4Q09 and 2009 Conference Call



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Comments
4Q09 and 2009

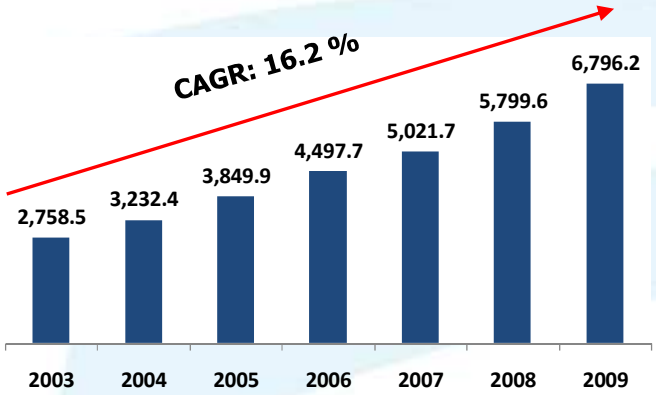
- *Development of the insurance market;*
- *Consolidation of the results of Porto Seguro and Itaú Seguros Automóveis e Residência (ISa+r);*
- *Growth in premiums;*
- *Portfolio loss ratio;*
- *Administrative expenses (G&A);*
- *Net financial income.*

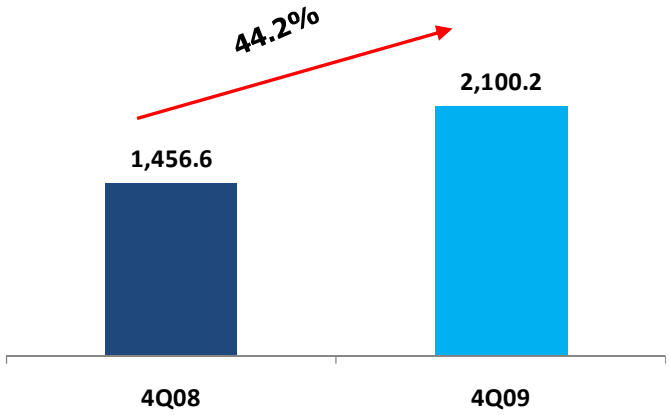
Revenue
Total Revenue

Total revenue grew 44.2% in 4Q09, mainly due to premium growth in the auto portfolio and the partnership with Itaú.

Revenues (in R$ thousand)	4Q09	4Q08	Chg. %	2008	2009	Chg. %
Total Written Premiums	1,833.2	1,249.9	46.7	5,779.4	4,825.0	19.8
Pension Plan Contribution	34.0	32.1	5.9	125.1	115.4	8.4
Surveillance Services	14.7	13.4	9.7	60.3	51.8	16.4
Consortium	29.9	27.0	10.7	114.2	103.3	10.6
Credit Operations	41.5	23.8	74.4	146.0	76.5	90.8
Other	13.5	6.3	114.3	37.2	20.5	81.5
Net Financial Results	133.4	104.1	28.1	488.0	534.0	16.4
Total Revenue	2,100.2	1,456.6	44.2	6,796.2	5,651.4	20.3

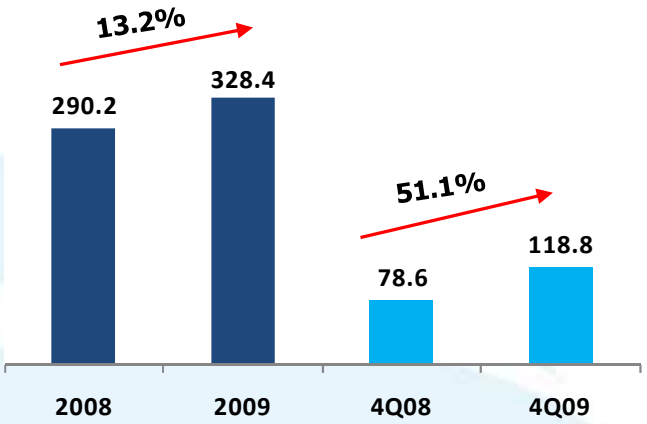
Total Revenue (R$ million)

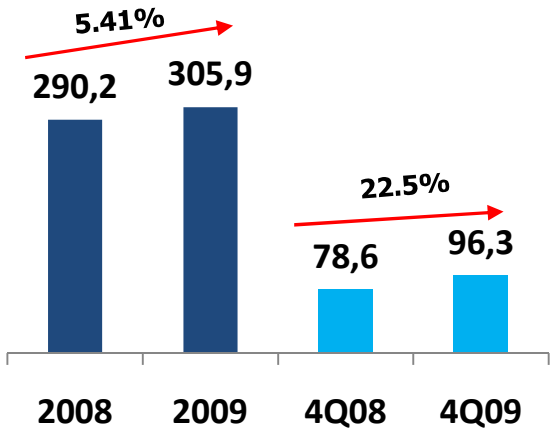




4Q09 Results
Net Income and ROAE

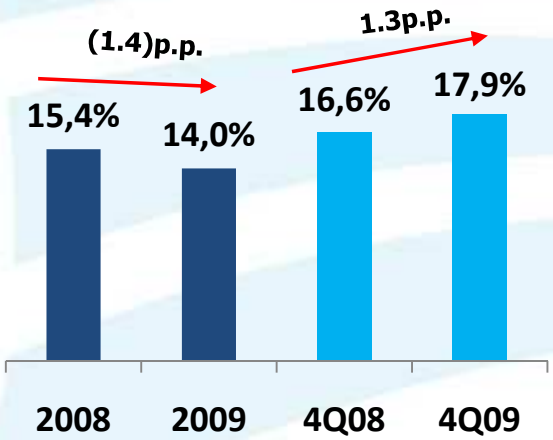
Net Income (R$ million)

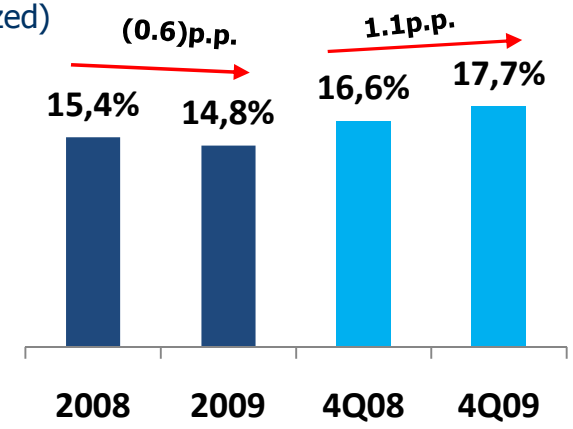




* Without ISa+r and excluding the nonrecurring costs with the Partnership.

ROAE (% annualized)



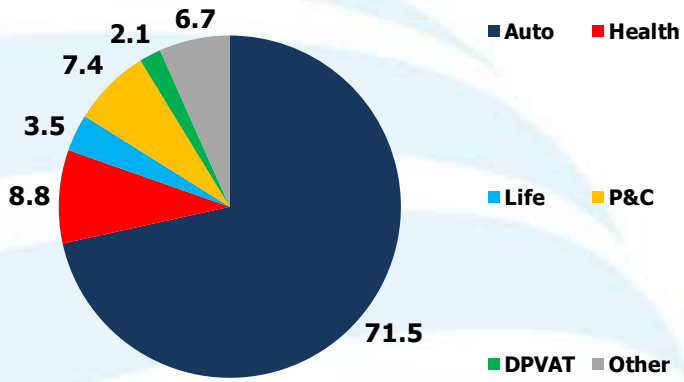


* Without ISa+r and excluding the nonrecurring costs with the Partnership.

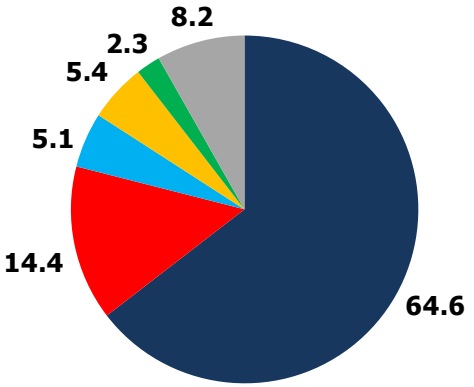
Breakdown of Written Premiums

Porto Seguro – 4Q09 vs. 4Q08

4Q09 %



4Q08 %



Includes VGBL and Uruguay.
Source: Porto Seguro

Insurance Market in Brazil

Geographic Expansion: Growth Opportunity

- *Continue growing with profitability in all regions of the country.*

Market Share by Region

North

2004 : 5.5%
4Q09: 11.0%

Midwest

2004 : 4.2%
4Q09: 9.1%



South

2004: 2.7%
4Q09: 5.7%

Northeast

2004 : 6.9%
4Q09: 10.7%

Southeast

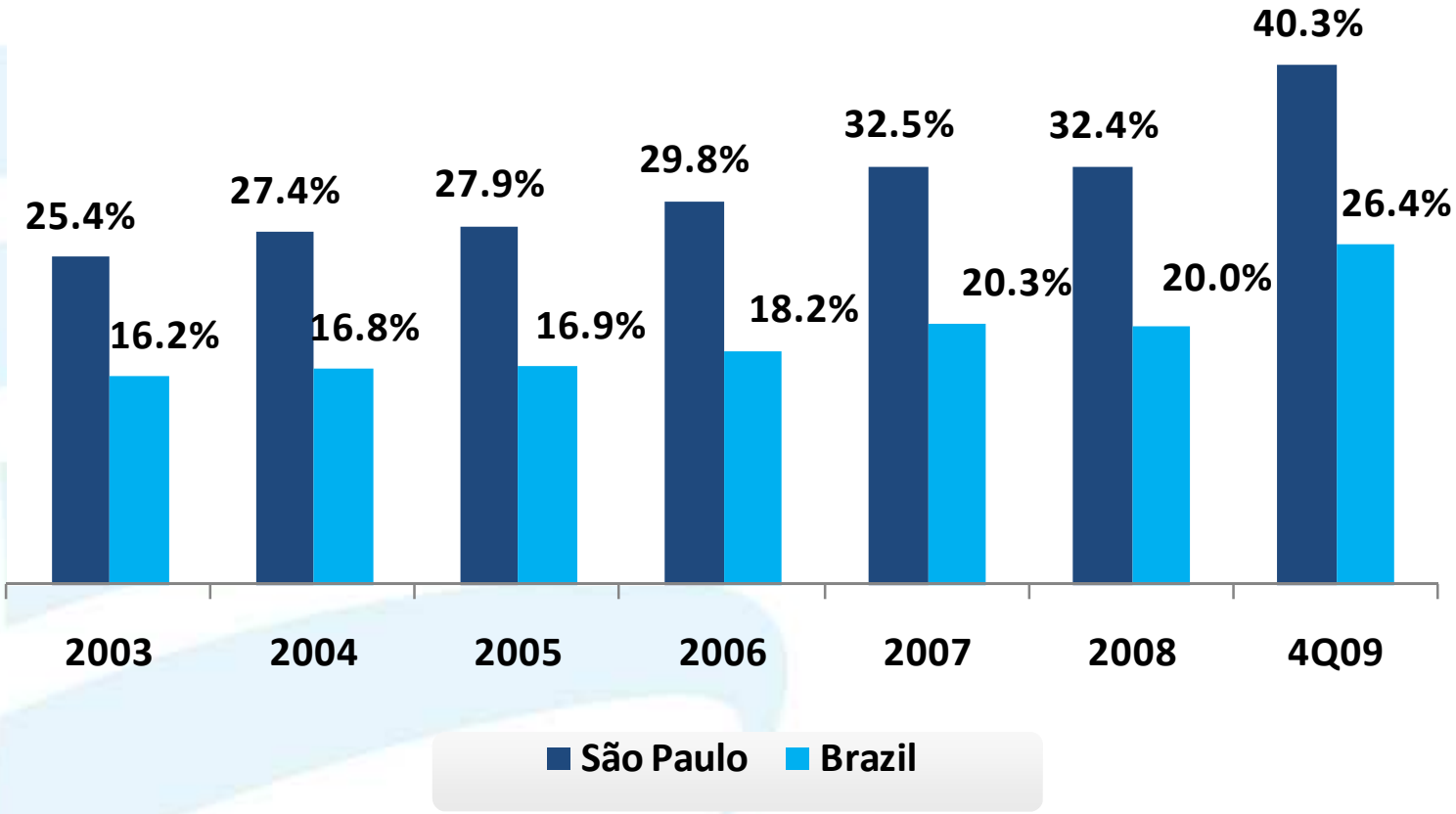
2004 : 10.4%
4Q09: 16.3%

Source: SUSEP – ex VGBL and Health

Auto Insurance

Market Share – São Paulo and Brazil

- *In 4Q09 the market share in the auto insurance business increased by 6.4 p.p. in Brazil and by 7.9 p.p. in São Paulo state.*



Source: SUSEP

Auto Insurance
Geographic Expansion: Growth Opportunity

- *Continue growing with profitability in all regions of the country.*

Market Share by Region



North

2004 : 9.6%
4Q09 : 18.6%

Northeast

2004 : 10.0%
4Q09 : 17.8%

Center-West

2004 : 6.0%
4Q09 :16.7%

South

2004 : 3.5%
4Q09: 10.3%

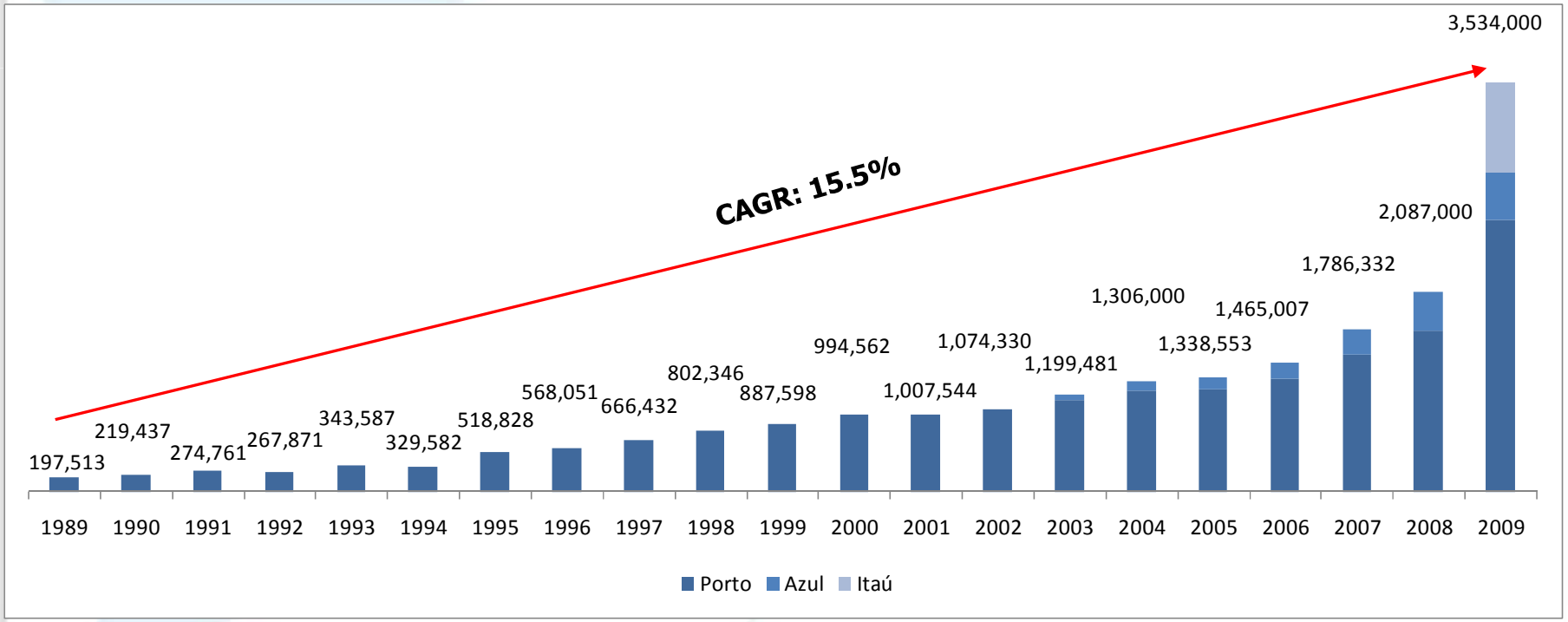
Southeast

2004 : 23.0%
4Q09 : 35.6%

Source: Susep

Auto Insurance Market in Brazil

Vehicles Insured



Auto Insurance
Porto Seguro and Azul Seguros

- *Porto Seguro Auto: 13.2% growth in 4Q09, due to insured fllet increase.*
- *Loss ratio up 4.0 p.p. in 4Q09, mainly due to lower used vehicle prices of salvage and the higher loss ratio in liability insurance in the period.*

Porto Seguro - Auto	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Written Premiums (R$ million)	752.0	664.5	13.2	2,783.0	2,538.0	9.6
Loss Ratio (%) - Var (p.p.)	48.9	44.9	4.0	51.6	49.2	2.4
Insured Vehicles (thousand)	-	-	-	1,765.4	1,572.6	12.3

- *The 34.8% increase in written premiums in 4Q09 from 4Q08 is mainly due to the expansion of 20.4% in the number of vehicles insured and price adjustments in the period.*
- *Reduction of 2.7 p.p. in the loss ratio in 4Q09 from 4Q08, mainly due to price adjustments.*

Azul Seguros -Auto	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Written Premiums (R$ million)	192.0	142.4	34.8	714.6	566.1	26.2
Loss Ratio (%) - Var (p.p.)	64.4	67.1	(2.7)	70.5	68.8	1.7
Insured Vehicles (thousand)	-	-	-	618.4	513.6	20.4

Auto Insurance

ISa+r

- *The auto portfolio received from Itaú totaled R$ 367.4 million and over 1.1 million vehicles.*

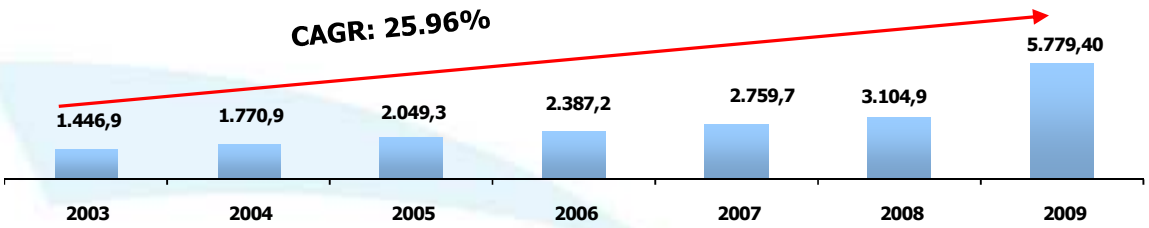
Itaú Seguro Auto	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Written Premiums (R$ million)	367.4	-	-	367.4	-	-
Loss Ratio (%) - Var (p.p.)	70.0	-	-	70.0	-	-
Insured Vehicles (thousand)	1150.2		-	1150.2	-	-

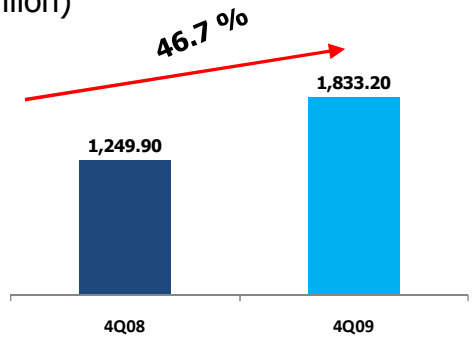
Auto Insurance

Written Premiums and Loss Ratio - Consolidated Auto Insurance

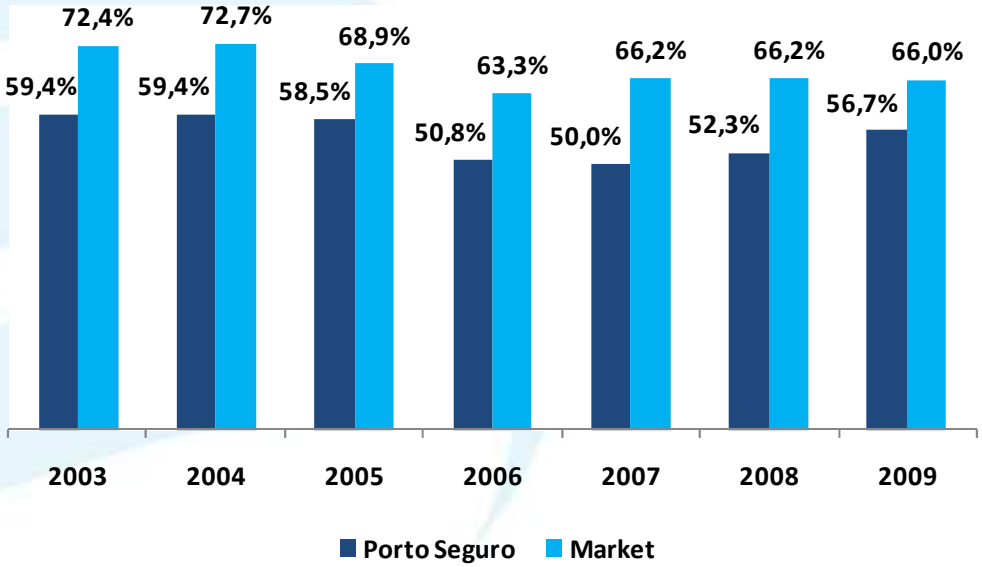
- *The consolidated written premiums of Porto Seguro Auto and Azul Seguros Auto and Itaú totaled R$ 1.8 billion in 4Q09, up 46.7% from R$ 1.2 billion in 4Q08.*

Written Premiums – Total Auto (R$ million)





- *Loss ratio below the market average.*



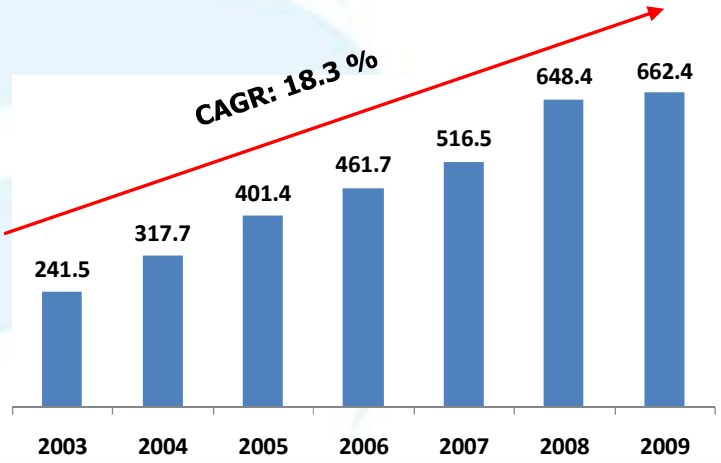
Source: Susep

Health Insurance

- *Reduction of 10.3% in written premiums in 4Q09 from 4Q08, primarily reflecting the decrease in the number of lives insured.*
- *Reduction of 11.0 p.p. in the loss ratio in 4Q09 from 4Q08, basically explained by the price adjustments implemented in the period and deficit policies cancelled.*

Health Insurance	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Written Premiums (R$ million)	161.7	180.3	(10.3)	662.4	648.4	2.2
Loss Ratio (%) - Var (p.p.)	71.4	82.4	(11.0)	75.6	80.2	(4.6)
Lives insured (thousand)		-	-	395.2	481.4	(17.9)

Written Premiums – Total Corporate Health Plans (R$ million)



Property & Casualty Insurance

- *Increase of 100.9% in written premiums in 4Q09 from 4Q08, primarily due to consolidation with Itaú.*

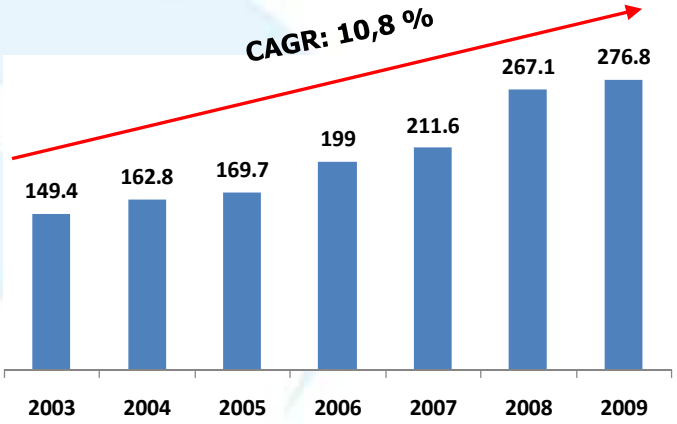
Commercial	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Written Premiums (R$ thousand)	47.0	42.5	10.6	158.9	143.8	10.5
Loss Ratio (%) - Var (p.p.)	33.4	42.8	-9.4	42.3	41.3	1.0
Building						
Written Premiums (R$ thousand)	3.7	4.1	-9.8	15.8	21.5	-26.5
Loss Ratio (%) - Var (p.p.)	55.5	47.6	7.9	59.6	57.7	3.3
Residencia Porto						
Written Premiums (R$ thousand)	17.9	18.2	-1.6	68.1	74.8	-9.0
Loss Ratio (%) - Var (p.p.)	58.1	60.7	-4.3	54.3	53.1	2.3
Other						
Written Premiums (R$ thousand)	4.1	2.6	57.7	26.8	20.5	30.7
Loss Ratio (%) - Var (p.p.)	49.4	22.1	27.3	22.5	24.7	-2.2
Total Porto P&C						
Written Premiums (R$ thousand)	72.7	67.4	7.9	269.6	260.6	3.5
Loss Ratio (%) - Var (p.p.)	42.2	46.0	-3.8	45.3	44.8	0.5
ISa+r Residência						
Written Premiums (R$ thousand)	62.7	-	-	62.7	-	-
Loss Ratio (%) - Var (p.p.)	25.5	-	-	25.5	-	-
Total P&C with Isa+r						
Written Premiums (R$ thousand)	135.4	67.4	100.9	332.3	260.6	27.5
Loss Ratio (%) - Var (p.p.)	33.3	46.0	-27.6	40.8	44.8	-8.9

Life Insurance

- *Increase of 0.9% in written premiums in 4Q09 from 4Q08, due to the growth of 3.9% in the number of lives insured;*
- *The increase of 13.6 p.p. in the loss ratio from 4Q08 was due to the higher claims from loss-making policies that were not renewed in the period.*

Life Insurance	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Written Premiums (R$ million)	64.5	63.9	0.9	276.8	267.1	3.6
Loss Ratio (%) - Var (p.p.)	33.1	19.5	13.6	34.6	29.8	4.8
Lives insured (thousand)	-	-	-	2,290	2,205	3.9

Written Premiums (R$ million)

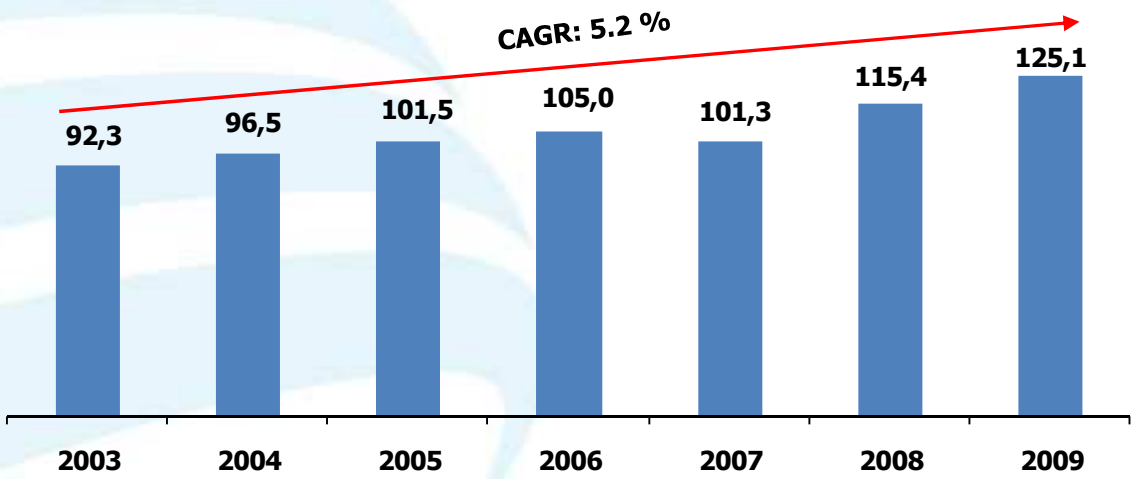


Pension Plans

The increase of 28.9% in VGBL in 4Q09 from 4Q08 was driven by the growth of 8.4% in the number of active clients. The total participants reached 133.6 thousand in the quarter.

Pension Plan and VGBL	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Pension Plan Contribution (R$ million)	34.0	32.1	5.9	125.1	115.4	8.4
Premiums - VGBL (R$ million)	25.9	20.1	28.9	92.6	70.9	30.6
Mathematical Reserves (R$ million)		-	-	1,209.6	1,007.8	20.0
Total active participants (thousand)		-	-	133.6	123.3	8.4

Pension Plan Contributions (R$ million)



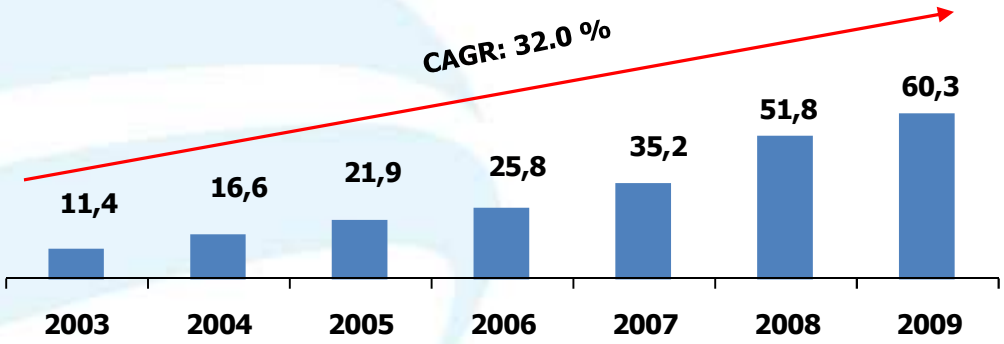
Note: As of 2007, pension portability is not included in the contribution income group

Surveillance Services

Surveillance revenue increased 9.7% in 4Q09 from 4Q08, mainly due to the increase of 25.0% in the number of active clients, and partially offset by the lower prices of services.

Surveillance and Monitoring	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Revenues from Consortium operation (R$ million)	14.7	13.4	9.7	60.3	51.8	16.4
Clients (thousand)		-	-	18.0	14.4	25.0

Revenue from Surveillance Services (R$ million)

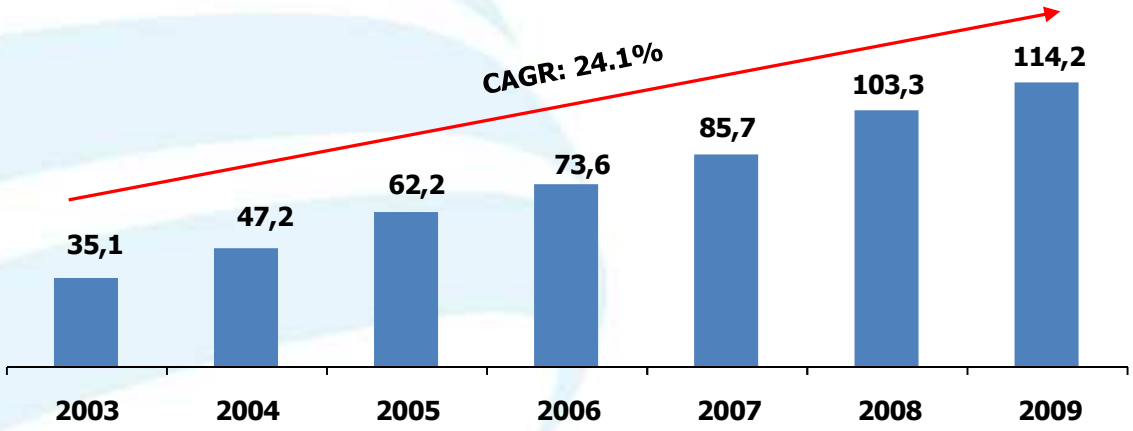


Consortium Services

Consortium revenue grew 10.7% in 4Q09 from 4Q08, mainly due to the 9.8% increase in the number of active consortiums, which totaled 55 thousand in 4Q09, up from 50 thousand in 4Q08.

Consortium	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Revenues from Consortium operation (R$ million)	29.9	27.0	10.7	114.2	103.3	10.6
Consortium Members (thousand)		-	-	55.0	50.1	9.8

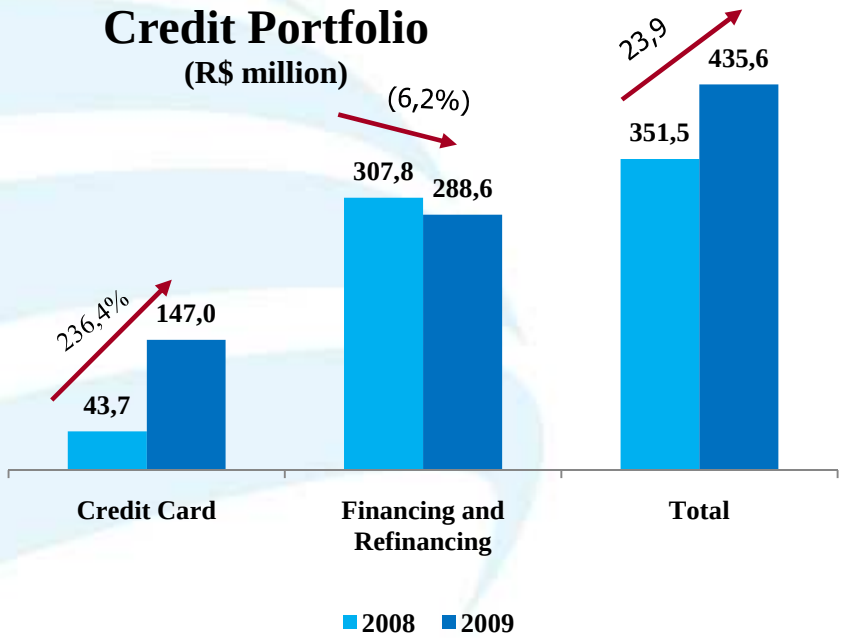
Revenue from Consortium Services (R$ million)



Credit Operations

- *Revenue from credit services increased 74.4% from 4Q08, basically explained by the expansion in credit card transactions.*

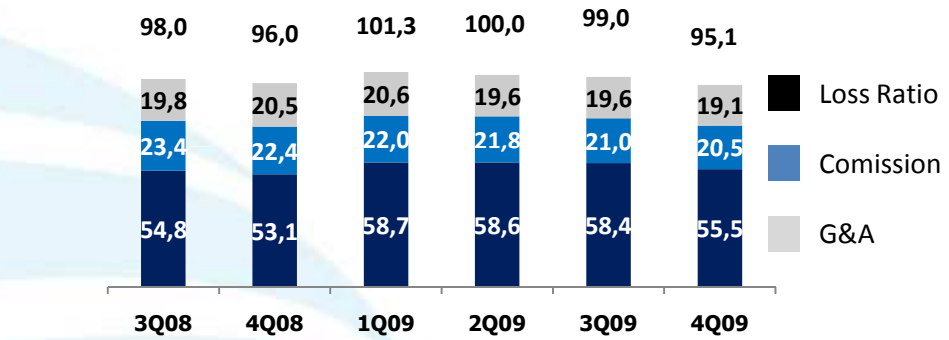
Credit Operations (Portoseg)	4Q09	4Q08	Chg. %	2009	2008	Chg. %
Revenues from Consortium operation (R$ million)	41.5	23.8	74.4	146.0	76.5	90.8

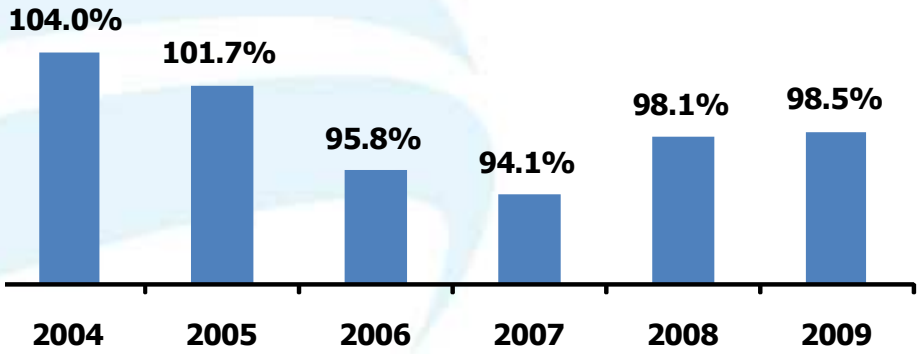


Combined Ratio

Reductions in the combined ratio of 0.9 p.p. in 4Q09 , chiefly due to improved of operational efficiency .

Combined Ratio

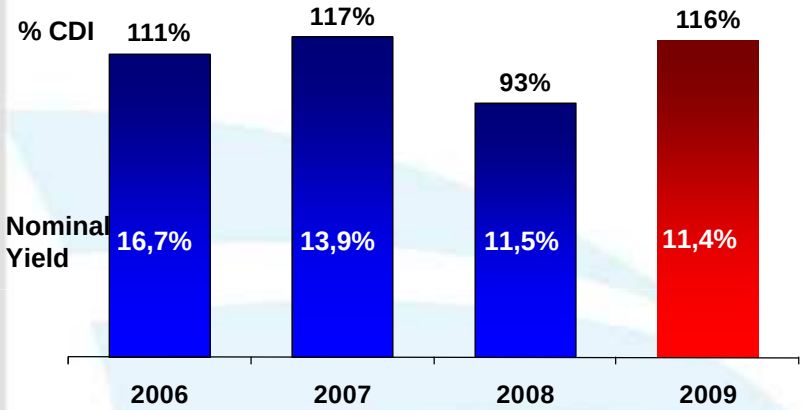




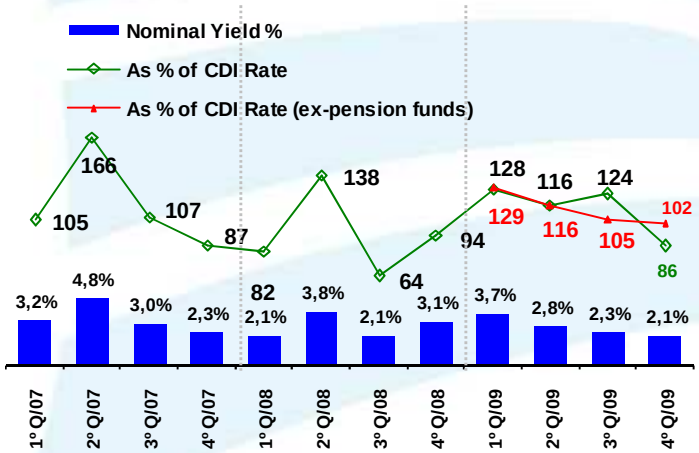
Financial Results
Yield and Income

In 2009, return on financial assets reached 11,43% (116% of the CDI) producing R$ 405 MM of net financial income – excluding Pension Funds, yield reached 11,35% (115% of the CDI)

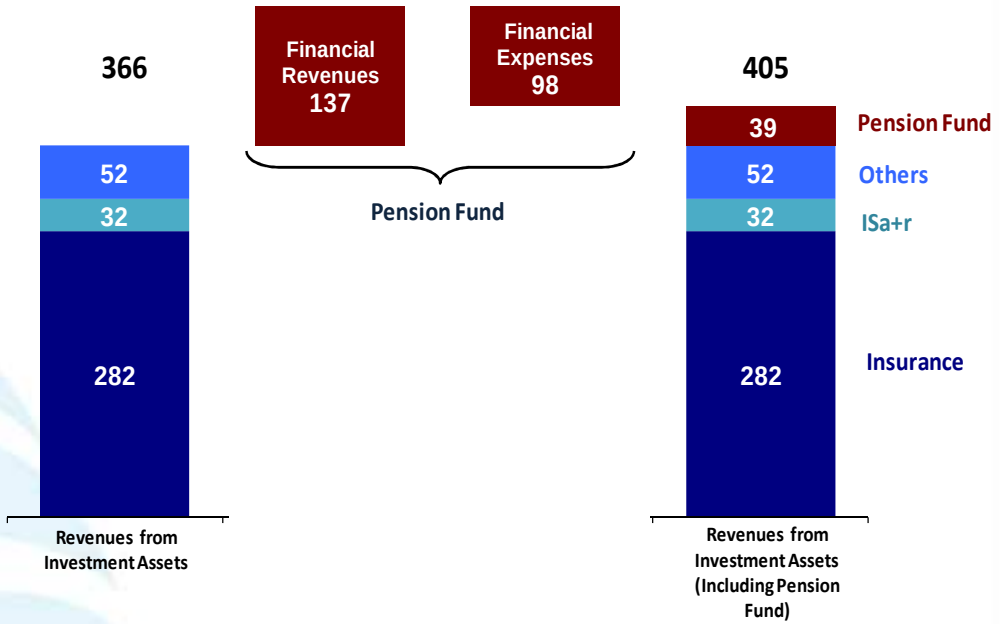
Return on Investment Portfolio



Quarterly Performance



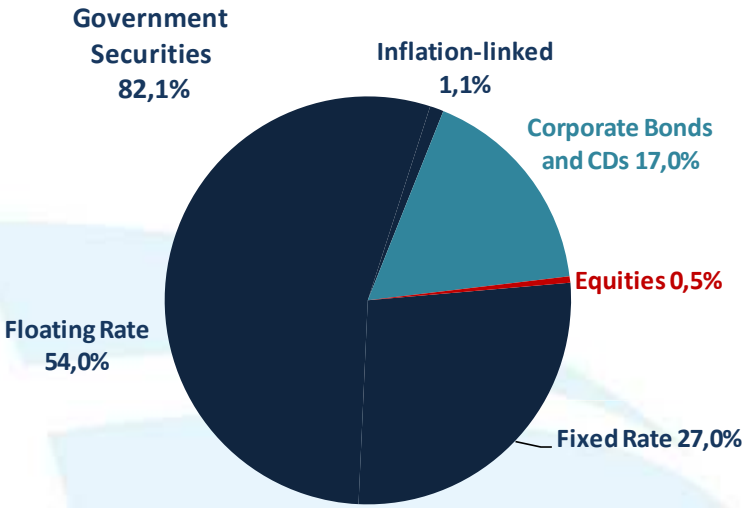
Net Financial Income
(R$ million)



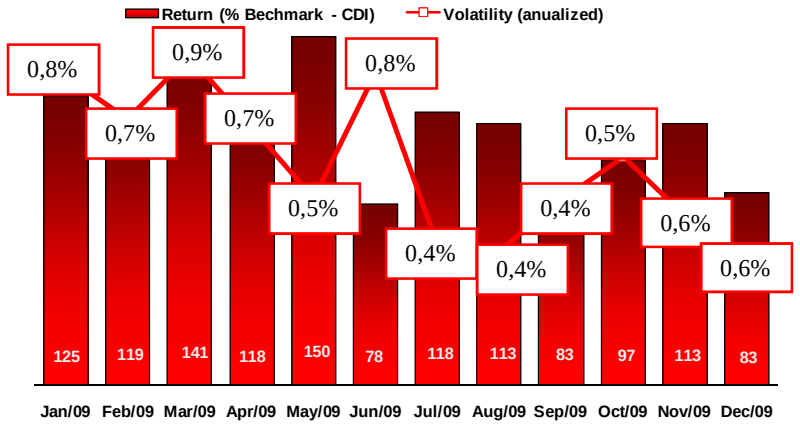
	Total	Ex-Pension Fund	Ex-ISa+r
Total Assets	R$ 5,7 Bi	R$ 5,1 Bi	R$ 3,3 Bi
Revenues above CDI Rate	R$ 56 Mi	R$ 45 Mi	R$ 45 Mi

Financial Results
Allocation, Return and Risk

Allocation [1] (ex- Pension Fund)



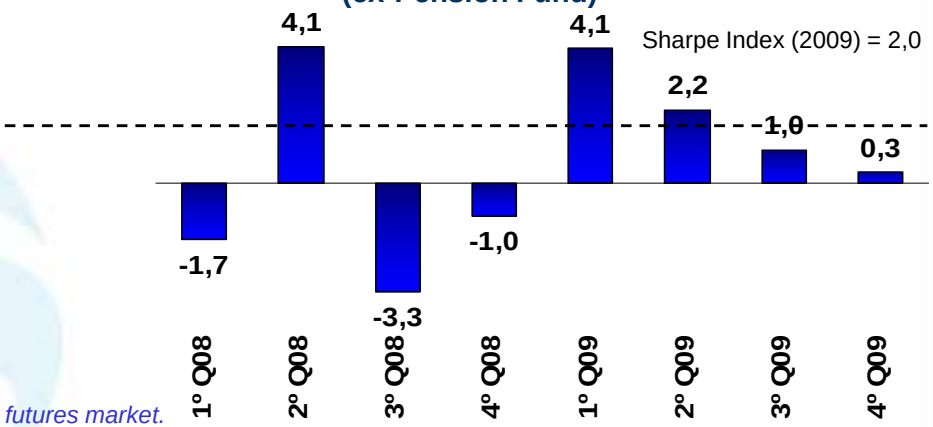
Return and Risk (ex-Pension Fund)



Risk Exposure (ex-Pension Fund)

	Value at Risk (2)	Stress Test[3]
TOTAL HOLDING	**0,056%**	**1,483%**
Fixed Rate	0,044%	1,340%
Equities	0,009%	0,089%
Inflation-linked	0,002%	0,022%
Floating Rate	0,000%	0,023%

Excess Return vs Risk - Sharpe Index[4] (ex-Pension Fund)



[(1)] Does not reflect the portfolio exposure as a result of positions in the interest futures market.
[(2)] VaR (Value at Risk) – Represents the risk of loss based on assets volatility that compose the portfolio. E.g. there is a 95% chance of loss of a maximum 0.056% of portfolio value in one day. Total VaR represents the portfolio's consolidated risk. The sum of risk factors does not correspond to total VaR due to risk diversification .
[(3)] Stress Test represents the risk of portfolio under crises scenarios. Scenarios provided by BM&FBOVESPA.
[(4)] Annualized Sharpe Index– Measures the excess return per risk unit taken in relation to the CDI rate. Calculated ex-post.

Financial Results
Decisions and Rationale

We maintained our allocation in fixed interest rates, due to the attractive premiums embedded in the yield curve

Key Strategies

• Maintenance of positions in fixed rate assets

• Lengthening of the portfolio's duration

• Tactical Allocations

Rationale

- Yield curve incompatible with our monetary policy scenario
  - Inflation forecast close to the target
  - GDP growth trend slightly above the potential output
  - Uncertainty regarding a sustained recovery of the global economy (weak job market in developed countries, fiscal imbalances, exit strategies from the fiscal and monetary incentives, etc.)
  - Steepening of the yield curve providing an attractive carry-trade (greater than 130% of CDI) and an opportunity to capture capital gains
  - Market participants pricing in the possibility of above 300 bps hike of the Selic rate

- Opportunities for short-term gains due to the market volatility

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