as follows:
## NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

### 26. Pension Plan Benefits

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional plans</td>
<td>2,718</td>
<td>3,857</td>
</tr>
<tr>
<td>PGBL</td>
<td>2,633</td>
<td>2,418</td>
</tr>
<tr>
<td>VGBL</td>
<td>1,152</td>
<td>744</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,503</strong></td>
<td><strong>7,019</strong></td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

27. Amortization of Deferred Acquisition Costs

The opening expenses with amortization of DAC of insurance and pension plan contracts are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>1,089,898</td>
<td>831,754</td>
</tr>
<tr>
<td>Property</td>
<td>175,744</td>
<td>89,335</td>
</tr>
<tr>
<td>Personal</td>
<td>82,677</td>
<td>80,453</td>
</tr>
<tr>
<td>Health</td>
<td>67,241</td>
<td>62,623</td>
</tr>
<tr>
<td>Financial risks</td>
<td>46,585</td>
<td>44,116</td>
</tr>
<tr>
<td>Transportation</td>
<td>20,532</td>
<td>16,740</td>
</tr>
<tr>
<td>DPVAT</td>
<td>3,862</td>
<td>2,975</td>
</tr>
<tr>
<td>Liability</td>
<td>1,453</td>
<td>1,294</td>
</tr>
<tr>
<td>Other</td>
<td>47,004</td>
<td>46,698</td>
</tr>
<tr>
<td>Uruguay</td>
<td>15,084</td>
<td>12,905</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,550,080</strong></td>
<td><strong>1,188,893</strong></td>
</tr>
</tbody>
</table>

27. Amortization of Deferred Acquisition Costs

The opening expenses with amortization of DAC of insurance and pension plan contracts are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>1,089,898</td>
<td>831,754</td>
</tr>
<tr>
<td>Property</td>
<td>175,744</td>
<td>89,335</td>
</tr>
<tr>
<td>Personal</td>
<td>82,677</td>
<td>80,453</td>
</tr>
<tr>
<td>Health</td>
<td>67,241</td>
<td>62,623</td>
</tr>
<tr>
<td>Financial risks</td>
<td>46,585</td>
<td>44,116</td>
</tr>
<tr>
<td>Transportation</td>
<td>20,532</td>
<td>16,740</td>
</tr>
<tr>
<td>DPVAT</td>
<td>3,862</td>
<td>2,975</td>
</tr>
<tr>
<td>Liability</td>
<td>1,453</td>
<td>1,294</td>
</tr>
<tr>
<td>Other</td>
<td>47,004</td>
<td>46,698</td>
</tr>
<tr>
<td>Uruguay</td>
<td>15,084</td>
<td>12,905</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,550,080</strong></td>
<td><strong>1,188,893</strong></td>
</tr>
</tbody>
</table>

Notes to the Financial Statements at December 31, 2010
(All amounts in R$ thousands unless otherwise stated)
## 28. Administrative Expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel and post-employment benefits</td>
<td>845</td>
<td>494</td>
<td>674,851</td>
<td>518,341</td>
</tr>
<tr>
<td>Third-party services</td>
<td>1,101</td>
<td>17,716</td>
<td>214,048</td>
<td>150,079</td>
</tr>
<tr>
<td>Facilities and operations</td>
<td>259</td>
<td>235</td>
<td>300,685</td>
<td>244,608</td>
</tr>
<tr>
<td>Amortization of business combination - I5a+f (*)</td>
<td>59,822</td>
<td>14,985</td>
<td>59,822</td>
<td>4,985</td>
</tr>
<tr>
<td>Advertising and legal publications</td>
<td>—</td>
<td>—</td>
<td>109,751</td>
<td>81,579</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>—</td>
<td>—</td>
<td>126,366</td>
<td>80,786</td>
</tr>
<tr>
<td>Donations and contributions</td>
<td>26</td>
<td>16</td>
<td>18,835</td>
<td>11,791</td>
</tr>
<tr>
<td>DPVAT agreement</td>
<td>—</td>
<td>—</td>
<td>17,817</td>
<td>21,001</td>
</tr>
<tr>
<td>Shared expenses - companies of Itaú Unibanco</td>
<td>—</td>
<td>—</td>
<td>37,028</td>
<td>21,375</td>
</tr>
<tr>
<td>Other</td>
<td>794</td>
<td>777</td>
<td>29,173</td>
<td>6,577</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>62,847</td>
<td>34,223</td>
<td>1,588,376</td>
<td>1,141,122</td>
</tr>
</tbody>
</table>

(*) See Note 35.
## 29. Tax Expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>COFINS</td>
<td>11,762</td>
<td>8,928</td>
<td>179,638</td>
<td>142,342</td>
</tr>
<tr>
<td>PIS</td>
<td>2,554</td>
<td>1,938</td>
<td>25,962</td>
<td>25,434</td>
</tr>
<tr>
<td>ICMS (*)</td>
<td>—</td>
<td>—</td>
<td>984</td>
<td>282</td>
</tr>
<tr>
<td>Other</td>
<td>134</td>
<td>91</td>
<td>31,255</td>
<td>20,013</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,450</strong></td>
<td><strong>10,957</strong></td>
<td><strong>237,839</strong></td>
<td><strong>188,071</strong></td>
</tr>
</tbody>
</table>

(*) Refers to taxes on GPS sales of the subsidiary Porto Seguro Proteção e Monitoramento.
## 30. Other Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses with anti-theft devices</td>
<td>127,505</td>
<td>125,801</td>
</tr>
<tr>
<td>Supervision and collection</td>
<td>62,145</td>
<td>37,265</td>
</tr>
<tr>
<td>Provision for credit risks - financial</td>
<td>53,688</td>
<td>88,300</td>
</tr>
<tr>
<td>Risk inspection and preventive actions</td>
<td>52,882</td>
<td>46,688</td>
</tr>
<tr>
<td>Financial intermediation expenses</td>
<td>36,217</td>
<td>28,183</td>
</tr>
<tr>
<td>Social charges on insurance transactions</td>
<td>31,167</td>
<td>29,114</td>
</tr>
<tr>
<td>Electronic transmission</td>
<td>29,279</td>
<td>27,473</td>
</tr>
<tr>
<td>Production expenses</td>
<td>15,284</td>
<td>22,726</td>
</tr>
<tr>
<td>Despesas com produção</td>
<td>16,733</td>
<td>16,376</td>
</tr>
<tr>
<td>Provision for credit risks - insurance</td>
<td>5,544</td>
<td>2,357</td>
</tr>
<tr>
<td>Attorney’s fees</td>
<td>2,702</td>
<td>3,633</td>
</tr>
<tr>
<td>Civil contingencies</td>
<td>1,078</td>
<td>3,030</td>
</tr>
<tr>
<td>Other</td>
<td>85,263</td>
<td>55,546</td>
</tr>
<tr>
<td>Total</td>
<td>519,487</td>
<td>486,492</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

31. Finance Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gains on changes in fair value of financial assets at fair value through profit or loss:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Held for trading</td>
<td>35,987</td>
<td>9,627</td>
<td>608,689</td>
<td>390,724</td>
</tr>
<tr>
<td>Revenues from interest on:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Available for sale</td>
<td>—</td>
<td>—</td>
<td>41,354</td>
<td>46,796</td>
</tr>
<tr>
<td>Revenue from payment of insurance premiums in installments</td>
<td>—</td>
<td>—</td>
<td>229,285</td>
<td>157,694</td>
</tr>
<tr>
<td>PGBL transactions</td>
<td>—</td>
<td>—</td>
<td>63,632</td>
<td>61,505</td>
</tr>
<tr>
<td>Judicial deposit monetary variations</td>
<td>—</td>
<td>—</td>
<td>27,325</td>
<td>29,826</td>
</tr>
<tr>
<td>Other</td>
<td>835</td>
<td>647</td>
<td>24,422</td>
<td>36,731</td>
</tr>
<tr>
<td></td>
<td><strong>36,822</strong></td>
<td><strong>10,274</strong></td>
<td><strong>994,707</strong></td>
<td><strong>723,276</strong></td>
</tr>
</tbody>
</table>
# Notes to the Financial Statements at December 31, 2010
(All amounts in R$ thousands unless otherwise stated)

## 32. Finance Costs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension plan transactions</td>
<td>—</td>
<td>—</td>
<td>88,560</td>
<td>36,425</td>
</tr>
<tr>
<td>PGBL/VGBL transactions</td>
<td>—</td>
<td>—</td>
<td>63,555</td>
<td>61,764</td>
</tr>
<tr>
<td>Monetary variations on provision for long-term taxes</td>
<td>—</td>
<td>—</td>
<td>86,274</td>
<td>73,702</td>
</tr>
<tr>
<td>Insurance transactions</td>
<td>—</td>
<td>—</td>
<td>41,619</td>
<td>14,630</td>
</tr>
<tr>
<td>Other</td>
<td>150</td>
<td>205</td>
<td>4,956</td>
<td>2,910</td>
</tr>
<tr>
<td></td>
<td><strong>150</strong></td>
<td><strong>205</strong></td>
<td><strong>284,964</strong></td>
<td><strong>189,431</strong></td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

33. Employee Benefits

(a) Pension plan

As from June 23, 1994 the subsidiaries Porto Seguro, Porto Seguro Vida, Porto Seguro Saúde, Porto Consórcio, Porto Seguro Proteção e Monitoramento, Portoseg, Portopar, Crediporto, Serviços Médicos, Porto Seguro Atendimento and Isar implemented a defined contribution pension plan, according to IAS 19, for their employees, through Portoprev - Porto Seguro Previdência Complementar, a nonprofit, private pension fund. Under this plan’s regulations, the main funds are represented by contributions from the plan’s sponsors and participants, and the yield on the related investments. Contributions made by participants vary from 1% to 6% of each participant’s salary, and the sponsor’s contribution corresponds to 100% of the participant’s contribution. At December 31, 2010, the Company had 3,042 (2,415 at December 31, 2009 and 2,307 at January 1, 2009) active participants who contributed with a total of R$ 5,696 (R$ 4,591 at December 31, 2009 and R$ 4,303 at January 1, 2009).

(b) Post-employment benefits

Changes in obligations with post-employment benefits are as follows:

<table>
<thead>
<tr>
<th></th>
<th>At January 1, 2009 (i)</th>
<th>At December 31, 2009 (i)</th>
<th>At December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>7,082</td>
<td>2,975</td>
<td>32,931</td>
</tr>
<tr>
<td>Interest cost</td>
<td>2,882</td>
<td>3,655</td>
<td>32,931</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1,462)</td>
<td>(37)</td>
<td>(1,462)</td>
</tr>
<tr>
<td>Actuarial (gains)/losses</td>
<td>1,589</td>
<td>776</td>
<td>40,300</td>
</tr>
</tbody>
</table>

(i) in 2009, for presentation purposes, the provision recorded in 2010, in equity, net of tax effects, totaled R$ 19,820.
The post-employment benefits expense recognized in the income statement for 2010 was R$ 7,369.

The principal actuarial assumptions used were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December</th>
<th>January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Discount rate</td>
<td>10.67%</td>
<td>11.45%</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>10.67%</td>
<td>11.45%</td>
</tr>
<tr>
<td>Future salary increases</td>
<td>7.64%</td>
<td>7.64%</td>
</tr>
<tr>
<td>Medical cost increases</td>
<td>8.68%</td>
<td>8.68%</td>
</tr>
<tr>
<td>Long-term inflation rate</td>
<td>4.50%</td>
<td>4.50%</td>
</tr>
<tr>
<td>TR (referential interest rate)</td>
<td>4.55%</td>
<td>4.55%</td>
</tr>
<tr>
<td>Life insurance capital</td>
<td>R$ 25</td>
<td>R$ 24</td>
</tr>
</tbody>
</table>
(c) Other benefits

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Food and meal vouchers</td>
<td>75,044</td>
</tr>
<tr>
<td>Health and dental assistance</td>
<td>45,419</td>
</tr>
<tr>
<td>Transportation vouchers</td>
<td>10,363</td>
</tr>
<tr>
<td>Tuition</td>
<td>3,823</td>
</tr>
<tr>
<td>Child daycare assistance</td>
<td>4,213</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>138,862</strong></td>
</tr>
</tbody>
</table>
34. Earnings per Share - Parent Company

Basic earnings per share of the Company for the years presented is calculated by dividing the profit attributable to shareholders by the weighted average number of shares outstanding during the period, excluding shares held in treasury repurchased by the Company during the period and classified as treasury shares in the financial statements under IFRS, as a deduction from the Company’s equity. During the period, the Company did not have liability financial instruments convertible into shares of the Company or transactions that would generate a dilutive or anti-dilutive effect (as defined in IAS 33) on earnings per share. Accordingly, basic earnings per share for the period are the same as diluted earnings per share, in accordance with IAS 33. The calculation of basic earnings per share is shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year attributable to the owners of the Company</td>
<td>623,091</td>
<td>318,125</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding during the year</td>
<td>327,642</td>
<td>254,246</td>
</tr>
<tr>
<td>Basic (and diluted) earnings per share - in R$</td>
<td>1.90</td>
<td>1.25</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

35. Business Combinations

On August 23, 2009, the Company signed an association agreement with Itaú Unibanco Holding S.A. ("Itaú Unibanco"), with the purpose of merging their residential and automobile insurance operations, as well as establishing an operational agreement with Itaú Unibanco for exclusive offer and distribution of residential and automobile insurance products to customers of the Itaú Unibanco network in Brazil and Uruguay ("Association").

On November 30, 2009, Porto Seguro S.A. and Itaú Unibanco approved the merger of ISAR Holding Ltda. ("Isar Holding") into Porto Seguro S.A. Up to the merger, Isar Holding was the parent company of ISa+r, which received the assets and liabilities of Itaú Seguros S.A. related to residential and automobile insurance activities.

On the same date, the companies of the Itaú Unibanco Group became shareholders of Porto Seguro Itaú Unibanco Participações ("Psiupar"), to which all shares issued by Porto Seguro S.A. received due to the merger were transferred. Accordingly, Itaú Unibanco Group now holds approximately 43% of the capital of Psiupar and, indirectly, 30% of the capital of Porto Seguro S.A. Porto Seguro S.A. now holds directly 100% of the capital of ISa+r.

Goodwill of R$ 347 million on acquisition is attributable to expected future profitability arising from the combination of the operations of the Company and ISa+r.

The table below summarizes the consideration paid and the amounts of assets acquired and liabilities assumed at fair value, recognized on the acquisition date (November 30, 2009), based on a report of independent appraisers.

<table>
<thead>
<tr>
<th>At November 30, 2009</th>
<th>R$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase consideration</td>
<td>1,886</td>
</tr>
<tr>
<td>Book equity</td>
<td>(974)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>912</td>
</tr>
<tr>
<td>Adjustments of balance sheet accounts (ii)</td>
<td>10</td>
</tr>
<tr>
<td>Total intangible assets (iii)</td>
<td>932</td>
</tr>
<tr>
<td>Deferred income tax and social contribution - 40% (377)</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>347</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>912</td>
</tr>
</tbody>
</table>

(i) Issue of 98,292,519 shares at fair value of R$ 19.19 (quotation on 11/30/2009) per share.
(ii) Adjustment to fair value of balance sheet accounts:

<table>
<thead>
<tr>
<th>Assets</th>
<th>R$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from operations</td>
<td>13</td>
</tr>
<tr>
<td>Other assets</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>R$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance and reinsurance payables</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Total adjustments of balance sheet accounts</strong></td>
<td>10</td>
</tr>
</tbody>
</table>
### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>R$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1</td>
</tr>
<tr>
<td>Financial investments</td>
<td>1,693</td>
</tr>
<tr>
<td>Receivables from operations</td>
<td>498</td>
</tr>
<tr>
<td>Notes and credits receivable</td>
<td>21</td>
</tr>
<tr>
<td>Other assets</td>
<td>47</td>
</tr>
<tr>
<td>Deferred selling expenses</td>
<td>155</td>
</tr>
<tr>
<td>Deferred reinsurance and retrocession expenses</td>
<td>1</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>932</td>
</tr>
<tr>
<td>Goodwill</td>
<td>347</td>
</tr>
<tr>
<td><strong>Total assets at fair value</strong></td>
<td><strong>3,695</strong></td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>R$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>83</td>
</tr>
<tr>
<td>Insurance and reinsurance operations</td>
<td>65</td>
</tr>
<tr>
<td>Third-party deposits</td>
<td>(20)</td>
</tr>
<tr>
<td>Unearned premium reserve</td>
<td>825</td>
</tr>
<tr>
<td>Reserve for unsettled claims</td>
<td>388</td>
</tr>
<tr>
<td>Reserve for claims incurred but not reported</td>
<td>80</td>
</tr>
<tr>
<td>Deferred income tax and social contribution</td>
<td>377</td>
</tr>
<tr>
<td>Other payables</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total liabilities at fair value</strong></td>
<td><strong>1,809</strong></td>
</tr>
</tbody>
</table>

**Patrimônio Líquido ao valor justo** 1,886

**Total equity and liabilities at fair value** 3,695

(iii) Intangible assets

The intangible assets acquired by the Company resulting from the acquisition of shares of ISa+rr were evaluated after the process of analysis and understanding of the business acquired. The analysis identified the following intangible assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>R$ million</th>
<th>Useful life (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>246</td>
<td>—</td>
</tr>
<tr>
<td>Channel (customer relationship and VOBA)</td>
<td>118</td>
<td>30</td>
</tr>
<tr>
<td>Distribution channel</td>
<td>568</td>
<td>540</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>932</strong></td>
<td></td>
</tr>
</tbody>
</table>


36. Related-party Transactions

The commercial transactions between the Company and its subsidiaries are carried out under usual market prices and conditions, and have been eliminated on consolidation. The main transactions are the following: (i) Administrative fees charged by the parent company Porto Seguro for the use of properties and workforce; (ii) Rentals of buildings charged by the subsidiaries Porto Seguro and Porto Seguro Vida; (iii) Rendering of health insurance services by the subsidiary Porto Saúde; (iv) Rendering of monitoring services by the subsidiary Porto Seguro Proteção e Monitoramento; (v) Agreement for apportionment of administrative costs of the subsidiary ISa+ with the companies of the Itaú Unibanco Conglomerate, mainly due to the use of common structure and personnel expenses; (vi) Rendering of portfolio management services by the subsidiary Portopar; (vii) Interbank deposits received by the subsidiary Portoseg from Itaú BBA.

(a) The balances receivable and payable regarding related-party transactions are shown below:

<table>
<thead>
<tr>
<th>Parent</th>
<th>December</th>
<th>January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Azul Seguros</td>
<td>11,520</td>
<td>2,548</td>
</tr>
<tr>
<td>Portoseg</td>
<td>2,444</td>
<td>—</td>
</tr>
<tr>
<td>ISa+</td>
<td>1,526</td>
<td>1,735</td>
</tr>
<tr>
<td>Long-term receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables - Porto Serviços</td>
<td>—</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>15,490</td>
<td>4,383</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on capital and dividends payable</td>
<td>153,026</td>
<td>101,435</td>
</tr>
<tr>
<td>Payables - Porto Seguro</td>
<td>223</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>153,249</td>
<td>101,435</td>
</tr>
</tbody>
</table>
### Income Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td>162,176</td>
<td>457</td>
<td>40,996</td>
<td>52,673</td>
<td>8,774</td>
<td>20,820</td>
<td>11,156</td>
<td>38,687</td>
<td>3,540</td>
<td>845</td>
<td>3,551</td>
<td>37,524</td>
<td>1,391</td>
<td>13,849</td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td></td>
<td></td>
<td></td>
<td>102,062</td>
<td>25</td>
<td>48,832</td>
<td>43,282</td>
<td>20,820</td>
<td>11,156</td>
<td>8,827</td>
<td>38,687</td>
<td>2,069</td>
<td>494</td>
<td>28,009</td>
<td>25,819</td>
<td>1,266</td>
<td>12,003</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td>457</td>
<td></td>
<td>40,996</td>
<td>52,673</td>
<td>13,593</td>
<td>2,069</td>
<td>14,722</td>
<td>8,039</td>
<td>639</td>
<td>2,375</td>
<td>1,391</td>
<td>2,266</td>
<td>64,744</td>
<td>32,157</td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td></td>
<td></td>
<td></td>
<td>25</td>
<td></td>
<td>48,832</td>
<td>43,282</td>
<td>10,759</td>
<td>1,248</td>
<td>14,723</td>
<td>6,199</td>
<td>546</td>
<td>2,367</td>
<td>271</td>
<td>316</td>
<td>32,157</td>
<td>64,744</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>215,565</td>
<td>215,565</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>215,565</td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>155,580</td>
<td>155,580</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>155,580</td>
</tr>
</tbody>
</table>

(b) Transactions with the key management personnel, which and members of the executive committee, are as follows: (i) The remuneration paid or payable related to services is as include board members, officers follows:

<table>
<thead>
<tr>
<th></th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit sharing – management</td>
<td></td>
<td>64,744</td>
</tr>
<tr>
<td>Directors' fees and social charges</td>
<td>845</td>
<td>14,722</td>
</tr>
<tr>
<td></td>
<td></td>
<td>79,466</td>
</tr>
<tr>
<td></td>
<td></td>
<td>46,880</td>
</tr>
</tbody>
</table>
37. Other Information

(a) Insurance coverage

The insurance practices of the Company and its subsidiaries contemplate mainly the concentration of risks and their significance, and insurance coverage is considered sufficient by management taking into consideration the nature of operations. The insurance coverage is as follows:

<table>
<thead>
<tr>
<th>Items</th>
<th>Types of coverage</th>
<th>December 2010</th>
<th>January 1 2009</th>
<th>January 1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>Any damage to buildings, installations and machines and equipment</td>
<td>147,916</td>
<td>128,704</td>
<td>188,103</td>
</tr>
<tr>
<td>Vehicles</td>
<td>Fire, theft and collision - optional civil liability</td>
<td>7,333</td>
<td>10,154</td>
<td>13,605</td>
</tr>
<tr>
<td></td>
<td></td>
<td>155,249</td>
<td>138,858</td>
<td>201,708</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

38. Events after the Reporting Period

The Company informs that, through its subsidiaries, the project relating to the Personal Mobile Service by Virtual Network is in progress, and will be implemented in association with Chaicom do Brasil Holding Ltda. (parent company of Datora Telecom). For such purpose, Porto Seguro Serviços and Chaicom do Brasil Holding Ltda. are now shareholders of Porto Telecomunicações, so that the latter can request the authorization to operate this service from ANATEL. Also, Porto Telecomunicações and TIM Celular S.A. signed an infrastructure sharing contract to provide Personal Mobile Service by Virtual Network.
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010
(All amounts in R$ thousands unless otherwise stated)

39. Disclosure on Transition to IFRS

The consolidated financial statements for the year ended December 31, 2010 are the first annual statements prepared in conformity with CPCs and IFRSs. The Company adopted CPCs 37 and 43 and IFRS 1 for the preparation of these consolidated financial statements. The parent company financial statements for the year ended December 31, 2010 are the first annual individual financial statements prepared in conformity with the new CPCs. The Company adopted CPCs 37 and 43 for the preparation of these financial statements. The transition date is January 1, 2009. Management prepared the opening balance sheets according to the new CPCs and IFRSs on that date. In preparing these financial statements, the Company applied the relevant compulsory exceptions and certain voluntary exemptions to full retrospective application. In addition, the Company evaluated the applicability of retrospective exceptions established by IFRS 1. Based on this analysis, the Company applied the following mandatory exception:

- Exemption for estimates - Estimates used in the preparation of these financial statements as at January 1, 2009 and December 31, 2009 are consistent with the estimates as at the same dates made in conformity with the accounting practices previously adopted in Brazil (former BR GAAP).

The other compulsory exceptions have not been applied as there were no significant differences with former BR GAAP:

- Derecognition of financial assets and financial liabilities; and
- Non-controlling interests.

Voluntary exemptions and compulsory exceptions for retrospective application of IFRS standards used by the Company in the preparation of the consolidated financial statements

In the first-time adoption of IFRS in the preparation of the annual financial statements, the Company has the option of applying IFRS 1, which will be used with an unreserved statement of IFRS application. In general, IFRS 1 establishes the standards in respect of each one of the IFRS current accounting standards for the preparation of the first financial statements under IFRS. IFRS 1 grants limited exemptions to application of its requirements in specific areas where the cost to generate the information could exceed the benefits to the users of the initial financial statements. IFRS 1 also prohibits the retrospective application of certain IFRS accounting standards in some areas, mainly those in which the Company's judgment of situations in the past and after the knowledge of transactions that have already occurred are required. The Company's transition date to IFRS for the preparation of the complete and consolidated financial statements is January 1, 2009. Exemptions used by management in the initial transition to IFRS are summarized below:

Business combinations that took place prior to the date of transition to IFRS

According to IFRS 1, business combinations that occurred prior to the transition date do not have to be revalued in conformity with IFRS 3-R (Business combinations). This exemption releases first-time adopters of IFRS from having to gather financial information which had not been obtained for business combinations with an acquisition date prior to the transition date. The Company applied the exemption of business combinations in IFRS 1 and, consequently, applied IFRS 3-R to recognize all business combinations that occurred after January 1, 2009.

Cost or revaluation as deemed cost of fixed assets
According to IFRS 1, an entity may, at the date of transition to IFRS, measure an item of fixed assets at its cost value, or use the revaluation value of Property, Plant and Equipment (PP&E), which, as from this date, becomes the new cost of the asset. The Company used this IFRS 1 exemption and the revalued amount of fixed assets was used as the deemed cost at the date of transition to IFRS. Land and buildings were revalued up to December 31, 2007, based on evaluations dated December 22, 2006 carried out by independent appraisers. This cost was used as deemed cost in the adoption of IFRS as a voluntary exemption permitted by IFRS 1 for first-time adoption of IFRS.

Evaluation of insurance contracts

The Company adopted the requirements of IFRS 4, ‘Insurance Contracts’, which made it possible for certain accounting practices used in previous BR GAAP to remain unchanged, after meeting minimum requirements of the IFRS standards, such as the classification of contracts and the Liability Adequacy Test, as defined in IFRS 4, mandatory for the contracts that meet the definition of insurance contract under IFRS. Management adopted the transition provisions of IFRS 4, ‘Insurance Contracts’, to limit the disclosure of information on development of claims to the last five years.

Immediate recognition of accumulated actuarial gains or losses on defined benefit plans sponsored by the Company

The Company elected to cumulatively recognize all actuarial gains and losses as at January 1, 2009. The application of this exemption is detailed in Note 33. In addition, the Company evaluated the applicability of retrospective exceptions established by IFRS 1. Based on this analysis, the Company did not have to apply any of these four exceptions:

• Write-off of financial investments
• Hedge accounting
• Use of estimates
• Non-controlling interests
Reconciliation of equity and profit between BR GAAP and IFRS

39.1. Reconciliation of profit

<table>
<thead>
<tr>
<th></th>
<th>December 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year under previous BR GAAP</strong></td>
<td></td>
</tr>
<tr>
<td>Effect of business combination - ISa+r (*)</td>
<td>(8,991)</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile BR GAAP to IFRS</strong></td>
<td>319,425</td>
</tr>
<tr>
<td>(a) Accounting treatment of security devices</td>
<td>(742)</td>
</tr>
<tr>
<td>(b) Complementary Provision for Premiums (PCP)</td>
<td>315</td>
</tr>
<tr>
<td>(c) Legal Obligations Reserve (POL)</td>
<td>70</td>
</tr>
<tr>
<td>(d) Costs and revenues on the origination of credit transactions</td>
<td>(1,818)</td>
</tr>
<tr>
<td>(h) Deferred income tax and social contribution on IFRS adjustments</td>
<td>870</td>
</tr>
<tr>
<td>(j) Non-controlling interest in subsidiaries</td>
<td>166</td>
</tr>
<tr>
<td><strong>Profit for the year under IFRS</strong></td>
<td><strong>318,286</strong></td>
</tr>
<tr>
<td>Attributable to</td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td>318,125</td>
</tr>
<tr>
<td>Non-controlling interests in subsidiaries</td>
<td>161</td>
</tr>
</tbody>
</table>

(*) net of tax effects
Reconciliation of equity

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31</th>
<th>January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity under previous BR GAAP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference between nominal value and fair value of shares issued for acquisition of Isa+r</td>
<td>3,127,063</td>
<td>1,964,108</td>
</tr>
<tr>
<td>Effect of business combination – Isa+r (*)</td>
<td>912,000</td>
<td>—</td>
</tr>
<tr>
<td><strong>Equity under current BR GAAP</strong></td>
<td>4,030,072</td>
<td>1,964,108</td>
</tr>
<tr>
<td>Adjustments to reconcile BR GAAP to IFRS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Accounting treatment of security devices</td>
<td>—</td>
<td>742</td>
</tr>
<tr>
<td>(b) Complementary Provision for Premiums (PCP)</td>
<td>1,204</td>
<td>889</td>
</tr>
<tr>
<td>(c) Legal Obligations Reserve (POL)</td>
<td>1,023</td>
<td>953</td>
</tr>
<tr>
<td>(d) Costs and revenues on the origination of credit transactions</td>
<td>(782)</td>
<td>1,036</td>
</tr>
<tr>
<td>(e) Reversal of proposed dividends exceeding the minimum mandatory dividend, pending approval by the General Meeting</td>
<td>48,888</td>
<td>43,726</td>
</tr>
<tr>
<td>(f) Reversal of goodwill on the acquisition of investments</td>
<td>528</td>
<td>528</td>
</tr>
<tr>
<td>(g) Reversal of negative goodwill on the acquisition of investments</td>
<td>23,831</td>
<td>23,831</td>
</tr>
<tr>
<td>(h) Deferred income tax and social contribution on IFRS adjustments</td>
<td>(8,617)</td>
<td>(9,762)</td>
</tr>
<tr>
<td>(i) Deferred income tax and social contribution on land revaluation</td>
<td>(30,114)</td>
<td>(30,176)</td>
</tr>
<tr>
<td>(j) Non-controlling interest in subsidiaries</td>
<td>733</td>
<td>577</td>
</tr>
<tr>
<td><strong>Equity under IFRS</strong></td>
<td>4,066,766</td>
<td>1,996,452</td>
</tr>
<tr>
<td>Attributable to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td>4,066,056</td>
<td>1,995,893</td>
</tr>
<tr>
<td>Non-controlling interests in subsidiaries</td>
<td>710</td>
<td>559</td>
</tr>
</tbody>
</table>

(*) net of tax effects

(a) **Accounting treatment of security devices**: In the financial statements under BR GAAP, the expenses incurred with security devices (assets owned by the Company) were charged to profit or loss on the date on which they were incurred and installed. As from 2007, the Company started to defer the expenses incurred with security devices in accordance with IAS 16 in its financial statements under BR GAAP. For IFRS purposes, the security devices are recognized pursuant to IAS 16 (Property, Plant & Equipment) and depreciated over the economic useful life of this equipment, which approximates the average period the policyholder remains with the Company (36 months), directly related to the period over which future economic benefits will flow to the Company. Inventories pending deferral in the years prior to 2007 were fully deferred up to November 30, 2009; therefore this adjustment ceased to exist at December 31, 2009.

(b) **Complementary Provision for Premiums (PCP)**: In accordance with regulations of SUSEP, the Complementary Provision for Premiums (PCP) is recorded in order to supplement the Unearned Premium Reserve (PPNG), considering all the risks, issued or not, under the terms of current legislation. This provision is estimated based on the insurance line and its calculation basis is the initial and final date of the risk validity and the retained commercial premium. The amount of this provision, if positive, will be the difference between the average sum of the daily amounts for the month in which they are recorded and the recorded PPNG. Although IFRS 4 permits the Company to continue to use excessive prudence in the measurement of insurance contracts at the date of transition to IFRS, which sometimes occurs under BR GAAP, on a consistent basis, according to IFRS
the recording of provisions for potential losses arising from contracts not effective at the closing date of the balance sheet or provisions for equalization of risks for contracts whose risk has already expired is not allowed. Accordingly, the mentioned provision was reversed for IFRS purposes.

(c) Legal Obligations Reserve (POL): In accordance with local regulations, the Legal Obligations Reserve (POL) for the life insurance portfolio is recorded for the purpose of covering a tariff adjustment not characterized as a deficiency in the existing contracts subject to this possibility, showing the use of excessive prudence in the evaluation of these contracts. Under IFRS 4, an insurer does not need to change the accounting practices adopted under BR GAAP to eliminate effects arising from the use of excessive prudence in the measurement of insurance contracts. However, an insurer may change its BR GAAP accounting practices for insurance contracts only if this change makes the financial statements more relevant and not less reliable to the needs involved in the decision-making of the users of the financial statements. Consequently, management decided to change the accounting practice used in the calculation of the POL recorded for the life insurance portfolio to eliminate this excess of prudence in the measurement of the contracts.

(d) Costs and revenues on the origination of credit transactions (Transaction Costs): Ender BR GAAP the Company recognizes revenues from fees charged for the origination of credit transactions for customers and the costs related to these transactions directly in the income statement for the period, on the date the credit is granted to customers IFRS requires the use of the effective interest method, where the effective interest rate is the rate that discounts the cash flows of future payments or receipts over the term of the contract. The Company included all the revenues, transaction costs and other premiums or discounts which will be paid or received between the parties to the contract and are an integral part of the effective interest rate (as required by IAS 39). Consequently, all transaction costs and revenues were considered in the calculation of the effective interest rate and deferred in accordance with IFRS standards.

(e) Reversal of dividends proposed above the minimum mandatory amount pending approval of the Annual General Meeting: Under BR GAAP dividends proposed by management are immediately accrued in the financial statements regardless of approval at the Annual Shareholders' Meeting. Under IFRS, proposed dividends may only be recognized as liabilities and accrued if they meet the criterion of a present obligation under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. Consequently, considering that proposed dividends and interest on capital are usually approved at the Annual General Meeting in the year subsequent to the issue of the financial statements, for IFRS purposes only the minimum dividend provided for in the Company's by-laws is subject to accrual.

(f) Reversal of goodwill on the acquisition of investments: De In accordance with BR GAAP, up to December 31, 2008, goodwill originated from business combinations, based on expectation of future results, should be amortized. According to IFRS 3 - Business Combinations, the goodwill originated from business combinations (as defined in the international standard) should not be amortized and should be evaluated for impairment on each reporting date, or when there is objective evidence (or indicators) that the test should be carried out. On January 2, 2008 the Company acquired 100.00% of the capital of the subsidiary Integração, through the payment of R$ 5,000 (at market value). The shareholding of this subsidiary was transferred to the Company on January 2, 2008, when assets and liabilities at fair market value, totaling R$ 60, were assumed. The transaction was considered a business combination according to IFRS 3 with IFRS goodwill of R$ 4,940. The effect of the reversal of goodwill amortization recorded under BR GAAP during the year ended December 31, 2008 is included as a reconciliation item of equity.

(g) Reversal of negative goodwill on acquisition of investments: Under BR GAAP, negative goodwill is not amortized. This negative goodwill is only realized upon sale/write-off or extinguishment of the investment. In accordance with IFRS 3 - Business Combinations, the negative goodwill recorded in the balance sheet of January 1, 2005 should be fully written-off and, therefore, the corresponding adjustment was made to the opening IFRS balance sheet against the retained earnings account. Negative goodwill (as defined in IFRS) does not meet the definition of a present obligation, in accordance with IAS 37 - “Provisions, Contingent Liabilities and Contingent Assets”. Furthermore, IFRS 3 requires that the residual negative goodwill arising from a transaction that qualifies as a business combination (as defined in IFRS 3) be recorded as a gain directly in the income
statement for the year, after the revaluation and identification of the assets, liabilities and contingent liabilities of the acquired company and an evaluation of the cost of the business combination. The effect of the negative goodwill determined under BR GAAP in 2003 on the acquisition of the subsidiary Azul Seguros is included as a reconciliation item of equity. In 2010, this adjustment no longer exists, in accordance with current standards.

(h) Deferred income tax and social contribution on IFRS adjustments: O IAS 12 requer a contabilização de imposto de renda e contribuição social diferidos para todas as diferenças temporárias tributáveis ou dedutíveis, exceto para impostos diferidos originados de reconhecimento inicial de ágios, reconhecimento inicial de um passivo originado ou ativo adquirido que não se qualifica como uma combinação de negócios e que na data da transação não afeta o resultado e não afeta o lucro (ou perda) para fins fiscais. Os ajustes de Imposto de Renda e Contribuição Social diferidos calculados sobre os ajustes de IFRS foram refletidos na reconciliação.

(i) Imposto de renda e contribuição social diferidos sobre reavaliação de terrenos: IAS 12 requires the recognition of deferred income tax and social contribution on all taxable or deductible temporary differences, except for deferred taxes arising from the initial recognition of goodwill, or the initial recognition of a liability or asset which does not qualify as a business combination and, at the transaction date, does not affect the income statement or the profit (or loss) for tax purposes. The deferred income tax and social contribution calculated on the IFRS adjustments were reflected in the reconciliation be recognized on the revaluation of non-depreciable assets. The tax effect on the land revaluation was included as a reconciliation item of equity.

(j) Non-controlling interests in subsidiaries: Under BR GAAP, the balance of non-controlling interests in subsidiaries is disclosed separately in liabilities, as an intermediary account between the deferred income account and equity. IFRS, IAS 27, ‘Consolidated and separate financial statements’, and IAS 1, ‘Presentation of financial statements’, require the balance of non-controlling interests in subsidiaries to be presented as an integral part of equity in the consolidated IFRS financial statements. Consequently, the Company included the balance of non-controlling interests as a reconciliation item of equity to IFRS.
39.2. Impact of adjustments and reclassifications of IFRS on the consolidated statement of financial position

The table below shows the impacts of adjustments and reclassifications recorded by the Company in the consolidated statement of financial position at December 31, 2009 after adoption of IFRS:

<table>
<thead>
<tr>
<th>Assets</th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>Reclassifications</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>38,040</td>
<td>—</td>
<td>—</td>
<td>38,040</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>5,544,501</td>
<td>—</td>
<td>—</td>
<td>5,544,501</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>926,802</td>
<td>—</td>
<td>—</td>
<td>926,802</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lending operations</td>
<td>360,914</td>
<td>(469)</td>
<td>—</td>
<td>360,445</td>
</tr>
<tr>
<td>Premiums receivable from policyholders</td>
<td>1,638,252</td>
<td>13,268</td>
<td>—</td>
<td>1,651,520</td>
</tr>
<tr>
<td>Notes and credits receivable</td>
<td>574,598</td>
<td>—</td>
<td>—</td>
<td>574,598</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>14,508</td>
<td>—</td>
<td>—</td>
<td>14,508</td>
</tr>
<tr>
<td>Deferred income tax and social contribution</td>
<td>439,472</td>
<td>—</td>
<td>—</td>
<td>439,472</td>
</tr>
<tr>
<td>Taxes and contributions recoverable</td>
<td>57,996</td>
<td>—</td>
<td>—</td>
<td>57,996</td>
</tr>
<tr>
<td>Non-financial assets held for sale</td>
<td>92,756</td>
<td>(4,935)</td>
<td>—</td>
<td>87,821</td>
</tr>
<tr>
<td>Dividends and interest receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>547,466</td>
<td>—</td>
<td>—</td>
<td>547,466</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>656,271</td>
<td>1,274,342</td>
<td>—</td>
<td>1,930,613</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>607,326</td>
<td>—</td>
<td>—</td>
<td>607,326</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>48,945</td>
<td>1,274,342</td>
<td>—</td>
<td>1,323,287</td>
</tr>
<tr>
<td>Investment properties</td>
<td>9,194</td>
<td>—</td>
<td>—</td>
<td>9,194</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>621,732</td>
<td>—</td>
<td>—</td>
<td>621,732</td>
</tr>
<tr>
<td>Total assets</td>
<td>11,522,502</td>
<td>1,282,206</td>
<td>—</td>
<td>12,804,708</td>
</tr>
</tbody>
</table>
## Equity and liabilities

<table>
<thead>
<tr>
<th></th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>Reclassifications</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities of insurance contracts</td>
<td>5,490,654</td>
<td>(2,227)</td>
<td>—</td>
<td>5,488,427</td>
</tr>
<tr>
<td>Insurance and reinsurance payables</td>
<td>355,065</td>
<td>1,667</td>
<td>—</td>
<td>356,732</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>890,739</td>
<td>—</td>
<td>—</td>
<td>890,739</td>
</tr>
<tr>
<td>Taxes and contributions payable</td>
<td>170,253</td>
<td>9,204</td>
<td>—</td>
<td>179,457</td>
</tr>
<tr>
<td>Deferred income tax and social contribution</td>
<td>41,771</td>
<td>407,586</td>
<td>—</td>
<td>449,357</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,035,862</td>
<td>—</td>
<td>—</td>
<td>1,035,862</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>411,095</td>
<td>(72,992)</td>
<td>(733)</td>
<td>337,370</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>3,127,063</td>
<td>939,012</td>
<td>689</td>
<td>4,066,764</td>
</tr>
<tr>
<td><strong>Share capital</strong></td>
<td>1,870,000</td>
<td>—</td>
<td>—</td>
<td>1,870,000</td>
</tr>
<tr>
<td><strong>Reserves</strong></td>
<td>1,257,063</td>
<td>938,991</td>
<td>—</td>
<td>2,196,054</td>
</tr>
<tr>
<td><strong>Non-controlling interests in subsidiaries' equity</strong></td>
<td>21</td>
<td>689</td>
<td>710</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>11,522,502</td>
<td>1,282,250</td>
<td>(44)</td>
<td>12,804,708</td>
</tr>
</tbody>
</table>
The table below shows the impacts of adjustments and reclassifications recorded by the Company in the consolidated statement of financial position at the initial date of the transition to IFRS:

<table>
<thead>
<tr>
<th>Assets</th>
<th>BR GAAP 1/1/2009</th>
<th>Adjustments</th>
<th>Reclassifications</th>
<th>IFRS 1/1/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>26,578</td>
<td>—</td>
<td>—</td>
<td>26,578</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>3,260,286</td>
<td>—</td>
<td>—</td>
<td>3,260,286</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>878,419</td>
<td>—</td>
<td>—</td>
<td>878,419</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lending operations</td>
<td>330,908</td>
<td>622</td>
<td>—</td>
<td>331,530</td>
</tr>
<tr>
<td>Premiums receivable from policyholders</td>
<td>1,002,593</td>
<td>—</td>
<td>—</td>
<td>1,002,593</td>
</tr>
<tr>
<td>Notes and credits receivable</td>
<td>303,891</td>
<td>—</td>
<td>—</td>
<td>303,891</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>5,807</td>
<td>—</td>
<td>—</td>
<td>5,807</td>
</tr>
<tr>
<td>Deferred income tax and social contribution</td>
<td>323,029</td>
<td>—</td>
<td>—</td>
<td>323,029</td>
</tr>
<tr>
<td>Taxes and contributions recoverable</td>
<td>46,671</td>
<td>—</td>
<td>—</td>
<td>46,671</td>
</tr>
<tr>
<td>Non-financial assets held for sale</td>
<td>40,714</td>
<td>—</td>
<td>—</td>
<td>40,714</td>
</tr>
<tr>
<td>Dividends and interest receivable</td>
<td>478,335</td>
<td>—</td>
<td>—</td>
<td>478,335</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>431,560</td>
<td>973</td>
<td>—</td>
<td>432,533</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>402,112</td>
<td>445</td>
<td>—</td>
<td>402,557</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>29,448</td>
<td>528</td>
<td>—</td>
<td>29,976</td>
</tr>
<tr>
<td>Propriedades imobiliárias de investimento</td>
<td>10,174</td>
<td>—</td>
<td>—</td>
<td>10,174</td>
</tr>
<tr>
<td>Investment properties</td>
<td>628,357</td>
<td>—</td>
<td>—</td>
<td>628,357</td>
</tr>
<tr>
<td>Total assets</td>
<td>7,767,322</td>
<td>1,595</td>
<td>—</td>
<td>7,768,917</td>
</tr>
<tr>
<td></td>
<td>BR GAAP 1/1/2009</td>
<td>Adjustments</td>
<td>Reclassifications</td>
<td>IFRS 1/1/2009</td>
</tr>
<tr>
<td>------------------------------</td>
<td>------------------</td>
<td>-------------</td>
<td>-------------------</td>
<td>---------------</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities of insurance contracts</td>
<td>3,588,043</td>
<td>(1,842)</td>
<td>—</td>
<td>3,586,201</td>
</tr>
<tr>
<td>Insurance and reinsurance payables</td>
<td>250,137</td>
<td>—</td>
<td>—</td>
<td>250,137</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>583,190</td>
<td>—</td>
<td>—</td>
<td>583,190</td>
</tr>
<tr>
<td>Taxes and contributions payable</td>
<td>108,007</td>
<td>9,050</td>
<td>—</td>
<td>117,057</td>
</tr>
<tr>
<td>Deferred income tax and social contribution</td>
<td>42,168</td>
<td>30,177</td>
<td>—</td>
<td>72,345</td>
</tr>
<tr>
<td>Provisions</td>
<td>892,918</td>
<td>—</td>
<td>—</td>
<td>892,918</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>338,751</td>
<td>(67,557)</td>
<td>(577)</td>
<td>270,617</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>1,964,108</td>
<td>31,767</td>
<td>577</td>
<td>1,996,452</td>
</tr>
<tr>
<td>Share capital</td>
<td>920,000</td>
<td>—</td>
<td>—</td>
<td>920,000</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(23,462)</td>
<td>—</td>
<td>—</td>
<td>(23,462)</td>
</tr>
<tr>
<td>Reserves</td>
<td>1,067,570</td>
<td>31,785</td>
<td>—</td>
<td>1,099,355</td>
</tr>
<tr>
<td>Non-controlling interests in subsidiaries' equity</td>
<td>—</td>
<td>(18)</td>
<td>577</td>
<td>559</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>7,767,322</td>
<td>1,595</td>
<td>—</td>
<td>7,768,917</td>
</tr>
</tbody>
</table>
### 39.3. Impact of adjustments and reclassifications of IFRS on the consolidated income statement

The table below shows the impacts of adjustments and reclassifications recorded by the Company in the consolidated income statement after adoption of IFRS:

<table>
<thead>
<tr>
<th>Revenue</th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums and pension plan contributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>5,779,445</td>
<td>—</td>
<td>5,779,445</td>
</tr>
<tr>
<td>Pension plan</td>
<td>125,090</td>
<td>—</td>
<td>125,090</td>
</tr>
<tr>
<td>(—) Reinsurance premiums ceded</td>
<td>(36,918)</td>
<td>—</td>
<td>(36,918)</td>
</tr>
<tr>
<td>Net issued premiums</td>
<td>5,867,617</td>
<td>—</td>
<td>5,867,617</td>
</tr>
<tr>
<td>Revenues from services</td>
<td>139,572</td>
<td>134</td>
<td>139,706</td>
</tr>
<tr>
<td>Revenues from services</td>
<td>209,075</td>
<td>—</td>
<td>209,075</td>
</tr>
<tr>
<td>Other operating income</td>
<td>293,817</td>
<td>—</td>
<td>293,817</td>
</tr>
<tr>
<td>Revenues from rental of properties</td>
<td>3,949</td>
<td>—</td>
<td>3,949</td>
</tr>
<tr>
<td></td>
<td>6,514,030</td>
<td>134</td>
<td>6,514,164</td>
</tr>
</tbody>
</table>
### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>379,066</td>
<td>(385)</td>
<td>378,681</td>
</tr>
<tr>
<td>Pension plan products</td>
<td>120,805</td>
<td>—</td>
<td>120,805</td>
</tr>
<tr>
<td>Changes in technical reserves</td>
<td>499,871</td>
<td>—</td>
<td>499,486</td>
</tr>
<tr>
<td>Gross retained claims</td>
<td>3,395,132</td>
<td>—</td>
<td>3,395,132</td>
</tr>
<tr>
<td>Pension plan benefits</td>
<td>7,019</td>
<td>—</td>
<td>7,019</td>
</tr>
<tr>
<td>(—) Recoveries of reinsurance</td>
<td>(24,376)</td>
<td>—</td>
<td>(24,376)</td>
</tr>
<tr>
<td>(—) Recoveries of salvages and reimbursement</td>
<td>(281,422)</td>
<td>(4,935)</td>
<td>(286,357)</td>
</tr>
<tr>
<td>Expenses with claims and benefits, net</td>
<td>3,096,353</td>
<td>—</td>
<td>3,091,418</td>
</tr>
<tr>
<td>Amortization of deferred acquisition costs</td>
<td>1,185,274</td>
<td>3,619</td>
<td>1,188,893</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>1,136,137</td>
<td>4,985</td>
<td>1,141,122</td>
</tr>
<tr>
<td>Tax expenses</td>
<td>188,071</td>
<td>—</td>
<td>188,071</td>
</tr>
<tr>
<td>Cost of services rendered</td>
<td>36,094</td>
<td>—</td>
<td>36,094</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>472,482</td>
<td>14,010</td>
<td>486,492</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>6,614,282</strong></td>
<td><strong>17,294</strong></td>
<td><strong>6,631,576</strong></td>
</tr>
</tbody>
</table>

#### Operating profit (loss) before finance income or cost

<table>
<thead>
<tr>
<th>Description</th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from other financial assets</td>
<td>723,276</td>
<td>—</td>
<td>723,276</td>
</tr>
<tr>
<td>(189,431)</td>
<td>—</td>
<td>(189,431)</td>
<td></td>
</tr>
<tr>
<td>Finance cost</td>
<td>533,845</td>
<td>—</td>
<td>533,845</td>
</tr>
<tr>
<td><strong>Total Operating profit</strong></td>
<td><strong>433,593</strong></td>
<td>(17,160)</td>
<td><strong>416,433</strong></td>
</tr>
</tbody>
</table>

#### Profit before income tax and social contribution

<table>
<thead>
<tr>
<th>Description</th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax and social contribution</td>
<td>433,593</td>
<td>(17,160)</td>
<td>416,433</td>
</tr>
<tr>
<td><strong>Total Profit for the period</strong></td>
<td><strong>433,593</strong></td>
<td>(17,160)</td>
<td><strong>416,433</strong></td>
</tr>
</tbody>
</table>

#### Income tax and social contribution

<table>
<thead>
<tr>
<th>Description</th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxes</td>
<td>(221,454)</td>
<td>6,864</td>
<td>(214,590)</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>116,443</td>
<td>—</td>
<td>116,443</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td><strong>328,582</strong></td>
<td>(10,296)</td>
<td><strong>318,286</strong></td>
</tr>
</tbody>
</table>

#### Profit attributable to:

<table>
<thead>
<tr>
<th>Description</th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the Company</td>
<td>328,416</td>
<td>(10,291)</td>
<td>318,125</td>
</tr>
<tr>
<td>Non-controlling interests in subsidiaries</td>
<td>166</td>
<td>(5)</td>
<td>161</td>
</tr>
</tbody>
</table>

#### Earnings per share

<table>
<thead>
<tr>
<th>Description</th>
<th>BR GAAP 12/31/2009</th>
<th>Adjustments</th>
<th>IFRS 12/31/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>1.25</td>
<td>—</td>
<td>1.25</td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Reconciliation of profit

<table>
<thead>
<tr>
<th>Ref. Reconciliation of profit</th>
<th>4th quarter</th>
<th>3rd quarter</th>
<th>2nd quarter</th>
<th>1st quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the quarter under previous BR GAAP</td>
<td>153,582</td>
<td>118,784</td>
<td>203,086</td>
<td>73,298</td>
<td>130,924</td>
</tr>
<tr>
<td>Effect of business combination - ISa+r (*)</td>
<td>—</td>
<td>(8,991)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Profit for the quarter under current BR GAAP</td>
<td>153,582</td>
<td>109,793</td>
<td>203,086</td>
<td>73,298</td>
<td>136,320</td>
</tr>
</tbody>
</table>

**Adjustments to reconcile BR GAAP to IFRS**

1. **(a) Accounting treatment of security devices**
   - 2010: —
   - Year: —

2. **(b) Complementary Provision for Premiums (PCP)**
   - 2010: 160
   - Year: 243

3. **(c) Legal Obligations Reserve (POL)**
   - 2010: (97)
   - Year: (156)

4. **(d) Costs and revenues on the origination of credit transactions**
   - 2010: (333)
   - Year: (1,455)

5. **(f) Reversal of goodwill on the acquisition of investments**
   - 2010: —
   - Year: —

6. **(g) Reversal of negative goodwill on the acquisition of investments**
   - 2010: —
   - Year: —

7. **(h) Deferred income tax and social contribution on IFRS adjustments**
   - 2010: 108
   - Year: 547

8. **(j) Non-controlling interest in subsidiaries**
   - 2010: 82
   - Year: 272

**Profit for the quarter under IFRS**

| Profit for the quarter under IFRS | 153,502 | 109,712 | 203,062 | 73,022 | 136,060 | 66,608 | 130,740 | 68,943 | 623,363 | 318,286 |

**Attributable to**

| Owners of the Company | 153,419 | 109,642 | 202,975 | 72,953 | 136,008 | 66,614 | 130,689 | 68,916 | 623,091 | 318,125 |

| Non-controlling interests in subsidiaries | 83 | 70 | 87 | 69 | 52 | (6) | 51 | 27 | 272 | 161 |
## Reconciliation of equity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of equity Equity under previous BR GAAP</td>
<td>4,471,463</td>
<td>3,596,061</td>
<td>3,393,529</td>
<td>3,258,959</td>
<td>3,127,063</td>
</tr>
<tr>
<td>Difference between nominal value and fair value of shares issued for acquisition of ISa+r</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>912,000</td>
</tr>
<tr>
<td>Effect of business combination - ISa+r (*)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(8,991)</td>
</tr>
<tr>
<td>Equity under current BR GAAP</td>
<td>4,471,463</td>
<td>3,596,061</td>
<td>3,393,529</td>
<td>3,258,959</td>
<td>4,030,072</td>
</tr>
<tr>
<td>Adjustments to reconcile BR GAAP to IFRS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Complementary Provision for Premiums (PCP)</td>
<td>1,447</td>
<td>1,287</td>
<td>1,183</td>
<td>1,255</td>
<td>1,204</td>
</tr>
<tr>
<td>(c) Legal Obligations Reserve (POL)</td>
<td>867</td>
<td>964</td>
<td>964</td>
<td>1,014</td>
<td>1,023</td>
</tr>
<tr>
<td>(d) Costs and revenues on the origination of credit transactions</td>
<td>(2,237)</td>
<td>(1,904)</td>
<td>(1,616)</td>
<td>(1,216)</td>
<td>(782)</td>
</tr>
<tr>
<td>(e) Reversal of proposed dividends exceeding the minimum mandatory dividend, pending approval by the General Meeting</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>48,888</td>
</tr>
<tr>
<td>(f) Reversal of goodwill on the acquisition of investments</td>
<td>528</td>
<td>528</td>
<td>528</td>
<td>528</td>
<td>528</td>
</tr>
<tr>
<td>(g) Reversal of negative goodwill on the acquisition of investments</td>
<td>—</td>
<td>23,831</td>
<td>23,831</td>
<td>23,831</td>
<td>23,831</td>
</tr>
<tr>
<td>(h) Deferred income tax and social contribution on IFRS adjustments (242)</td>
<td>(242)</td>
<td>(8,453)</td>
<td>(8,526)</td>
<td>(8,735)</td>
<td>(8,615)</td>
</tr>
<tr>
<td>(i) Deferred income tax and social contribution on land revaluation</td>
<td>(30,114)</td>
<td>(30,114)</td>
<td>(30,114)</td>
<td>(30,114)</td>
<td>(30,114)</td>
</tr>
<tr>
<td>(j) Non-controlling interest in subsidiaries</td>
<td>985</td>
<td>923</td>
<td>837</td>
<td>784</td>
<td>733</td>
</tr>
<tr>
<td>Equity under IFRS</td>
<td>4,442,697</td>
<td>3,583,123</td>
<td>3,380,616</td>
<td>3,246,306</td>
<td>4,066,056</td>
</tr>
<tr>
<td>Attributable to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td>4,441,736</td>
<td>3,582,136</td>
<td>3,379,629</td>
<td>3,245,319</td>
<td>4,066,056</td>
</tr>
<tr>
<td>Non-controlling interests in subsidiaries</td>
<td>961</td>
<td>987</td>
<td>987</td>
<td>987</td>
<td>710</td>
</tr>
</tbody>
</table>

(*) See Note 35
AUDIT COMMITTEE REPORT

The Audit Committee of Porto Seguro S.A., which is instituted by and reports to its Board of Directors, is made up of independent members, in accordance with the best corporate governance practices applicable to companies whose shares are traded in the New Market of the São Paulo Stock Exchange (BOVESPA) and in compliance with the requirements of legislation, particularly Resolution 118/04 of the National Council of Private Insurance (CNSP).

The activities of the Audit Committee cover all the companies of the Porto Seguro Conglomerate, starting from Porto Seguro S.A., a publicly-held company that controls the companies that make up the Conglomerate.

Management is responsible for the preparation, presentation and integrity of the financial statements of Porto Seguro S.A. and its subsidiaries, as well as for the implementation and maintenance of adequate internal controls considering the complexity of their operations, in order to comply with accounting practices adopted in Brazil and the standards and rules issued by the Brazilian Securities Commission (CVM), the National Council of Private Insurance (CNSP), the National Monetary Council (CMN), the Superintendency of Private Insurance (SUSEP), the Brazilian Central Bank (BCB), the National Supplementary Health Plan Agency (ANS) and the National Superintendency Private Pension Plans (PREVIC).

PricewaterhouseCoopers Auditores Independentes is responsible for the audit of the financial statements of Porto Seguro S.A. and its subsidiaries, including the consolidated financial statements. As a result of this audit, conducted in accordance with the audit standards generally adopted in Brazil, the Independent Auditors issue an opinion about whether they represent fairly, in all material respects, the financial position of Porto Seguro S.A. and its subsidiaries, in accordance with the accounting practices adopted in Brazil and the standards issued by the regulatory organs mentioned above.

The main responsibilities of the Audit Committee are to evaluate, monitor and recommend, in an independent manner: (i) the financial statements of Porto Seguro S.A. and its subsidiaries; (ii) the internal control systems of Porto Seguro S.A. and its subsidiaries; (iii) full compliance with the legal and normative requirements and rules applicable to Porto Seguro S.A. and its subsidiaries, considering the particularities of each company, in addition to internal policies and regulations; (iv) the work performed by the internal and external auditors and (v) the correction or improvement of policies, practices and procedures identified within the ambit of its activities.

Based on the provisions of its mandate, the Audit Committee developed the following activities during the year, among others: (a) analysis and approval of the annual internal audit activities plan for 2011; (b) holding of meetings with several areas of the organization; (c) request, analysis and monitoring of information and reports about the structure and operation of the internal control and risk management environments; (d) evaluation of the level of the work carried out by the internal and external audit, as well as of the independence policy adopted; (e) request and analysis of documents related to the accounting and financial aspects of the Conglomerate and the judicial processes in progress; and (f) analysis of the compliance with standards specifically applicable to the sectors in which Porto Seguro S.A. and its subsidiaries operate.

The Committee met with the Independent Auditor and was informed of the report on the financial statements for December 31, 2010 of Porto Seguro S.A.

Therefore, the Audit Committee, based on the results of its activities developed during the year and considering the limitations arising from the scope of its activities, understands that the financial statements of Porto Seguro S.A. at December 31, 2010 were prepared in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and recommends their approval by the Board of Directors.

São Paulo, February 23, 2011

Alfredo Sérgio Lazzareschi Neto
Lie Uema do Carmo
Tereza Cristina Grossi Togni
INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors and Shareholders

Porto Seguro S.A.

We have audited the accompanying financial statements of Porto Seguro S.A. (“Parent Company”), which comprise the balance sheet as at December 31, 2010 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Porto Seguro S.A. and its subsidiaries (“Consolidated”), which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 misstatement.

An audit involves performing 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 entity’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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies 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 on the parent company financial statements

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Porto Seguro S.A. as at December 31, 2010, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Porto Seguro S.A. and its subsidiaries as at December 31, 2010, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.
Emphasis of matter

As discussed in Note 2.2.(b) to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Porto Seguro S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value.

Other matters Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2010, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, February 25, 2011

PwC
PricewaterhouseCoopers
Auditeiros Independentes
CRC 2SP000160/O-5

Carlos Eduardo Sá da Matta
Contador CRC 1SP216397/O-5