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

# *Porto Seguro S.A.*

*Independent Accountant's Report on Review of Quarterly Information - ITR*
*Second Quarter - 2012*

Deloitte Touche Tohmatsu Auditores Independentes

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

REPORT ON REVIEW OF QUARTERLY INFORMATION

To the Management and Shareholders of
Porto Seguro S.A.
São Paulo - SP

**Introduction**

We have reviewed the accompanying individual and consolidated interim financial information of Porto Seguro S.A., included in the Interim Financial Information Form (ITR), for the quarter ended June 30, 2012, which comprises the balance sheet as of June 30, 2012 and the related income statement and statement of comprehensive income for the three and six-month periods then ended and the statement of changes in equity and statement of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 - Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

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

**Conclusion on the individual interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

**Conclusion on the consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

**Other matters**

*Statements of value added*

We have also reviewed the individual and consolidated interim statements of value added ("DVA"), for the six-month period ended June 30, 2012, prepared under the responsibility of the Porto Seguro S.A. management, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and considered as supplemental information for IFRS that does not require the presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information, in accordance with CPC 21, taken as a whole.

*Review of individual and consolidated interim financial information for the quarter ended June 30, 2011 and audit of individual and consolidated financial information for the year ended December 31, 2011*

The Interim Financial Information (ITR) referred to in the first paragraph includes financial information on profit and loss, comprehensive income, changes in equity, cash flows and value added for the three- and/or six-month periods ended June 30, 2011, obtained from the Interim Financial Information - ITR for the quarter ended June 30, 2011, and the balance sheets as at December 31, 2011, obtained from the financial statements as at December 31, 2011, which were originally prepared before the reclassifications described in Note 2.2 made to change this 2011 financial information, presented for purposes of comparison. The financial statements for the year ended December 31, 2011, as originally prepared, and the review of the Interim Financial Information (ITR) for the quarter ended June 30, 2011, were audited by another auditor, who issued unqualified audit and review reports dated February 25, 2012 and August 1, 2011, respectively.

As part of our review of the interim financial information for the quarter ended June 30, 2012, we also reviewed the reclassifications described in Note 2.2, which were made to change the financial information contained in the financial statements for the year ended December 31, 2011, presented for purposes of comparison. Based on our review, nothing has come to our attention that causes us to believe that such reclassifications are not appropriate or were not properly made, in all material respects. We were not engaged to audit, review, or apply any other procedures to the Interim Financial Information (ITR) of Porto Seguro S.A. relating to the figures for 2011 and, therefore, we do not express an opinion or any other form of assurance on the 2011 financial information taken as a whole.

The accompanying interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, July 31, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Francisco A. M. Sant'Anna
Engagement Partner

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## Company Information/Capital Composition

| Number of Shares (Thousand) | Current Quarter 06/30/2012 |
|---|---|
| **Paid-in Capital** | |
| Common | 324,669 |
| Preferred | - |
| Total | 324,669 |
| Treasury shares | |
| Common | 1,376 |
| Preferred | - |
| Total | 1,376 |

## Company Information/Cash Proceeds

| Events | Approval | Proceeds | Beginning of payment | Class of share | Proceed per share (Brazilian Reais/share) |
|---|---|---|---|---|---|
| Annual and Extraordinary General Meeting | 03/29/2012 | Interest on capital | 04/05/2012 | Common | 0.49722 |
| Annual and Extraordinary General Meeting | 03/29/2012 | Interest on capital | 04/05/2012 | Common | 0.17017 |
| Annual and Extraordinary General Meeting | 03/29/2012 | Dividends | 04/05/2012 | Common | 0.18272 |

## Individual Interim Financial Statements/Balance Sheet - Assets

## (In thousands of Brazilian reais)

| Code | Description | Current Quarter 06/30/2012 | Prior Year 12/31/2011 |
|---|---|---|---|
| 1 | Total assets | 5,136,537 | 5,181,096 |
| 1.01 | Current assets | 730,743 | 927,559 |
| 1.01.01 | Cash and cash equivalents | 114,925 | 131,147 |
| 1.01.02 | Financial investments | 600,898 | 771,526 |
| 1.01.02.01 | Financial investments at fair value | 600,898 | 771,526 |
| 1.01.02.01.01 | Trading securities | 570,257 | 751,582 |
| 1.01.02.01.02 | Available-for-sale securities | 30,641 | 19,944 |
| 1.01.03 | Accounts receivable | - | 3,016 |
| 1.01.03.02 | Other accounts receivable | - | 3,016 |
| 1.01.03.02.01 | Dividends receivable | - | 3,016 |
| 1.01.06 | Taxes recoverable | 13,145 | 20,056 |
| 1.01.06.01 | Current taxes recoverable | 13,145 | 20,056 |
| 1.01.06.01.01 | Taxes and contributions recoverable | 13,145 | 20,056 |
| 1.01.08 | Other current assets | 1,775 | 1,814 |
| 1.01.08.03 | Other | 1,775 | 1,814 |
| 1.01.08.03.01 | Other assets | 1,775 | 1,814 |
| 1.02 | Non-current assets | 4,405,794 | 4,253,537 |
| 1.02.01 | Long-term receivables | 43,228 | 48,247 |
| 1.02.01.06 | Deferred taxes | 38,934 | 43,813 |
| 1.02.01.06.01 | Deferred income tax and social contribution | 13,846 | 13,609 |
| 1.02.01.06.02 | Taxes and contributions recoverable | 25,088 | 30,204 |
| 1.02.01.09 | Other non-current assets | 4,294 | 4,434 |
| 1.02.01.09.03 | Other assets | 4,294 | 4,434 |
| 1.02.02 | Investments | 4,362,536 | 4,205,289 |
| 1.02.02.01 | Equity investments | 4,362,536 | 4,205,289 |
| 1.02.02.01.02 | Investments in subsidiaries | 4,362,536 | 4,205,289 |
| 1.02.04 | Intangibles assets | 30 | 1 |
| 1.02.04.01 | Intangibles assets | 30 | 1 |
| 1.02.04.01.02 | Other intangible assets | 30 | 1 |

## Individual Interim Financial Statements/Balance Sheet - Liabilities

## (In thousands of Brazilian reais)

| Code | Description | Current Quarter 06/30/2012 | Prior Year 12/31/2011 |
|---|---|---|---|
| 2 | Total liabilities and equity | 5,136,537 | 5,181,096 |
| 2.01 | Current liabilities | 4,377 | 150,092 |
| 2.01.03 | Tax obligations | 1,220 | 6,451 |
| 2.01.03.01 | Federal tax obligations | 1,220 | 6,451 |
| 2.01.03.01.02 | Taxes and contributions payable | 1,220 | 6,451 |
| 2.01.05 | Other obligations | 3,157 | 143,641 |
| 2.01.05.02 | Other | 3,157 | 143,641 |
| 2.01.05.02.01 | Dividends and interest on capital payable | - | 142,028 |
| 2.01.05.02.04 | Other liabilities | 3,157 | 1,613 |
| 2.02 | Non-current liabilities | 320,660 | 331,051 |
| 2.02.03 | Deferred taxes | 320,660 | 331,051 |
| 2.02.03.01 | Deferred income tax and social contribution | 320,660 | 331,051 |
| 2.03 | Equity | 4,811,500 | 4,699,953 |
| 2.03.01 | Paid-up capital | 2,782,000 | 1,870,000 |
| 2.03.02 | Capital reserves | 47,412 | 959,412 |
| 2.03.02.01 | Share premium | 47,412 | 47,412 |
| 2.03.02.07 | Business combination - Itaú Auto e Residência | - | 912,000 |
| 2.03.04 | Revenue reserves | 1,704,216 | 1,866,505 |
| 2.03.04.08 | Proposed additional dividend | - | 138,037 |
| 2.03.04.09 | Treasury shares | (24,252) | (59,782) |
| 2.03.04.10 | Reserves | 1,728,468 | 1,788,250 |
| 2.03.05 | Retained earnings | 274,528 | - |
| 2.03.08 | Other comprehensive income | 3,344 | 4,036 |

## Individual Interim Financial Statements/Income Statement

## (In thousands of Brazilian reais)

| Code | Description | Current Quarter 04/01/2012 to 06/30/2012 | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Same Quarter - Prior Year 04/01/2011 to 06/30/2011 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|---|---|
| 3.04 | Operating expenses/income | 120,326 | 229,051 | 84,191 | 214,020 |
| 3.04.02 | General and administrative expenses | (13,049) | (30,346) | (15,729) | (32,199) |
| 3.04.02.01 | Administrative expenses | (13,015) | (30,279) | (15,696) | (32,132) |
| 3.04.02.02 | Tax expenses | (34) | (67) | (33) | (67) |
| 3.04.06 | Equity in the earnings of subsidiaries | 133,375 | 259,397 | 99,920 | 246,219 |
| 3.04.06.01 | Equity in the earnings of subsidiaries | 133,375 | 259,397 | 99,920 | 244,356 |
| 3.04.06.02 | Gains on sale of investments | - | - | - | 1,863 |
| 3.05 | Income before financial income (expenses) and taxes | 120,326 | 229,051 | 84,191 | 214,020 |
| 3.06 | Financial income (expenses) | 17,281 | 51,890 | 5,861 | 17,430 |
| 3.06.01 | Financial revenues | 17,281 | 51,890 | 7,264 | 18,833 |
| 3.06.02 | Financial expenses | - | - | (1,403) | (1,403) |
| 3.07 | Income before taxes on income | 137,607 | 280,941 | 90,052 | 231,450 |
| 3.08 | Income tax and social contribution | (1,107) | (6,413) | 4,259 | 6,374 |
| 3.08.01 | Current | (1,227) | (6,650) | 4,259 | 6,374 |
| 3.08.02 | Deferred | 120 | 237 | - | - |
| 3.09 | Net income from continuing operations | 136,500 | 274,528 | 94,311 | 237,824 |
| 3.11 | Net income (loss) for the period | 136,500 | 274,528 | 94,311 | 237,824 |
| 3.99 | Earnings per share (R$/share) | | | | |
| 3.99.01 | Basic earnings per share | | | | |
| 3.99.01.01 | Common shares | 0.42063 | 0.84746 | 0.28824 | 0.72685 |
| 3.99.02 | Diluted earnings per share | | | | |
| 3.99.02.01 | Common shares | 0.42063 | 0.84746 | 0.28824 | 0.72685 |

## Individual Interim Financial Statements/Statement of Comprehensive Income

**(In thousands of Brazilian reais)**

| Code | Description | Current Quarter 04/01/2012 to 06/30/2012 | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Same Quarter - Prior Year 04/01/2011 to 06/30/2011 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|---|---|
| 4.01 | Profit for the period | 136,500 | 274,528 | 94,311 | 237,824 |
| 4.02 | Other comprehensive income (loss) | 485 | (692) | (109) | (532) |
| 4.02.01 | Adjustments to securities in subsidiaries | (1,425) | (1,783) | (732) | (3,575) |
| 4.02.02 | Cumulative translation adjustments | 2,233 | 630 | 551 | 2,688 |
| 4.02.03 | Tax effects on other comprehensive income | (323) | 461 | 72 | 355 |
| 4.03 | Comprehensive income for the period | 136,985 | 273,836 | 94,202 | 237,292 |

## Individual Interim Financial Statement/Statement of Cash Flows - Indirect Method

## (In thousands of Brazilian reais)

| Code | Description | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|
| 6.01 | Net cash generated from operating activities | 208,653 | (76,953) |
| 6.01.01 | Cash generated from operating activities | 41,109 | 22,851 |
| 6.01.01.01 | Profit for the period | 274,528 | 237,824 |
| 6.01.01.02 | Amortization | 25,978 | 29,383 |
| 6.01.01.03 | Equity in the earnings of subsidiaries | (259,397) | (244,356) |
| 6.01.02 | Changes in assets and liabilities | 167,544 | (99,804) |
| 6.01.02.01 | Financial assets at fair value through profit or loss | 181,325 | (80,371) |
| 6.01.02.02 | Financial assets available for sale | (10,697) | (14,715) |
| 6.01.02.03 | Taxes and contributions recoverable | 12,027 | 3,094 |
| 6.01.02.04 | Dividends and interest on capital receivable | 3,016 | 15,490 |
| 6.01.02.05 | Other assets | 179 | (5,052) |
| 6.01.02.06 | Taxes and contributions payable | (9,221) | (4,452) |
| 6.01.02.07 | Deferred income tax and social contribution | (10,628) | (11,965) |
| 6.01.02.09 | Other liabilities | 1,543 | (1,833) |
| 6.02 | Net cash generated from (used in) investing activities | 75,451 | 241,541 |
| 6.02.01 | Goodwill on the acquisition of investments | - | 4,940 |
| 6.02.02 | Dividends and interest on capital received | 162,380 | 250,013 |
| 6.02.03 | Acquisition of investments | (86,900) | (13,412) |
| 6.02.04 | Acquisition of intangibles | (29) | - |
| 6.03 | Net cash used in financing activities | (300,326) | (260,066) |
| 6.03.01 | Treasury shares | (24,252) | (19,942) |
| 6.03.02 | Distribution of interest on capital and dividends | (276,074) | (240,124) |
| 6.05 | Increase (decrease) in cash and cash equivalents | (16,222) | (95,478) |
| 6.05.01 | Cash and cash equivalents at the beginning of the period | 131,147 | 120,176 |
| 6.05.02 | Cash and cash equivalents at the end of the period | 114,925 | 24,698 |

## Individual Interim Financial Statements/Statement of Changes in Equity - 01/01/2012 to 06/30/2012

## (In thousands of Brazilian reais)

| Code | Description | Paid-in capital | Capital reserves, options granted and treasury shares | Earnings reserves | Retained earnings (accumulated losses) | Other Comprehensive income | Shareholders' equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 1,870,000 | 899,630 | 1,926,287 | - | 4,036 | 4,699,953 |
| 5.03 | Adjusted opening balances | 1,870,000 | 899,630 | 1,926,287 | - | 4,036 | 4,699,953 |
| 5.04 | Capital transactions with shareholders | 912,000 | (876,470) | (197,819) | - | - | (162,289) |
| 5.04.01 | Capital increase | 912,000 | (912,000) | - | - | - | - |
| 5.04.04 | Treasure shares acquired | - | (24,252) | - | - | - | (24,252) |
| 5.04.06 | Dividends | - | - | (138,037) | - | - | (138,037) |
| 5.04.08 | Treasury shares cancelled | - | 59,782 | (59,782) | - | - | - |
| 5.05 | Total comprehensive income | - | - | - | 274,528 | (692) | 273,836 |
| 5.05.01 | Net income for the period | - | - | - | 274,528 | - | 274,528 |
| 5.05.02 | Other comprehensive income | - | - | - | - | (692) | (692) |
| 5.05.02.01 | Adjustments to financial instruments | - | - | - | - | (1,070) | (1,070) |
| 5.05.02.04 | Translation adjustments for the period | - | - | - | - | 378 | 378 |
| 5.07 | Closing balances | 2,782,000 | 23,160 | 1,728,468 | 274,528 | 3,344 | 4,811,500 |

## Individual Interim Financial Statements/Statement of Changes in Equity - 01/01/2011 to 06/30/2011

## (In thousands of Brazilian reais)

| Code | Description | Paid-in capital | Capital reserves, options granted and treasury shares | Earnings reserves | Retained earnings (accumulated losses) | Other comprehensive income | Shareholders' equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 1,870,000 | 959,412 | 1,609,437 | - | 2,887 | 4,441,736 |
| 5.03 | Adjusted opening balances | 1,870,000 | 959,412 | 1,609,437 | - | 2,887 | 4,441,736 |
| 5.04 | Capital transactions with shareholders | - | (19,942) | (87,099) | - | - | (107,041) |
| 5.04.04 | Treasure shares acquired | - | (19,942) | - | - | - | (19,942) |
| 5.04.06 | Dividends | - | - | (87,099) | - | - | (87,099) |
| 5.05 | Total comprehensive income | - | - | (337) | 237,824 | (532) | 236,955 |
| 5.05.01 | Net income for the period | - | - | - | 237,824 | - | 237,824 |
| 5.05.02 | Other comprehensive income | - | - | (337) | - | (532) | (869) |
| 5.05.02.01 | Adjustments to financial instruments | - | - | - | - | (2,145) | (2,145) |
| 5.05.02.04 | Translation adjustments for the period | - | - | - | - | 1,613 | 1,613 |
| 5.05.02.06 | Write-off of goodwill (net of taxes) | - | - | (337) | - | - | (337) |
| 5.07 | Closing balances | 1,870,000 | 939,470 | 1,522,001 | 237,824 | 2,355 | 4,571,650 |

## Individual Interim Financial Statements/Statement of Value Added

**(In thousands of Brazilian reais)**

| Code | Description | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|
| 7.02 | Inputs acquired from third parties | (1,167) | 196 |
| 7.02.02 | Materials, energy, outsourced services and other | (725) | (1,138) |
| 7.02.03 | Loss/recovery of assets | - | 1,863 |
| 7.02.04 | Other | (442) | (529) |
| 7.02.04.01 | Outsourced services | (442) | (529) |
| 7.03 | Gross value added | (1,167) | 196 |
| 7.04 | Retentions | (25,978) | (29,913) |
| 7.04.01 | Depreciation, amortization and depletion | (25,978) | (29,913) |
| 7.05 | Net value added generated by the entity | (27,145) | (29,717) |
| 7.06 | Valued added received through transfer | 311,287 | 263,189 |
| 7.06.01 | Equity in the earnings of subsidiaries | 259,397 | 244,356 |
| 7.06.02 | Finance income | 51,890 | 18,833 |
| 7.07 | Total value added to distribute | 284,142 | 233,472 |
| 7.08 | Distribution of value added | 284,142 | 233,472 |
| 7.08.01 | Personnel | 3,051 | 459 |
| 7.08.01.01 | Direct remuneration | 414 | 459 |
| 7.08.01.02 | Benefits | 2,637 | - |
| 7.08.02 | Taxes and contributions | 6,563 | (6,214) |
| 7.08.02.01 | Federal | 6,563 | (6,214) |
| 7.08.03 | Lenders and lessors | - | 1,403 |
| 7.08.03.01 | Interest | - | 1,403 |
| 7.08.04 | Shareholders' capital remuneration | 274,528 | 237,824 |
| 7.08.04.03 | Retained earnings/loss for the period | 274,528 | 237,824 |

## Consolidated Interim Financial Statements/Balance Sheet - Assets

## (In thousands of Brazilian reais)

| Code | Description | Current Quarter 06/30/2012 | Prior Year 12/31/2011 |
|---|---|---|---|
| 1 | Total assets | 16,701,898 | 16,471,432 |
| 1.01 | Current assets | 13,041,200 | 13,000,097 |
| 1.01.01 | Cash and cash equivalents | 675,618 | 1,524,262 |
| 1.01.02 | Financial investments | 7,525,001 | 6,720,914 |
| 1.01.02.01 | Financial investments at fair value | 7,525,001 | 6,720,914 |
| 1.01.02.01.01 | Trading securities | 7,494,360 | 6,700,970 |
| 1.01.02.01.02 | Available-for-sale securities | 30,641 | 19,944 |
| 1.01.03 | Trade receivables | 3,515,386 | 3,454,147 |
| 1.01.03.01 | Clients | 3,460,828 | 3,402,564 |
| 1.01.03.01.01 | Premiums receivable from policyholders | 1,933,824 | 2,019,019 |
| 1.01.03.01.02 | Lending operations | 457,093 | 328,212 |
| 1.01.03.01.03 | Notes and credits receivable | 1,069,911 | 1,055,333 |
| 1.01.03.02 | Other receivables | 54,558 | 51,583 |
| 1.01.03.02.01 | Reinsurance assets | 54,558 | 51,583 |
| 1.01.06 | Taxes recoverable | 46,173 | 71,508 |
| 1.01.06.01 | Current taxes recoverable | 46,173 | 71,508 |
| 1.01.06.01.01 | Taxes and contributions recoverable | 46,173 | 71,508 |
| 1.01.08 | Other current assets | 1,279,022 | 1,229,266 |
| 1.01.08.03 | Other | 1,279,022 | 1,229,266 |
| 1.01.08.03.01 | Available for sale non-financial assets | 122,638 | 128,883 |
| 1.01.08.03.02 | Deferred acquisition costs | 754,243 | 753,126 |
| 1.01.08.03.03 | Other assets | 402,141 | 347,257 |
| 1.02 | Non-current assets | 3,660,698 | 3471,335 |
| 1.02.01 | Long-term receivables | 1,397,033 | 1302,169 |
| 1.02.01.01 | Financial investments at fair value | 11,650 | 11,865 |
| 1.02.01.01.01 | Trading securities | 1,450 | 1,516 |
| 1.02.01.01.02 | Available-for-sale securities | 10,200 | 10,349 |
| 1.02.01.03 | Trade receivables | 191,550 | 162,442 |
| 1.02.01.03.01 | Clients | 191,550 | 162,442 |
| 1.02.01.06 | Deferred taxes | 815,684 | 755,077 |
| 1.02.01.06.01 | Deferred income tax and social contribution | 706,914 | 651,249 |
| 1.02.01.06.02 | Taxes and contributions recoverable | 108,770 | 103,828 |
| 1.02.01.09 | Other non-current assets | 378,149 | 372,785 |
| 1.02.01.09.03 | Deferred acquisition costs | 5,643 | 5,669 |
| 1.02.01.09.04 | Other assets | 372,506 | 367,116 |
| 1.02.02 | Investments | 8,790 | 8,881 |
| 1.02.02.02 | Investment properties | 8,790 | 8,881 |
| 1.02.03 | Fixed assets | 968,228 | 886,375 |
| 1.02.03.01 | Fixed assets in operation | 968,228 | 886,375 |
| 1.02.04 | Intangible assets | 1,286,647 | 1,273,910 |
| 1.02.04.01 | Intangible assets | 1,286,647 | 1,273,910 |
| 1.02.04.01.03 | Other intangible assets | 1,286,647 | 1,273,910 |

**Consolidated Interim Financial Statements/Balance Sheet - Liabilities**

**(In thousands of Brazilian reais)**

| Code | Description | Current Quarter 06/30/2012 | Prior Year 12/31/2011 |
|---|---|---|---|
| 2 | Total liabilities and equity | 16,701,898 | 16,471,432 |
| 2.01 | Current liabilities | 9,882,378 | 9,860,667 |
| 2.01.03 | Tax obligations | 232,597 | 226,847 |
| 2.01.03.01 | Federal tax obligations | 232,597 | 226,847 |
| 2.01.03.01.02 | Taxes and contributions payable | 232,597 | 226,847 |
| 2.01.05 | Other obligations | 9,649,781 | 9,633,820 |
| 2.01.05.02 | Other | 9,649,781 | 9,633,820 |
| 2.01.05.02.01 | Dividends and interest on capital payable | - | 142,028 |
| 2.01.05.02.04 | Liabilities of insurance contracts | 7,287,057 | 7,014,138 |
| 2.01.05.02.05 | Insurance and reinsurance payables | 447,725 | 441,187 |
| 2.01.05.02.06 | Financial liabilities | 1,567,886 | 1,602,110 |
| 2.01.05.02.07 | Other liabilities | 347,113 | 434,357 |
| 2.02 | Non-current liabilities | 2,003,107 | 1,907,450 |
| 2.02.02 | Other obligations | 76,494 | 75,648 |
| 2.02.02.02 | Other | 76,494 | 75,648 |
| 2.02.02.02.03 | Liabilities of insurance contracts | 18,111 | 18,036 |
| 2.02.02.02.04 | Other liabilities | 58,383 | 57,612 |
| 2.02.03 | Deferred taxes | 412,047 | 422,601 |
| 2.02.03.01 | Deferred income tax and social contribution | 412,047 | 422,601 |
| 2.02.04 | Provisions | 1,514,566 | 1,409,201 |
| 2.02.04.01 | Tax, social security, labor and civil provisions | 1,514,566 | 1,409,201 |
| 2.02.04.01.01 | Tax provisions | 1,473,090 | 1,369,070 |
| 2.02.04.01.02 | Social security and labor provisions | 4,951 | 4,185 |
| 2.02.04.01.04 | Civil provisions | 36,525 | 35,946 |
| 2.03 | Consolidated equity | 4,816,413 | 4,703,315 |
| 2.03.01 | Paid-up capital | 2,782,000 | 1,870,000 |
| 2.03.02 | Capital reserves | 47,412 | 959,412 |
| 2.03.02.01 | Share premium | 47,412 | 47,412 |
| 2.03.02.07 | Business combination - Itaú Auto e Residência | - | 912,000 |
| 2.03.04 | Revenue reserves | 1,704,216 | 1,866,505 |
| 2.03.04.08 | Proposed additional dividend | - | 138,037 |
| 2.03.04.09 | Treasury shares | (24,252) | (59,782) |
| 2.03.04.10 | Reserves | 1,728,468 | 1,788,250 |
| 2.03.05 | Retained earnings | 274,528 | - |
| 2.03.08 | Other comprehensive income | 3,344 | 4,036 |
| 2.03.09 | Non-controlling interests | 4,913 | 3,362 |

**Consolidated Interim Financial Statements/Income Statement**

**(In thousands of Brazilian reais)**

| Code | Description | Current Quarter 04/01/2012 to 06/30/2012 | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Same Quarter - Prior Year 04/01/2011 to 06/30/2011 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|---|---|
| 3.04 | Operating expenses/income | (19,433) | (52,748) | (25,933) | 511 |
| 3.04.02 | General and administrative expenses | (558,550) | (1,126,249) | (533,200) | (1,028,135) |
| 3.04.02.01 | Administrative expenses | (485,612) | (980,752) | (465,338) | (894,951) |
| 3.04.02.02 | Tax expenses | (72,938) | (145,497) | (67,862) | (133,184) |
| 3.04.04 | Other operating income | 2,610,135 | 5,188,125 | 2,346,310 | 4,658,135 |
| 3.04.04.01 | Insurance premiums earned | 2,237,675 | 4,432,962 | 2,032,936 | 4,043,359 |
| 3.04.04.02 | Pension plan contributions | 40,265 | 81,299 | 36,122 | 73,243 |
| 3.04.04.03 | Reinsurance premiums ceded | (10,242) | (16,393) | (8,248) | (14,430) |
| 3.04.04.04 | Revenues from lending operations | 79,581 | 147,999 | 50,701 | 95,592 |
| 3.04.04.05 | Revenues from services | 104,184 | 206,504 | 84,699 | 159,779 |
| 3.04.04.06 | Other operating income | 156,699 | 331,683 | 148,010 | 296,808 |
| 3.04.04.07 | Revenues from rental of properties | 1,973 | 4,071 | 2,090 | 3,784 |
| 3.04.05 | Other operating expenses | (2,071,018) | (4,114,624) | (1,839,043) | (3,629,489) |
| 3.04.05.01 | Change in technical reserves - insurance | (84,727) | (117,725) | (12,276) | (25,896) |
| 3.04.05.02 | Change in technical reserves - pension plan | (40,913) | (81,200) | (59,244) | (95,500) |
| 3.04.05.03 | Gross retained claims | (1,440,355) | (2,916,863) | (1,329,336) | (2,693,104) |
| 3.04.05.04 | Pension plan benefits | (2,132) | (3,876) | (1,891) | (3,386) |
| 3.04.05.05 | Recovery of reinsurance companies | 8,861 | 23,647 | 5,980 | 7,802 |
| 3.04.05.06 | Recovery of salvages and reimbursements | 139,083 | 271,750 | 131,183 | 293,870 |
| 3.04.05.07 | Amortization of deferred acquisition costs | (449,753) | (887,700) | (406,340) | (798,083) |
| 3.04.05.08 | Acquisition costs - other | (15,156) | (31,431) | (15,697) | (28,650) |
| 3.04.05.09 | Costs of services rendered | (17,627) | (34,861) | (10,683) | (18,899) |
| 3.04.05.10 | Other operating expenses | (168,299) | (336,365) | (140,739) | (267,643) |
| 3.05 | Profit (loss) before finance result and taxation | (19,433) | (52,748) | (25,933) | 511 |

| Code | Description | Current Quarter 04/01/2012 to 06/30/2012 | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Same Quarter - Prior Year 04/01/2011 to 06/30/2011 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|---|---|
| 3.06 | Finance result | 231,129 | 492,507 | 183,426 | 390,334 |
| 3.06.01 | Finance revenues | 322,456 | 677,840 | 253,594 | 529,379 |
| 3.06.02 | Finance expenses | (91,327) | (185,333) | (70,168) | (139,045) |
| 3.07 | Result before taxes on profit | 211,696 | 439,759 | 157,493 | 390,845 |
| 3.08 | Income tax and social contribution | (75,895) | (166,163) | (63,153) | (152,950) |
| 3.08.01 | Current taxes | (102,533) | (221,855) | (87,323) | (198,304) |
| 3.08.02 | Deferred taxes | 26,638 | 55,692 | 24,170 | 45,354 |
| 3.09 | Net result from continuing operations | 135,801 | 273,596 | 94,340 | 237,895 |
| 3.11 | Consolidated profit/loss for the period | 135,801 | 273,596 | 94,340 | 237,895 |
| 3.11.01 | Attributable to shareholders of the parent company | 136,500 | 274,528 | 94,311 | 237,824 |
| 3.11.02 | Attributable to non-controlling interests | (699) | (932) | 29 | 71 |
| 3.99 | Earnings per share - (reais/share) | | | | |
| 3.99.01 | Basic earnings per share | | | | |
| 3.99.01.01 | Common share | 0.42063 | 0.84746 | 0.28824 | 0.72685 |
| 3.99.02 | Diluted earnings per share | | | | |
| 3.99.02.01 | Common share | 0.42063 | 0.84746 | 0.28824 | 0.72685 |

**Consolidated Interim Financial Statements/Statement of Comprehensive Income**

**(In thousands of Brazilian reais)**

| Code | Description | Current Quarter 04/01/2012 to 06/30/2012 | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Same Quarter - Prior Year 04/01/2011 to 06/30/2011 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|---|---|
| 4.01 | Consolidated profit for the period | 135,801 | 273,596 | 94,340 | 237,895 |
| 4.02 | Other comprehensive income (loss) | 485 | (692) | (108) | (532) |
| 4.02.01 | Adjustments to securities in subsidiaries | (1,425) | (1,783) | (732) | (3,575) |
| 4.02.02 | Cumulative translation adjustments | 2,233 | 630 | 551 | 2,688 |
| 4.02.03 | Tax effects on other comprehensive income | (323) | 461 | 73 | 355 |
| 4.03 | Consolidated comprehensive income for the period | 136,286 | 272,904 | 94,232 | 237,363 |
| 4.03.01 | Attributable to shareholders of the parent company | 136,985 | 273,836 | 94,202 | 237,292 |
| 4.03.02 | Attributable to non-controlling interests | (699) | (932) | 30 | 71 |

## Consolidated Interim Financial Statement/Statement of Cash Flows - Indirect Method

## (In thousands of Brazilian reais)

| Code | Description | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|
| 6.01 | Net cash generated from operating activities | (391,865) | (590,769) |
| 6.01.01 | Cash generated from operating activities | 335,550 | 314,398 |
| 6.01.01.01 | Profit for the period | 273,596 | 237,895 |
| 6.01.01.03 | Depreciation | 31,637 | 39,406 |
| 6.01.01.04 | Amortization | 36,492 | 38,759 |
| 6.01.01.05 | Results on sale of fixed assets | (6,175) | (1,662) |
| 6.01.02 | Changes in assets and liabilities | (729,206) | (907,153) |
| 6.01.02.01 | Financial assets at fair value through profit or loss | (793,324) | (1,303,387) |
| 6.01.02.02 | Financial assets available for sale | (10,548) | 283,508 |
| 6.01.02.03 | Premiums receivable from policyholders | 85,195 | 81,584 |
| 6.01.02.04 | Lending operations | (157,989) | 67,315 |
| 6.01.02.05 | Notes and credits receivable | (14,578) | (149,118) |
| 6.01.02.06 | Reinsurance assets | (2,975) | (8,576) |
| 6.01.02.07 | Deferred income tax and social contribution | (55,665) | (45,354) |
| 6.01.02.08 | Taxes and contributions recoverable | 20,393 | (18,493) |
| 6.01.02.09 | Non-financial assets held for sale | 6,245 | (34,201) |
| 6.01.02.11 | Other assets | (60,274) | (89,369) |
| 6.01.02.12 | Deferred acquisition costs | (1,091) | (15,486) |
| 6.01.02.13 | Liabilities of insurance contracts | 272,994 | 248,412 |
| 6.01.02.14 | Insurance and reinsurance payables | 6,538 | 11,461 |
| 6.01.02.15 | Financial liabilities | (34,224) | 48,846 |
| 6.01.02.16 | Taxes and contributions payable | 1,760 | (7,288) |
| 6.01.02.17 | Deferred income tax and social contribution | (10,554) | (10,659) |
| 6.01.02.18 | Provisions | 105,365 | 104,356 |
| 6.01.02.19 | Other liabilities | (86,474) | (70,704) |
| 6.01.03 | Other | 1,791 | 1,986 |
| 6.01.03.01 | Adjustments to financial instruments | (692) | (532) |
| 6.01.03.02 | Non-controlling interests | 2,483 | 2,518 |
| 6.02 | Net cash used in investing activities | (156,453) | (148,735) |
| 6.02.01 | Sale of fixed assets | 11,107 | 10,208 |
| 6.02.02 | Acquisition of fixed assets | (118,331) | (136,861) |
| 6.02.04 | Investment in intangible assets | (49,229) | (22,082) |
| 6.03 | Net cash used in financing activities | (300,326) | (260,066) |
| 6.03.01 | Treasure shares | (24,252) | (19,942) |
| 6.03.02 | Distribution of dividends and interest on capital | (276,074) | (240,124) |
| 6.05 | Increase (decrease) in cash and cash equivalents | (848,644) | (999,570) |
| 6.05.01 | Cash and cash equivalents at the beginning of the period | 1,524,262 | 1,487,217 |
| 6.05.02 | Cash and cash equivalents at the end of the period | 675,618 | 487,647 |

## Consolidated Interim Financial Statements/Statement of Changes in Equity - 01/01/2012 to 06/30/2012

## (In thousands of Brazilian reais)

| Code | Description | Paid-in capital | Capital reserves, options granted and treasury shares | Earnings reserves | Retained earnings (accumulated losses) | Other comprehensive income | Shareholders' equity | Noncontrolling interest | Consolidated shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 1,870,000 | 899,630 | 1,926,287 | - | 4,036 | 4,699,953 | 3,362 | 4,703,315 |
| 5.03 | Adjusted opening balances | 1,870,000 | 899,630 | 1,926,287 | - | 4,036 | 4,699,953 | 3,362 | 4,703,315 |
| 5.04 | Capital transactions with shareholders | 912,000 | (876,470) | (197,819) | - | - | (162,289) | 2,483 | (159,806) |
| 5.04.01 | Capital increase | 912,000 | (912,000) | - | - | - | - | - | - |
| 5.04.04 | Treasury shares | - | (24,252) | - | - | - | (24,252) | - | (24,252) |
| 5.04.06 | Dividends | - | - | (138,037) | - | - | (138,037) | - | (138,037) |
| 5.04.08 | Treasury shares cancelled | - | 59,782 | (59,782) | - | - | - | - | - |
| 5.04.09 | Capital increase - noncontrolling interest | - | - | - | - | - | - | 2,483 | 2,483 |
| 5.05 | Total comprehensive income | - | - | - | 274,528 | (692) | 273,836 | (932) | 272,904 |
| 5.05.01 | Net income for the period | - | - | - | 274,528 | - | 274,528 | (932) | 273,596 |
| 5.05.02 | Other comprehensive income | - | - | - | - | (692) | (692) | - | (692) |
| 5.05.02.01 | Adjustments to financial instruments | - | - | - | - | (1,070) | (1,070) | - | (1,070) |
| 5.05.02.04 | Translation adjustments for the period | - | - | - | - | 378 | 378 | - | 378 |
| 5.07 | Closing balances | 2,782,000 | 23,160 | 1,728,468 | 274,528 | 3,344 | 4,811,500 | 4,913 | 4,816,413 |

## Consolidated Interim Financial Statements/Statement of Changes in Equity - 01/01/2011 to 06/30/2011

## (In thousands of Brazilian reais)

| Code | Description | Paid-in capital | Capital reserves, options granted and treasury shares | Earnings reserves | Retained earnings (accumulated losses) | Other comprehensive income | Shareholders' equity | Noncontrolling interest | Consolidated shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 1,870,000 | 959,412 | 1,609,437 | - | 2,887 | 4,441,736 | 961 | 4,442,697 |
| 5.03 | Adjusted opening balances | 1,870,000 | 959,412 | 1,609,437 | - | 2,887 | 4,441,736 | 961 | 4,442,697 |
| 5.04 | Capital transactions with partners | - | (19,942) | (87,099) | - | - | (107,041) | 2,378 | (104,663) |
| 5.04.04 | Treasure shares | - | (19,942) | - | - | - | (19,942) | - | (19,942) |
| 5.04.06 | Dividends | - | - | (87,099) | - | - | (87,099) | - | (87,099) |
| 5.04.08 | Capital contribution - Porto Seguro Telecomunicações | - | - | - | - | - | - | 2,378 | 2,378 |
| 5.05 | Total comprehensive income | - | - | (337) | 237,824 | (532) | 236,955 | 71 | 237,026 |
| 5.05.01 | Profit for the period | - | - | - | 237,824 | - | 237,824 | 71 | 237,895 |
| 5.05.02 | Other comprehensive income | - | - | (337) | - | (532) | (869) | - | (869) |
| 5.05.02.01 | Adjustments to financial instruments | - | - | - | - | (2,145) | (2,145) | - | (2,145) |
| 5.05.02.04 | Translation adjustments for the period | - | - | - | - | 1,613 | 1,613 | - | 1,613 |
| 5.05.02.06 | Write -off of goodwil (net of tax) | - | - | (337) | - | - | (337) | - | (337) |
| 5.07 | Closing balances | 1,870,000 | 939,470 | 1,522,001 | 237,824 | 2,355 | 4,571,650 | 3,410 | 4,575,060 |

## Consolidated Interim Financial Statements/Statement of Value Added

## (In thousands of Brazilian reais)

| Code | Description | Accumulated - Current Year 01/01/2012 to 06/30/2012 | Accumulated - Prior Year 01/01/2011 to 06/30/2011 |
|---|---|---|---|
| 7.01 | Revenue | 2,175,678 | 1,961,262 |
| 7.01.02 | Other income | 2,215,930 | 1,984,531 |
| 7.01.02.01 | Revenues from insurance operations | 4,432,962 | 4,043,359 |
| 7.01.02.02 | Revenues from pension plan operations | 81,299 | 73,243 |
| 7.01.02.03 | Revenues from services rendered | 206,504 | 159,779 |
| 7.01.02.04 | Other | 341,647 | 242,714 |
| 7.01.02.05 | Financial intermediation expenses | (22,215) | (18,350) |
| 7.01.02.06 | Change in technical reserves - insurance | (117,725) | (25,896) |
| 7.01.02.07 | Change in technical reserves - pension plan | (81,200) | (95,500) |
| 7.01.02.08 | Retained claims | (2,621,466) | (2,391,432) |
| 7.01.02.09 | Expenses with benefits | (3,876) | (3,386) |
| 7.01.04 | Increase/decrease in provision for impairment of trade | (40,252) | (23,269) |
| 7.02 | Inputs acquired from third parties | (1,416,915) | (1,255,251) |
| 7.02.04 | Other | (1,416,915) | (1,255,251) |
| 7.02.04.01 | Materials, energy and other | (280,880) | (279,405) |
| 7.02.04.02 | Cost of products and services | (34,861) | (18,899) |
| 7.02.04.03 | Third-party services, net commissions | (1,091,155) | (975,392) |
| 7.02.04.04 | Changes in deferred acquisition costs | (7,553) | 19,435 |
| 7.02.04.05 | Loss/recovery of assets | (2,466) | (990) |
| 7.03 | Gross value added | 758,763 | 706,011 |
| 7.04 | Retentions | (68,129) | (78,165) |
| 7.04.01 | Depreciation, amortization and depletion | (68,129) | (78,165) |
| 7.05 | Net value added generated by the entity | 690,634 | 627,846 |
| 7.06 | Value added received through transfer | 531,668 | 436,077 |
| 7.06.02 | Finance income | 664,232 | 521,512 |
| 7.06.03 | Other | (132,564) | (85,435) |
| 7.07 | Total value added to distribute | 1,222,302 | 1,063,923 |
| 7.08 | Distribution of value added | 1,222,302 | 1,063,923 |
| 7.08.01 | Personnel | 499,377 | 415,095 |
| 7.08.01.01 | Direct remuneration | 288,790 | 244,263 |
| 7.08.01.02 | Benefits | 187,435 | 152,043 |
| 7.08.01.03 | Government Severance Indemnity Fund for Employees | 23,152 | 18,789 |
| 7.08.02 | Taxes and contributions | 380,863 | 348,326 |
| 7.08.02.01 | Federal | 368,857 | 338,058 |
| 7.08.02.02 | State | 70 | 144 |
| 7.08.02.03 | Municipal | 11,936 | 10,124 |
| 7.08.03 | Third-party capital remuneration | 68,466 | 62,607 |
| 7.08.03.01 | Interest | 52,412 | 51,850 |
| 7.08.03.02 | Rentals | 16,054 | 10,757 |
| 7.08.04 | Shareholders' capital remuneration | 273,596 | 237,895 |
| 7.08.04.03 | Retained earnings/loss for the period | 274,528 | 237,824 |
| 7.08.04.04 | Non-controlling interests in earnings reinvested | (932) | 71 |

PORTO SEGURO

# 2Q12 and 1H12 Earnings Release



## Message from the Management

Porto Seguro grew throughout the second quarter reaching 13% growth in total revenue, chiefly due to the Itaú (+12%) and Azul (+16%) performances in the auto segment as a result of price adjustments to accommodate in the current scenario. Health products premiums rose more than 18% mostly because of the result of small and medium companies, as well as a good performance in Dental products. The Property and Casualty segment posted 19% growth due sales of Homeowners, keeping the growth trend. We also had a significant growth in other businesses (non-insurance), highlighting the credit operation that has increased nearly 60% driven by the credit card expantion.

Profits in the second quarter (without business combination) rose 40% (2Q12 x 2Q11), despite the fall of interest rates during the period (2.1% on the 2Q12 x 2.6 on the 2Q11) reaching R$ 143 million. Return on equity reached 14.5%, 3.3 pp. higher, principally because of the financial result performance which attained 128% of CDI (e.x. Pension), contributing with R$ 231 million (+26%). In this context, our asset allocation strategy has parcially off set the decline in interest rates through fixed income position, real interest rate and inflation.

The operational performance has been impacted by the increase in the loss ratio, mostly in the auto segment of Porto Seguro brand (56.6% on the 2Q12 x 53.3% on the 2Q11), driven by an increase in the frequency of car theft and robbery, especially in Sao Paulo. We are adjusting prices and underwriting criterias, intensifying the vehicle tracking facilities in order to mitigate loss risks. In fact, loss ratio in 2Q12 has been showing a reduction when compared to 1Q12.

On the other hand, insurance administrative expense ratio declined 1.8 pp as a result of our efforts to improve operational efficiency. We understand that process improvements and investments in new technologies are essential to support the competitiveness and the company differentiation in the marketplace.

We have also launched nine medical centers, as well as seven automotive centers and five new cars service centers (CARS) and some new products. We must highlight the health corporate plans managed by PortoMed, Porto Seguro Auto Senior for customers over 60; Post Paid Monitored Alarms, which is an innovative service that charge customers only when utilized. In addition, we have launched the Porto Seguro Broadsides Services, which allows every customers without insurance to use the 24h assistance service for vehicles, homes and pets as well as convenience services like holder services (PortoBoy), driver for vehicle inspections, installation of decorative ornaments, etc.

We won in the 2Q12 an award for the most loved company by consumers, published by Modern Consumers and fulfilled by Shopper Experience, prize that makes us proud and shows our commitment to suit customers following a standard of excellence.

Thus, we are still optimistic and keeping our investments on the potential of the Brazilian insurance market, relying on our proficiency to offer products and services with a great quality, always grounded on the partnership with insurance brokers, our employees and shareholders.

## Highlights

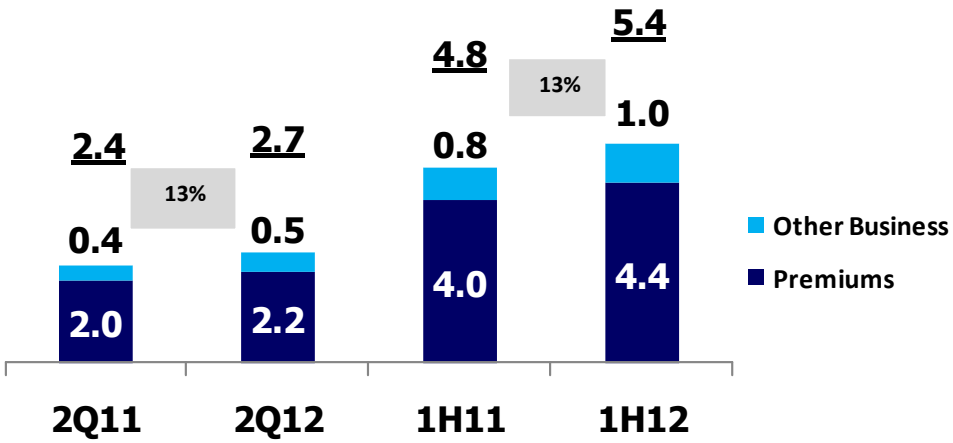
- Growth in total receipts of 13% (both 2Q12/2Q11 and 1H12/1H11)
- Growth in total written premiums of 10% in the quarter and in the 1H12
- Net income without Business Combination of R$143 million in 2Q2012, increase of 39% in comparison to 2Q2011 and of 290 million in 1H12, increase of 13% in comparison to 1H11
- ROAE was 14.5% in the quarter and 14.8% in 1H12 (without Business Combination)
- Combined ratio (including other operational receipts and expenses) was 100.7% in 2Q2012, principally the result of the increase in losses (60.3% in 2Q2012).
- The Financial Result attained R$231 million in 2Q2012, a growth of 26% (vs. 2Q2011) - Yield of 2.67% (excluding pension plans) performing 128% of CDI and Yield of 3.25% in total portfolio, performing 156% of CDI
- The amplified combined ratio, taking into consideration the financial result, reached 91.5% in the quarter, an improvement of 0.9 p.p. in comparison to 2Q11

**2Q12 Earnings Conference Call** (Thursday, August, 09, 2012)
English: 10:00 (NY Time) / 11:00 (Brasilia Time)
Portuguese: 08:30 (NY Time) / 09:30 (Brasília Time)

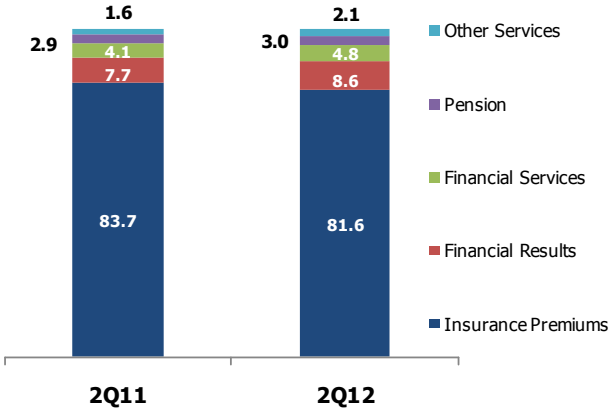
**Public Meeting**
Monday, August 13, 2012 (Brasília Time) - Local: Fortaleza - CE at 6 p.m. (Brasília Time)

# Main Results

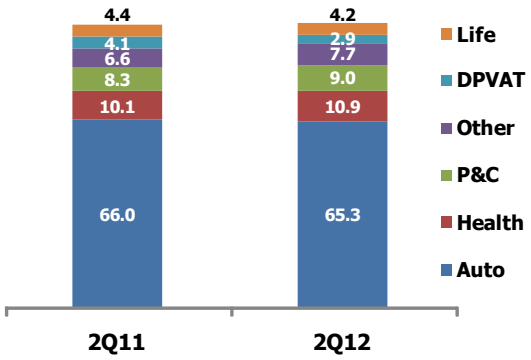
## **Total Revenues** (R$ Billion)



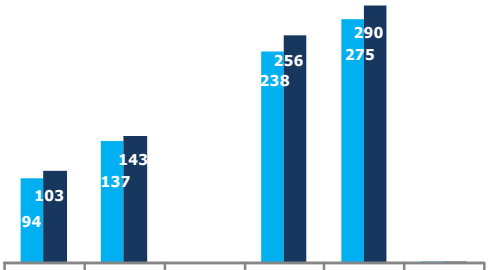

## **Total Revenues Breakdown** (%)




## **Written Premiums Breakdown (%)**

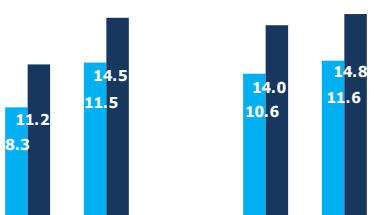



## **Net Earnings** (R$ million)




| | 2Q11 | 2Q12 | Var.% | 1H11 | 1H12 | Var.% |
|---|---|---|---|---|---|---|
| IFRS with Business Combination | 94 | 137 | 45% | 238 | 275 | 15% |
| IFRS without Business Combination | 103 | 143 | 39% | 256 | 290 | 13% |

## **ROAE** (%)




| | 2Q11 | 2Q12 | Var. p.p. | 1H11 | 1H12 | Var. p.p. |
|---|---|---|---|---|---|---|
| IFRS with Business Combination | 8.3 | 11.5 | 3.2 | 10.6 | 11.6 | 1.0 |
| IFRS without Business Combination | 11.2 | 14.5 | 3.3 | 14.0 | 14.8 | 0.8 |

COMMENTS ON PERFORMANCE

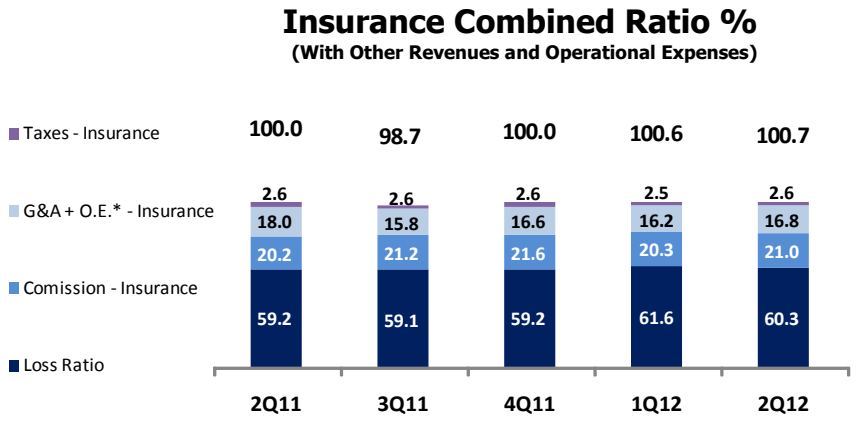
# Operating and Financial Highlights
## 2Q12 vs. 2Q11 - 1H12 vs. 1H11

| **Revenues** (in R$ million) | | | | | | |
|---|---|---|---|---|---|---|
| **WRITTEN PREMIUMS** | **2Q12** | **2Q11** | **Var.** | **1H12** | **1H11** | **Var.** |
| *Porto Seguro – Auto* | *821.6* | *779.2* | *5.4* | *1,583.8* | *1,558.1* | *1.6* |
| *Azul Seguros – Auto* | *268.6* | *231.5* | *16.0* | *552.8* | *489.7* | *12.9* |
| *Itaú Auto e Residência - Auto* | *370.9* | *330.1* | *12.4* | *759.3* | *651.2* | *16.6* |
| Total Auto | *1,461.1* | *1,340.8* | *9.0* | *2,895.9* | *2,699.0* | *7.3* |
| *Total Health (Health + Dental)* | *242.8* | *205.1* | *18.4* | *479.1* | *401.7* | *19.3* |
| Life | *94.9* | *89.8* | *5.7* | *182.4* | *164.2* | *11.1* |
| P&C - Porto Seguro | *97.3* | *84.8* | *14.7* | *188.0* | *165.8* | *13.4* |
| P&C - Itaú Auto e Residência | *104.9* | *84.0* | *24.9* | *174.4* | *153.4* | *13.7* |
| Total P&C | *202.2* | *168.8* | *19.8* | *362.4* | *319.2* | *13.5* |
| DPVAT | *65.0* | *83.2* | *(21.9)* | *178.1* | *179.6* | *(0.8)* |
| Financial Risks | *73.4* | *61.7* | *19.0* | *142.9* | *116.4* | *22.8* |
| Cargo | *31.6* | *29.1* | *8.6* | *60.8* | *55.5* | *9.5* |
| Porto Seguro Uruguay | *23.1* | *16.8* | *37.5* | *46.5* | *35.5* | *31.0* |
| Written Premiums VGBL | *40.0* | *33.2* | *20.5* | *77.7* | *63.1* | *23.1* |
| Other | *3.6* | *4.4* | *(18.2)* | *7.2* | *9.2* | *(21.7)* |
| *Total Written Premiums* | *2,237.7* | *2,032.9* | *10.1* | *4,433.0* | *4,043.4* | *9.6* |
| *Total Earned Premiums* | *2,142.7* | *2,012.4* | *6.5* | *4,298.8* | *4,003.0* | *7.4* |
| Total Pension Revenues (PGBL + VGBL) | *80.3* | *69.3* | *15.9* | *159.0* | *136.3* | *16.7* |
| **OTHER BUSINESS - REVENUES** | **2Q12** | **2Q11** | **Var. p.p.** | **1H12** | **1H11** | **Var. p.p.** |
| Surveillance Services | *17.4* | *16.4* | *6.1* | *36.2* | *31.7* | *14.2* |
| Consortium | *43.5* | *39.4* | *10.4* | *85.8* | *74.4* | *15.3* |
| Credit Operations | *79.6* | *50.7* | *57.0* | *148.0* | *95.6* | *54.8* |
| Revenue from Services - Services | *10.7* | *6.5* | *64.6* | *21.3* | *11.8* | *80.5* |
| Revenue from Services - Atendimento | *18.9* | *9.2* | *105.4* | *37.2* | *17.1* | *117.5* |
| Revenues from Services - Portopar | *5.4* | *9.3* | *(41.9)* | *10.8* | *17.6* | *(38.6)* |
| Other | *10.2* | *6.0* | *70.0* | *19.2* | *11.0* | *74.5* |
| Other Business - Total Revenues | *185.7* | *137.5* | *35.1* | *358.5* | *259.2* | *38.3* |
| Financial Results - Insurance | *203.8* | *170.3* | *19.7* | *420.5* | *359.8* | *16.9* |
| Financial Results - Other | *27.3* | *13.1* | *108.4* | *72.0* | *30.5* | *136.1* |
| Total Financial Results | *231.1* | *183.4* | *26.0* | *492.5* | *390.3* | *26.2* |
| Total Revenue | *2,694.8* | *2,389.9* | *12.8* | *5,365.3* | *4,766.1* | *12.6* |
| **Index (%)** | | | | | | |
| **LOSS RATIO** | **2Q12** | **2Q11** | **Var. p.p.** | **1H12** | **1H11** | **Var. p.p.** |
| Porto Seguro – Auto | *56.6* | *53.3* | *3.3* | *57.7* | *53.8* | *3.9* |
| *Azul Seguros – Auto* | *73.8* | *76.0* | *(2.2)* | *75.8* | *75.7* | *0.1* |
| *Itaú Auto e Residência - Auto* | *69.7* | *69.5* | *0.2* | *69.0* | *69.9* | *(0.9)* |
| Total Auto | *63.3* | *61.5* | *1.8* | *64.0* | *61.8* | *2.2* |
| Health | *77.9* | *75.9* | *2.0* | *75.3* | *72.9* | *2.4* |
| Life | *34.6* | *33.6* | *1.0* | *35.9* | *32.7* | *3.2* |
| P&C - Porto Seguro | *33.4* | *41.5* | *(8.1)* | *35.1* | *47.7* | *(12.6)* |
| P&C - Itaú Auto e Residência | *30.8* | *26.3* | *4.5* | *32.7* | *28.3* | *4.4* |
| Total P&C | *32.2* | *34.4* | *(2.2)* | *34.0* | *38.9* | *(4.9)* |
| Total Loss Ratio | *60.3* | *59.2* | *1.1* | *61.0* | *59.7* | *1.3* |
| **COMISSION RATIO** | | | | | | |
| Commission Ratio (amortization of deferred acquisition costs) - Insurance | *21.0* | *20.2* | *0.8* | *20.6* | *19.9* | *0.7* |
| **G&A** | | | | | | |
| *G&A – Insurance* | *16.3* | *18.1* | *(1.8)* | *16.3* | *17.4* | *(1.1)* |
| *Tax - Insurance* | *2.6* | *2.6* | - | *2.5* | *2.6* | *(0.1)* |
| **Operating and Administrative Expenses** | | | | | | |
| *G&A and Other Operatinal Revenues/Expenses* | *16.8* | *18.0* | *(1.2)* | *16.5* | *16.9* | *(0.4)* |
| **MARGIN AND PROFITABILITY** | **2Q12** | **2Q11** | **Var. p.p.** | **1H12** | **1H11** | **Var. p.p.** |
| Combined Ratio - Insurance (including Other Operational Revenues/Expenses) var. p.p. | *100.7* | *100.0* | *0.7* | *100.6* | *99.1* | *1.5* |
| Amplified Combined Ratio - Insurance - var. p.p. | *91.5* | *92.4* | *(0.9)* | *91.6* | *91.4* | *0.2* |
| IFRS Shareholder's Equity with Business Combination[1] (R$ million) var. % | *4,811.5* | *4,571.7* | *239.8* | *4,811.5* | *4,571.7* | *239.8* |
| IFRS Shareholder's Equity without Business Combination[1] (R$ million) var. % | *3,995.9* | *3,722.5* | *273.4* | *3,995.9* | *3,722.5* | *273.4* |
| IFRS Net Earnings with Business Combination (R$ million) var. % | *136.5* | *94.3* | *44.8* | *274.5* | *237.8* | *15.4* |
| IFRS Net Earnings without Business Combination (R$ million) var. % | *143.1* | *103.3* | *38.5* | *290.1* | *255.8* | *13.4* |
| IFRS ROAE with Business Combination - p.p. | *11.5* | *8.3* | *3.2* | *11.6* | *10.6* | *1.0* |
| IFRS ROAE without Business Combination - p.p. | *14.5* | *11.2* | *3.3* | *14.8* | *14.0* | *0.8* |
| IFRS EPS with Business Combination (R$) var. % | *0.42* | *0.29* | *44.8* | *0.85* | *0.73* | *16.4* |
| IFRS EPS without Business Combination (R$) var. % | *0.44* | *0.32* | *37.5* | *0.89* | *0.78* | *14.1* |
| # of thousand shares[2] - var. % | 324,510 | 327,197 | (0.8) | 323,941 | 327,197 | (1.0) |

[1] *Excluding Minority Shareholders*

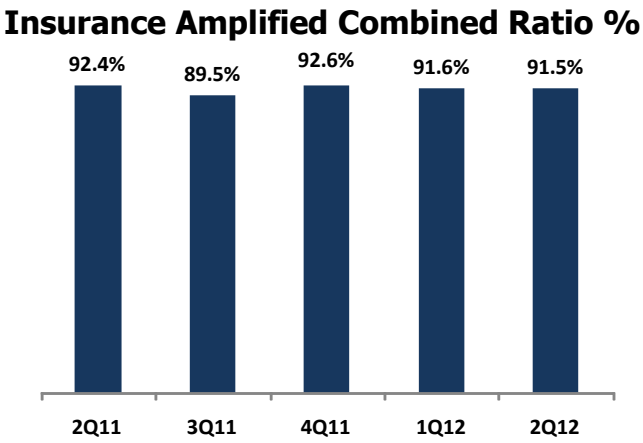
[2] *Weiighted*

# Operating Highlights - Insurance




* General and Administrative Expenses + Other Operational Revenues / Expenses

- Combined Ratio (2Q12 vs. 2Q11) was 0.7 percentage points higher, due to the increase in the total loss ratio of 1.1 percentage points and to 0.8 p.p. increase in commission costs for insurance during the period.
- Total loss ratio has grown due to the increase of losses in auto and health segments.
- The increase in insurance commissions was due to the change in the portfolio mix that has had a significant growth in revenues of products with high commission rates (P&C and Financial Risks).




- The amplified Combined Ratio in 2Q12, including the financial result from insurance has got 0.9 p.p. better than in 2Q2011, as a result of higher financial result (representing 9.1% of premiums in 2Q12 vs 8.4% in 2Q11), compensated partially by the lower operational performance in the period.

COMMENTS ON PERFORMANCE

# Auto Insurance

# Insurance

| *Porto Seguro Auto* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
|---|---|---|---|---|---|---|
| Written Premiums (R$ million) | **821.6** | **779.2** | **5.4** | **1583.8** | **1558.1** | **1.6** |
| Earned Premium (R$ million) | 794.2 | 793.7 | 0.1 | 1590.6 | 1572.8 | 1.1 |
| Loss Ratio (%) - Var (p.p.) | **56.6** | **53.3** | **3.3** | **57.7** | **53.8** | **3.9** |
| Insured Vehicles (thousand) | **2,041** | **1,988** | **2.7** | **2,041** | **1,988** | **2.7** |

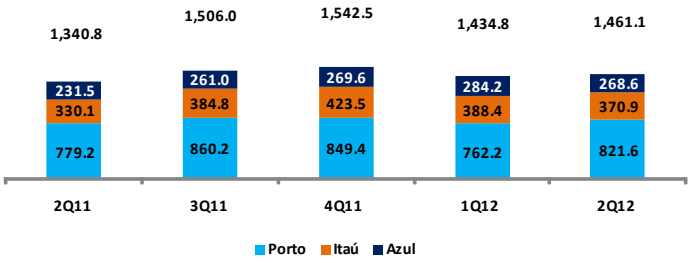
| *Azul Seguros Auto* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
|---|---|---|---|---|---|---|
| Written Premiums (R$ million) | **268.6** | **231.5** | **16.0** | **552.8** | **489.7** | **12.9** |
| Earned Premium (R$ million) | 266.3 | 251.0 | 6.1 | 524.8 | 491.4 | 6.8 |
| Loss Ratio (%) - Var (p.p.) | **73.8** | **76.0** | **(2.2)** | **75.8** | **75.7** | **0.1** |
| Insured Vehicles (thousand) | **987** | **927** | **6.5** | **987** | **927** | **6.5** |

| *Itaú Seguros Auto* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
|---|---|---|---|---|---|---|
| Written Premiums (R$ million) | **370.9** | **330.1** | **12.4** | **759.3** | **651.2** | **16.6** |
| Earned Premium (R$ million) | 387.7 | 356.6 | 8.7 | 764.0 | 704.9 | 8.4 |
| Loss Ratio (%) - Var (p.p.) | **69.7** | **69.5** | **0.2** | **69.0** | **69.9** | **(0.9)** |
| Insured Vehicles (thousand) | **1,133** | **1,049** | **8.0** | **1,133** | **1,049** | **8.0** |

| *Porto Seguro Auto* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
|---|---|---|---|---|---|---|
| Written Premiums (R$ million) | **821.6** | **779.2** | **5.4** | **1583.8** | **1558.1** | **1.6** |
| Earned Premium (R$ million) | 794.2 | 793.7 | 0.1 | 1590.6 | 1572.8 | 1.1 |

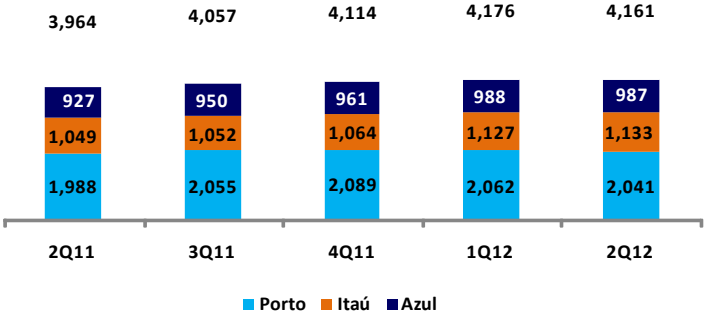
- The written premiums of Porto Seguro auto reached R$822 million in 2Q2012, an increase of 5% in relation to 2Q11 due to the realignment of prices and an increase in insured vehicles in the period. The losses were impacted by the increase in the rate of theft and robbery in all regions, principally in the regions of South and Southeast. Moreover we obtained lower revenues from salvage, due to the recent decline in used car prices.

**Written Premiums** (R$ million)




- The written premiums of Azul Seguros reached R$269 million in 2Q12, a growth of 16% in relation to 2Q11. This was driven by an adjustment of prices and insured cars rising. The losses reduced 2.2 p.p., reaching 73.8% in the quarter. This was basically a result of realignment of prices, underwriting adjustments and installation of track devices in specific cars.

**Insured Fleet** (thousand)




- The portfolio of Itaú Auto e Residência reached R$371 million in 2Q12, 12% greater than in 2Q2011, as a consequence of a realignment of prices and the growth of vehicles insured. The loss ratio remained almost stable (0.2 p.p. higher than 2Q11). Apart from that the claims were moderately impacted by the increase of robbery and theft frequency in private passenger auto line.

COMMENTS ON PERFORMANCE

# Insurance

**Loss Ratio**

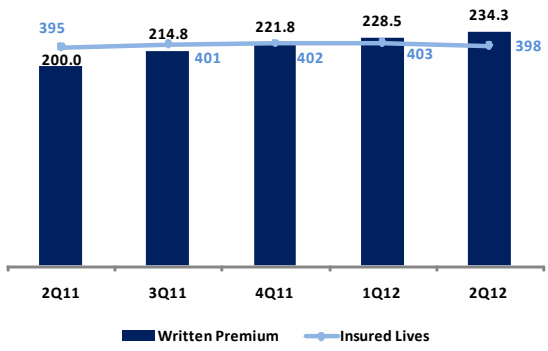
| Sinistralidade | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 |
|---|---|---|---|---|---|
| TOTAL AUTO | 61.5% | 61.2% | 60.7% | 64.7% | 63.3% |
| Porto | 53.3% | 54.9% | 56.2% | 58.8% | 56.6% |
| Itaú | 69.5% | 62.4% | 59.8% | 68.3% | 69.7% |
| Azul | 76.0% | 79.6% | 76.2% | 77.7% | 73.8% |

## Health Insurance

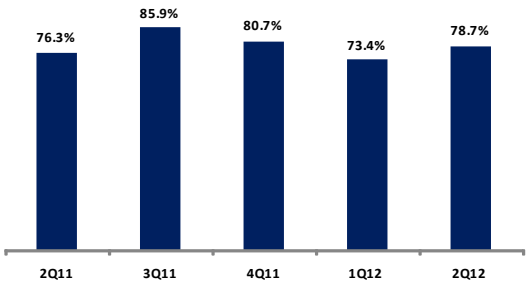
| *Health Insurance* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
|---|---|---|---|---|---|---|
| Written Premiums (R$ million) | **234.3** | **200.1** | **17.1** | **462.8** | **392.2** | **18.0** |
| Earned Premium (R$ million) | 234.4 | 200.2 | 17.1 | 462.9 | 392.3 | 18.0 |
| Loss Ratio (%) - Var (p.p.) | **78.7** | **76.3** | **2.4** | **76.1** | **73.3** | **3.8** |
| Insured Lives (thousand) | **398** | **395** | **0.8** | **398** | **395** | **0.8** |

- In the health insurance segment, premiums totaled R$234 million in 2Q2012, 17% above 2Q2011, due principally to the price adjustments in the period.
- Losses reached 78.7% in 2Q12, an increase of 2.4 points as a result of medical cost inflation and the increase in the frequency of use during the period, primarily by a 14% increase in admissions.
- As contracts in the health are renewed, prices are being adjusted to mitigate the losses in order to reflect the new reality of risks. Also, medical centers have been inaugurated in order to perform medical tests and doctor consultations in a variety of specialties. They will also treat chronic diseases. This is part of the strategy to seek greater control of costs that should be able to help in the reduction of the loss ratio, at the same time providing convenience/comfort to the customers.
- Although data from the second quarter are not yet available, in the first quarter, according to ANS, the Porto Seguro Health product Loss Ratio was 7 percentage points lower than the market average.

**Written Premiums** (R$ million) **and Lives Insured** (thousand) - Health




**Loss Ratio -** Health




## Dental Insurance

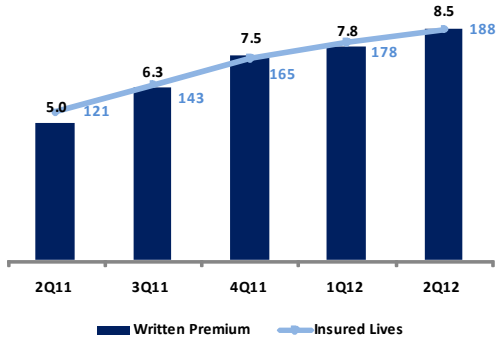
| *Dental Insurance* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
|---|---|---|---|---|---|---|
| Written Premiums (R$ million) | **8.5** | **5.0** | **70.0** | **16.3** | **9.5** | **71.6** |
| Earned Premium (R$ million) | 8.5 | 5.0 | 70.0 | 16.3 | 9.5 | 71.6 |
| Loss Ratio (%) - Var (p.p.) | **54.9** | **57.4** | **(2.5)** | **52.5** | **55.7** | **(3.2)** |
| Insured Lives (thousand) | **188** | **121** | **55.4** | **188** | **121** | **55.4** |

- Premiums in the dental insurance segment totaled R$9 million in 2Q12, 70% above 2Q11, as a result of an increase of 55% in lives insured and the mix change to products with higher average tickets.
- Losses reached 54.9%, a decrease of 2.5 percentage points. This was principally due to a reduction in the frequency of use. Since the portfolio of clients is becoming more mature, the trend is that the frequency of use of the plan stabilizes at levels below the start of operations.

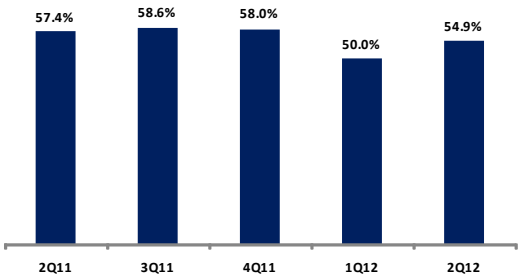
COMMENTS ON PERFORMANCE

# Insurance

**Written Premiums** (R$ million) **and Insured Lives** (thousand) - Dental




**Loss Ratio -** Dental



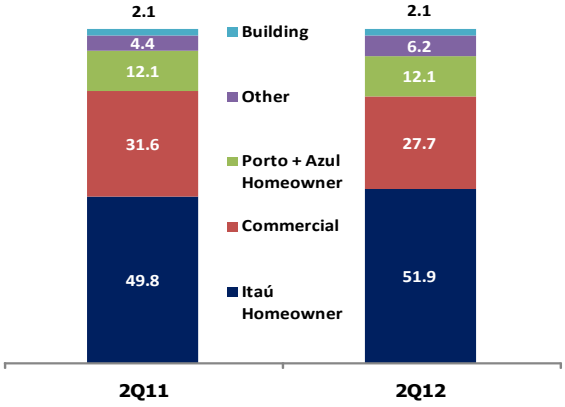

## Property & Casualty

| *Commercial* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
|---|---|---|---|---|---|---|
| Written Premiums (R$ million) | 56.1 | 53.3 | 5.3 | 106.4 | 101.3 | 5.0 |
| Loss Ratio (%) - Var (p.p.) | 34.4 | 48.9 | (14.5) | 35.9 | 51.9 | (16.0) |
| *Building* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
| Written Premiums (R$ million) | 4.2 | 3.6 | 16.7 | 7.9 | 6.6 | 19.7 |
| Loss Ratio (%) - Var (p.p.) | 18.7 | 42.5 | (23.8) | 48.0 | 57.7 | (9.7) |
| *Porto + Azul Homeowner* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
| Written Premiums (R$ million) | 24.4 | 20.4 | 19.6 | 50.0 | 42.2 | 18.5 |
| Loss Ratio (%) - Var (p.p.) | 30.7 | 42.5 | (11.8) | 33.9 | 32.6 | 1.3 |
| *Other* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
| Written Premiums (R$ million) | 12.6 | 7.5 | 68.0 | 23.7 | 15.7 | 51.0 |
| Loss Ratio (%) - Var (p.p.) | 39.1 | 11.3 | 27.8 | 29.7 | 24.1 | 5.6 |
| *Total Porto + Azul P&C* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
| Written Premiums (R$ million) | 97.3 | 84.8 | 14.7 | 188.0 | 165.8 | 13.4 |
| Loss Ratio (%) - Var (p.p.) | 33.4 | 41.5 | (8.1) | 35.1 | 47.7 | (12.6) |
| *Itaú Auto e Residência Homeowner* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
| Written Premiums (R$ million) | 104.9 | 84.0 | 24.9 | 174.4 | 153.4 | 13.7 |
| Loss Ratio (%) - Var (p.p.) | 30.8 | 26.3 | 4.5 | 32.7 | 28.3 | 4.4 |
| *Total P&C with Itau Auto e Residência* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
| Written Premiums (R$ million) | 202.2 | 168.8 | 19.8 | 362.4 | 319.2 | 13.5 |
| Earned Premium (R$ million) | 171.2 | 155.8 | 9.9 | 341.3 | 149.5 | 128.3 |
| Loss Ratio (%) - Var (p.p.) | 32.2 | 34.4 | (2.2) | 34.0 | 38.9 | (4.9) |

Total written premiums in property insurance were R$202 million in 2Q12, 20% above 2Q11. Mainly because of an increase in the premiums of Residential products offered by Itaú and Porto Seguro brands. In this quarter we have launched incentive campaigns in the bank channel and changes in the product features that resulted in higher sales.

(i) Total losses amounted to 32.2% in 2Q2012, 2.2 percentage points lower, chiefly due to the reduction of losses in the Porto Residential Product, because of adjustments in the criteria for selection of risks and change in the portfolio mix (residences with lower risk). On the other hand, this improvement was partially offset by the greater losses in the Itaú residence product, due to a larger frequency of use of the 24 hour assistance services. This occurred principally because of adjustments to the contracts of service providers. This effect should be mitigated by adjustment in prices in the renewal of contracts. Despite the fact that the loss ratio has increased, it is still considered low and within the expected range. Moreover, the losses in other Porto products were higher, chiefly in Agribusiness and Sundry Risks, which showed a higher frequency in the period.

**% P&C Premiums Breakdown**



COMMENTS ON PERFORMANCE

# Insurance

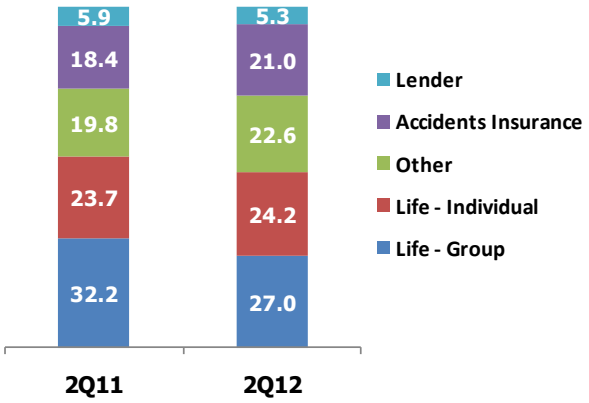
## Life Insurance

| *Life Insurance* | 2Q12 | 2Q11 | Var. %/p.p. | 1H12 | 1H11 | Var.% p.p. |
|---|---|---|---|---|---|---|
| Written Premiums (R$ million) | 94.9 | 89.8 | 5.7 | 182.4 | 164.2 | 11.1 |
| Earned Premium (R$ million) | 88.1 | 79.2 | 11.2 | 174.6 | 153.5 | 13.7 |
| Loss Ratio (%) - Var (p.p.) | 34.6 | 33.6 | 1.0 | 35.9 | 32.7 | 3.2 |
| Lives insured (thousand) | 3,992 | 3,377 | 18.2 | 3,992 | 3,377 | 18.2 |

- Written premiums totaled R$95 million in 2Q12, an increase of 6%, principally due to the growth of the number of lives insured, partially offset by a decrease in the average premium that resulted from a change in the portfolio's mix to products with lower average premium (greater growth in Personal Accidents insurance that increased 2.6 percentage points in the portfolio).

- The growth in losses of 1.0 percentage points in the quarter was principally due to the increase in the number of losses in the product for small and medium-sized firms, particularly in industries with higher risks activities.

**% Written Premiums**

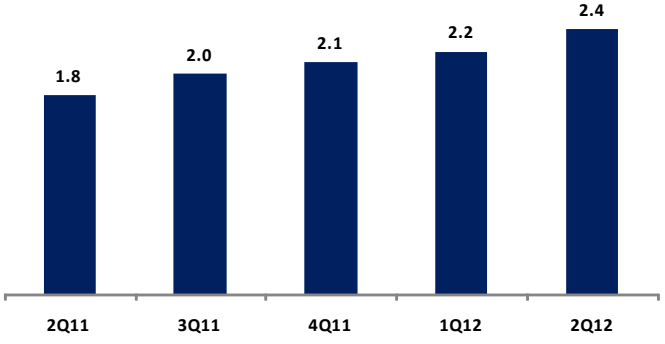



## Pension

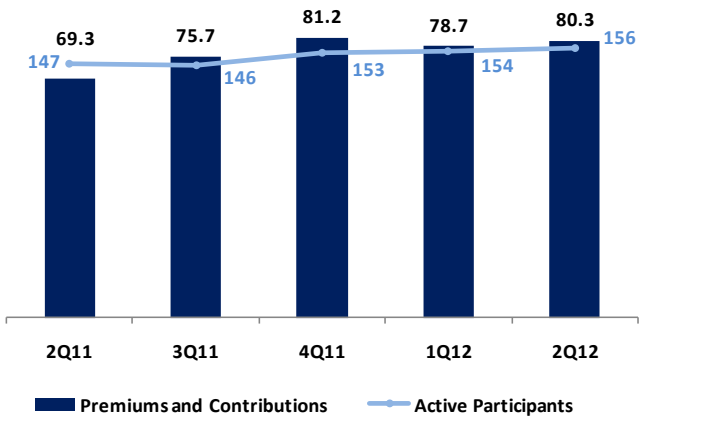
| *Pension Plan* | 2Q12 | 2Q11 | Var. % | 1H12 | 1H11 | Var. % |
|---|---|---|---|---|---|---|
| Pension Plan Contribution - PGBL (R$ million) | 40.3 | 36.1 | 11.6 | 81.3 | 73.2 | 11.1 |
| Premiums - VGBL (R$ million) | 40.0 | 33.2 | 20.5 | 77.7 | 63.1 | 23.1 |
| Total Pension Plan (R$ million) | 80.3 | 69.3 | 15.9 | 159.0 | 136.3 | 16.7 |
| Mathematical Reserves (R$ million) | 1,972.0 | 1,630.9 | 20.9 | 1,972.0 | 1,630.9 | 20.9 |
| Total Active Participants (thousands) | 156 | 147 | 6.1 | 156 | 147 | 6.1 |

- Total contributions for pension plans reached R$80 million in 2Q2012, an increase of 16% over 2Q2011. This was driven by growth in the number of active participants and by growth of the average contribution in the period (5% in PGBL product and 6% in VGBL product).
- The mathematical reserves reached R$2 billion in the quarter, reaching ans expressive growth of 21%.

**Assets under Management** (R$ billion)




***Active Participants** (thousand) **and Contributions** (R$ million)




* Pension Contributions + VGBL Written Premiums

COMMENTS ON PERFORMANCE

# G&A and Operational Revenues and Expenses - Insurance

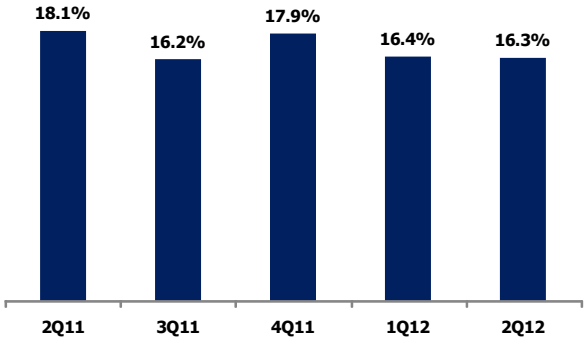
## G&A - Insurance

| Administrative Expenses - Insurance | | | | | | |
|---|---|---|---|---|---|---|
| *R$ thousand* | 2T12 | 2T11 | Var. % | 1S12 | 1S11 | Var. % |
| Diverse Administrative Expenses | 335,138 | 329,650 | 1.7 | 670,919 | 634,662 | 5.7 |
| Advertising | 14,554 | 23,281 | (37.5) | 31,693 | 36,997 | (14.3) |
| Profit Sharing | 31,006 | 21,158 | 46.5 | 56,735 | 47,394 | 19.7 |
| Other | 380,698 | 374,089 | 1.8 | 759,347 | 719,053 | 5.6 |
| Incentive Points[1] | - | 11,705 | (100.0) | - | 22,082 | (100.0) |
| Total Administrative Expenses | 380,698 | 385,794 | (1.3) | 759,347 | 741,135 | 2.5 |
| Total Administrative Expenses - Excluding Profit Sharing | 349,692 | 364,636 | (4.1) | 702,612 | 693,741 | 1.3 |

[1] On August 2011 was ended the transfer of incentive points from the Porto Visa Credit Card.

- Insurance G&A totaled R$381 million in 2Q12, a reduction of 1.8% in comparison to the R$374 million registered in 2Q11. The better operational efficiency is due to the Company efforts to enhance process and reduce operational expenses.
- Investments that have been done to optimize process and systems are helping to reduce expenses. This is part of our strategy in order to gain operational efficiency over the next years.
- The G&A ratio achieved 16.3% of the earned premiums in the quarter, a reduction of 1.8 percentage points in comparison to the 2Q11. In the 1H12 the reduction was of 1.0 p.p.

**G&A - Insurance**




## Other Operational Expenses/Revenues

| *Other Operational Expenses/Revenues - Insurance* | | | | | | |
|---|---|---|---|---|---|---|
| *R$ thousand* | 2Q12 | 2Q11 | Var. % | 2Q12 | 2Q11 | Var. % |
| Other Operating Revenues - Insurance | 100.0 | 113.6 | (12.0) | 220.6 | 226.9 | (2.8) |
| Other Operating Expenses - Other Companies | (110.9) | (110.4) | 0.5 | (228.0) | (208.5) | 9.4 |
| Total Other Operational Expenses/Revenues | (10.9) | 3.2 | (440.6) | (7.4) | 18.4 | (140.2) |
| Index (vs premiums) Var p.p | 0.5 | (0.2) | 0.7 | 0.2 | (0.5) | 0.7 |

- Other operational income - insurance totaled R$100 million in 2Q2012, a reduction of 12% above the total of R$113 in 2Q2011, principally related to the reduction in income from policy insurance fees, due to the change in the regulations in force, reducing the amount of charge from R$100.00 to R$60.00 (Susep - May/2012).
- Other operational expenses - insurance totaled R$111 million in 2Q2012, an increase of 0.5% in relation to 2Q2011, remaining almost stable in the period.

COMMENTS ON PERFORMANCE

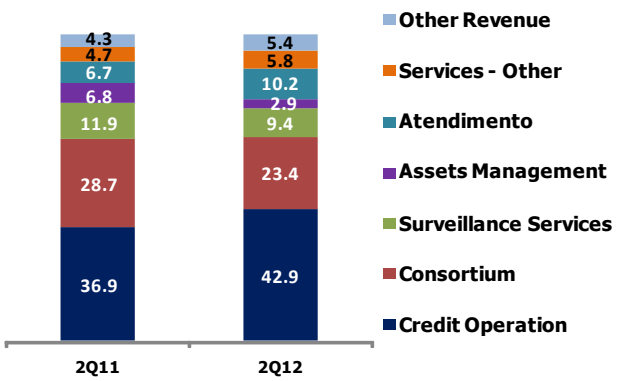
# Other Business - Operating Results

## Operating Results - Other Business (non insurance)

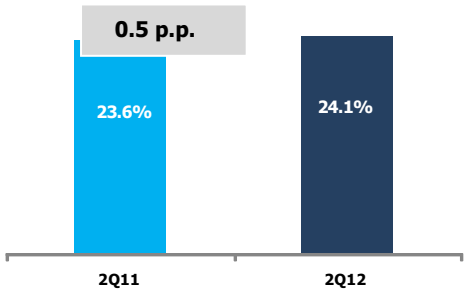
| Summarized Income Statement - Non Insurance* | | | | | | |
|---|---|---|---|---|---|---|
| (R$ thousand) | 2Q12 | 2Q11 | Var. % | 1H12 | 1H11 | Var. % |
| Revenues from Credit Operation | 80,228 | 51,193 | 56.7 | 150,123 | 96,411 | 55.7 |
| Revenues from Services - services | 104,184 | 87,807 | 18.7 | 206,504 | 166,898 | 23.7 |
| **TOTAL REVENUE** | **184,412** | **139,000** | **32.7** | **356,627** | **263,309** | **35.4** |
| Cost of Financial Intermediation | (10,365) | (9,878) | 4.9 | (22,215) | (18,350) | 21.1 |
| Provision for doubtful accounts - Financial | (14,318) | (10,354) | 38.3 | (29,761) | (20,599) | 44.5 |
| Costs of services rendered | (17,627) | (10,683) | 65.0 | (34,861) | (18,899) | 84.5 |
| Tax | (18,441) | (14,936) | 23.5 | (36,478) | (28,214) | 29.3 |
| Commercial Expenses | (14,665) | (14,315) | 2.4 | (31,854) | (25,828) | 23.3 |
| Other Operational Revenues/Expenses | 20,171 | 17,085 | 18.1 | 46,872 | 31,795 | 47.4 |
| G&A | (87,687) | (61,979) | 41.5 | (183,824) | (117,642) | 56.3 |
| **OPERATING INCOME** | **41,480** | **33,940** | **22.2** | **64,506** | **65,572** | **(1.6)** |
| Financial Results | 9,982 | 7,326 | 36.3 | 20,079 | 13,012 | 54.3 |
| **INCOME BEFORE TAX** | **51,462** | **41,266** | **24.7** | **84,585** | **78,584** | **7.6** |
| Income Tax and Social Contribution | (12,721) | (14,969) | (15.0) | (24,918) | (28,164) | (11.5) |
| Profit Sharing | (4,212) | (1,869) | 125.4 | (7,302) | (4,042) | 80.7 |
| **NET INCOME** | **34,529** | **24,428** | **41.4** | **52,365** | **46,378** | **12.9** |
| **Shareholders' Equity** | **533,483** | **421,661** | **26.5** | **533,483** | **421,661** | **26.5** |
| **ROAE** | **26.3%** | **23.3%** | **3.0** | **21.6%** | **23.1%** | **(1.5)** |

* Non Insurance Companies and excluding the Holding effects

**% Revenues Breakdown - Other Business (%)**




***% Other Business in Net Earnings**




* Total Net Earnings (without Business Combination)

- Total income from other businesses (non insurance) reached R$184 million in 2Q2012, 33% above 2Q2011, basically driven by the increase in income from credit operations (credit card + financing).

- The consolidated Return on Equity (ROAE) from other businesses totaled 26.3%, an increase of 3.0 percentage points. This is explained essestially by the Portoseg Company performance (financing and credit operation).

# Other Business

## Credit and Financing

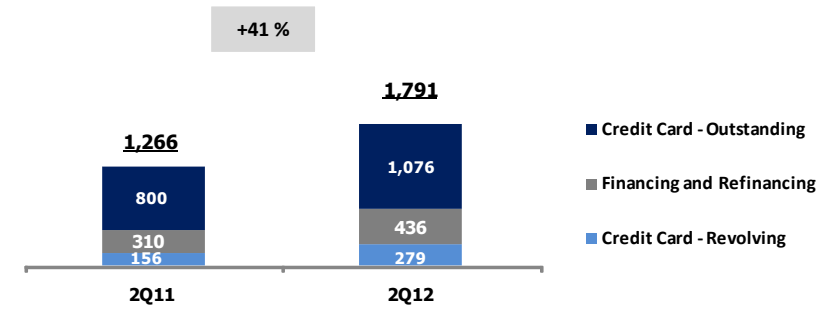
| *Credit Operations (Portoseg)* | 2Q12 | 2Q11 | Var. % | 2Q12 | 2Q11 | Var. % |
|---|---|---|---|---|---|---|
| Total Credit Cards (thousand) | 79.6 | 50.7 | 57.0 | 148.0 | 95.6 | 54.8 |
| Allowance for portfolio doubtful accounts (R$ million) | 4.0 | 4.0 | 0.0 | 4.0 | 4.0 | 0.0 |
| Total Financing Clients (thousand | 30 | 25 | 20.0 | 30 | 25 | 20.0 |
| Credit Card Clients (thousand) | 931 | 868 | 7.3 | 931 | 868 | 7.3 |

- Income from credit operations totaled R$80 million in 2Q12, an increase of 57%, mostly as a result of the growth of new clients in financings and credit cards and because of the increase in average expenditures of credit card customers

- The delinquency rate of 4,5% remained below average for the market (8%) (Source: Banco Central do Brasil). The delinquency has remained stable in the last 5 quarters.

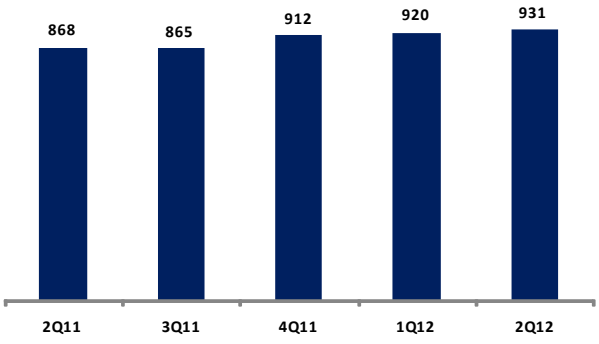
- The total credit portfolio totaled R$1.8 billion at the end of 2Q2012 (including the total amount of payments falling due).

**Credit Operation Portfolio (R$ million) ***

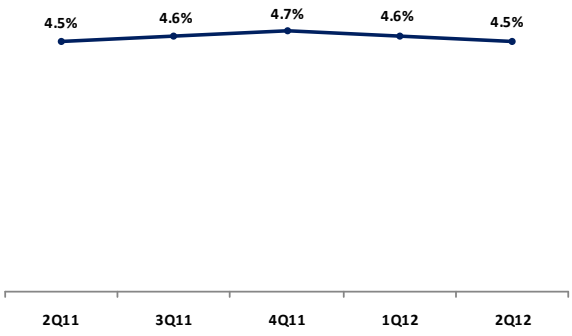



* Portfolio position at the end of each period

**Credit Card** (thousands of units)*




**Deliquency over 90 days**




* Cards apt for use

COMMENTS ON PERFORMANCE

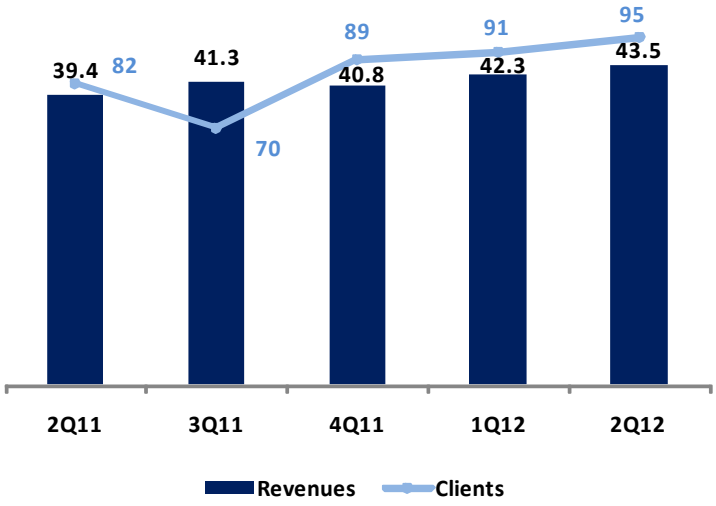
# Other Business

## Consortium

| *Consortium* | 2Q12 | 2Q11 | Var. % | 2Q12 | 2Q11 | Var. % |
|---|---|---|---|---|---|---|
| Revenues from Consortium operation (R$ million) | 43.5 | 39.4 | 10.4 | 85.8 | 74.4 | 15.3 |
| Consortium Members (thousand)* | 95 | 82 | 15.9 | 95 | 82 | 15.9 |

- The income from service payments for consortiums totaled R$44 million in 2Q2012, an increase of 10% driven by the growth in the number of vehicle consortiums. Since December 2011, the Brazilian Central Bank - Bacen established that consortium of groups at work that paid off all debt also should be considered active clients. New regulations changed the criteria for counting the number of consortium members.

**Total Revenues** (R$ million) **and Active Clients** (thousand)

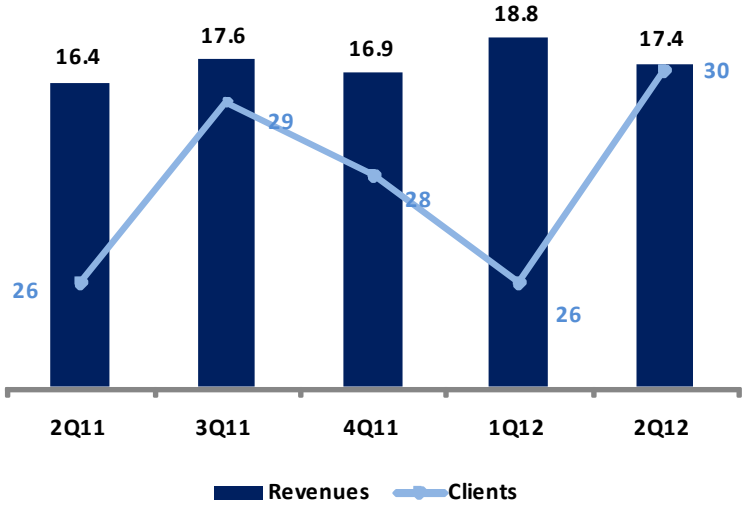



## Surveillance and Monitoring

| *Surveillance and Monitoring* | 2Q12 | 2Q11 | Var. % | 2Q12 | 2Q11 | Var. % |
|---|---|---|---|---|---|---|
| Revenues (R$ million) | 17.4 | 16.4 | 6.1 | 36.2 | 31.7 | 14.2 |
| Clients (thousand) | 30 | 26 | 15.4 | 30 | 26 | 15.4 |

- Income from payments for the monitoring service increased 6% in 2Q2012, totaling R$ 17 million. This resulted from the 15% increase in the number of clients, partially offset by the mix product change, with lower average premium products (wireless equipments and track devices - DAF).

**Total Revenues** (R$ million) **and Active Clients** (thousand)



## Financial Income/Expenses

| Financial Revenues | 2Q12 | 1Q11 | Var. % | 1H12 | 1H11 | Var. % |
|---|---|---|---|---|---|---|
| Investment - Ex-Pension Plan | 145.4 | 141.1 | 3.0 | 326.1 | 292.6 | 11.4 |
| Investment - Pension Plan (*) | 91.3 | 29.2 | 212.8 | 182.9 | 79.3 | 130.7 |
| Total Investment | 236.7 | 170.3 | 39.0 | 509.0 | 371.9 | 36.9 |
| Other Revenues | 85.7 | 83.3 | 2.9 | 168.8 | 157.5 | 7.2 |
| **Total Financial Income** | **322.4** | **253.6** | **27.1** | **677.8** | **529.4** | **28.0** |

(*) Pension funds retail and own Revenues

| Financial Expenses | 2Q12 | 1Q11 | Var. % | 1H12 | 1H11 | Var. % |
|---|---|---|---|---|---|---|
| Pension Plan Operations | 55.2 | 29.3 | 88.2 | 113.4 | 71.0 | 59.7 |
| Other Expenses | **36.2** | **40.9** | **(11.5)** | **72.0** | **68.1** | **5.7** |
| **Total Financial Expenses** | **91.4** | **70.2** | **30.1** | **185.3** | **139.1** | **33.2** |

| Financial Income | 2Q12 | 1Q11 | Var. % | 1H12 | 1H11 | Var. % |
|---|---|---|---|---|---|---|
| **Total Financial Income** | 231.1 | 183.4 | 26.0 | 492.5 | 390.3 | 26.2 |

- The financial revenues in the second quarter of 2012 were R$322 million, which represented an increase of R$69 million (or 27%) in relation to the same period of the prior year. The Financial Result grew R$48 million (+26%).

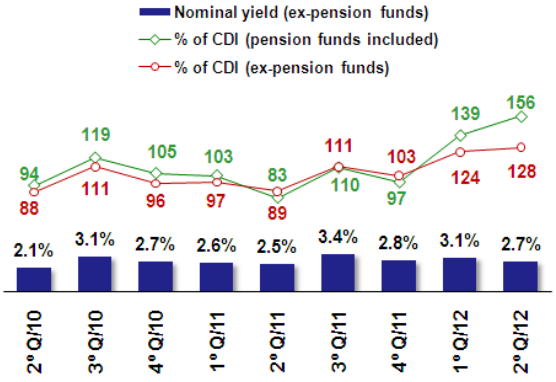
- In the second quarter, total revenue from the financial investment portfolio (R$8.4 billion) was R$237 million, which represented a profit of 3.25% (156% of CDI*). Excluding pension investments, the portfolio ($6.1 billion) showed an increase of 2.67% (128% of CDI) in value, which provided a financial income of R$145 million.

- In relation to the profitability of the financial investment portfolio, excluding pension investments, the result in the second quarter benefitted principally from the position held in inflation-linked bonds (TIPS) assisted by the fall in interest rates. In addition, we generated value trough an active management based on financial allocation in scenario x asset prices.

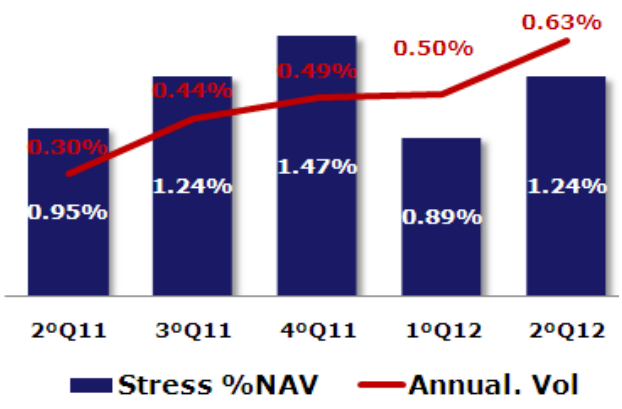
- Our asset allocation produced a relative compensation (income above the CDI rate) in an environment which the average CDI was lower— 2.1% in 2Q2012 vs. 2.6% in 2Q2011. That allocation comes from an investment strategy to aim consistent yield return.

* CDI - Risk Free Rate (Similar to LIBOR)

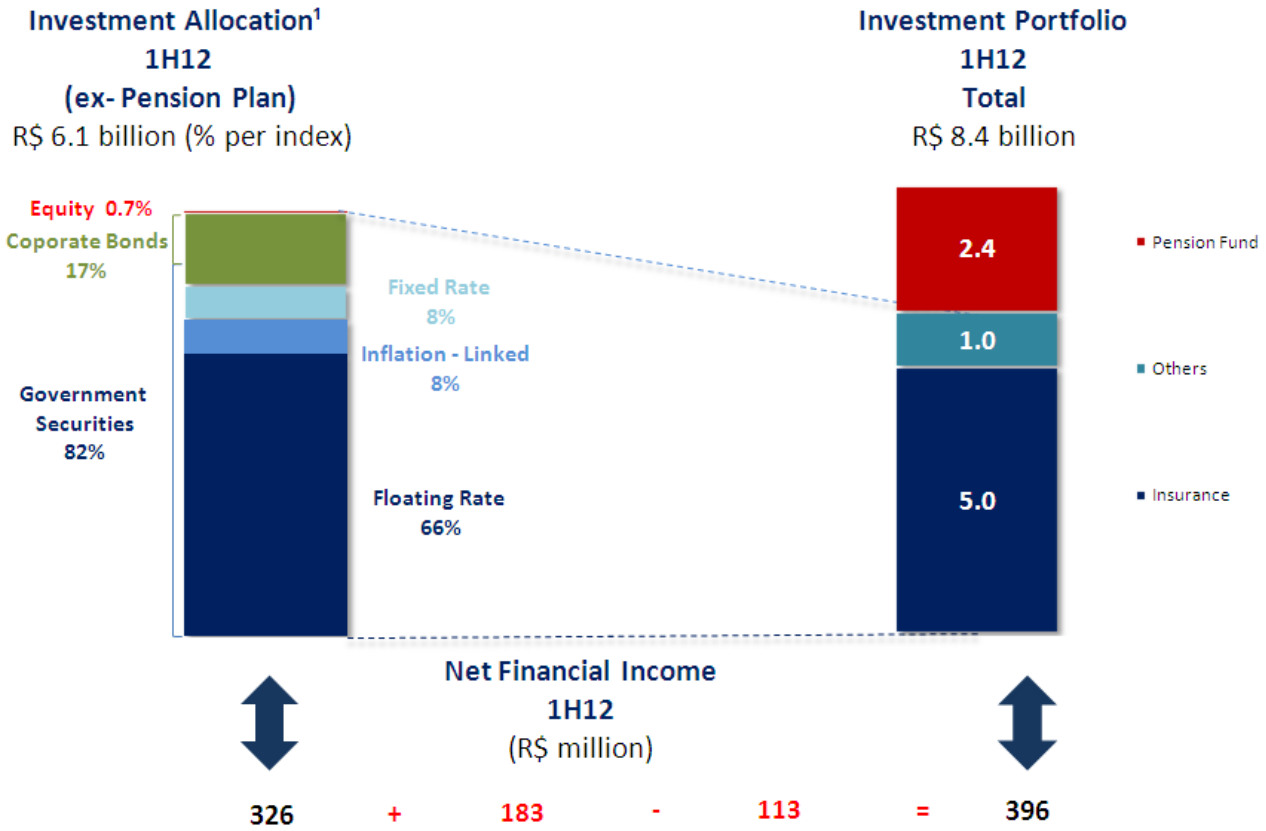
**Evolution of Profitability - Quarter**




**Risk Exposure**

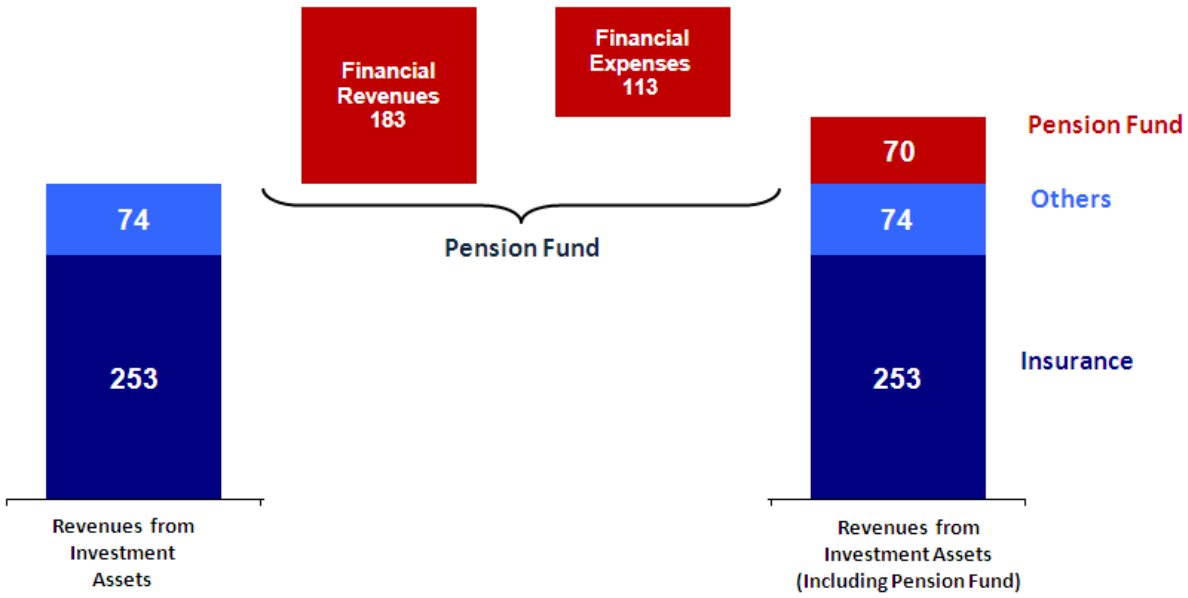


# Investment Portfolio





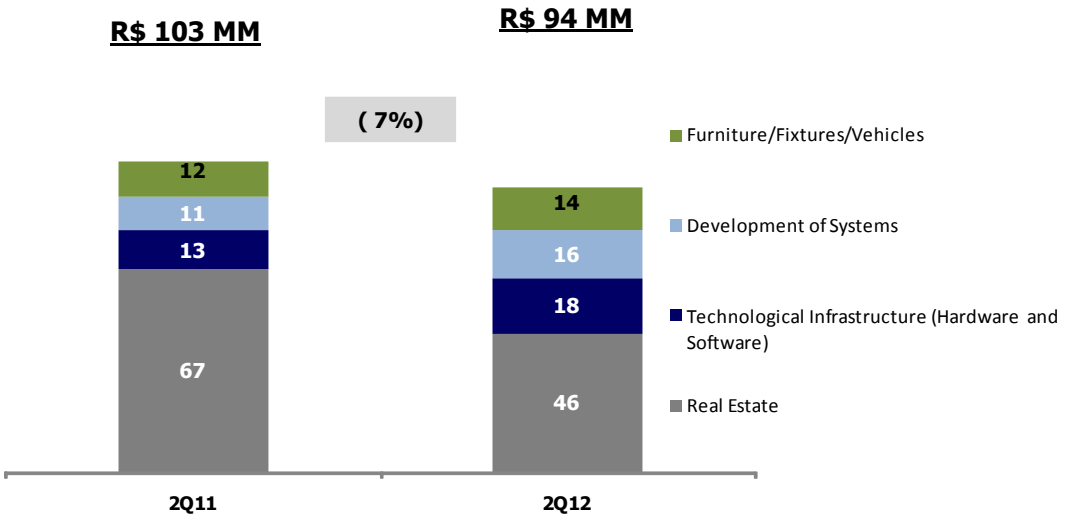





[1] Represents the portfolio exposure result of positions in the futures market

# Investiments (CAPEX)

## CAPEX Breakdown (R$ million)




- During the quarter, total investments were reduced in 7%, mainly because of the reduction in resources allocation in real state, which favored reducing expeditures with rent , repairs and improvement rather than purchasing. The investments in real state reduced 31% in comparison to 2Q11, reaching 49% of total investments.

- Highlight to the projects:
  - Construction of a new building at the headquarters complex;
  - Development of systems (CRM, SAP, among others);
  - Construction of a new data center;
  - Expansion of the medical centers.

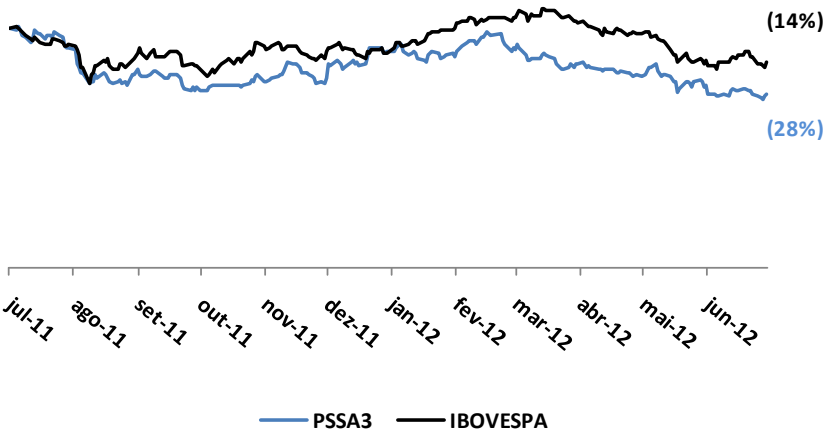
COMMENTS ON PERFORMANCE

# Historical Performance

| Historical Variation*: PSSA3 x Ibov % | |
|---|---|
| PSSA3 | IBOVESPA |
| 157 | 122 |

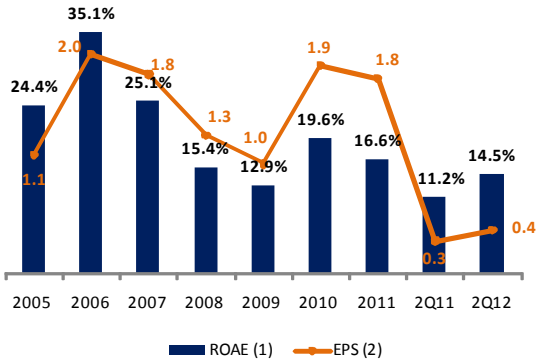
* From November 2004 (IPO) to June 2012

## Performance PSSA3 vs. Ibovespa**

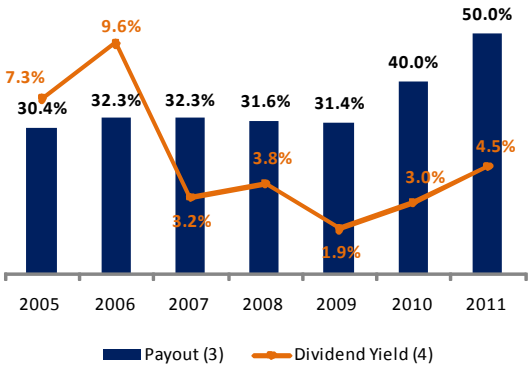



** From July 01, 2011 to June 30, 2012

## Profitability




## *Payout and Dividend Yield




## Company Data

| Porto Seguro S.A. Data | |
|---|---|
| Corporate Taxpayer' ID | 02.149.201/0001-69 |
| BM&Fbovespa | PSSA3 |
| Sector | Seguros |
| Share price in 06/30/2012 | 17.11 |
| 52 Week Low - 06/27/2012 | 16.60 |
| 52 Week High - 07/05/2011 | 23.80 |
| Number of shares in the Free Float (million) | 93.9 |
| Market Value (R$ million) in 06/30/2012 | 5.6 |
| Price Book Value in 06/30/2012 | 1.4 |

| Analysts Coverage | | |
|---|---|---|
| Firm | Analyst | Phone |
| Barclays Capital | Henrique Caldeira | 55 (11) 3757-7349 |
| Banco Fator | Iago Whately | 55 (11) 3049-9480 |
| Bradesco | Carlos Firetti | 55 (11) 2178-5363 |
| BTG Pactual | Marcelo Henriques | 55 (11) 3383-2516 |
| Deutsche Bank | Mario Pierry | 55 (11) 2113-5177 |
| Goldman Sachs | Carlos Macedo | 55 (11) 3371-0887 |
| HSBC | Paulo Ribeiro | 1 (212) 525-4430 |
| JP Morgan | Saul Martinez | 1 (212) 272-3528 |
| Lopes Filho | João Augusto Frota Salles | (21) 2210-2152 |
| Merril Lynch | Jorf Friedemann | 55 (11) 2188-4565 |
| Morgan Stanley | Jorge Kury | 1 (212) 761-6341 |
| Santander | Henrique Navarro | 55 (11) 3012-5756 |
| UBS | Philip Finch | 44 (20) 7568-3456 |
| Credit Suisse | Victor Schabbel | 55 (11) 3841-6337 |

COMMENTS ON PERFORMANCE

# Balance Sheets

(1) Return On Average Equity.

(2) Net Earnings per share in R$ (without Business Combination).

(3) Total Dividends Paid (Dividends + Interest On Capital Excluding Tax) Divided by Adjusted Net Income.

(4) Dividends Profitability in relation to the Share Price (Total Dividends Paid divided by the Share Price on the last day of the year).

**PORTO SEGURO S.A**
**BALANCE SHEETS**
**(Amounts of in thousand of reais)**

| | Consolidated | |
|---|---|---|
| | Jun/2012 | Dec/2012 |
| **Assets** | | |
| Cash and cash equivalents | 675,618 | 1,524,262 |
| Financial assets | | |
| Financial assets at fair value through income or loss | 7,495,810 | 6,702,486 |
| Financial assets available for sale | 40,841 | 30,293 |
| Insurance premium receivable | 1,933,824 | 2,019,019 |
| Credit Operations | 648,643 | 490,654 |
| Securities and amounts receivables | 1,069,911 | 1,055,333 |
| Reinsurance assets | 54,558 | 51,583 |
| Deferred Income Tax and Social Contribution | 706,914 | 651,249 |
| Taxes and contributions receivable | 154,943 | 175,336 |
| Non financial assets available for sale | 122,638 | 128,883 |
| Other assets | 774,647 | 714,373 |
| Deferred contract acquisition costs | 759,886 | 758,795 |
| Intangible assets | 1,286,647 | 1,273,910 |
| Other intangible assets | 1,286,647 | 1,273,910 |
| Real estate held as investment | 8,790 | 8,881 |
| Fixed assets | 968,228 | 886,375 |
| **Total assets** | **16,701,898** | **16,471,432** |
| **Liabilities and shareholders' equity** | | |
| Liabilities from insurance contracts | 7,305,168 | 7,032,174 |
| Debits from insurance and reinsurance operations | 447,725 | 441,187 |
| Financial liabilities | 1,567,886 | 1,602,110 |
| Taxes and contributions payable | 232,597 | 226,847 |
| Deferred Income and social contribution taxes | 412,047 | 422,601 |
| Provisions | 1,514,566 | 1,409,201 |
| Dividends and Interest on Capital payable | - | 142,028 |
| Other liabilities | 405,496 | 491,969 |
| Shareholders' Equity | | |
| **Total Shareholders' Equity** | 4,816,413 | 4,703,315 |
| Capital | 2,782,000 | 1,870,000 |
| Treasury stocks | (24,252) | (59,782) |
| Reserves | 1,779,224 | 2,751,698 |
| Retained Earnings | 274,528 | - |
| Proposed Dividends | - | 138,037 |
| **Minority interest** | 4,913 | 3,362 |
| **Total liability and Shareholders' Equity** | **16,701,898** | **16,471,432** |

COMMENTS ON PERFORMANCE

# Income Statement

**PORTO SEGURO S.A.**
**INCOME STATEMENT**
**(Unreviewed amounts of in thousand of reais)**

| | Consolidated | | | |
|---|---|---|---|---|
| | **2Q12** | **2Q11** | **1H12** | **1H11** |
| **Revenue** | | | | |
| Written insurance premiums and pension plan contribution | | | | |
| - Insurance | 2,237,675 | 2,032,936 | 4,432,962 | 4,043,359 |
| - Private pension | 40,265 | 36,122 | 81,299 | 73,243 |
| (-) Reinsurance premiums | (10,242) | (8,248) | (16,393) | (14,430) |
| Net written premiums | 2,267,698 | 2,060,810 | 4,497,868 | 4,102,172 |
| Revenue from credit operations | 79,581 | 50,701 | 147,999 | 95,592 |
| Revenue from services | 104,184 | 84,699 | 206,504 | 159,779 |
| Other operating revenues - Insurance | 99,994 | 113,645 | 220,624 | 226,852 |
| Other operating revenues - Other | 56,705 | 34,365 | 111,059 | 69,956 |
| Revenue from rent of properties | 1,973 | 2,090 | 4,071 | 3,784 |
| | **2,610,135** | **2,346,310** | **5,188,125** | **4,658,135** |
| **Expenses** | | | | |
| - Insurance | (84,727) | (12,276) | (117,725) | (25,896) |
| - Pension plan products | (40,913) | (59,244) | (81,200) | (95,500) |
| Changes in net technical provisions | (125,640) | (71,520) | (198,925) | (121,396) |
| Gross retained claims | (1,440,355) | (1,329,336) | (2,916,863) | (2,693,104) |
| Supplementary pension plan benefits | (2,132) | (1,891) | (3,876) | (3,386) |
| (-) Recovery of reinsurers | 8,861 | 5,980 | 23,647 | 7,802 |
| (-) Recovery of salvage vehicles and reimbursements | 139,083 | 131,183 | 271,750 | 293,870 |
| Expenses with claims and credited benefits, net | (1,294,543) | (1,194,064) | (2,625,342) | (2,394,818) |
| Amortization of deferred acquisition costs | (449,753) | (406,340) | (887,700) | (798,083) |
| Acquisition costs - other | (15,156) | (15,697) | (31,431) | (28,650) |
| Administrative expenses - Insurance | (349,692) | (364,636) | (702,612) | (693,741) |
| Administrative expenses - Other | (135,920) | (100,702) | (278,140) | (201,210) |
| Tax expenses - Insurance | (54,463) | (52,893) | (108,952) | (104,903) |
| Tax expenses - Other | (18,475) | (14,969) | (36,545) | (28,281) |
| Cost of services rendered | (17,627) | (10,683) | (34,861) | (18,899) |
| Other operating expenses - Insurance | (110,880) | (110,379) | (228,012) | (208,452) |
| Other operating expenses - Other | (57,419) | (30,360) | (108,353) | (59,191) |
| | **(2,629,568)** | **(2,372,243)** | **(5,240,873)** | **(4,657,624)** |
| **Operating result before financial result** | **(19,433)** | **(25,933)** | **(52,748)** | **511** |
| Financial revenues - Insurance | 294,915 | 238,869 | 605,358 | 495,623 |
| Financial revenues - Other | 27,541 | 14,725 | 72,482 | 33,756 |
| Financial expenses - Insurance | (91,042) | (68,613) | (184,815) | (135,867) |
| Financial expenses - Other | (285) | (1,555) | (518) | (3,178) |
| | **231,129** | **183,426** | **492,507** | **390,334** |
| **Operating income** | **211,696** | **157,493** | **439,759** | **390,845** |
| **Income before income and social contribution taxes** | **211,696** | **157,493** | **439,759** | **390,845** |
| Income ans social contribution taxes | (75,895) | (63,153) | (166,163) | (152,950) |
| Current | (102,533) | (87,323) | (221,855) | (198,304) |
| Deferred | 26,638 | 24,170 | 55,692 | 45,354 |
| **Net income for the year** | **135,801** | **94,340** | **273,596** | **237,895** |
| **Attributable to** | | | | |
| - Shareholders of the Company | 136,500 | 94,311 | 274,528 | 237,824 |
| -In subsidiaries Not Controlling Minority Shareholders | (699) | 29 | (932) | 71 |
| Effective Tax Rate: Tax and Social Contribution Over Net Income before Tax | **35.9%** | **40.1%** | **37.8%** | **39.1%** |

COMMENTS ON PERFORMANCE

# Cash Flow

**STATEMENTS OF CASH FLOWS**
**FOR THE PERIODS ENDED JUNE 30, 2012 AND DECEMBER 31, 2011**
**(In thousands of reais)**

| | Consolidated | |
|---|---|---|
| | Jun/2012 | Dec/2011 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| NET INCOME FOR THE PERIOD | 273,596 | 580,167 |
| Depreciation | 31,637 | 73,030 |
| Amortization | 36,492 | 77,171 |
| Proceeds from sale of fixed assets | (6,175) | 16,450 |
| Adjusted net income | 335,550 | 746,818 |
| | | |
| (Increase) decrease in assets | - | - |
| Financial assets at fair value through profit or loss | (793,324) | (819,927) |
| Available-for-sale financial assets | (10,548) | 278,308 |
| Premiums receivable from policyholders | 85,195 | (92,868) |
| Credit operations | (157,989) | (123,918) |
| Notes and credits receivable | (14,578) | (288,889) |
| Reinsurance assets | (2,975) | 7,459 |
| Deferred income tax and social contribution | (55,665) | (107,857) |
| Tax and contribution recoverable | 20,393 | (53,681) |
| Non-financial assets held for sale | 6,245 | (36,121) |
| Other assets | (60,274) | (157,696) |
| Acquisition costs of deferred contracts | (1,091) | (61,977) |
| | (984,611) | (1,457,167) |
| Increase (decrease) in liabilities | | |
| Liabilities of insurance contracts | 272,994 | 623,108 |
| Insurance and reinsurance payables | 6,538 | 73,186 |
| Financial liabilities | (34,224) | 538,473 |
| Taxes and contributions payable | 1,760 | (14,438) |
| Deferred income tax and social contribution | (10,554) | (24,104) |
| Provisions | 105,365 | 198,582 |
| Other liabilities | (86,474) | 15,329 |
| | 255,405 | 1,410,136 |
| | | |
| Other changes | | |
| Financial instrument adjustments | (692) | 1,641 |
| Non-controlling interest | 2,483 | 2,318 |
| | 1,791 | 3,959 |
| | | |
| NET CASH GENERATED BY OPERATING ACTIVITIES | (391,865) | 703,746 |
| | | |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Sale of fixed assets | 11,107 | (2,252) |
| Acquisition of fixed assets | (118,331) | (306,032) |
| Investments on Intangible | (49,229) | (62,502) |
| CASH FLOW FROM INVESTMENT ACTIVITIES | (156,453) | (370,786) |
| | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Treasury shares | (24,252) | (59,782) |
| Distribution of interest on capital and dividends | (276,074) | (236,133) |
| NET CASH USED IN FINANCING ACTIVITIES | (300,326) | (295,915) |
| | | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (848,644) | 37,045 |
| | | |
| 'CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 1,524,262 | 1,487,217 |
| 'CASH AND CASH EQUIVALENTS AT END OF PERIOD | 675,618 | 1,524,262 |
| | | |
| INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS | (848,644) | 37,045 |

**Notes to the Quarterly Information**

## 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. floor, in the city and State of São Paulo, Brazil. The Company's shares are traded in the New Market (code PSSA3), a special section of the Brazilian Stock, Commodities and Futures Exchange (BM&FBOVESPA). The Company's objective is 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, 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 activities of the Company's subsidiaries are as follows:

### (a) All lines of insurance

(i) Porto Seguro Companhia de Seguros Gerais ("Porto Seguro") - A direct subsidiary of the Company (99.99%), established on September 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. ("Itaú Auto e Residência") - 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**

(vii) 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.

(viii) Portoseg S.A. - Crédito, Financiamento e Investimento ("Portoseg") - A direct subsidiary of the Company (99.99%), established on November 9, 2001. Its main objective is to finance the acquisition of assets, services, working capital and credit card operations.

(ix) Portopar Distribuidora de Títulos e Valores Mobiliários Ltda. ("Portopar") - A direct subsidiary of the Company (99.99%), established on April 8, 1991 to manage investment funds and financial assets.

**(c) Service provision and sale of asset security system electronic monitoring equipment**

(x) Porto Seguro Proteção e Monitoramento Ltda. ("Proteção e Monitoramento") - A direct subsidiary of the Company (99.98%), established on January 9, 1998, with the purpose of rendering services related to electronic protection and surveillance.

**(d) Activities related, additional or supplemental to the insurance activity and other activities described above**

(xi) Portoserv Promotora de Serviços Ltda. ("Portoserv") - A direct subsidiary of the Company (99.50%), established on April 18, 1979, with the purpose of providing services related to the agency, promotion, support and management of sales.

(xii) Crediporto Promotora de Serviços Ltda. ("Crediporto") - A direct subsidiary of the Company (99.80%), established on November 1, 2006, with the purpose of providing loans and financing for consumption.

(xiii) 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.

(xiv) Porto Seguro Serviços Médicos Ltda. ("Serviços Médicos") - A direct subsidiary of the Company (99.99%), established on July 15, 1996, with the purpose of providing health medical control programs, emergency care and administrative advisory services to doctors and health operators.

(xv) 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 healthcare plans.

(xvi) Porto Seguro Serviços Odontológicos S.A. ("Porto Odonto") - A direct subsidiary of the Company (99.00%) since June 27, 2011 whose main purpose is to operate private dental plans. The beginning of its operations is subject to authorization of the National Supplementary Health Plan Agency (ANS).

(xvii) Porto Seguro Serviços e Comércio S.A. ("Porto Seguro Serviços") - A direct subsidiary of the Company (99.99%), established on February 14, 2008 to provide services related, supplementary or connected to insurance activities.

(xviii) Porto Seguro Atendimento S.A. ("Porto Seguro Atendimento") - A subsidiary of Porto Seguro Serviços (99.94%), established on March 20, 2009 to provide telemarketing, call center and general customer services.

(xix) Porto Seguro Telecomunicações S.A. ("Porto Telecomunicações") - A subsidiary of Porto Seguro Serviços (70.00%) since December 14, 2010 which provides telecommunication and related services that enable the promotion and expansion of activities related, connected and supplementary to insurance and surveillance and financial activities.

(xx) Porto Seguro Serviços de Gerenciamento de Informações S.A. (Porto Ger. Info), controlled by Porto Telecomunicações (99.99%), was established on May 4, 2012 to provide information management, information technology, added value and software development services. As at June 30, 2012, the Company has not started to operate.

(xxi) Porto Seguro Capitalização S.A. (Porto Capitalização), controlled by Porto Cia (99.99%), was established on May 7, 2012 to manage and sell capitalization certificates. As at June 30, 2012, the Company has not started to operate.

(xxii) Porto Seguro Investimentos Ltda. (Porto Investimentos), a direct subsidiary (99.00%), was established on May 30, 2012 to manage and administer securities portfolios, investment funds and other third-party funds. It is awaiting the operating license to be issued by the regulatory agency (Brazilian Securities Commission (CVM)).

## 2. Summary of significant accounting policies

The accounting practices and calculation methods used in preparing this interim financial information were the same adopted in preparing the annual financial statements of Porto Seguro for the year ended December 31, 2011, except for the item described in note 2.2.

## 2.1. Basis of preparation - Individual and consolidated interim financial information

The individual interim financial information has been prepared and is presented in accordance with technical pronouncement CPC 21 - Interim Financial Reporting. The consolidated interim financial information have been prepared and are presented in accordance with technical pronouncement CPC 21 and International Standard on Auditing (IAS 34) - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to the preparation of Interim Financial Information (ITR) and prepared in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Certain notes previously disclosed in the financial statements for the year ended December 31, 2011 have not been included in this interim financial information. However, the significant changes occurred in the period are indicated in this interim financial information. Therefore, this financial information should be read together with Porto Seguro's financial statements for the year ended December 31, 2011, available on from the website of the Company (www.portoseguro.com.br/ri) and CVM (www.cvm.gov.br). The notes not included in this interim financial information are listed in note 38.

The issue of these financial statements was authorized by the Board of Directors on August 2, 2012.

## 2.2. Reclassification

The following items were reclassified in the consolidated balance sheet as at December 31, 2011, as well as in the 2011 income statements:

- The amount of R$758,795 was reclassified from "Intangible assets" in noncurrent assets to "Other assets" in current and noncurrent assets, so as to align the Company's consolidated financial statements with the individual financial statements of subsidiaries;
- The amount of R$323,355 was reclassified from "Recoverable taxes and contributions" (current assets) to "Taxes and contributions payable" (current liabilities), relating to prepayments of income tax and social contribution for the current year.
- The amount of R$33,535 was reclassified from "Other assets" to "Reinsurance assets", in accordance with SUSEP Circular 430/12, which introduced changes in the accounting for the financial statements of insurance companies and open-ended supplementary pension entities;
- Other changes (immaterial) arising out of SUSEP Circular 430/12.

## 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. There were no significant changes in the criteria used to prepare estimates in relation to the financial statements for the year ended December 31, 2011.

## 4. Management of risks arising from financial instruments and insurance contracts

### 4.1. Insurance risk management

Porto Seguro offers to individuals, corporations and public entities in Brazil and Uruguay, through its direct and indirect subsidiaries Porto Seguro, Porto Saúde, Porto Vida, Azul Seguros, Itaú Auto e Residência and Porto Seguro Uruguay, a wide range of insurance products, including automobile, health, property, life, transportation and pension plan.

The Company's risk underwriting objective is to develop its insurance business portfolio on a conservative and profitable basis. Porto Seguro 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 relative to each business line.

There were no significant changes in the insurance risk exposure in the second quarter of 2012, when compared to December 31, 2011. The changes occurred derive from the normal growth of Porto Seguro’s operations.

### 4.2. Financial risk management

Porto Seguro is exposed to financial risks associated with its investment portfolio. In order to mitigate these risks, the Asset Liability Management - ALM 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) liquidity risk, which is related to possible lack of cash to cover the Company's future obligations; (b) market risk, which is associated with the possibility of incurring losses due to variations in market prices of positions maintained in the portfolio; (c) credit risk, associated with the possibility of non-performance by a counterparty on a contract as established between the parties.

**Notes to the Quarterly Information**

Porto Seguro'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.

Porto Seguro 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 conditions 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.

### (a) Liquidity risk

In the case of certain products, such as private pension, the duration of the assets may be shorter than that of the liabilities and, in this case, the liquidity risk is mitigated through the reinvestment of funds in securities with a longer duration upon the receipt of interest and on maturity of these assets. Additionally, the Company's own funds may be used to meet obligations assumed when necessary. The Company is exposed to the following liquidity risk:

# Notes to the Quarterly Information

June 2012

| | Contractual and undiscuounted cash flow (1) | | | | | | Consolidated accouting balance |
|---|---|---|---|---|---|---|---|
| | No stated maturity | 0 to 30 days | 1 to 6 months | 6 to 12 months | Over 1 year | Total | |
| **Total cash and cash equivaltents** | **70,107** | **605,511** | **-** | **-** | **-** | **675,618** | **675,618** |
| - Financial assets at fair value through profit and loss | | | | | | | |
| Fixed-rate assets - public | - | 11,167 | - | - | 4,056,570 | 4,067,737 | **4,067,737** |
| Floting-rate assets - public | - | 382,556 | 7 | 12,619 | 502,845 | 898,027 | **792,769** |
| Floting-rate assets - private | - | 5,815 | 35,067 | 128,920 | 1,157,560 | 1,327,362 | **1,100,798** |
| Inflation indexes | - | 7,586 | 33,560 | 37,144 | 1,357,139 | 1,435,429 | **1,435,429** |
| Shares | 82,719 | - | - | - | - | 82,719 | **82,719** |
| Other | - | 7,034 | 9,266 | 58 | - | 16,358 | **16,358** |
| - Financial assets - Available for sale | | | | | | | |
| Shares | 10,200 | - | - | - | - | 10,200 | **10,200** |
| Investment fund quotas | 30,641 | - | - | - | - | 30,641 | **30,641** |
| **Total financial investments** | **123,560** | **414,158** | **77,900** | **178,741** | **7,074,114** | **7,868,473** | **7,536,651** |
| - Loans and receivables Premiums receivables from policyholders | - | 543,081 | 951,555 | 157,054 | 31 | 1,651,721 | **1,933,824** |
| Lending operations | - | 744,527 | 86,720 | - | - | 831,247 | **648,643** |
| Notes and credits | - | 1,069,911 | - | - | - | 1,069,911 | **1,069,911** |
| Reinsurance assets | 9,259 | - | - | - | - | 9,259 | **9,259** |
| **Total financial and insurance contract assets** | **202,926** | **3,377,188** | **1,116,175** | **335,795** | **7,074,145** | **12,106,229** | **11,873,906** |
| Liabilities of insurance contracts (2) | - | 544,960 | 1,650,011 | 854,277 | 3,303,856 | 6,353,104 | **7,305,168** |
| Insurance and reinsurance payables | 78,234 | 95,725 | 163,500 | 24,856 | 6 | 362,321 | **447,725** |
| Loans and financing | - | 33,144 | 318,439 | 128,615 | - | 480,198 | **480,198** |
| Credit cards | - | 75,073 | 721,290 | 291,325 | - | 1,087,688 | **1,087,688** |
| **Total financial liabilities and liabilities of insurance contracts** | **78,234** | **748,902** | **2,853,240** | **1,299,073** | **3,303,862** | **8,283,311** | **9,320,779** |

# Notes to the Quarterly Information

| | | | | | | | December 2011 |
|---|---|---|---|---|---|---|---|
| | | Contractual and undiscuounted cash flow (1) | | | | | Consolidated accouting balance |
| | No stated maturity | 0 to 30 days | 1to 6 months | 6 to 12 months | Over 1year | Total | |
| **Total cash and cash equivaltents** | **46,921** | **1,477,341** | **-** | **-** | **-** | **1,524,262** | **1,524,262** |
| - Financial assets at fair value through profit and loss | | | | | | | |
| Fixed-rate assets - public | - | 11,744 | 2,440 | 2,321 | 2,302,391 | 2,318,896 | 2,318,896 |
| Floting-rate assets - public | - | 342,797 | 890 | 3 | 904,377 | 1,248,067 | 1,021,072 |
| Floting-rate assets - private | - | - | 440,408 | 29,931 | 671,090 | 1,141,429 | 952,003 |
| Inflation indexes | - | - | 64,610 | 94,851 | 2,113,072 | 2,272,533 | 2,272,533 |
| Shares | 103,653 | - | - | - | - | 103,653 | 103,653 |
| Other | - | 14,240 | 16,122 | 3,967 | - | 34,329 | 34,329 |
| - Financial assets - Available for sale | | | | | | | |
| Shares | 10,349 | - | - | - | - | 10,349 | 10,349 |
| Investment fund quotas | 19,944 | - | - | - | - | 19,944 | 19,944 |
| **Total financial investments** | **133,946** | **368,781** | **524,470** | **131,073** | **5,990,930** | **7,149,200** | **6,732,779** |
| - Loans and receivables | | | | | | | |
| Premiums receivables from policyholders | - | 723,913 | 1,092,787 | 92,029 | 136 | 1,908,865 | 2,019,019 |
| Lending operations | - | 559,847 | 62,685 | - | - | 622,532 | 490,654 |
| Notes and credits | - | 1,055,333 | - | - | - | 1,055,333 | 1,055,333 |
| Reinsurance assets | 5,567 | - | - | - | - | 5,567 | 5,567 |
| **Total financial and insurance contract assets** | **186,434** | **4,185,215** | **1,679,942** | **223,102** | **5,991,066** | **12,265,759** | **11,827,614** |
| Liabilities of insurance contracts (2) | - | 636,427 | 1,705,142 | 943,264 | 3,624,192 | 6,909,025 | 7,032,174 |
| Insurance and reinsurance payables | 41,041 | 135,082 | 197,836 | 16,661 | 25 | 390,645 | 441,187 |
| Loans and financing | - | 150,992 | 104,135 | 268,137 | - | 523,264 | 523,264 |
| Credit cards | - | 311,310 | 214,702 | 552,834 | - | 1,078,846 | 1,078,846 |
| **Total financial liabilities and liabilities of insurance contracts** | **41,041** | **1,233,811** | **2,221,815** | **1,780,896** | **3,624,217** | **8,901,780** | **9,075,471** |

(1) Estimated cash flows based on management's judgment and studies of the period policyholders remain in the pension plan with the redemption option, expiration of risk of insurance contracts, and the best management expectation as to the date of settlement of estimated claims. This flow was estimated up to the expected date of payment.

(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.

**Notes to the Quarterly Information**

## (b) Market risk

The table below presents a sensitivity analysis of financial instruments at fair value valor through profit or loss, based on the scenarios estimated by Management, as at June 30, 2012. 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, an increase of 25% and 50%, respectively, was used, as recommended by Brazilian Securities Commission (CVM) Instruction No 475/ 2008.

| Operation | Risk | Probable scenario | Possible scenario (25%) | Remote scenario (50%) |
|---|---|---|---|---|
| Fixed rate | Fixed interest rates | (3,799) | (8,920) | (12,957) |
| Inflation | Copupon rate of price indexes | (98,716) | (82,758) | (143,463) |
| Variable income | Share prices | (7,463) | (10,975) | (21,950) |
| *IGP-M Swap* | coupon rate of prices indexes | (890) | (1,105) | (1,317) |

The table below presents a description of the above sensitivity analysis, indicating the assumptions used, taking into consideration management's best estimate, of a probable scenario, of a reasonable expected change in these variables and possible impacts on the Company's profit or loss and equity:

| | | | | June 2012 |
|---|---|---|---|---|
| **Classes** | **Assumptions** | **Consolidated accounting balance** | **Change- proft or loss equity** | **New balance** |
| Fixed-rate assets | | | | |
| Public | Increase of 2.4% in rate | 4,067,737 | (40,575) | 4,027,162 |
| Floating-rate assets | | | | |
| Public | Increase of 0.30% Over | 792,769 | (12) | 792,757 |
| Private | Increase to 112% of CDI | 1,100,798 | - | 1,100,798 |
| Inflation | Increase of 0.75% in coupon rate | 1,435,429 | (147,430) | 1,287,999 |
| Shares | Decrease of 18% | 82,719 | (12,407) | 70,312 |
| Other | - | 57,199 | - | 57,199 |
| | | **7,536,651** | **(200,424)** | **7,336,227** |
| Impact net of tax effects (40%) | | | **(120,254)** | |

**Notes to the Quarterly Information**

| | | December 2011 | | |
|---|---|---|---|---|
| **Classes** | **Assumptions** | **Consolidated accounting balance** | **Change- proft or loss equity** | **New balance** |
| Fixed-rate assets | | | | |
| Public | Increase of 2.4% in rate | 2,318,896 | (13,651) | 2,305,245 |
| Floating-rate assets | | | | |
| Public | Increase of 0.30% Over | 1,021,072 | (7,655) | 1,013,417 |
| Private | Increase to 112% of CDI | 952,003 | (2,096) | 949,907 |
| Inflation | Increase of 0.75% in coupon rate | 2,272,533 | (65,923) | 2,206,610 |
| Shares | Decrease of 18% | 103,653 | (18,658) | 84,995 |
| Other | - | 64,622 | - | 64,622 |
| | | **6,732,779** | **(107,983)** | **6,624,796** |
| Impact net of tax effects (40%) | | | **(64,790)** | |

The sensitivity analyses of variation - profit or loss/, were estimated based on probable scenarios. There are various limitations as to alignment or not of the expected changes and the future actual results (realized or not); these actual results may differ significantly from the results estimated based on the sensitivity analyses presented in these quarterly information.

## (c) Credit risk

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. 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, when your dynamic market factors. Porto Seguro also issues lessor's guarantee 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 by the Credit Committee, and restrictions are placed on operating areas in order to limit credit risk exposure in the case of assets acquired from counterparties which are not rated.

The table below presents all financial and reinsurance assets held by the Company distributed by credit rating disclosed by well-known rating agencies. "Unrated" assets comprise mainly receivables from policyholders who do not have individual credit ratings.

## Notes to the Quarterly Information

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 contractstakes 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 confirms 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 consistency with the capital management policy, to be an essential part of the operating cycle.

**June 2012**

| | Unrated | AAA.br (Moody's) | AA | A | B | C | D | E | F | G | Consolidated accounting balance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total cash and cash equivaltents (i)** | **70,107** | **-** | **605,511** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **675,618** |
| **Total financial investments (ii)** | **40,841** | **1,100,798** | **6,395,012** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **7,536,651** |
| Loans and receivables | | | | | | | | | | | |
| Lending operations (iii) | - | - | 18,365 | 515,402 | 49,085 | 30,829 | 16,077 | 9,560 | 6,144 | 3,181 | 648,643 |
| Premiums receivables from policyholders | 1,933,824 | - | - | - | - | - | - | - | - | - | 1,933,824 |
| Notes and credits receivable | - | - | - | 1,056,282 | 10,903 | 2,109 | 474 | 119 | 16 | 8 | 1,069,911 |
| Reinsurance assets | 9,259 | - | - | - | - | - | - | - | - | - | 9,259 |
| **Maximum exposure to credit risk** | **2,054,031** | **1,100,798** | **7,018,888** | **1,571,684** | **59,988** | **32,938** | **16,551** | **9,679** | **6,160** | **3,189** | **11,873,906** |

## Notes to the Quarterly Information

December 2011

| | Unrated | AAA.br (Moody's) | AA | A | B | C | D | E | F | G | Consolidated accounting balance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total cash and cash equivaltents (i)** | **46,921** | **-** | **1,477,341** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,524,262** |
| **Total financial investments (ii)** | **30,293** | **952,003** | **5,750,483** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **6,732,779** |
| Loans and receivables | | | | | | | | | | | |
| Lending operations (iii) | - | - | 20,068 | 400,399 | 22,736 | 19,184 | 11,808 | 7,818 | 5,695 | 2,946 | 490,654 |
| Premiums receivables from policyholders | 2,019,019 | - | - | - | - | - | - | - | - | - | 2,019,019 |
| Notes and credits receivable | - | - | - | 1,044,649 | 8,794 | 1,571 | 243 | 31 | 20 | 25 | 1,055,333 |
| Reinsurance assets | 5,567 | - | - | - | - | - | - | - | - | - | 5,567 |
| **Maximum exposure to credit risk** | **2,101,800** | **952,003** | **7,247,892** | **1,445,048** | **31,530** | **20,755** | **12,051** | **7,849** | **5,715** | **2,971** | **11,827,614** |

(i) The amount classified as “No Rating” refers to amounts in cash.
(ii) Investments classified as “AAA.br” refer to floating private securities.
(iii) Refer to risk classification of the Central Bank of Brazil (Resolution 2682-CMN).
(iv) Refers to amounts receivable from current or unbilled credit card associates.

The reinsurance program and policy consider only market participants and reinsurance companies with high credit quality.

Reinsurance companies are subject to a continuous credit risk analysis process to ensure that the objectives of credit and insurance risk mitigation are achieved.

The table below presents the total financial assets and insurance contracts grouped by class of assets and divided into assets impaired and assets overdue or not yet due and not classified as impaired:

## Notes to the Quarterly Information

June 2012

| | Assets not yet due and not impaired | Assets overdue and not impaired | | | | | Assets impaired | Consolidated accounting balance |
|---|---|---|---|---|---|---|---|---|
| | | 0 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | Overt 180 days | | |
| Total cash and cash equivaltents | 675,618 | - | - | - | - | - | - | 675,618 |
| **Total financial investments** | **7,536,651** | - | - | - | - | - | - | **7,536,651** |
| Loans and receivables | | | | | | | | |
| Premiums receivables from policyholders | 1,729,703 | 167,861 | 22,706 | 6,949 | 10,465 | 15,972 | (19,832) | 1,933,824 |
| Lending operations | 158,621 | 427,790 | 31,681 | 17,025 | 36,174 | 43,674 | (66,322) | 648,643 |
| Notes and credits | 1,075,651 | - | - | - | - | - | (5,740) | 1,069,911 |
| Reinsurance assets | 9,259 | - | - | - | - | - | - | 9,259 |
| | **11,185,503** | **595,651** | **54,387** | **23,974** | **46,639** | **59,646** | **(91,894)** | **11,873,906** |

December 2011

| | Assets not yet due and not impaired | Assets overdue and not impaired | | | | | Assets impaired | Consolidated accounting balance |
|---|---|---|---|---|---|---|---|---|
| | | 0 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | Overt 180 days | | |
| Total cash and cash equivaltents | 1,524,262 | - | - | - | - | - | - | 1,524,262 |
| **Total financial investments** | **6,732,779** | **-** | **-** | **-** | **-** | **-** | **-** | **6,732,779** |
| Loans and receivables | | | | | | | | |
| Premiums receivables from policyholders | 1,818,608 | 169,574 | 22,782 | 6,844 | 7,334 | 12,155 | (18,278) | 2,019,019 |
| Lending operations | 95,918 | 349,684 | 19,802 | 13,038 | 32,320 | 42,257 | (62,365) | 490,654 |
| Notes and credits | 1,060,636 | - | - | - | - | - | (5,303) | 1,055,333 |
| Reinsurance assets | 5,567 | - | - | - | - | - | - | 5,567 |
| | **11,237,770** | **519,258** | **42,584** | **19,882** | **39,654** | **54,412** | **(85,946)** | **11,827,614** |

## 4.3. Capital risk management

Porto Seguro 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 Porto Seguro'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) support or increase the Company's credit rating over time and related risk management strategy; and (iii) optimize returns on capital for the shareholders.

During the periods presented and prior periods, the Porto Seguro's capital exceeded the minimum regulatory requirements.

### 4.3.1 Additional capital based on the credit and underwriting risk of insurance companies

Porto Seguro constantly monitors the regulatory provisions on required capital levels. CNSP Resolutions 158/2006 (as amended by SUSEP Circular Letter 411/2010) and 277/2010 address the minimum capital required to operate in the insurance industry and the additional capital requirements based on subscription risks and also the actions taken by the regulatory body in case of capital insufficiency. The additional capital based on the credit risk was established by CNS Resolution 228/2010. The portions of the required capital were as follows:

- Base capital: fixed amount of capital which the insurance company should maintain, at any time. The Base Capital to guarantee an insurance company’s operations in the whole country is R$ 15,000 (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.

- Minimum required capital: capital amount which the insurance company should maintain, at any time, to guarantee its operations, and should be equivalent to the sum of the Base Capital and the Additional Capital (Credit and Underwriting Risk).

## 4.4 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 Company. 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 (www.portoseguro.com.br/investimentos), in the "Risk Management Report"

## 5. Operating segments - Consolidated

Porto Seguro offers to individuals, corporations and public entities in Brazil and Uruguay, through its direct and indirect subsidiaries, a wide range of insurance products and services. The Company adopted IFRS 8, 'Operating segments', and selected the following segments based on qualitative and quantitative criteria in determining reportable segments:

- Automobile insurance: comprise automobile insurance premiums issued by Porto Seguro, Itaú Auto e Residência and Azul Seguros, net of cancellations, refunds, and premiums ceded to other insurance companies.
- Health insurance: comprise dental and health insurance premiums issued by Porto Saúde, net of cancellations and refunds.
- Personal and pension plan insurance: comprise (i) personal insurance premiums issued by Porto Seguro, Porto Vida and Azul Seguros, net of cancellations, refunds, and premiums ceded to other insurance companies; (ii) revenue from management fees and contributions made on a monthly basis by the participants of pension plans offered by Porto Vida.
- Insurance – other lines: comprise insurance premiums of all other insurance lines operated by the Company and written by Porto Cia, Itaú Auto e Residência e Azul Seguros, less cancellations, refunds and premium cessions to similar entities. This segment include insurance against damage (except vehicle), DPVAT, in addition to the insurance written by Porto Uruguay.
- Financial companies and consortiums: comprise the revenue from administration fees of consortium groups for chattels and properties operated by Porto Consórcio; Portoseg's revenues from credit transactions comprising interest on borrowings, financing and credit card upon the use of revolving credit facility or installment payment of the bill; in addition to the revenues from the management of investment funds and management of financial assets of Portopar.
- Others: comprise, mainly, by revenues from services provided.

As required by IFRS 8, Porto Seguro takes into consideration the financial reporting of each operating segment's performance which is used by Management in conducting businesses.

Porto Seguro does not report amounts of assets and liabilities by segment, since these items are managed by Management in an integrated manner, due to the specifics of the Company´s operations. Additionally, information on depreciation and amortization is not presented, since these are not directly identified to all operating segments. Porto Seguro does not have revenue concentration on clients or group of companies.

# Notes to the Quarterly Information

| | Automobile insurance | Health insurance | Personal and pension plan insurance | Insurance - other lines | Financial Companies and Consortiums | Other | 2nd Quarter 2012 | 2nd Quarter 2011 |
|---|---|---|---|---|---|---|---|---|
| Net insurance premiums issued and pension plan contribuitions | 1,461,151 | 242,863 | 141,325 | 392,336 | - | - | 2,237,675 | 2,032,936 |
| Changes in technical reserves for insurance and ceded reinsurance premiums | (9,895) | 46 | (37,711) | (47,409) | - | - | (94,969) | (20,524) |
| **Premium earned** | **1,451,256** | **242,909** | **103,614** | **344,927** | **-** | **-** | **2,142,706** | **2,012,412** |
| Contribution to pension plans, net | - | - | 40,265 | - | - | - | 40,265 | 36,122 |
| Changes in technical reserves for pension plans | - | - | (40,913) | - | - | - | (40,913) | (59,244) |
| Revenues from lending operations | - | - | - | - | 79,581 | - | 79,581 | 50,701 |
| Income form services rendered | - | - | - | - | 48,970 | 55,214 | 104,184 | 84,699 |
| Net retained claims | (915,240) | (189,245) | (42,726) | (147,332) | - | - | (1,294,543) | (1,194,064) |
| Total acquisition costs | (318,373) | (20,750) | (29,471) | (81,650) | (12,821) | (1,844) | (464,909) | (422,037) |
| Other operating income (expenses) | (285,016) | (37,513) | (29,274) | (88,478) | (70,936) | (56,960) | (568,177) | (523,839) |
| Costs of services rendered | - | - | - | - | - | (17,627) | (17,627) | (10,683) |
| **Operating profit** | **(67,373)** | **(4,599)** | **1,494** | **27,468** | **44,794** | **(21,217)** | **(19,433)** | **(25,933)** |
| Finance result | 98,103 | 9,939 | 37,565 | 58,266 | 8,535 | 18,721 | 231,129 | 183,426 |
| **Profit before taxes** | **30,730** | **5,340** | **39,059** | **85,734** | **53,329** | **(2,496)** | **211,696** | **157,493** |
| Income tax and social contribution | (10,095) | (2,175) | (15,519) | (34,278) | (20,082) | 6,254 | (75,895) | (63,153) |
| **Net Profit** | **20,635** | **3,165** | **23,540** | **51,456** | **33,247** | **3,758** | **135,801** | **94,340** |
| **Net Profit - 2nd Quarter - 2011** | **38,248** | **4,512** | **(16,302)** | **52,663** | **19,554** | **(4,335)** | | |

## Notes to the Quarterly Information

| | Automobile insurance | Health insurance | Personal and pension plan insurance | Insurance - other lines | Financial Companies and Consortiums | Other | 1 Sem 2012 | 2 Sem 2011 |
|---|---|---|---|---|---|---|---|---|
| Net insurance premiums issued and pension plan contribuitions | 2,895,958 | 479,122 | 278,365 | 779,517 | - | - | 4,432,962 | 4,043,359 |
| Changes in technical reserves for insurance and ceded reinsurance premiums | (12,911) | 54 | (73,851) | (47,410) | - | - | (134,118) | (40,326) |
| **Premium earned** | **2,883,047** | **479,176** | **204,514** | **732,107** | **-** | **-** | **4,298,844** | **4,003,033** |
| Contribution to pension plans, net | - | - | 81,299 | - | - | - | 81,299 | 73,243 |
| Changes in technical reserves for pension plans | - | - | (81,200) | - | - | - | (81,200) | (95,500) |
| Revenues from lending operations | - | - | - | - | 147,999 | - | 147,999 | 95,592 |
| Income form services rendered | - | - | - | - | 96,671 | 109,833 | 206,504 | 159,779 |
| Net retained claims | (1,841,201) | (360,738) | (89,005) | (334,398) | - | - | (2,625,342) | (2,394,818) |
| Total acquisition costs | (635,528) | (41,229) | (57,348) | (153,172) | (28,082) | (3,772) | (919,131) | (826,733) |
| Other operating income (expenses) | (539,330) | (76,213) | (58,210) | (190,058) | (144,330) | (118,719) | (1,126,860) | (995,186) |
| Costs of services rendered | - | - | - | - | - | (34,861) | (34,861) | (18,899) |
| **Operating profit** | **(133,012)** | **996** | **49** | **54,480** | **72,258** | **(47,519)** | **(52,748)** | **511** |
| Finance result | 202,707 | 19,923 | 77,711 | 120,202 | 17,405 | 54,559 | 492,507 | 390,334 |
| **Profit before taxes** | **69,695** | **20,919** | **77,760** | **174,682** | **89,663** | **7,040** | **439,759** | **390,845** |
| Income tax and social contribution | (25,039) | (8,587) | (30,853) | (70,353) | (34,390) | 3,059 | (166,163) | (152,950) |
| **Net Profit** | **44,656** | **12,332** | **46,907** | **104,329** | **55,273** | **10,099** | **273,596** | **237,895** |
| **Net Profit - 1st Semester - 2011** | **96,317** | **14,786** | **(5,027)** | **99,911** | **34,099** | **(2,191)** | | |

(*) The amounts of retained claims are stated net of recovery of reinsurance, coinsurance, savages and reimbursements.

## 6. Cash and cash equivalents

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | June 2012 | December 2011 | June 2012 | December 2011 |
| Cash | 16 | 71 | 70,107 | 46,921 |
| Cash Equivalents (*) | 114,909 | 131,076 | 605,511 | 1,477,341 |
| | **114,925** | **131,147** | **675,618** | **1,524,262** |

(*) Cash equivalents include highly liquid short-term investments with original maturities of up to 90 days and an insignificant risk of change in value, comprised of LFT and LTN under repurchase agreements.

## 7. Financial assets

Maximum credit risk exposures, as well as market and liquidity risks to which the Company's financial assets are exposed are shown in Note 4.2. The financial assets held by the Company are broken down as follows.

### 7.1. Financial assets at fair value through profit and loss

| | Parent Company | |
|---|---|---|
| | June 2012 | December 2011 |
| **Exclusive funds** | | |
| Financial Treasury Bills - LFT | 48,780 | 41,656 |
| National Treasury Bill - LTN | 269,813 | 174,632 |
| National Treasury Notes - NTN - series B | 12,106 | 281,340 |
| National Treasury Notes - NTN - series C | 23,180 | 114 |
| Debentures | 143,856 | 171,120 |
| Private securities | 1,039 | 623 |
| Time deposits with special guarantee - DPGE | 17,550 | 9,520 |
| Financial Bills - Private | 10,037 | 10,236 |
| Shares of publicly-held companies | 43,896 | 58,141 |
| | **570,257** | **747,382** |
| **Own portifolio** | | |
| Financial Treasury Bills - LFT | - | 4,200 |
| | **-** | **4,200** |
| **Total** | **570,257** | **751,582** |

## Notes to the Quarterly Information

| | Insurance | Pension Plans | Other activities | June 2012 Consolidated | December 2011 Consolidated |
|---|---|---|---|---|---|
| **Open funds** | | | | | |
| Investments fund quotas | 388,625 | 38,145 | 64,012 | 490,782 | 618,611 |
| Retained funds - IRB | 363 | 10 | - | 373 | 407 |
| Other investments | 2,619 | - | - | 2,619 | 2,433 |
| | **391,607** | **38,155** | **64,012** | **493,774** | **621,451** |
| **Exclusive funds** | | | | | |
| Financial Treasury Bills - LFT | 26,600 | 263,499 | 81,185 | 371,284 | 560,707 |
| National Treasury Bill - LTN | 2,862,499 | 821,443 | 372,628 | 4,056,570 | 2,255,185 |
| National Treasury Notes - NTN - series B | 256,290 | 336,096 | 21,985 | 614,371 | 1,388,781 |
| National Treasury Notes - NTN - series C | 29,670 | 666,702 | 33,951 | 730,323 | 716,474 |
| National Treasury Notes - NTN - series F | 8,319 | - | - | 8,319 | 51,942 |
| Debentures | 237,929 | 65,725 | 202,059 | 505,713 | 486,857 |
| Private securities | 63 | 32,560 | 8,049 | 40,672 | 53,267 |
| Time deposits with special guarantee - DPGE | 27,407 | 1,656 | 31,094 | 60,157 | 30,225 |
| Financial Bills - Private | 16,000 | 24,704 | 16,481 | 57,185 | 26,645 |
| Shares of publicly-held companies | 130 | 38,665 | 43,924 | 82,719 | 103,653 |
| | **3,464,907** | **2,251,050** | **811,356** | **6,527,313** | **5,673,736** |
| **Own portifolio** | | | | | |
| Private securities | 52,852 | - | - | 52,852 | 355,009 |
| Time deposits with special guarantee - DPGE | 25,802 | - | - | 25,802 | - |
| | 358,417 | - | - | 358,417 | - |
| Financial Treasury Bills - LFT | - | - | - | - | 4,200 |
| National Treasury Notes - NTN - series C | - | 33,807 | - | 33,807 | 29,974 |
| | **437,071** | **33,807** | **-** | **470,878** | **389,183** |
| Derivative financial instruments | - | 3,845 | - | 3,845 | 18,116 |
| **Total** | **4,293,585** | **2,326,857** | **875,368** | **7,495,810** | **6,702,486** |
| Current | | | | 7,494,360 | 6,700,970 |
| Non-current | | | | 1,450 | 1,516 |

## 7.2. Available-for-sale financial assets

| | June 2012 | | | | December 2011 |
|---|---|---|---|---|---|
| | Insurance | Pension Plans | Other activities | Total | Total |
| **Restricted funds** | | | | | |
| Investments fund quotas (*) | - | - | 30,641 | 30,641 | 19,944 |
| **Total - Parent Company** | **-** | **-** | **30,641** | **30,641** | **19,944** |
| Investment in IRB | 8,084 | 344 | - | 8,428 | 8,428 |
| Other investments | 1,169 | 172 | 431 | 1,772 | 1,921 |
| **Total - Consolidated** | **9,253** | **516** | **31,072** | **40,841** | **30,293** |
| Current | | | | 30,641 | 19,944 |
| Non-current | | | | 10,200 | 10,349 |

### 7.2.1. Breakdown of available-for-sale securities comparing the amortized cost value to the market value

| | | June 2012 | December 2011 |
|---|---|---|---|
| | Amortized cost | Market value | Market value |
| Investments fund quotas | 30,641 | 30,641 | 19,944 |
| Investment in IRB (i) | 8,428 | 8,428 | 8,428 |
| Other investments (i) | 1,772 | 1,772 | 1,921 |
| | **40,841** | **40,841** | **30,293** |

(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. In the next years, due to the privatization program in which IRB is involved, the Company will be able to set more appropriate and accurate fair value parameters.

## 7.3. Changes in financial investments (*)

| | June 2012 | December 2011 |
|---|---|---|
| **Opening balance** | **8,210,120** | **7,638,934** |
| Financial investments | 3,759,745 | 6,564,313 |
| Redemptions | (4,338,401) | (6,813,691) |
| Earnings | 510,698 | 820,564 |
| **Closing balance** | **8,142,162** | **8,210,120** |

(*) The changes in financial assets include financial assets at fair value through profit or loss, financial assets available for sale and assets classified as cash equivalents.

## 7.4. Fair value estimate

Given the short-term characteristics and constant assessments of recoverability carried out by Management, the Company's estimates that the balances of trade receivables and payables, net of impairment provision, 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:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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 3: asset which is not based on data observed in the market and the Company uses internal assumptions to determine its methodology and classification.

The table below shows all the Company's financial assets measured at fair value:

## Notes to the Quarterly Information

| | June 2012 | | | December 2011 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Consolidated | Level 1 | Level 2 | Consolidated |
| **Financial assets at fair value through profit or loss** | | | | | | |
| Open funds | 493,774 | - | 493,774 | 621,451 | - | 621,451 |
| Exclusive funds | 5,863,586 | 663,727 | 6,527,313 | 5,076,742 | 596,994 | 5,673,736 |
| Own portifolio | 33,807 | 437,071 | 470,878 | 34,174 | 355,009 | 389,183 |
| Derivative financial instruments | - | 3,845 | 3,845 | - | 18,116 | 18,116 |
| | **6,391,167** | **1,104,643** | **7,495,810** | **5,732,367** | **970,119** | **6,702,486** |
| **Available for sale financial assets** | | | | | | |
| Restricted funds | - | 30,641 | 30,641 | | 19,944 | 19,944 |
| Investments in IRB | - | 8,428 | 8,428 | - | 8,428 | 8,428 |
| Other investments | - | 1,772 | 1,772 | - | 1,921 | 1,921 |
| | **-** | **40,841** | **40,841** | **-** | **30,293** | **30,293** |
| **Total financial assets** | **6,391,167** | **1,145,484** | **7,536,651** | **5,732,367** | **1,000,412** | **6,732,779** |

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 Consortium DPVAT are valued at PU550 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.

## 7.5. Derivative financial instruments - consolidated

The Company is a party to two swap agreements traded on the BMF&BOVESPA and indexed to the CDI, as shown below:

| Description | June 2012 | | | December 2011 | | |
|---|---|---|---|---|---|---|
| | Notional reference value (cost) | Fair value | Effect on profit or loss for the year | Notional reference value (cost) | Fair value | Effect on profit or loss for the year |
| IGPM rate + fixed rate | 30,000 | 48,552 | 3,845 | 150,000 | 237,174 | 18,116 |
| **Asset position (total)** | **30,000** | **48,552** | **3,845** | **150,000** | **237,174** | **18,116** |
| Floating rate - CDI | 30,000 | 44,707 | - | 150,000 | 219,058 | - |
| **Liability position - total** | **30,000** | **44,707** | **-** | **150,000** | **219,058** | **-** |

## 7.6. Loans and receivables - consolidated

### 7.6.1. Premiums receivable from policyholders

| | June 2012 | | | December 2011 | | |
|---|---|---|---|---|---|---|
| | Premiuns Receivable from policyholders | Provision for impairment of trade receivables | Premiums receivable - net | Premiuns Receivable from policyholders | Provision for impairment of trade receivables | Premiums receivable - net |
| Automobile | 1,448,834 | (6,423) | 1,442,411 | 1,546,244 | (5,176) | 1,541,068 |
| Casualty | 338,910 | (4,326) | 334,584 | 327,529 | (3,207) | 324,322 |
| Transportation | 16,807 | (204) | 16,603 | 17,141 | (802) | 16,339 |
| Life | 108,357 | (2,963) | 105,394 | 107,424 | (3,097) | 104,327 |
| Health | 11,769 | (3,719) | 8,050 | 10,718 | (3,096) | 7,622 |
| Uruguay | 28,979 | (2,197) | 26,782 | 28,241 | (2,900) | 25,341 |
| | **1,953,656** | **(19,832)** | **1,933,824** | **2,037,297** | **(18,278)** | **2,019,019** |

## 7.6.2. Lending operations

| | Accounting balance | | Fair value | |
|---|---|---|---|---|
| | June 2012 | December 2011 | June 2012 | December 2011 |
| Loans | 75,758 | 67,791 | 75,758 | 67,791 |
| Financing | 360,609 | 305,657 | 360,609 | 305,657 |
| Credit Cards (*) | 278,587 | 179,503 | 278,587 | 179,503 |
| Other | 11 | 68 | 11 | 68 |
| | **714,965** | **553,019** | **714,965** | **553,019** |
| Provision for impairment of receivables | (66,322) | (62,365) | (66,322) | (62,365) |
| | **648,643** | **490,654** | **648,643** | **490,654** |
| Current | 457,093 | 328,212 | 457,093 | 328,212 |
| Non-current | 191,550 | 162,442 | 191,550 | 162,442 |

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

## 7.6.3. Notes and credits receivable

| | June 2012 | December 2011 |
|---|---|---|
| Credit card operations (*) | 1,075,650 | 1,060,636 |
| Provision for impairment of trade receivables | (5,739) | (5,303) |
| | **1,069,911** | **1,055,333** |

(*) 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 19.

### 7.6.4. Impairment of financial assets

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

| | Loans | Financing | Credit Cards | Premiums receivable | Total |
|---|---|---|---|---|---|
| **Amount at December 2010** | **2,714** | **8,247** | **43,175** | **13,738** | **67,874** |
| Provisions for the period | 1,750 | 5,456 | 16,359 | 18,637 | 42,202 |
| Reversal of provisions for impairment | (2,092) | (3,879) | (4,062) | (14,097) | (24,130) |
| **Amount at December 2011** | **2,372** | **9,824** | **55,472** | **18,278** | **85,946** |
| Provisions for the period | 754 | 4,424 | 3,405 | 6,310 | 14,893 |
| Reversal of provisions for impairment | (267) | (1,708) | (2,215) | (4,756) | (8,946) |
| **Amount at June 2012** | **2,859** | **12,540** | **56,662** | **19,832** | **91,893** |
| **Total credits individually significant classified as impaired** | **275** | **1,516** | **20,745** | **-** | **22,536** |

The impairment of loans, financing and credit cards includes the “Lending operations” (Note 7.6.2) and the “Notes and credits receivable” (Note 7.6.3).

Impairment losses were recorded in 'Other operating expenses', in the statement of income. The release of the present value adjustment is included in 'Revenues from lending operations', in the statement of income. Amounts recorded in provisions as impairment losses are usually written-off when management no longer expects to recover the financial asset.

## 8. 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 current rates are described in Note 8.3.

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.

## Notes to the Quarterly Information

### 8.1. Assets - consolidated

| Temporary differences (i) | June 2012 | December 2011 |
|---|---|---|
| Provision for legal obligations - COFINS | 506,977 | 471,903 |
| Provision for legal obligations - PIS AND INSS | 76,355 | 72,970 |
| Provision for credit risks | 26,262 | 25,931 |
| Provision for risks - civil | 16,933 | 16,430 |
| Employee benefits | 15,289 | 15,989 |
| Other provisions | 65,098 | 48,026 |
| | **706,914** | **651,249** |

(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: realized considering lawsuits basically involving tax claims, whose realization estimate depends on the outcome of the lawsuit.

(b) Provision for impairment of trade receivables: realized depending on the legal deductibility terms, in accordance with Law 9430/96, after 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 risks: realized considering lawsuits basically involving labor claims, which realization estimate depends on the progress of the lawsuit.

(d) Employee benefits: refer to the constitution of tax credits on the provision for post-employment benefits.

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

### 8.1.1. Changes

| | June 2012 | December 2011 |
|---|---|---|
| Opening balance | 651,249 | 543,392 |
| Additions | 63,947 | 118,147 |
| Reversals | (8,282) | (10,290) |
| **Closing balance** | **706,914** | **651,249** |

## 8.2. Liabilities

| | Parent | | Consolidated | |
|---|---|---|---|---|
| **Non-current liabilities** | **June 2012** | **December 2011** | **June 2012** | **December 2011** |
| **Nature** | | | | |
| Income tax and social contribution on business combination - Itaú Auto e Residência | 312,557 | 322,948 | 312,557 | 322,948 |
| Income tax and social contribution on future realization of revaluation reserve | - | - | 68,148 | 69,411 |
| deferred PIS and COFINS (i) | - | | 22,502 | 21,909 |
| Other (ii) | 8,103 | 8,103 | 8,840 | 8,333 |
| | **320,660** | **331,051** | **412,047** | **422,601** |

(i) Refer to PIS and COFINS tax credits on provisions for unsettled claims (PSL) and on provisions for losses incurred but not reported (IBNR) in Porto Cia, Porto Saúde, Azul Seguros and Itaú Auto e Residência.

(ii) Mainly deferred income tax and social contribution on derecognition of negative goodwill arising from Azul Seguros.

### 8.2.1. Changes

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **June de 2012** | **Dezembro de 2011** | **June de 2012** | **Dezembro de 2011** |
| Opening balance | 331,051 | 354,980 | 422,601 | 446,705 |
| Additions | - | - | 1,100 | 1,406 |
| Reversals | (10,391) | (23,929) | (11,654) | (25,510) |
| **Closing balance** | **320,660** | **331,051** | **412,047** | **422,601** |

## 8.3. Reconciliation of income tax (IRPJ) and social contribution (CSLL)

| | Parent | | | |
|---|---|---|---|---|
| | | 2012 | | 2011 |
| | 2nd Quarter | 1st Semester | 2nd Quarter | 1st Semester |
| Profit before income tax, social contribution | 137,607 | 280,941 | 90,052 | 231,450 |
| Standard rate - % | 34% | 34% | 34% | 34% |
| **Computation of IRPJ ans CSLL expenses at the standard rate** | **(46,786)** | **(95,520)** | **(30,618)** | **(78,693)** |
| **Income tax and social contributions effect of permanent differences** | | | | |
| Equity in the earning of subsidiaries | 45,348 | 88,195 | 33,972 | 83,081 |
| Other | 331 | 912 | 905 | 1,986 |
| **IRPJ and CSSL expenses** | **(1,107)** | **(6,413)** | **4,259** | **6,374** |
| **Income tax and social contribuition effect of temporary differences** | | | | |
| Other | 120 | 237 | - | - |
| **Total deferred IRPJ and CSLL** | 120 | 237 | - | - |
| Current IRPJ and CSLL | (1,227) | (6,650) | 4,259 | 6,374 |
| **IRPJ and CSSL expenses** | **(1,107)** | **(6,413)** | **4,259** | **6,374** |

## Notes to the Quarterly Information

| | Consolidated | | | |
|---|---|---|---|---|
| | | 2012 | | 2011 |
| | 2nd Quarter | 1st Semester | 2nd Quarter | 1st Semester |
| Profit before income tax, social contribution | 211,696 | 439,759 | 157,493 | 390,845 |
| Standard rate - % (*) | 40% | 40% | 40% | 40% |
| **Computation of IRPJ ans CSLL expenses at the standard rate** | **(84,678)** | **(175,904)** | **(62,997)** | **(156,338)** |
| **Income tax and social contributions effect of permanent differences** | | | | |
| Tax incentives | 1,693 | 2,201 | 2,770 | 2,898 |
| Dividends received | 2,056 | 2,056 | - | 1,372 |
| Non-deductible expenses, net of non-taxable income | 457 | 855 | 1,041 | 812 |
| Other | 4,577 | 4,629 | (3,967) | (1,694) |
| **IRPJ and CSSL expenses** | **(75,895)** | **(166,163)** | **(63,153)** | **(152,950)** |
| **Income tax and social contribuition effect of temporary differences** | | | | |
| COFINS | 16,419 | 35,074 | 11,784 | 52,920 |
| PIS e INSS | 1,604 | 3,385 | (5,707) | (16,635) |
| Provision for credit risks | 2,613 | 331 | 5,397 | (574) |
| Provision for risks - cível | 5 | 503 | (2,030) | 1,631 |
| Post- employment benefits | (144) | (700) | (126) | 373 |
| Other | 6,141 | 17,099 | 14,852 | 7,639 |
| **Total deferred IRPJ and CSLL** | 26,638 | 55,692 | 24,170 | 45,354 |
| Current IRPJ and CSLL | (102,533) | (221,855) | (87,323) | (198,304) |
| **IRPJ and CSSL expenses** | **(75,895)** | **(166,163)** | **(63,153)** | **(152,950)** |

(*) The 40% rate used in this reconciliation of income tax and social contribution expenses refers to the nominal rate used by the insurance and financial companies of Porto Seguro, which correspond to the companies that most contribute to the consolidated profit.

## 9. Taxes and contributions recoverable

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | June 2012 | December 2012 | June 2012 | December 2012 |
| **Current assets** | | | | |
| Income tax | 11,096 | 18,087 | 21,594 | 36,689 |
| Social contribution | 2,049 | 1,969 | 11,646 | 17,560 |
| INSS a recoverable | - | - | 5,144 | 5,294 |
| Other | - | - | 7,789 | 11,965 |
| | **13,145** | **20,056** | **46,173** | **71,508** |
| **Non-current assets** | | | | |
| Social Investment Fund (FINSOCIAL) (a) | - | - | 2,561 | 5,643 |
| INSS - independent contractors (b) | - | - | 665 | 665 |
| Supplementary State Income Tax (c ) | - | - | 1,587 | 1,587 |
| Income tax | - | - | 28 | 28 |
| Social contribution | - | - | 3 | 3 |
| Tax credit - tax losses | 25,088 | 30,204 | 37,362 | 30,837 |
| Income tax and social contribution on land revaluation | - | - | 158 | 158 |
| COFINS | - | - | 56,059 | 54,783 |
| PIS | - | - | 10,347 | 10,124 |
| | **25,088** | **30,204** | **108,770** | **103,828** |
| | **38,233** | **50,260** | **154,943** | **175,336** |

### (a) FINSOCIAL

The subsidiary Porto Seguro obtained a favorable decision as to its claim for refund of overpayment of the amount paid to FINSOCIAL. The lawsuit had a final and unappealable decision and the subsidiary is receiving these amounts. .

### (b) National Institute of Social Security (INSS) - independent contractors

The subsidiary Porto Seguro obtained a favorable decision as to its claim for refund of the amount paid due to the contribution of 20% to INSS on independent contractors, day workers and officers. The lawsuit had a final and unappealable decision and the subsidiary is receiving these amounts.

### (c) Supplementary State Income Tax (AIRE)

The subsidiary Porto Seguro obtained a favorable decision as to its claim for refund of overpayment of the amounts paid to the State of São Paulo as AIRE. The lawsuit had a final and unappealable decision and the subsidiary is receiving these amounts.

Porto Seguro does not have any contingent assets recognized.

**Notes to the Quarterly Information**

## 10. Non-financial assets held for sale - consolidated

| | June 2012 | December 2011 |
|---|---|---|
| Salvage for sale (i) | 147,822 | 149,418 |
| Assets received from third parties (ii) | 3,247 | 2,440 |
| (-) Provision for impairment | (28,431) | (22,975) |
| | **122,638** | **128,883** |

(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.

## 11. Deferred acquisition cost - DAC

DAC is considered in the adequacy test of insurance liabilities, reducing the balance of liabilities under insurance agreements, in accordance with IFRS 4. The breakdown is as follows

| | June 2012 | December 2011 |
|---|---|---|
| Automobile | 571,057 | 580,596 |
| Property | 115,133 | 109,027 |
| Financial Risk | 41,398 | 37,710 |
| Personal | 24,802 | 22,673 |
| Health | 1,390 | 1,387 |
| Casualty | 1,515 | 1,812 |
| Transportation | 1,633 | 1,586 |
| Other | 2,958 | 4,004 |
| | **759,886** | **758,795** |
| Current | 754,243 | 753,126 |
| Non-current | 5,643 | 5,669 |

### 11.1. Changes

| | June 2012 | December 2011 |
|---|---|---|
| Opening balance | 758,795 | 696,818 |
| Additions | 800,142 | 1,718,040 |
| Reversals | (799,051) | (1,656,063) |
| **Closing balance** | **759,886** | **758,795** |

## 12. Other assets

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | June 2012 | December 2011 | June 2012 | December 2011 |
| Other accounts receivable (12.1) | 6,069 | 6,248 | 394,681 | 343,870 |
| Supplies | - | - | 25,694 | 21,121 |
| Judicial Deposits (12.2) | - | - | 354,272 | 349,382 |
| | **6,069** | **6,248** | **774,647** | **714,373** |
| Current | 1,775 | 1,814 | 402,141 | 347,257 |
| Non-current | 4,294 | 4,434 | 372,506 | 367,116 |

## 12.1. Other accounts receivable

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | June 2012 | December 2011 | June 2012 | December 2011 |
| **Current** | | | | |
| Commissions in process (i) | - | - | 217,819 | 195,227 |
| Receivables from IRB | - | - | 9,259 | 5,567 |
| Notes and credits receivable - credit card | - | - | 7,865 | 13,217 |
| Advances to employees | - | - | 20,968 | 13,510 |
| Undeposited checks | - | - | 9,350 | 11,500 |
| Receivable from policyholders | - | - | 9,387 | 13,870 |
| DPVAT agreement | - | - | 4,985 | 5,078 |
| Accounts receivable | - | - | - | 12,506 |
| Prepaid expenses | 62 | 185 | 23,513 | 7,504 |
| Advances to agents | - | - | 4,133 | 1,910 |
| Administrative advances | 23 | 307 | 25,593 | 5,637 |
| Other | 1,690 | 1,322 | 43,575 | 40,610 |
| | **1,775** | **1,814** | **376,447** | **326,136** |
| **Non-current** | | | | |
| Advances to employees | - | - | 3,255 | 4,388 |
| Undeposited checks | - | - | 5,132 | 4,705 |
| Credits receivable | - | - | 209 | 209 |
| Other(ii) | 4,294 | 4,434 | 9,638 | 8,432 |
| | **4,294** | **4,434** | **18,234** | **17,734** |
| | **6,069** | **6,248** | **394,681** | **343,870** |

(i) These represent the payment of commissions to brokers on policies still in the process of issue.

(ii) These refer mainly to sale of Integração, whose amount is to be paid in 108 installments, the first of which is due in January 2012.

## 12.2. Judicial deposits - consolidated

| | June 2012 | December 2011 |
|---|---|---|
| Income tax and social contribuition (i) | 208,459 | 200,966 |
| Offset of tax loss - income tax basis (ii) | 31,880 | 29,770 |
| Claims | 71,202 | 77,884 |
| CSLL | 12,576 | 11,688 |
| INSS - independent contractors | 13,392 | 12,628 |
| Other | 16,763 | 16,446 |
| | **354,272** | **349,382** |

(i) Refers mainly to escrow deposits made under lawsuits addressing: CSLL (deductibility of the IRPJ tax basis) and deductibility of taxes and contributions from the IRPJ and CSLL tax base.

(ii) 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.

## 13. Intangible assets - Consolidated

| | | Changes | | | June 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at December 2011 | Acquisitions / additions | Amortization/expenses | Other/ transfers | Cost | Accumulated amortization | Net Amount | Annual amortization rates (%) |
| Software | 110,342 | 48,074 | (9,196) | (2) | 219,854 | (70,636) | 149,218 | 20 |
| Trademarks and patents | 5,766 | 1,157 | (216) | - | 8,537 | (1,830) | 6,707 | 10 |
| Selling rights | 3,632 | - | (1,102) | - | 10,000 | (7,470) | 2,530 | 20 |
| Trademark (*) | 246,000 | - | - | - | 246,000 | - | 246,000 | |
| Customer relationship and VOBA (*) | 19,666 | - | (19,666) | - | 118,000 | (118,000) | - | 40 |
| Distribution channel (*) | 541,704 | - | (6,312) | - | 568,000 | (32,608) | 535,392 | 2.2 |
| Goodwill on acquisition of investments (*) | 346,800 | - | - | - | 346,800 | - | 346,800 | |
| | **1,273,910** | **49,231** | **(36,492)** | **(2)** | **1,517,191** | **(230,544)** | **1,286,647** | |

(*) Intangible assets arising from acquisition of Itaú Auto e Residência (see Note 15).

## 13.1. Impairment tests of goodwill

At December 31, 2011, the carrying amount of goodwill was tested for impairment based on its value in use, in accordance with the discounted cash flow for the CGUs.

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. The methodology consists of projecting the Company's results for a maximum period of five years and discounting them to present value, based on financial budgets approved by management, thus determining the business 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. Based on the Company's asset recovery test, the recognition of impairment losses was not necessary.

## 14. Investment properties - Consolidated

The Company has certain commercial properties that 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:

| | June 2012 | December 2011 |
|---|---|---|
| At the beginning of the year | 8,881 | 9,010 |
| Depreciation | (91) | (129) |
| **Total of investment properties** | **8,790** | **8,881** |
| Cost | 9,785 | 9,785 |
| Accumulated depreciations | (995) | (904) |
| Income from rentals - investment properties | 1,482 | 2,822 |
| Other income from rentals | 2,589 | 5,073 |
| | **4,071** | **7,895** |
| Operating expenses (*) | 177 | 151 |

(*) Direct operating expenses, repairs and maintenance of 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 2.64%. Most of rental contracts carry an option to renew for 4 years and rentals are adjusted by the IGPM/FGV index.

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 where possible. 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 the voluntary exemption permitted by IFRS 1.

## 15. Investments in subsidiaries - Parent Company

Investments in subsidiaries are as follows:

| | Ownership interest (%) | Balances at December 2011 | Equity in the results of subsidiaries | Capital increase | Adjustment of securities | Translation adjustment / other | Interest on capital/ dividends | Other | Balances at June 2012 |
|---|---|---|---|---|---|---|---|---|---|
| **Porto Seguro** | 99.99 | **1,572,947** | 113,772 | - | (1,070) | 378 | - | - | 1,686,027 |
| **Azul Seguros** | 99.71 | **319,754** | 21,698 | - | - | - | - | - | 341,452 |
| **Itaú Auto e Residência** | 99.99 | **724,124** | 69,835 | - | - | - | (138,437) | - | 655,522 |
| **Proteção e Monitoramento** | 99.98 | **35,561** | 3,176 | - | - | - | - | - | 38,737 |
| **Porto Consórcio** | 99.99 | **167,647** | 22,074 | - | - | - | (23,940) | - | 165,781 |
| **Portoseg** | 99.99 | **171,210** | 32,165 | 50,000 | - | - | | - | 253,375 |
| **Portopar** | 99.99 | **20,216** | 3,892 | - | - | - | - | - | 24,108 |
| **Portoserv** | 99.50 | **1,344** | 140 | - | - | - | - | - | 1,484 |
| **Crediporto** | 99.80 | **1,409** | 671 | - | - | - | - | - | 2,080 |
| **Serviços** | 99.99 | **18,002** | (6,086) | 21,900 | - | - | (2) | - | 33,814 |
| **Serviços médicos** | 99.99 | **14,479** | (2,014) | 14,999 | - | - | - | - | 27,464 |
| **Portomed S.A.** | 99.00 | **4,228** | 80 | - | - | - | - | - | 4,308 |
| **Porto Odonto** | 99.00 | **198** | (6) | - | - | - | - | - | 192 |
| **Business Combination (*)** | - | **1,154,170** | - | - | - | (25,978) | - | - | 1,128,192 |
| | | **4,205,289** | **259,397** | **86,899** | **(1,070)** | **(25,600)** | **(162,379)** | **-** | **4,362,536** |

(*) On August 23, 2009, Porto Seguro executed an association agreement with Itaú Unibanco Holding S.A. whereby its residential and car insurance operations were unified as well as an operational agreement to offer and distribute, on an exclusive basis, residential and car insurance products to Itaú Unibanco clients in Brazil and Uruguay. On November 30, 2009, Itaú Auto e Residência, which received the assets and liabilities of Itaú Seguros S.A. related to the residential and car insurance activities was merged by Porto Seguro S.A. On this business combination, goodwill and other intangible assets were recorded, as stated in note 13.

| **Indirect subsidiaries** | **Ownership interest - %** |
|---|---|
| Porto Seguro Vida | 99.97 |
| Porto Seguro Saúde | 99.98 |
| Porto Capitalização | 99.99 |
| Porto Seguro Uruguay | 100.00 |
| Porto Seguro Atendimento | 99.94 |
| Porto Seguro Telecomunicações | 70.00 |
| Porto Ger. Info | 99.99 |
| Franco | 99.99 |

## 16. Fixed assets - Consolidated

### 16.1. Own assets

| | Balance at December 2011 | Changes | | | | June 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Acquisitions | Disposals | Depreciation expenses | Other/ transfer | Cost | Accumulated depreciation | Net amount | Annual depreciation rates (%) |
| Land | 227,866 | 14,577 | (3,054) | - | - | 239,389 | - | 239,389 | |
| Buldings (*) | 249,878 | 5,506 | (226) | (3,424) | 33,976 | 315,533 | (29,823) | 285,710 | 2.5 |
| **Properties in use** | **477,744** | **20,083** | **(3,280)** | **(3,424)** | **33,976** | **554,922** | **(29,823)** | **525,099** | |
| IT | 68,648 | 20,805 | (17) | (12,112) | 41 | 187,566 | (110,201) | 77,365 | 12,5 a 25 |
| Equipment | 39,585 | 9,408 | (19) | (3,352) | (4) | 71,294 | (25,676) | 45,618 | 10 a 14,3 |
| Equipment held by thrid parties | 16,582 | 2,900 | - | (1,324) | - | 27,851 | (9,693) | 18,158 | 10.0 |
| Furniture, machines and fittings | 44,722 | 6,318 | (470) | (3,053) | 10 | 77,027 | (29,500) | 47,527 | 10.0 |
| Vehicles | 15,413 | 2,490 | (592) | (2,286) | - | 24,104 | (9,079) | 15,025 | 20.0 |
| Traking equipment | 7,849 | 1,168 | (554) | (3,600) | - | 155,471 | (150,608) | 4,863 | 33.3 |
| **Assets in use** | **192,799** | **43,089** | **(1,652)** | **(25,727)** | **47** | **543,313** | **(334,757)** | **208,556** | |
| Construction in progress | 179,087 | 40,117 | - | - | (34,021) | 185,183 | - | 185,183 | |
| Leasehold improvements and works of art | 36,745 | 15,022 | | (2,395) | 18 | 59,155 | (9,765) | 49,390 | 20 a 100 |
| **Other** | **215,832** | **55,139** | **-** | **(2,395)** | **(34,003)** | **244,338** | **(9,765)** | **234,573** | |
| | **886,375** | **118,311** | **(4,932)** | **(31,546)** | **20** | **1,342,573** | **(374,345)** | **968,228** | |

(*) Weighted average rate was used for this item.

Fixed assets and intangible assets with defined useful lives are allocated to the respective CGUs and evaluated for objective evidence of impairment due to factors resulting or not from the Company's business at each reporting date, according to IAS 36. CGUs are determined and grouped by management based on the geographical distribution of their business, and management identifies specific cash flows according to this distribution.

The Company did not identify any impairment as a result of the tests carried out in 2011, therefore, it decided that there was no need to recognize impairment losses.

In June 2012, the Company had properties that could be pledged in guarantee of technical reserves for insurance with SUSEP amounting to R$ 123,064 (R$ 115,228 in December 2011). Up to date, these assets have not been used as guarantees of technical reserves.

## 17. Liabilities of insurance contracts - Consolidated

| | June 2012 | | December 2011 | |
|---|---|---|---|---|
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| Technical reserves for insurance contracts (17.1) | 5,789,487 | 5,734,248 | 5,634,981 | 5,577,029 |
| Technical reserves for pension plans (17.2) | 1,479,774 | 1,479,774 | 1,355,958 | 1,355,958 |
| Other reserves for insurance contracts and pension plan (17.3) | 35,907 | 35,907 | 41,235 | 41,235 |
| | **7,305,168** | **7,249,929** | **7,032,174** | **6,974,222** |
| Current | 7,287,057 | 7,231,818 | 7,014,138 | 6,956,186 |
| Non-current | 18,111 | 18,111 | 18,036 | 18,036 |

## 17.1. Technical reserves for insurance contracts

| | June 2012 | | December 2011 | |
|---|---|---|---|---|
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| Unearned premiums reserve | 3,600,582 | 3,588,514 | 3,567,481 | 3,543,083 |
| Unsettled claims | 1,182,907 | 1,141,914 | 1,188,124 | 1,155,266 |
| Reserve for claims incurred but not reported | 348,523 | 346,367 | 291,923 | 291,246 |
| Porvision for insufficiency of premiums | 9,018 | 9,018 | 7,181 | 7,181 |
| Reserve for vested benefits | 800 | 800 | 854 | 854 |
| Unexpired risks reserve (PRNE) | 20,998 | 20,976 | 21,209 | 21,190 |
| Mathematical reserve - insurance | 626,659 | 626,659 | 558,209 | 558,209 |
| | **5,789,487** | **5,734,248** | **5,634,981** | **5,577,029** |
| Currente | 5,771,376 | 5,716,137 | 5,616,945 | 5,558,993 |
| Non-current | 18,111 | 18,111 | 18,036 | 18,036 |

## 17.2. Technical reserves for pension plan contracts

| | June 2012 | | December 2011 | |
|---|---|---|---|---|
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| Mathematical reserve for unvested benefits | 1,345,306 | 1,345,306 | 1,231,714 | 1,231,714 |
| Mathematical reserve for vested benefits | 43,762 | 43,762 | 40,668 | 40,668 |
| Contribution deficiency reserve | 82,202 | 82,202 | 76,589 | 76,589 |
| Reserve for claims incurred but not reported | 1,056 | 1,056 | 984 | 984 |
| Provision for benefits to be regulated | 7,448 | 7,448 | 6,003 | 6,003 |
| | **1,479,774** | **1,479,774** | **1,355,958** | **1,355,958** |

## 17.3. Other reserves for insurance and pension plan contracts

Other reserve balances refer to:

| | June 2012 | | December 2011 | |
|---|---|---|---|---|
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| Reserve for risk fluctuation | 13,899 | 13,899 | 13,982 | 13,982 |
| Administrative expenses reserve | 14,106 | 14,106 | 19,679 | 19,679 |
| Redemption reserve and other amounts | 437 | 437 | 53 | 53 |
| Extended guarantee reserve | 6,793 | 6,793 | 7,013 | 7,013 |
| Other | 672 | 672 | 508 | 508 |
| | **35,907** | **35,907** | **41,235** | **41,235** |

| | June 2012 | | December 2011 | |
|---|---|---|---|---|
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| Property | 10,764 | 10,764 | 10,277 | 10,277 |
| Personal/ VGBL | 15,588 | 15,588 | 24,188 | 24,188 |
| Transportation | 6,041 | 6,041 | 6,065 | 6,065 |
| DPVAT | 3,514 | 3,514 | 705 | 705 |
| | **35,907** | **35,907** | **41,235** | **41,235** |

## 17.4. Technical reserve guarantee

In accordance with current rules, the following assets were provided as guarantees to SUSEP and ANS:

| | June 2012 | December 2011 |
|---|---|---|
| Technical reserves for insurance contracts | 5,789,487 | 5,634,981 |
| Technical reserves for pension plans contracts | 1,479,774 | 1,355,958 |
| Ohter reserves for insurance and pension plan contracts | 35,907 | 41,235 |
| **Total technical reserves** | **7,305,168** | **7,032,174** |
| (-) Reinsurance operations | (55,387) | (57,952) |
| (-) Funds and reserves retained by IRB | (373) | (407) |
| (-) Credit rights (*) | (1,462,087) | (1,512,839) |
| **Amount to be guaranteed** | **5,787,321** | **5,460,976** |
| Fixed-income government securities | 33,807 | 29,974 |
| Fixed-income private securities | 414,475 | 334,135 |
| Investment fund quotas | 4,147,225 | 4,224,519 |
| Specially constituted fund quotas | 1,413,953 | 1,254,298 |
| **Technical reserve guarantees** | **6,009,460** | **5,842,926** |

(*) Refers to installments not yet due of premiums receivable and unexpired insurance risks.

## 17.5. Changes in liabilities of insurance contracts and reinsurance assets

| | Liabilities of insurance contracts | Assets of reinsurance contracts |
|---|---|---|
| **Amount at December 2010** | **6,409,086** | **39,881** |
| New contracts issued and claims reported | 13,838,061 | 44,237 |
| Expired risks | (9,179,772) | - |
| Payments and receipts | (4,035,201) | (31,059) |
| *Impairment* do reinsurance assets | - | (1,476) |
| **Amount at December 2011** | **7,032,174** | **51,583** |
| New contracts issued and claims reported | 6,688,988 | 37,308 |
| Expired risks | (4,482,376) | (13,403) |
| Payments and receipts | (1,933,618) | (20,341) |
| *Impairment* do reinsurance assets | - | (589) |
| **Amount at June 2012** | **7,305,168** | **54,558** |

(*) Refers mainly to the deferral of the PPNG, claims terminated without indemnity and other reversals of technical reserves.

## 18. Insurance and reinsurance payables - Consolidated

| | June 2012 | December 2011 |
|---|---|---|
| Commissions on premiums issued | 371,668 | 356,749 |
| Other insurance payables (18.1) | 58,623 | 58,101 |
| Reinsurance companies | 17,434 | 26,337 |
| | **447,725** | **441,187** |

## 18.1. Other insurance payables

| | June 2012 | December 2011 |
|---|---|---|
| Assistance services | 31,802 | 33,147 |
| Accounts payable - DPVAT | 136 | 302 |
| Provision for operating expenses | 3,219 | 2,709 |
| Premiums to be refunded | 3,391 | 3,300 |
| Invoices received in advance | 11,565 | 11,185 |
| Agents and correspondents | 559 | 1,969 |
| Insurance companies | 497 | 365 |
| Bonus expenses - Porto Seguro | 1,808 | 394 |
| Other | 5,646 | 4,730 |
| | **58,623** | **58,101** |

## 19. Financial liabilities - Consolidated

The Company's financial liabilities derive from Portoseg's lending operations and comprise borrowings and amounts payable to merchants arising from credit card transactions.

| | Accounting balance | | Fair Value | |
|---|---|---|---|---|
| | June 2012 | December 2011 | June 2012 | December 2011 |
| Credit Card transactions (*) | 1,087,689 | 1,078,846 | 1,087,689 | 1,078,846 |
| Funds from acceptance and issue of securities | 195,382 | 187,252 | 195,382 | 187,252 |
| Interbank deposits | 284,815 | 336,012 | 284,815 | 336,012 |
| | **1,567,886** | **1,602,110** | **1,567,886** | **1,602,110** |

(*) Refer mainly to amounts payable to merchants arising from credit card transactions.

## 20. Taxes and contributions payable

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | June 2012 | December 2011 | June 2012 | December 2011 |
| Tax on Financial Transactions - IOF on insurance premiums | 876 | - | 32,627 | 16,414 |
| Contributions to INSS and FGTS | - | - | 121,014 | 126,213 |
| Income tax | 316 | - | 19,432 | 1,568 |
| Social contributions | 15 | 14 | 26,231 | 28,325 |
| Whithholding Income Tax - IRRF | - | 3,801 | 9,107 | 12,311 |
| Services Tax (ISS) withheld at source | 13 | 2,636 | 8,126 | 20,109 |
| PIS and COFINS contributions | - | - | 5,704 | 6,106 |
| Other (*) | - | - | 10,356 | 15,801 |
| | **1,220** | **6,451** | **232,597** | **226,847** |

(*) Refer mainly to taxes of the subsidiary Porto Seguro Uruguay of R$ 6,187 in June 2012 (R$ 9,552 in December 2011).

## 21. Provisions

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:

| | Consolidated | |
|---|---|---|
| | June 2012 | December 2011 |
| Legal obligations (a) | 2,313,735 | 2,178,048 |
| Labor Claims (b) | 14,091 | 12,931 |
| Civil claims (c) | 42,935 | 41,562 |
| | **2,370,761** | **2,232,541** |
| Judicial deposits | (856,195) | (823,340) |
| **Net provision** | **1,514,566** | **1,409,201** |

The Company has provisions for tax risks (legal obligations) in the amount of R$65,950 (R$64,009 in December 2011) for which judicial deposits are held in the same amount.

## Notes to the Quarterly Information

(ii) Changes in provisions are as follows:

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | | | June 2012 | | | December 2011 |
| | Tax | Labor | Civil | Tax | Labor | Civil |
| Opening balance | 2,178,048 | 12,931 | 41,562 | 1,907,308 | 13,555 | 32,733 |
| Additions | 73,327 | 880 | 7,861 | 147,654 | 3,706 | 27,937 |
| Reversals | (1,979) | (1,389) | (8,995) | (14,304) | (6,874) | (24,427) |
| Monetary restatement | 64,339 | 1,669 | 2,507 | 137,390 | 2,544 | 5,319 |
| **Closing balance** | **2,313,735** | **14,091** | **42,935** | **2,178,048** | **12,931** | **41,562** |
| (-) Judicial Deposits | (840,645) | (9,140) | (6,410) | (808,978) | (8,746) | (5,616) |
| **Net provision** | **1,473,090** | **4,951** | **36,525** | **1,369,070** | **4,185** | **35,946** |
| Number of proceedings | 99 | 621 | 2,594 | 103 | 624 | 2,175 |

### (a) Legal obligations - tax and social security - composition by nature (*)

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | June 2012 | December 2011 | June 2012 | December 2011 |
| COFINS | 54,287 | 52,688 | 1,395,202 | 1,303,097 |
| PIS | 11,663 | 11,321 | 328,652 | 311,349 |
| INSS - independent contractors | - | - | 159,725 | 158,029 |
| Social contribution - deductibility from tax base | - | - | 73,685 | 72,043 |
| Social contribution - rate difference of 6% | - | - | 50,992 | 49,128 |
| Income tax loss offset | - | - | 32,741 | 32,741 |
| Income tax | - | - | 252,699 | 233,520 |
| Provision for PAT | - | - | 9,209 | 7,521 |
| Other | - | - | 10,830 | 10,620 |
| **Total** | **65,950** | **64,009** | **2,313,735** | **2,178,048** |
| (-) Judicial deposits | (65,950) | (64,009) | (840,645) | (808,978) |
| **Net provision** | **-** | **-** | **1,473,090** | **1,369,070** |

## Notes to the Quarterly Information

### (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 Vida, Azul Seguros, Porto Saúde, Itaú Auto e Residência and Portopar challenged this taxation in court, as well as the tax basis established by Law No 9718/98, which considered gross revenue, rather than just billings.

The lawsuit filed by subsidiaries Porto Seguro and Porto Vida are currently awaiting judgment of Extraordinary Appeal and Constitutional Claim by the STF. The lawsuits filed by subsidiaries Porto Saúde and Portopar are currently awaiting judgment of the Special and Extraordinary Appeal. The lawsuit filed by subsidiary Azul Seguros is currently awaiting judgment of the Extraordinary Appeal.

### (ii) PIS

The subsidiaries Porto Seguro, Porto Vida, Porto 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, which changed the calculation basis and the rate of the contribution, which began to be calculated on gross operating income. The subsidiaries are also challenging the applicability of Law No 9718/98 as regards this contribution, which began to be calculated on gross revenue, regardless of accounting classification.

In case of EC 01/94, Porto Seguro and Porto Vida partially enjoyed the benefits under Law 11941/2009 and await the calculation of the remaining balance; the portion still being challenged is pending judgment of the Special and Extraordinary Appeal. The lawsuit filed by subsidiary Azul Seguros is currently awaiting judgment of the Extraordinary Appeal. The lawsuit filed by subsidiary Porto Seguro e Porto Vida challenging EC 10/96 is awaiting judgment of the Special and Extraordinary Appeal. The lawsuit filed by subsidiary Azul Seguros is currently awaiting judgment of the Extraordinary Appeal. The lawsuit filed by subsidiary Porto Seguro e Porto Vida challenging EC 17/97 is awaiting judgment of the Special and Extraordinary Appeal. The lawsuit filed by subsidiary Azul Seguros is awaiting the calculation of the portion of the amounts of escrow deposits unduly converted into income for the Brazilian government. The lawsuit filed by subsidiaries Porto Seguro and Porto Vida challenging Law 9718/98 is awaiting judgment of the Appeal. The lawsuit filed by subsidiary Azul is awaiting judgment of the Extraordinary Appeal filed by the Brazilian government, which was postponed until the judgment of Extraordinary Appeal 400.479 and Interlocutory Appeal.

### (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. Currently awaiting judgment of the Appeal.

### (iv) National Institute of Social Security (INSS) - independent contractors

The subsidiaries Porto Seguro and Azul Seguros are discussing in court social security contribution amounts, and requesting the suspension of this contribution on the compensation of independent contractors, proprietors and day workers, under Supplementary Law 84/96 and Law 9876/99, since they understand that the additional 2.5% payment, instituted only for financial institutions and insurance companies, is improper.

The lawsuit filed by subsidiary Porto Seguro challenging LC 84/96 is awaiting judgment of the Appeal. The lawsuit challenging Law 9876/99 is awaiting judgment of the Special and Extraordinary Appeal. The lawsuits filed by subsidiary provided for the joining of the debt installment payment program under Law 11941/2009, and only the issue relating to the 2.5% surtax continued to be challenged, which is currently awaiting judgment of the Extraordinary Appeal.

### (v) Social Contribution on Net Income (deductibility from the Corporate Income Tax (IRPJ)calculation basis)

The subsidiaries Porto Seguro, Porto Vida, Porto Saúde, 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 subsidiaries Porto Seguro and Porto Vida, Porto Saúde and Portopar are currently awaiting judgment of the Special and Extraordinary Appeal. The lawsuit filed by Motor Union, merged into subsidiary Azul, is awaiting judgment of the Extraordinary Appeal, which was interrupted until handing down of decision on RE 582.525/SP.

### (vi) Social contribution (rate difference)

The subsidiaries Porto Seguro, Porto Vida, Porto Saúde, Azul Seguros, Portoseg and Portopar challenged the legality and constitutionality of Provisional Measure (MP) 413/2008 which increased the social contribution rate for financial institutions and insurance companies from 9% to 15%. With the enactment of Law 11941/2009, the subsidiaries opted for the tax debt payment in installments, and, currently, await the release of the amounts deposited in court, with entitlement to the benefits established in the fiscal amnesty.

The subsidiary Portopar is also challenging in court the CSLL due to the rate difference in the period from 1991 to 1998, claiming the offset of the amount unduly paid. The credit was offset, but the subsidiary subsequently received a tax assessment from the Brazilian Federal Revenue Secretariat (RFB). Currently awaiting judgment of the Extraordinary Appeal.

### (vii) CSLL

The company Rio Branco, merged into the subsidiary Azul Seguros, was challenged for the non-payment of CSLL in the period from 1992 to 2000. The subsidiary is discussing the application of this tax assessment at the administrative level. Currently awaiting the judgment of Special Appeals filed by the Brazilian government and the subsidiary, due to the decision that partially approved the Voluntary Appeal.

**(viii) Deductibility of taxes and contributions from the IRPJ and CSLL calculation bases**

The subsidiaries Porto Seguro, Porto Vida, Porto Saúde and Porto Consórcio 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 on the accrual method.

The lawsuits filed by subsidiaries Porto Seguro, Porto Vida and Porto Saúde are awaiting judgment of the Special Appeal. The lawsuit filed by subsidiary Porto Consórcio is currently awaiting judgment of the Extraordinary Appeal.

**(ix) 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 subsidiary opted for the tax debt payment in installments and currently awaits the release of the amounts deposited in court, with entitlement to the benefits established in the program.

**(x) 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. Currently awaiting the judgment of the motions to clarify filed in the Appeal.

**(b) Labor claims**

The subsidiaries Porto Seguro, Porto Vida, Porto Saúde, Azul Seguros, Proteção e Monitoramento, Porto Consórcio, Itaú Auto e Residência, 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$ 11,806, 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 Itaú Auto e Residência 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$ 45,102, for which no provision is necessary, according to the opinion of the subsidiaries' legal advisors (possible loss).

## 22. Other liabilities

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | June 2012 | December 2011 | June 2012 | December 2011 |
| Profit sharing | 3,127 | 1,605 | 39,777 | 117,703 |
| Suppliers | - | - | 50,569 | 80,146 |
| Provision for vacation pay and social | - | - | 93,839 | 65,952 |
| Thrid-party deposits | - | - | 91,088 | 82,284 |
| Uncleared checks | - | - | 17,604 | 18,625 |
| Refund to consortium members | - | - | 13,575 | 10,551 |
| Provision for loyalty credit card | - | - | 18,267 | 15,677 |
| Amounts payable | - | - | 39,676 | 41,380 |
| Other | 30 | 8 | 41,101 | 59,651 |
| | **3,157** | **1,613** | **405,496** | **491,969** |
| Current | 3,157 | 1,613 | 347,113 | 434,357 |
| Non-current | - | - | 58,383 | 57,612 |

## 23. Share capital and reserves - Parent Company

### (a) Share capital

At June 30, 2012, subscribed and paid-up capital is R$ 2,782,000 (R$ 1,870,000 at December 2011), comprising 324,669,130 common nominative book-entry shares, with no par value.

The Extraordinary and Annual Shareholders Meeting of March 29, 2012 resolved to increase capital by R$ 912,000 from the “Capital reserve”. Accordingly, capital increased from R$ 1,870,000 to R$ 2,782,000. The same E/ASM resolved to cancel 2,972,600 shares held in treasury, in the amount of R$ 59,782, without capital decrease, using the bylaws reserve.

### (b) Share repurchase program and treasury share

On February 17, 2012, the Board of Directors approved a new share repurchase program with the following conditions:

- Objective of the program: purchase of shares to be held in treasury and subsequently sold or cancelled, without capital reduction;

- Effective period of the program: start on February 22, 2012 and end on February 20, 2013;
- Number of shares to be purchased: up to the limit of 5 million shares;
- Financial Institution Authorized: Itaú Corretora de Valores S.A.

Share repurchase transactions conducted through June 30, 2012 totaled 1.4 million shares at the average price of R$17.62, totaling R$24,252 in share buyback, recorded in equity in “Treasury shares”. The minimum price paid on the buyback of shares was R$16.89 and the maximum price was R$18.50.

## (c) Reserves

The reserves were constituted as follows:

| | June 2012 | December 2011 |
|---|---|---|
| Legal reserve (ii) | 185,295 | 185,295 |
| Statutory reserve (iii) | 1,442,829 | 1,502,611 |
| Other reserves | 100,344 | 100,344 |
| | **1,728,468** | **1,788,250** |

### (i) Capital reserve

In November and December 2004, 6,881,216 shares were issued at the unit value of R$ 18.75, of which R$ 6.89 were allocated to the "Share premium" account, totaling R$ 47,412.

### (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 share capital, in accordance with article 193 of Law No 6404/76.

### (iii) Statutory reserve

The reserve for capital maintenance of 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.

## Notes to the Quarterly Information

### (d) Dividends and interest on capital

Pursuant to the Company's bylaws, shareholders are entitled to receive minimum mandatory dividends of 25% of adjusted profit for the year of the parent company. The payment of mandatory dividends can be limited to the amount of profit realized financially, under the terms of the law. The payment of interest on capital is imputed to the minimum mandatory dividends. The provision related to any amount that exceeds the compulsory minimum dividend will be recognized on the date it is approved, and up to such approval it will be maintained in equity, as shown in the statement of changes in equity.

The Extraordinary and Annual Shareholders Meeting of March 29, 2012 approved the payment of complementary dividends for the prior year in the amount of R$ 138,037. In the 2nd quarter of 2012, dividends and interest on capital were paid to shareholders as follows:

| Proceeds | Approval | Date of payment | Amount per share (R$ -net of tax) | Total |
|---|---|---|---|---|
| Interest on capital | AGO/E on 03/29/2012 | 04/05/2012 | 0.49722 | 161,500 |
| Interest on capital | AGO/E on 03/29/2012 | 04/05/2012 | 0.17017 | 55,250 |
| Dividends | AGO/E on 03/29/2012 | 04/05/2012 | 0.18272 | 59,324 |
| | | **Total of dividends distributed on the quarter** | **0.8501** | **276,074** |

## 24. Earned insurance premiums and pension plan contributions - Consolidated

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 main insurance lines are as follows:

**2012**

| | 2nd Quarter | | | 1st Semester | | |
|---|---|---|---|---|---|---|
| | **Written premiums** | **Premiums ceded (reinsurance)** | **Net premiums earned** | **Written premiums** | **ceded (reinsurance)** | **Net premiums earned** |
| Automobile | 1,461,151 | (808) | 1,460,343 | 2,895,958 | (1,116) | 2,894,842 |
| DPVAT | 64,919 | - | 64,919 | 178,066 | - | 178,066 |
| Health | 242,863 | - | 242,863 | 479,122 | - | 479,122 |
| Personal | 94,966 | (2,220) | 92,746 | 182,430 | (4,103) | 178,327 |
| Property | 202,226 | (4,813) | 197,413 | 362,411 | (7,481) | 354,930 |
| Transportation | 31,495 | (191) | 31,304 | 60,754 | (350) | 60,404 |
| Casualty | 3,257 | (175) | 3,082 | 6,018 | (238) | 5,780 |
| financial risks | 73,359 | (1,541) | 71,818 | 142,890 | (2,423) | 140,467 |
| Other | 341 | (88) | 253 | 1,109 | (149) | 960 |
| Uruguay | 23,098 | (406) | 22,692 | 46,459 | (533) | 45,926 |
| | **2,197,675** | **(10,242)** | **2,187,433** | **4,355,217** | **(16,393)** | **4,338,824** |
| VGBL premiums | 40,000 | - | 40,000 | 77,745 | - | 77,745 |
| | **2,237,675** | **(10,242)** | **2,227,433** | **4,432,962** | **(16,393)** | **4,416,569** |
| Pension plan contributions | 40,265 | - | 40,265 | 81,299 | - | 81,299 |
| | **2,277,940** | **(10,242)** | **2,267,698** | **4,514,261** | **(16,393)** | **4,497,868** |

## Notes to the Quarterly Information

**2011**

| | 2nd Quarter | | | 1st Semester | | |
|---|---|---|---|---|---|---|
| | Written premiums | Premiums ceded (reinsurance) | Net premiums earned | Written premiums | ceded (reinsurance) | Net premiums earned |
| Automobile | 1,340,649 | (5,476) | 1,335,173 | 2,698,896 | (6,912) | 2,691,984 |
| DPVAT | 83,092 | - | 83,092 | 179,572 | - | 179,572 |
| Health | 205,077 | - | 205,077 | 401,685 | - | 401,685 |
| Personal | 89,816 | (1,761) | 88,055 | 164,186 | (3,474) | 160,712 |
| Property | 168,861 | 397 | 169,258 | 319,207 | (1,836) | 317,371 |
| Transportation | 29,150 | (67) | 29,083 | 55,510 | (189) | 55,321 |
| Casualty | 4,204 | (275) | 3,929 | 8,401 | - | 8,401 |
| financial risks | 61,721 | (878) | 60,843 | 116,432 | (1,419) | 115,013 |
| Other | 364 | (87) | 277 | 920 | (363) | 557 |
| Uruguay | 16,816 | (101) | 16,715 | 35,499 | (237) | 35,262 |
| | **1,999,750** | **(8,248)** | **1,991,502** | **3,980,308** | **(14,430)** | **3,965,878** |
| VGBL premiums | 33,186 | - | 33,186 | 63,051 | - | 63,051 |
| | **2,032,936** | **(8,248)** | **2,024,688** | **4,043,359** | **(14,430)** | **4,028,929** |
| Pension plan contributions | 36,122 | - | 36,122 | 73,243 | - | 73,243 |
| | **2,069,058** | **(8,248)** | **2,060,810** | **4,116,602** | **(14,430)** | **4,102,172** |

## 25. Other operating income - Consolidated

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | 2nd Quarter | 1st Semester | 2nd Quarter | 1st Semester |
| Charges for policy costs | 83,370 | 183,574 | 96,239 | 188,563 |
| Income - insurance (*) | 16,624 | 37,050 | 17,406 | 38,289 |
| Other income - credit card | 40,237 | 78,177 | 24,424 | 47,130 |
| Arrears interest and fine - credit card | 5,761 | 11,140 | 5,099 | 9,597 |
| Income - pension plan | 7,519 | 14,637 | 3,108 | 7,119 |
| Other | 3,188 | 7,105 | 1,734 | 6,110 |
| | **156,699** | **331,683** | **148,010** | **296,808** |

(*) Refers primarily to income from DPVAT Agreement.

## 26. Changes in technical reserves - Consolidated

| | 2012 | | | |
|---|---|---|---|---|
| | 2nd Quarter | | 1 st Semester | |
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| Unearned premiums reserves | 46,280 | 47,411 | 33,089 | 41,808 |
| Reserve for prension plan | 40,912 | 40,912 | 81,200 | 81,200 |
| Mathematical reserve | 1,049 | 1,049 | 2,026 | 2,026 |
| Unexpired risks reserve | 612 | 612 | (211) | (211) |
| Other reserves | 35,656 | 35,656 | 74,102 | 74,102 |
| | **124,509** | **125,640** | **190,206** | **198,925** |

| | 2011 | | | |
|---|---|---|---|---|
| | 2nd Quarter | | 1 st Semester | |
| | Gross of | Net of | Gross of | Net of |
| Unearned premiums reserves | (35,979) | (27,511) | (61,491) | (41,226) |
| Reserve for prension plan | 59,244 | 59,244 | 95,500 | 95,500 |
| Mathematical reserve | 1,024 | 1,024 | 2,165 | 2,165 |
| Unexpired risks reserve | 119 | 119 | (1,836) | (1,836) |
| Other reserves | 38,644 | 38,644 | 66,793 | 66,793 |
| | **63,052** | **71,520** | **101,131** | **121,396** |

## 27. Retained claims - Consolidated

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.

| | 2012 | | | |
|---|---|---|---|---|
| | 2nd Quarter | | 1 st Semester | |
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| Automobile | 1,032,361 | 1,032,255 | 2,072,898 | 2,072,743 |
| Health | 200,183 | 200,183 | 378,636 | 378,636 |
| Property | 57,700 | 55,363 | 121,433 | 116,533 |
| Personal | 35,100 | 32,974 | 69,331 | 65,621 |
| Financial risks | 31,930 | 30,363 | 55,566 | 53,925 |
| DPVAT | 56,480 | 56,479 | 155,125 | 155,118 |
| Other | 14,506 | 11,782 | 40,262 | 27,028 |
| Uruguay | 12,095 | 12,095 | 23,612 | 23,612 |
| | **1,440,355** | **1,431,494** | **2,916,863** | **2,893,216** |

| | 2011 | | | |
|---|---|---|---|---|
| | 2nd Quarter | | 1 st Semester | |
| | Gross of reinsurance | Net of reinsurance | Gross of reinsurance | Net of reinsurance |
| Automobile | 982,240 | 982,667 | 1,984,937 | 1,982,542 |
| Health | 155,654 | 155,654 | 292,758 | 292,758 |
| Property | 56,760 | 53,929 | 122,667 | 119,679 |
| Personal | 28,346 | 26,743 | 52,624 | 50,333 |
| Financial risks | 19,430 | 19,883 | 39,703 | 39,759 |
| DPVAT | 62,826 | 62,821 | 156,409 | 156,396 |
| Other | 17,367 | 14,946 | 29,146 | 28,975 |
| Uruguay | 6,713 | 6,713 | 14,860 | 14,860 |
| | **1,329,336** | **1,323,356** | **2,693,104** | **2,685,302** |

## 28. Pension plan benefits - Consolidated

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Traditional plans | 1,152 | 2,070 | 1,083 | 1,706 |
| PGBL | 761 | 1,387 | 509 | 1,153 |
| VGBL | 219 | 419 | 299 | 527 |
| | **2,132** | **3,876** | **1,891** | **3,386** |

## 29. Amortization of deferred acquisition costs - Consolidated

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Automobile | 310,085 | 621,383 | 289,484 | 576,369 |
| Property | 62,036 | 113,287 | 51,190 | 94,806 |
| Personal | 25,712 | 49,559 | 22,229 | 41,784 |
| Health | 20,750 | 41,229 | 18,271 | 36,817 |
| Financial risks | 17,474 | 34,651 | 14,116 | 27,430 |
| DPVAT | 1,001 | 2,580 | 1,492 | 2,242 |
| Other | 8,605 | 16,560 | 6,258 | 12,236 |
| Uruguay | 4,090 | 8,451 | 3,300 | 6,399 |
| | **449,753** | **887,700** | **406,340** | **798,083** |

## 30. Administrative expenses

| | 2012 | | 2012 | |
|---|---|---|---|---|
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Personnel and post-employment benefits | 252 | 498 | 223,685 | 449,816 |
| Outsorced services | 247 | 442 | 87,508 | 163,166 |
| Facilities and operations | 74 | 144 | 106,401 | 216,070 |
| Amortization of business combination - Itaú Auto e Residência | 11,022 | 25,978 | 11,022 | 25,978 |
| Advertising and legal publications | 62 | 560 | 19,027 | 50,241 |
| Profit-sharing | 1,344 | 2,635 | 36,562 | 66,672 |
| Donations and contributions | - | - | 3,000 | 5,333 |
| Other | 14 | 22 | (1,593) | 3,476 |
| | **13,015** | **30,279** | **485,612** | **980,752** |

## Notes to the Quarterly Information

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 2011 | | 2011 | |
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Personnel and post-employment benefits | 276 | 551 | 202,457 | 393,894 |
| Outsorced services | 285 | 529 | 69,648 | 129,234 |
| Facilities and operations | 84 | 154 | 100,727 | 191,682 |
| Amortization of business combination - Itaú Auto e Residência | 14,956 | 29,912 | 14,956 | 29,912 |
| Advertising and legal publications | 92 | 963 | 36,398 | 62,325 |
| Profit-sharing | - | - | 23,027 | 51,436 |
| Donations and contributions | 1 | 3 | 5,287 | 7,339 |
| DPVAT agrement | - | - | 4,786 | 10,009 |
| Other | 2 | 20 | 8,052 | 19,120 |
| | **15,696** | **32,132** | **465,338** | **894,951** |

## 31. Tax expenses

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 2012 | | 2012 | |
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| COFINS | - | - | 52,574 | 105,222 |
| PIS | - | - | 8,857 | 17,719 |
| ICMS (on GPS sales of the subsidiary Proteção e Monitoramento) | - | - | 234 | 790 |
| Other | 34 | 67 | 11,273 | 21,766 |
| | **34** | **67** | **72,938** | **145,497** |

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 2011 | | 2011 | |
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| COFINS | - | - | 49,759 | 98,062 |
| PIS | - | - | 8,355 | 16,437 |
| ICMS (on GPS sales of the subsidiary Proteção e Monitoramento) | - | - | 294 | 480 |
| Other | 33 | 67 | 9,454 | 18,205 |
| | **33** | **67** | **67,862** | **133,184** |

## 32. Other operating expenses - Consolidated

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Expenses with anti-theft devices | 18,813 | 36,924 | 24,542 | 51,975 |
| Risk inspections and preventive actions | 19,675 | 35,183 | 18,651 | 33,297 |
| Provision for credit risks - financial | 14,318 | 29,761 | 10,354 | 20,599 |
| Bonus expenses - Porto Socorro | 13,549 | 28,329 | 10,410 | 21,381 |
| Financial intermediation expenses | 10,365 | 22,215 | 9,878 | 18,350 |
| Social charges on insurance transactions | 7,407 | 15,273 | 7,662 | 15,736 |
| Productions expenses | 6,090 | 10,645 | 4,632 | 9,079 |
| Electronic transmission | 4,171 | 10,082 | 3,237 | 6,524 |
| Supervision and collection | 20,341 | 48,332 | 15,303 | 33,945 |
| Provision for risks - Civil | 1,394 | 3,104 | 5,050 | 6,230 |
| Provision for credit risks - insurance | 5,329 | 10,429 | 4,914 | 2,948 |
| Other | 46,847 | 86,088 | 26,106 | 47,579 |
| | **168,299** | **336,365** | **140,739** | **267,643** |

## 33. Finance income

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 2012 | | 2012 | |
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Net gains on changes in fair value of financial assets at fair value through profit or loss: | 16,906 | 50,907 | 216,606 | 451,951 |
| Revenue from interest on: | | | | |
| - Available for sale financial assets | 130 | 354 | 130 | 354 |
| - Payment of insurance premiums in installments | - | - | 63,879 | 125,500 |
| PGBL /VGBL transactions | - | - | 21,712 | 58,394 |
| Monetary variations of judicial deposits | - | - | 8,473 | 18,661 |
| Other | 245 | 629 | 11,656 | 22,980 |
| | **17,281** | **51,890** | **322,456** | **677,840** |

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 2011 | | 2011 | |
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Net gains on changes in fair value of financial assets at fair value through profit or loss: | 6,988 | 18,167 | 150,736 | 332,578 |
| Revenue from interest on: | | | | |
| - Payment of insurance premiums in installments | - | - | 58,055 | 116,995 |
| PGBL /VGBL transactions | - | - | 19,482 | 39,280 |
| Monetary variations of judicial deposits | - | - | 14,958 | 22,547 |
| Other | 276 | 666 | 10,363 | 17,979 |
| | **7,264** | **18,833** | **253,594** | **529,379** |

## 34. Finance costs - Consolidated

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Pension Plan transactions | 33,718 | 55,802 | 10,498 | 32,817 |
| PGBL/VGBL transactions | 21,414 | 57,553 | 18,776 | 38,142 |
| Monetary variations on provision for long-term taxes | 23,517 | 48,794 | 28,439 | 46,649 |
| Insurance transactions | 9,521 | 19,223 | 9,699 | 16,615 |
| Other | 3,157 | 3,961 | 2,756 | 4,822 |
| | **91,327** | **185,333** | **70,168** | **139,045** |

## 35. Employee benefits - Consolidated

### (a) Pension plan

In 1994, the subsidiaries Porto Seguro, Porto Vida, Porto Saúde, Porto Consórcio, Proteção e Monitoramento, Portoseg, Portopar, Crediporto, Serviços Médicos, Porto Seguro Atendimento and Itaú Auto e Residência implemented a defined contribution pension plan, according to IAS 19, for their employees, through Portoprev - Porto Seguro Previdência Complementar, a nonprofit, private pension fund.

## 36. Earnings per share - Parent Company

Basic earnings per share of the Company 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 and classified as treasury shares in the financial statements, as a deduction from the Company's equity.

**Notes to the Quarterly Information**

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:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | 2nd Quarter | 1 st Semester | 2nd Quarter | 1 st Semester |
| Profit attributable to the shareholders of the Company | 136,500 | 274,528 | 94,311 | 237,824 |
| Weighted avarage number of shares outstanding during the year | 324,510 | 323,941 | 327,197 | 327,197 |
| Basic and diluted earnings per share - in R$ | 0.42063 | 0.84746 | 0.28824 | 0.72685 |

## 37. 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 expenses charged by the subsidiary Porto Cia for the use of properties and workforce;

(ii) rentals of buildings charged by the subsidiaries Porto Seguro, Porto Vida and Azul Seguros;

(iii) rendering of health insurance services by the subsidiary Porto Saúde;

(iv) rendering of monitoring services by the subsidiary Proteção e Monitoramento;

(v) agreement for apportionment of administrative costs of the subsidiary Itaú Auto e Residência 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) agreement for use of credit card payment credit between the Port Cia and Portoseg for payment of insurance policies;

(viii) services rendered of medical care and use of hospital network hired by Porto Saúde from Serviços Médicos.

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

## Notes to the Quarterly Information

| | Parent | |
|---|---|---|
| | June 2012 | December 2011 |
| Assets | | |
| Current assets | | |
| Dividends receivable | | |
| Azul Seguros | - | 530 |
| Itaú Auto e Residência | - | 2,305 |
| Porto Serviços | - | 168 |
| Portomed S.A. | - | 13 |
| Trade receivable | | |
| Porto Seguro | - | 286 |
| Porto Odonto | 23 | 22 |
| | **23** | **3,324** |
| Liabilities | | |
| Interest on capital and dividends payable | - | 142,028 |
| | **-** | **142,028** |

| | Revenue | | Expenses | |
|---|---|---|---|---|
| | 2012 | | 2012 | |
| **Statement of income** | **2nd Quarter** | **1 st Semester** | **2nd Quarter** | **1 st Semester** |
| **Parent company** | | | | |
| Porto Seguro S.A. | - | - | 90 | 202 |
| **Direct and indirect subsidiaries** | | | | |
| Porto Seguro | 81,174 | 161,120 | 11,407 | 22,719 |
| Azul Seguros | - | - | 25,380 | 50,039 |
| Itaú Auto e Residência | - | - | 21,542 | 39,860 |
| Proteção e Monitoramento | 1,405 | 2,709 | 4,763 | 9,332 |
| Porto Consórcio | - | - | 3,904 | 8,101 |
| Portoserv | - | - | 545 | 1,060 |
| Portoseg | - | - | 1,687 | 3,057 |
| Portopar | 776 | 1,590 | 502 | 1,067 |
| Crediporto | - | - | 223 | 477 |
| Serviços Médicos | - | - | 864 | 1,667 |
| Portomed S.A. | - | - | 8 | 9 |
| Porto Seguro Serviços | - | - | 2,754 | 6,293 |
| Porto Atendimento | - | - | 2,687 | 8,884 |
| Porto Telecomunicações | - | - | 1,166 | 2,156 |
| Porto Vida | 1,001 | 2,002 | 3,243 | 6,004 |
| Porto Saúde | 13,091 | 26,515 | 16,682 | 33,009 |
| | **97,447** | **193,936** | **97,447** | **193,936** |

## Notes to the Quarterly Information

| Statement of income | Revenue 2011 2nd Quarter | Revenue 2011 1 st Semester | Expenses 2011 2nd Quarter | Expenses 2011 1 st Semester |
|---|---|---|---|---|
| **Parent company** | | | | |
| Porto Seguro S.A. | - | - | 56 | 96 |
| **Direct and indirect subsidiaries** | | | | |
| Porto Seguro | 64,101 | 120,707 | 8,705 | 17,112 |
| Azul Seguros | - | - | 18,797 | 36,755 |
| Itaú Auto e Residência | - | - | 16,152 | 28,965 |
| Proteção e Monitoramento | 1,584 | 2,942 | 4,074 | 7,283 |
| Porto Consórcio | - | - | 3,519 | 7,049 |
| Portoserv | - | - | 217 | 481 |
| Portoseg | - | - | 5,498 | 10,748 |
| Portopar | 766 | 1,553 | 3,782 | 8,337 |
| Crediporto | - | - | 183 | 344 |
| Serviços Médicos | - | - | 336 | 690 |
| Portomed S.A. | - | - | 1 | 2 |
| Porto Seguro Serviços | - | - | 633 | 1,232 |
| Porto Atendimento | - | - | 2,138 | 2,529 |
| Porto Telecomunicações | - | - | 36 | 36 |
| Porto Vida | 4,036 | 8,975 | 3,907 | 6,999 |
| Porto Saúde | 10,851 | 21,127 | 13,304 | 26,646 |
| | **81,338** | **155,304** | **81,338** | **155,304** |

(b) Transactions with the key management personnel, which include board members, officers and members of the executive committee, are as follows:

(i) The remuneration paid or payable related to services is as follows:

| | Parent 2012 2nd Quarter | Parent 2012 1 st Semester | Consolidated 2012 2nd Quarter | Consolidated 2012 1 st Semester |
|---|---|---|---|---|
| Profit sharing - management | 1,344 | 2,635 | - | - |
| Directors´fees and social charges | 90 | 335 | 272 | 551 |
| | **1,434** | **2,970** | **272** | **551** |

| | Parent 2011 2nd Quarter | Parent 2011 Semester | Consolidated 2011 2nd Quarter | Consolidated 2011 Semester |
|---|---|---|---|---|
| Profit sharing - management | 12,855 | 30,402 | 10,130 | 24,245 |
| Directors´fees and social charges | 4,691 | 8,286 | 3,553 | 7,148 |
| | **17,545** | **38,687** | **13,683** | **31,393** |

## 38. Notes not included in this interim financial information

According to IAS 34 (Interim Financial Reporting) and Official Circular Letter CVM/SNC/SEP/003/2011, Porto Seguro omitted or condensed the following notes in this financial information in relation to the financial statements for the year ended December 31, 2011, as such notes did not contain significant changes:

| Note to the annual / interim FS | Title | Page on Annual FS (*) |
|---|---|---|
| 2 /2 | Summary of significant accounting policies | 03 |
| 3/ 3 | Accounting estimates and judgments | 26 |
| 4.1/ 4.1 | Insurance risk management | 27 |
| 13 /14 | Properties for investment | 67 |
| 15.2 | Fixed assets - leased | 70 |
| 16.6 | Behavior of provision for claims in the years subsequent to its recognition | 75 |
| 34 /35 | Employee benefits | 91 |
| 37 /38 | Other information | 96 |

(*)Page where is the note in the Annual Financial Statements (DFP), available at the site of CVM (www.cvm.gov.br).

**Other Information Considered Relevant by the Company**

# AUDIT COMMITTEE'S REPORT

The Audit Committee of Porto Seguro S.A. is a statutory body subordinated to the Board of Directors, comprised of independent members, in accordance with best corporate governance practices adopted by companies with shares traded on the Novo Mercado segment of the BM&F-Bovespa S.A. - Bolsa do Valores, Mercadorias e Futuros, and complies with conformity with the prevailing law, in particular Resolution 118/04, of the National Private Insurance Council (CNSP).

The work scope of the Audit Committee encompasses all companies in the Porto Seguro conglomerate, which committee is operated through Porto Seguro S.A., a publicly-held company holding the controlling stake in the companies comprising the conglomerate.

The management of Porto Seguro S.A. 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 internal controls that are adequate to the complexity of transactions, strictly in conformity with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Deloitte Touche Tohmatsu Auditores Independentes was engaged as the independent auditor of the financial statements of Porto Seguro S.A. and its subsidiaries, including the consolidated financial statements. Based on the audit work, conducted in accordance with the Brazilian standards on auditing, the independent auditor issues an opinion on whether these financial statements present fairly, in all material respects, the financial position of Porto Seguro S.A. and its subsidiaries as at the balance sheet date, and their financial performance and their cash flows for the period then ended in accordance with accounting practices adopted in Brazil with respect to individual financial statements and, with respect to consolidated financial statements, also in accordance with International Financial Reporting Standards (IFRS) issued by IASB.

The Audit Committee is mainly responsible for independently analyzing, monitoring and issuing recommendations on: (1) 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) the compliance with legal and regulatory provisions applicable to Porto Seguro S.A. and its subsidiaries, considering the characteristics inherent in each entity, in addition to internal rules and policies; (iv) the work performed by the internal and external audit staff and (v) the integrity or improvement of policies, practices and procedures identified under the scope of the work.

## Other Information Considered Relevant by the Company

Based on its bylaws, the Audit Committee has performed the following activities, among others: (a) analysis and approval of the annual internal audit activity plan for 2012; (b) holding of meetings with various areas in the company; (c) request, analysis and follow-up of information and reports on the structure and operation of the internal control environment and risk management; (d) evaluation of the level of work conducted by the internal and external audit staff, as well as of the independence policy; (c) request and analysis of documents relating to the accounting and financial aspects of the conglomerate and ongoing lawsuits; (f) analysis of the compliance with standards specifically applicable to the areas of operation of Porto Seguro S.A. and its subsidiaries.

The Committee met the independent auditor and became aware of the report on limited review of interim financial information (ITR) of Porto Seguro S.A. as at June 30, 2012.

Consequently, in reliance upon the activities performed during the period and based on the limitations arising from the scope of its work, the Committee understands that the interim financial information of Porto Seguro S.A. as at June 30, 2012 has been prepared in conformity with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and recommends its approval by the Board of Directors.

São Paulo, August 2, 2012

Alfredo Sérgio Lazzareschi Neto

Evandro Cesar Camillo Coura Ricardo Baldin

## Opinions and Statements / Unqualified Special Review Report

REPORT ON REVIEW OF QUARTERLY INFORMATION

To the Management and Shareholders of
Porto Seguro S.A.
São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Porto Seguro S.A., included in the Interim Financial Information Form (ITR), for the quarter ended June 30, 2012, which comprises the balance sheet as of June 30, 2012 and the related income statement and statement of comprehensive income for the three and six-month period then ended and the statement of changes in equity and statement of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 - Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

## Opinions and Statements / Unqualified Special Review Report

Other matters

*Statements of value added*

We have also reviewed the individual and consolidated interim statements of value added ("DVA"), for the six-month period ended June 30, 2012, prepared under the responsibility of the Porto Seguro S.A. management, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and considered as supplemental information for IFRS that does not require the presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information, in accordance with CPC 21, taken as a whole.

*Review of individual and consolidated interim financial information for the quarter ended June 30, 2011 and audit of individual and consolidated financial information for the year ended December 31, 2011*

The Interim Financial Information (ITR) referred to in the first paragraph includes financial information on profit and loss, comprehensive income, changes in equity, cash flows and value added for the three- and/or six-month periods ended June 30, 2011, obtained from the Interim Financial Information - ITR for the quarter ended June 30, 2011, and the balance sheets as at December 31, 2011, obtained from the financial statements as at December 31, 2011, which were originally prepared before the reclassifications described in Note 2.2 made to change this 2011 financial information, presented for purposes of comparison. The financial statements for the year ended December 31, 2011, as originally prepared, and the review of the Interim Financial Information (ITR) for the quarter ended June 30, 2011, were audited by another auditor, who issued unqualified audit and review reports dated February 25, 2012 and August 1, 2011, respectively.

As part of our review of the interim financial information for the quarter ended June 30, 2012, we also reviewed the reclassifications described in Note 2.2, which were made to change the financial information contained in the financial statements for the year ended December 31, 2011, presented for purposes of comparison. Based on our review, nothing has come to our attention that causes us to believe that such reclassifications are not appropriate or were not properly made, in all material respects. We were not engaged to audit, review, or apply any other procedures to the Interim Financial Information (ITR) of Porto Seguro S.A. relating to the figures for 2011 and, therefore, we do not express an opinion or any other form of assurance on the 2011 financial information taken as a whole

The accompanying interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, July 31, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Francisco A. M. Sant'Anna
Engagement Partner

2012-0824