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

Porto Seguro S.A.

Individual and Consolidated Financial Statements for the Year Ended December 31, 2013 and Independent Auditor´s Report

Deloitte Touche Tohmatsu Auditores Independentes

MANAGEMENT REPORT

To our Shareholders,

We submit to your examination the Management Report and the financial statements, accompanied by the independent auditor's report thereon, for the years ended December 31, 2013 and 2012.

Message from the Management

In 2013 the Brazilian economy showed moderate growth with growing inflation and exchange rates under severe pressure. However, the household income growth, especially in the emerging class, and the good times experienced by the service industry during the last years, continued to contribute to the development of businesses.

In the automotive industry, which is important to the Company due to its primary business (auto insurance), the domestic car sales remained high and, despite the gradual elimination of the tax incentives, new car sales totaled 3.8 million units. This figure corresponds to the fourth biggest car market in the world, with average annual growth of 6 percent in the last five years.

In the last ten years, the Brazilian insurance market showed average growth (CAGR) of 13 percent per year, i.e. about three times higher than the average growth of GDP. In 2013, premiums earned grew by 12 percent, driven by an industry that has a lot of opportunities to increase penetration rates. In the main lines of business, this penetration does not exceed one-third of its potential, for example in the automotive, life and pension and home insurance lines.

In this context, following a strategy of segmentation and differentiation, Porto Seguro operates through its trademarks Porto Seguro Seguros, Itaú Seguros de Auto e Residência and Azul Seguros. This operation includes the insurance, service and financial solutions businesses. Our results are reflective of our focus on service quality, customer service, and the relationship with customers, insurance brokers and partners, and also sophisticated underwriting and risk management models.

With our strategy of growth with profitability, we achieved in 2013 a significant increase in premiums with a decrease in claims ratio. Total revenues exceeded R$ 13.5 billion (+15 percent) and premiums earned totaled R$ 11.5 billion (+20 percent). Total claims ratio decreased 5 p.p. and the combined ratio was 96.0 percent, the best ratio in the last six years.

In the auto insurance, in 2013 we reached the mark of 4.7 million vehicles insured, considering the Company's three trademarks, an increase of approximately 400 thousand items in the year. This increase was largely driven by the performance in the other states, which was significantly stronger than in our main market, the State of São Paulo, aligned with our objectives of geographic expansion.

In addition, our trademark Azul, with a price-based value proposition, achieved an annual increase of more than 30 percent in auto insurance premiums and an increase of 18 percent in the number of items insured, and a significant decrease of 11 p.p. in claims ratio. Also in the auto insurance, the trademark Itaú achieved an increase of over 20 percent in premiums and a decrease of about 6 p.p. in claims ratio, the Company's best result since the association between Porto Seguro and Itaú in the fourth quarter of 2009.

In the property insurance products, premiums earned increased more than 25 percent, with a reduction of 3 p.p. in claims ratio. The highlight was the home insurance product, which had an increase of 30 percent in premiums, amounting to R$ 600 million in the year.

We reduced insurance-related administrative expenses by nearly 1 p.p. as a result of our efforts to improve processes, make investments in systems and adjustments to management models. Thus, we achieved the best insurance-related administrative expenses ratio in the last seven years.

Finance income from short-term investments was lower in the period, mainly due to securities pegged to floating interest and income and the comparison base with the 2012 income (133 percent of the interbank deposit rate (CDI)). Excluding pension resources, the profitability for the year was 6.3 percent, corresponding to 79 percent of the CDI.

In the financial and service companies, revenue growth exceeded 30 percent, totaling R$ 1.3 billion and ROAE was 21.7 percent, largely driven by the Credit Operations (credit card and financing). The non-insurance segment accounts for 19 percent of the Company's total profit in the year.

In this context, the recurring operating income, including all the Company's businesses, increased 109 percent (2013 versus 2012), totaling 459 million, more than offsetting a lower finance income for the period. Recurring net profit for the year was R$ 711 million and ROAE was 16.5 percent.

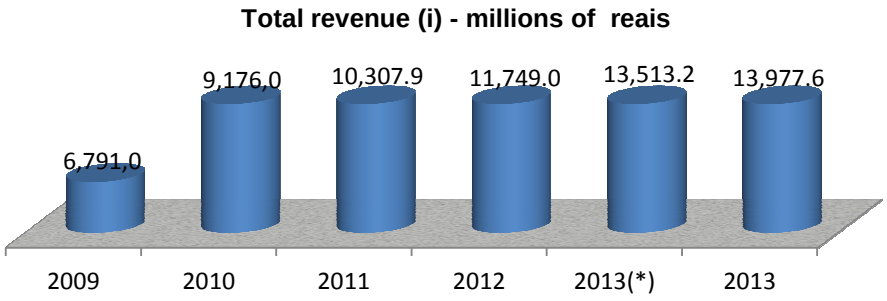
This year the Company won the tax lawsuit in which it challenged the payment of the tax on revenue (COFINS) for the companies Porto Seguro Companhia de Seguros Gerais and Porto Vida e Previdência. The favorable court decision represented a significant gain, adding R$ 702 million to the Company's net profit (profit remaining after taxes and expenses). Thus, including the gain on the tax lawsuit, total net profit for 2013 was R$ 1.4 billion, with ROAE of 25.7 percent.

Regarding our investments and launches, in 2013 we opened the new building on our head office complex, increased our operating structure by expanding the automotive centers and the claims service centers. We opened new branches to strengthen our sales structure, aligned with our growth target. We started the activities of Porto Seguro Serviços Avulsos, which offers convenience services to customers and non-customers, and the Porto Seguro Conecta, the mobile virtual network operator of Porto Seguro.

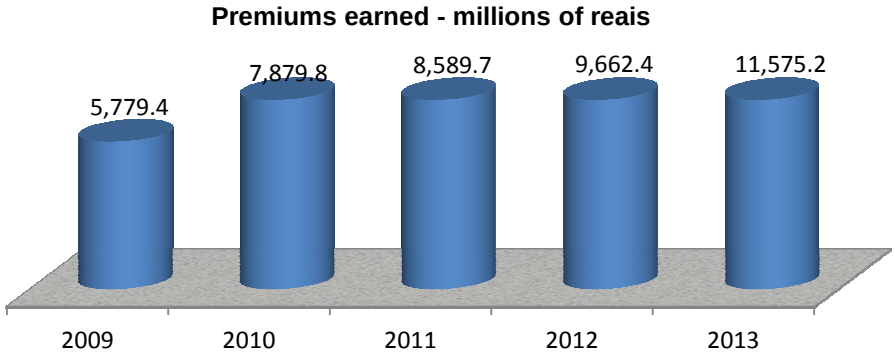
We developed sustainability projects to minimize environmental impacts, such as greenhouse gas emissions, with the following services: Bike Socorro e Vistoria (small repairs performed by repairmen using bicycles), Guincho Light (compact vehicle that emits less CO2), as well as specific energy efficiency actions and use of low-impact components in our Data Center. We also invested in projects that provide social and economic opportunities for the entire production chain, such as the Automotive Waste Management program, Cooking Oil Recycling program, Card, Cell and Battery Recycling program, campaign for proper disposal of x-ray films and medicines (in pilot phase in 2013) and Cuida Mundo, a project to improve the services supplied by the service providers to the insured.

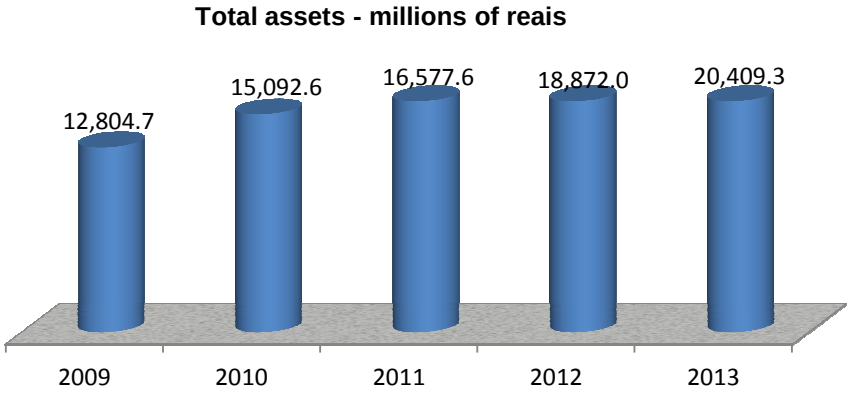
Lastly, we wish to thank all our insurance brokers, employees, service providers and partners for their dedication and commitment throughout 2013.

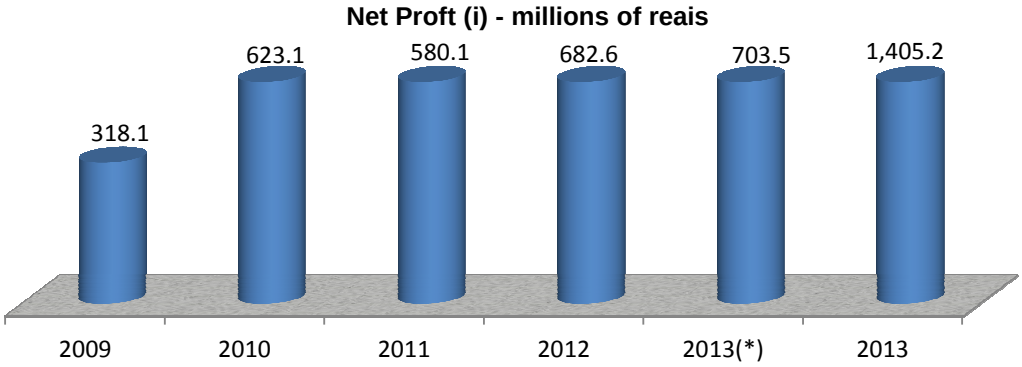
Economic and Financial Performance



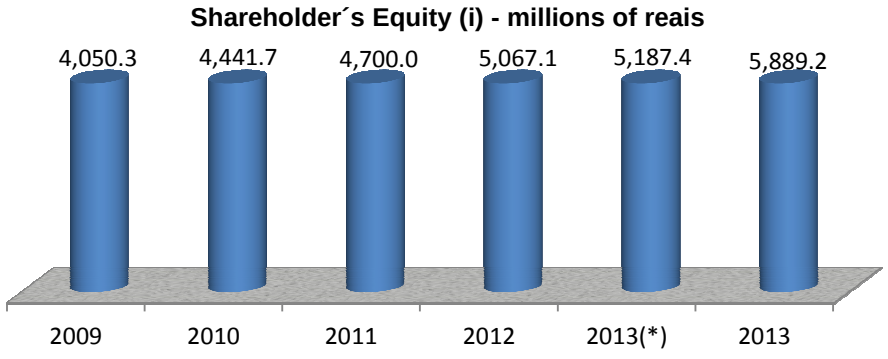
(i) Refers to total revenue not including ceded reinsurance premiums and other operating income, plus finance income.
(*) Not including nonrecurring adjustments.







(i) Not including noncontrolling interests.
(*) Not including nonrecurring adjustments.



(i) Not including noncontrolling interests.
(*) Not including nonrecurring adjustments.

In the topics below, the expressions "in 2013" and "in 2012" refer to the balances and indices calculated by Porto Seguro for the periods from January 1 to December 31, 2013 and January 1 to December 31, 2012, respectively.

Total revenue

Our total revenue, including net finance income and income from rental properties, totaled R$ 13,977.6 million in 2013, up R$ 2,228.6 million or 19.0 percent over the R$ 11,749.0 million in 2012. Excluding nonrecurring adjustments, our total revenue, including net finance income and income from rental properties, totaled R$ 13,513.2 million in 2013, up R$ 1,764.2 million or 15.0 percent over the R$ 11,749.0 million in 2012.

	Total Revenue – millions of reais		
			Increase - %
	2013	**2012**	**2012 - 2013**
Insurance premiums earned (*)	11,570.9	9,676.3	19.6
Net Finance income	958.1	945.6	1.3
Lending operations – Portoseg	636.8	514.8	23.7
Service revenues – Porto Consórcio	184.3	172.6	6.8
Pension plan contributions	178.2	166.1	7.3
Service revenues – Porto Atendimento	106.2	76.6	38.6
Service revenues – Proteção e Monitoramento	80.6	74.3	8.5
Service revenues – Porto Serviços e Comércio	28.2	43.9	(35.8)
Net revenue – capitalization	4.4	-	-
Service revenues – Serviços Médicos	159.4	49.0	225.3
Other revenues – Portopar	29.3	22.9	27.9
Service revenues – Crediporto	10.6	10.6	-
Income from properties	10.0	8.3	20.5
Service revenues – Porto Renova	0.2	1.4	(85.7)
Service revenues – Porto Telecomunicações	2.8	0.3	-
Service revenues – Porto Gerenciamento	1.7	0.2	-
Service revenues – Porto Serviços Uruguai	11.6	-	-
Risk in force but not issued - RVNE	4.3	(13.9)	(130.9)
Total revenue	**13,977.6**	**11,749.0**	**19.0**
Non-current adjustments	(464.4)	-	-
Total revenue – net of non-current adjustments	**13,513.2**	**11,749.0**	**15.0**

(*) Premiums net of RVNE.

Insurance premiums earned

Premiums earned totaled R$ 11,407.1 million in 2013, up R$ 1,902.4 million or 20.0 percent from R$ 9,504.7 million in 2012, not including the VGBL plans.

Premiums by segment	Insurance premiums earned – millions of reais 2013	2012	Increase - % 2012 – 2013
Porto Cia Auto	4,202.5	3,515.5	19.5
Itaú Auto e Residência Auto	2,001.6	1,659.1	20.6
Azul Seguros Auto	1,767.7	1,313.9	34.5
Total Auto	**7,971.8**	**6,488.5**	**22.9**
Porto Cia Patrimonial	523.4	408.6	28.1
Itaú Auto e Residência Patrimonial	428.2	349.5	22.5
Azul Seguros Patrimonial	2.5	3.3	(24.2)
Total Property	**954.1**	**761.4**	**25.3**
DPVAT	295.1	289.2	2.0
Health	1,007.1	967.5	4.1
Personal lines	472.6	408.6	15.7
Financial risks	360.5	300.0	20.2
Transportation	130.9	131.7	(0.6)
Casualty	15.0	15.0	-
Other	56.4	35.5	58.9
Porto Seguro Uruguai	143.6	107.3	33.8
Total insurance premiums earned less VGBL	**11,407.1**	**9,504.7**	**20.0**
VGBL premiums	168.1	157.7	6.6
Total premiums earned	**11,575.2**	**9,662.4**	**19.8**

- Auto Insurance Line – Porto Cia: premiums earned in the auto insurance line totaled R$ 4,202.5 million in 2013, up R$ 687.0 million or 19.5 percent from R$ 3,515.5 million in 2012, as a result of the 5.9 percent increase in the insured fleet to 2,152.9 vehicles in 2013 from 2,033.0 in 2012 and the 13.7 percent increase in the average annual premium.

- Auto Insurance Line – Itaú Auto e Residência: premiums earned in the auto insurance line totaled R$ 2,001.6 million in 2013, up R$ 342.5 million or 20.6 percent from R$ 1,659.1 million in 2012, as a result of the 6.8 percent increase in the insured fleet to 1,239.3 vehicles in 2013 from 1,160.0 in 2012 and the 13.2 percent increase in the average annual premium.

- Auto Insurance Line – Azul Seguros: premiums earned in the auto insurance line totaled R$ 1,767.7 million in 2013, up R$ 453.8 million or 34.5 percent from R$ 1,313.9 million in 2012, as a result of the 17.8 percent increase in the insured fleet to 1,271.0 vehicles in 2013 from 1,079.4 in 2012 and the 14.4 percent increase in the average annual premium.

- Health Insurance Line: premiums earned in the health insurance line totaled R$ 1,007.1 million in 2013, up R$ 39.6 million or 4.1 percent from R$ 967.5 million in 2012, as a result of the 7.9 percent increase in the lives insured to 619.6 in 2013 from 574.2 in 2012, partially offset by the 3.7 percent decrease in the average annual premium.

Pension plan contributions and VGBL premiums

The revenue from contributions to pension plans and VGBL (cash value life insurance) premiums totaled R$ 346.3 million in 2013, up R$ 22.5 million or 6.9 percent from R$ 323.8 million in 2012.

Service revenues – monitoring

Revenues from electronic monitoring services totaled R$ 80.6 million in 2013, up R$ 6.3 million or 8.5 percent over the R$ 74.3 million posted in 2012. The number of customers increased 3.4 percent to 27.5 in 2013 from 26.6 in 2012. The average annual service revenue increased 5.0 percent to R$ 2,932.0 in 2013 from R$ 2,793.6 in 2012.

Service revenues – consortiums

Revenues from consortiums management totaled R$ 184.3 million in 2013, up R$ 11.7 million or 6.8 percent from R$ 172.6 million in 2012. The number of purchase club units increased 10.5 percent to 110.5 in 2013 from 100.0 in 2012.

Lending operations

Revenues from loans totaled R$ 636.8 million in 2013, up R$ 122.0 million or 23.7 percent from R$ 514.8 million in 2012. The portfolio of managed loan transactions increased 45.1 percent to R$ 3,346.2 million in 2013 from R$ 2,306.2 million in 2012.

Service revenues - Portopar

Portopar revenues from financial management totaled R$ 29.3 million in 2013, up R$ 6.4 million or 27.9 percent from R$ 22.9 million in 2012.

Expenses incurred on retained claims and awarded benefits, net

The expenses incurred on retained claims and awarded benefits, net, totaled R$ 5,659.5 million in 2013, up R$ 455.7 million or 8.8 percent over the R$ 5,203.8 million posted in 2012.

	Millions of reais			Claims ratio %	
Portfolio	**2013**	**2012**	**Var.%**	**2013**	**2012**
Porto Cia Auto	1,935.6	1,775.2	9.0	50.5	54.2
Itaú Auto e Residência Auto	1,115.3	1,048.9	6.3	60.9	66.7
Azul Seguros Auto	952.9	811.1	17.5	60.4	71.5
Total Auto	**4,003.8**	**3,635.2**	**10.1**	**55.3**	**60.8**
Porto Cia Patrimonial	154.3	127.5	21.0	34.5	35.0
Itaú Auto e Residência Patrimonial	108.2	107.1	1.0	28.3	32.9
Azul Seguros Patrimonial	1.6	4.0	(60.0)	51.8	102.5
Total Property	**264.1**	**238.6**	**10.7**	**31.7**	**34.4**
DPVAT	258.3	252.3	2.4	87.5	88.3
Health	789.6	763.2	3.5	78.4	78.9
Personal lines	128.2	129.9	(1.3)	31.1	33.3
Transportation	49.3	54.4	(9.4)	37.7	41.0
Financial Risks	62.0	64.6	(4.0)	19.7	24.4
Other	19.0	6.0	216.7	46.5	24.6
Porto Seguro Uruguai	73.3	51.3	42.9	56.0	52.3
Private pension plan benefits	11.9	8.3	43.4	-	-
Total	**5,659.5**	**5,203.8**	**8.8**	**54.3**	**58.8**

Amortization of deferred acquisition costs - insurance

Expenses on the amortization of deferred acquisition costs totaled R$ 2,033.0 million, up R$ 210.2 million or 11.5 percent over the R$ 1,822.8 million posted in 2012.

The percentage on earned premiums was 19.5 percent in 2013 and 20.6 percent in 2012, a 1.1 percentage point decrease.

Administrative expenses

Administrative and tax expenses

	Administrative expenses		
	2013	**2012**	**Var.%**
Miscellaneous	1,953.6	1,781.3	9.7
Publicity	137.2	108.5	26.5
Profit sharing	308.5	179.6	71.8
Total administrative expenses	**2,399.3**	**2,069.4**	**15.9**
Non-current adjustments	(162.0)	-	-
Total administrative expenses, net of non-current adjustments	**2,237.3**	**2,069.4**	**8.1**

In 2013 insurance-related administrative expenses ratio was 15.7 p.p., a reduction of approximately 1 p.p. This is the lowest ratio in the last seven years (even discounting the effect of SUSEP Circular 462/13 – "cost of policy").

The cost management model adopted by the Company and investments made to streamline processes and systems are contributing to improve operational efficiency. This is part of our strategy aimed at achieving continuing productivity gains without adversely affecting the level of service for customers and brokers.

Tax expenses totaled -R$ 565.5 million in 2013, down R$ 881.1 million or 279.2 percent from R$ 315.6 million in 2012. Excluding nonrecurring adjustments, tax expenses totaled R$ 379.5 million, up R$ 63.9 million or 20.2 percent over the R$ 315.6 million in 2012.

The insurance companies' tax and administrative expense-to-earned premiums ratio was 9.6% in 2013 against 19.1 percent in 2012, a decrease of 9.5 percentage points. Excluding nonrecurring adjustments, the insurance companies' tax and administrative expense-to-earned premiums ratio was 18.2 percent in 2013 against 19.1 percent in 2012, a decrease of 0.9 percentage point.

Profit sharing

Porto Seguro and its subsidiaries share a part of the profits with their personnel and officers. Employee profit sharing is subject to achieving operating targets and specific objectives established and agreed at the beginning of each fiscal year.

Profit sharing totaled R$ 308.5 million in 2013, up R$ 128.9 million or 71.8 percent over the R$ 179.6 million awarded last year. Excluding nonrecurring adjustments, profit sharing totaled R$ 186.9 million, up R$ 7.3 million or 4.1 percent over the R$ 179.6 million awarded last year. Profit sharing is included in administrative expenses.

Finance income

Finance income totaled R$740.9 million in 2013, down R$584.3 million or 44.1 percent from R$1,325.2 million in 2012. This reduction was mainly due to the following:

(i) Income from short-term investments totaled R$400.5 million in 2013, down R$596.0 million or 59.8 percent over the R$996.5 million posted in 2012, which results from the 22.5 percent decrease in average short-term investments to R$9,123.0 million in 2013, as compared to the R$7,447.7 million invested in 2012, and the decrease in the effective interest rate to 4.39 percent in 2013 against 13.38 percent in 2012.

Income from short-term investments (except Porto Seguro Vida e Previdência – Third parties) totaled R$397.7 million in 2013, down R$305.5 million or 43.4 percent over the R$703.2 million in 2012, which results from the decrease in the effective interest rate to 6.33 percent in 2013 against the 11.20 percent in 2012, offset by the 0.1 percent increase in average short-term investments to R$6,282.8 million in 2013 over the R$6,278.6 million in 2012.

(ii) Other finance income totaled R$340.4 million in 2013, up R$11.7 million or 3.6 percent over the R$328.7 million posted in 2012, which results mainly from the increase of R$23.9 million in income from insurance premiums in installments to R$277.6 million in 2013 from R$253.7 million in 2012.

Finance costs totaled -R$217.2 million in 2013, down R$596.8 million or 157.2 percent from R$379.6 million in 2012. Excluding nonrecurring adjustments, finance costs totaled R$247.2 million in 2013, down R$132.4 million or 34.9 percent from R$379.6 million in 2012.

Other operating income and expenses

Other operating income totaled R$114.5 million in 2013, down R$335.4 million or 74.5 percent over the R$449.9 million earned in 2012. The National Council of Private Insurance (CNSP) issued CNSP Resolution No. 264/12 eliminating the charge of policy costs separately from premium. Income from such costs totaled R$322.2 million in 2012 (see Note 25).

Other operating expenses totaled R$854.5 million in 2013, up R$154.5 million or 22.1 percent over the R$700.0 million incurred in 2012. This change was mainly due to the R$97.8 million increase in credit card expenses.

The insurance companies' other operating income-to-expenses ratio was 4.0 percent in 2013 against 0.5 percent in 2012, an increase of 3.5 percentage points.

IRPJ (corporate income tax) and CSLL (social contribution on net income)

IRPJ and CSLL expenses totaled R$829.1 million in 2013, up R$554.2 million or 201.6 percent over the R$274.9 million incurred in 2012. Excluding nonrecurring adjustments, IRPJ and CSLL expenses totaled R$283.3 million in 2013, up R$8.4 million or 3.1 percent over the R$274.9 million incurred in 2012. The combined statutory IRPJ and CSLL tax rates are 40 percent for insurers and financial companies, and 34.0 percent for the other companies, and the effective IRPJ and CSLL tax rates in 2013 and 2012 were 37.2 percent and 28.8 percent, respectively. Excluding nonrecurring adjustments, the effective IRPJ and CSLL tax rates in 2013 and 2012 were 28.9 percent and 28.8 percent, respectively.

Profit or loss and equity

Profit for the year

Profit for 2013 totaled R$1,397.3 million (R$1,405.2 million, not including noncontrolling interests), up R$717.3 million or 105.5 percent over the R$680.0 million (R$682.6 million, not including noncontrolling interests) earned in 2012. Excluding nonrecurring adjustments, profit for 2013 totaled R$695.6 million (R$703.5 million, not including noncontrolling interests), up R$15.6 million or 2.3% over the R$680.0 million earned in 2012 (R$682.6 million, not including noncontrolling interests).

Combined ratio - insurance

The combined ratio (retained claims, selling expenses, administrative expenses, tax expenses and other operating income (expenses) to premium earned) in 2013 was 87.4 percent, an 11.6 percentage point decrease over the 99.0 percent of 2012. This change is due to the 4.5 percentage point decrease in the claims ratio; the 1.1 percentage point decrease in commissions, and the 9.5 percentage point decrease in administrative and tax expenses, offset by the 3.5 percentage point increase in other operating income/expenses.

The expanded combined ratio, which also includes finance income or costs, was 80.3 percent in 2013, or a 10.4 percentage point decrease as compared to the 2012 ratio, which was 90.7 percent.

Combined ratio – insurance – not including nonrecurring adjustments

The combined ratio (retained claims, selling expenses, administrative expenses, tax expenses and other operating income (expenses) to premium earned) in 2013 was 96.0 percent, a 3.0 percentage point decrease over the 99.0 percent of 2012. This change is due to the 4.5 percentage point decrease in the claims ratio; the 1.1 percentage point decrease in commissions, and the 0.9 percentage point decrease in administrative and tax expenses, offset by the 3.5 percentage point increase in other operating income/expenses.

The expanded combined ratio, which also includes finance income or costs, was 92.1 percent in 2013, or a 1.4 percentage point increase as compared to the 2012 ratio, which was 90.7 percent.

Equity

Our equity in 2013 totaled R$5,893.5 million (R$5,889.2 million, not including noncontrolling interests), up R$819.4 million or 16.1 percent over the R$5,074.1 million in 2012 (R$5,067.1 million, not including noncontrolling interests). Excluding nonrecurring adjustments, our equity in 2013 totaled R$5,191.8 million (R$5,187.4 million, not including noncontrolling interests), up R$117.7 million or 2.3 percent over the R$5,074.1 million (R$5,067.1 million, not including noncontrolling interests) in 2012.

Dividends and interest on capital

Under our bylaws, shareholders are entitled to minimum mandatory dividends of 25 percent of adjusted profit for the year. These are calculated at the yearend.

The dividend proposal will be 50 percent of the recurring profit for the year and 70 percent of the nonrecurring profit for the year, representing 60 percent of the total profit for the year.

Investments

The Company invested R$375.1 million in 2013. Of the total amount invested, R$165.8 million were allocated to land, construction, and buildings, and R$209.3 million were allocated to IT hardware and systems, trackers, furniture, vehicles, and other investments.

PRODUCT AND SERVICE INNOVATION

In 2013, we expanded and introduced new product and service lines, of which we highlight the following:

Porto Seguro Proteção e Monitoramento: improves the vehicle tracking and identification via internet, which is made available to the insured that acquires the Porto Seguro tracker. The new functionalities include ease of navigation and a clean and more intuitive layout.

Itaú Seguro Auto: partnership with Rede Ipiranga offers exclusive benefits to the insured. With the Program "KM de Vantagens", customers accumulate and exchange points acquired upon the purchase of services and products at the trademark's stations for benefits.

Porto Seguro Serviços Avulsos: offers upholstered furniture cleaning and sanitizing services by a qualified professional who goes to the customer's house to clean furniture upholstered with any fabric, including leather.

Porto Seguro Auto: offers "Cartório Volante", a service designed to expedite documentation relating to claims for total loss, for the comfort and convenience of the customer, since the professional from the notary's office authorized by Porto Seguro goes to the insured's home or office without additional costs.

Porto Seguro Auto Sênior: insurance for customers over 60. It offers 20 percent discount on the deductible when the insurance is obtained, in addition to a series of benefits that make life easier and more comfortable.

Porto Seguro Vida e Previdência: launches the "Renda Fixa Inflação", an alternative supplementary pension fund for individuals.

Porto Seguro Empresa: personalizes its activities in the segment of medical and dental offices and clinics, offering exclusive coverage and services that can be used by the company in its day-to-day operation.

Porto Seguro Transportes Monitorados: offers "Isca Eletrônica", a GPS equipment that allows to track goods independently of the principal vehicle tracking equipment.

Cartão de Crédito Porto Seguro: launches the credit card with the MasterCard brand. With this credit card, the insured has another due date and credit limit to better plan his/her purchases, in addition to all benefits of the Porto Seguro Credit Card.

Porto Seguro: launches a smartphone application that offers a number of functionalities to the customers of the Auto, Life and Pension, Home and Health insurance products. This application provides access to information, benefits and services when and where the customer needs them.

Porto Seguro Proteção e Monitoramento: launches the product "Controle de Acesso", an access monitoring and management service for companies and houses.

Porto Seguro Investimentos: launches the "Porto Seguro Alocação" with the objective of diversifying the investment portfolio, as it is a fund that invests in other market funds. The customer has access to renowned investment firms in the country as well as to a team in charge of analyzing and tracking the funds chosen.

Porto Seguro Empresa: launches an exclusive insurance specific to the needs of the beauty industry in Brazil. In addition to the basic coverage against fire, explosion and smoke, optional coverage can be purchased according to each company's needs.

Porto Seguro Auto: launches the application "Vá de Táxi", a benefit for the customers in the Greater São Paulo. This application connects passengers directly with the nearest insured taxi, and no call needs to be made.

Cartão de Crédito Porto Seguro: launches the credit card "Porto Seguro Visa Infinite", which offers more convenience and benefits for those with a higher income. The benefits include Priority Pass: unrestricted access to VIP lounges in the main airports around the world.

Porto Seguro Auto: launches the game support service, within the Help Desk service, a further auto insurance benefit. With this, the customer has software and hardware support service.

Porto Seguro Transportes: the insurance introduces innovations for the electronic registration system – Citnet. The system allows the broker and the insured to make the registration and certificate of export insurance. In addition, this product provides other benefits.

CORPORATE GOVERNANCE AND CAPITAL MARKET

We comply with the best Corporate Governance practices by strengthening the principles of transparency, fairness, and respect for our shareholders, and create the conditions for the development and maintenance of a long-term relationship with our investors. By constantly striving to improve our Investor Relations actions, we aim to further enhance the permanent communication channel between the Company and all other stakeholders in the business: shareholders, regulators, brokers, staff, and the community, among others.

Our shares are traded in the New Market (ticker code PSSA3), a special segment of the São Paulo Stock Exchange (BM&FBovespa) exclusively for companies that comply with specific minimum corporate government prerequisites and regulations. Among the corporate governance practices required by the New Market and recommended by the Brazilian Institute of Corporate Governance (IBGC), we have the following policies:

- Division of capital exclusively into common shares;
- Free-float of shares representing at least 25 percent of capital (cannot be held by the controlling shareholder);
- When control is sold, even if through successive sales, the transaction must be contingent on extending to the noncontrolling shareholders the same terms and conditions offered to the controlling shareholder, including the same price (tag-along 100 percent);
- Board of Directors with at least 5 members, with 20% of the directors being independent and with unified terms of up to two years;
- Statement of cash flows in the quarterly reporting (ITRs) and the annual financial statements;
- Disclosure of corporate events calendar containing the main corporate acts and events and the dates of public meetings with analysts and the date of disclosure of the Company's financial information;
- Exit from the New Market is contingent on holding a public tender offer, at fair value;
- Adhesion to the Market Arbitration Chamber;
- "One share one vote" policy.
- The Company, its subsidiaries, and its parent company policy for contracting services not related to the external audit by our independent auditor, is grounded on the applicable regulation and on internationally accepted principles that preserve the auditor's independence. These principles consist in: (a) the auditor must not audit his/her own work; (b) the auditor must not exercise managerial functions at the client; and (c) the auditor must not advocate the interests of his/her client;

- Clear bylaws regarding: (i) the manner general meeting is called; (ii) the duties of the Board of Directors and of the Executive Committee; and (iii) the voting system, the election, the dismissal and the terms of office of the Members of the Board of Directors and of the Executive Committee;

- Disclosure of a Meeting Manual to facilitate and encourage the participation of the shareholders in the meetings;

- Transparency in the Management Report disclosures;

- Calling of meetings and making related documentation available as from the date of the first call, detailing the meeting's agenda, without including an 'other matters' item, always aiming at holding meetings at times and in venues that allow the presence of the greatest possible number of shareholders;

- Prohibition of insider trading and having a policy for the disclosure of material information and security trading;

- Monthly disclosure of trading of Company securities by officers, executives and controlling shareholders;

- Disclosure of financial information in accordance with IFRS;

- Disclosure of Reference Form (FR) – periodic and occasional document that is submitted by the listed companies to CVM and BOVESPA and made available to the public, containing corporate information such as the number and characteristics of securities issued by the Company and held by the controlling shareholders groups, members of the Board of Directors, officers and members of the Supervisory Board, as well as changes in these positions;

- At least one Public meeting with Analysts and Investors per year.

Audit Committee

The main responsibilities of the Audit Committee of Porto Seguro S.A., a statutory body comprised of independent members, are to independently evaluate, monitor and recommend: (i) full compliance with the legal and regulatory requirements applicable to Porto Seguro S.A. and its subsidiaries, with due regard for the specific nature of each company, in addition to internal policies and regulations; (ii) the internal control systems of Porto Seguro S.A. and its subsidiaries; (iii) the financial statements of Porto Seguro S.A. and its subsidiaries; (iv) the work performed by the internal and external auditors; and (v) the rectification or enhancement of policies, practices and procedures identified within the limits of their activities.

Arbitration Chamber

The Company is subject to Market Arbitration Chamber rulings, in accordance with the Arbitration Clause included in the Company's Bylaws.

MARKETING

Disk Reparo: those having Porto Seguro Auto are granted a 30 percent discount on small auto body repairs and painting through Disk Reparo, at any place in the Greater São Paulo and Santos. The customer needs to request a preliminary quotation and fix a time for a specialist to go the customer's house or office to perform the services, which take on average two hours to get ready. The customer can pay the service in six installments without interest charges using the Porto Seguro Credit Card or in four installments using other cards.

Reparo do furo de pneu: the Porto Seguro Auto customer can get a free flat tire repair in one of the 170 Porto Seguro Automotive Centers all over Brazil. Tire rotation and other services are also available to ensure the good performance of the vehicle.

Leva e traz Centro Automotivo Porto Seguro: a service provider wearing a uniform takes the customer's car in for service and gives it back to the customer at the agreed place. In addition, the customer can pay the maintenance services in up to ten installments without interest charges using the Porto Seguro Credit Card.

Aplicativo Vá de Táxi: a new smartphone application that connects passengers with taxi drivers, and no phone call needs to be made. Using the Porto Seguro Credit Card, the customers is granted a 20 percent discount on the fare of the taxi ride at any time of the day and accumulates Double points under the Relationship Program.

Porto Socorro Bike: free 24-hour bicycle assistance offered exclusively for Porto Seguro Auto customers. The customer needs to call the service center through this number 3366-BIKE (3366-2453), and a support vehicle or repairman using a bicycle goes to where the insured needs the repair. Services such as flat tire repair/change, broken bicycle chain, lack of brakes, breakage or accident and assistance in the assembly of a new bicycle are available. The benefit is available in the following location: capital and Greater São Paulo, Guarujá, Itanhaém, Mongaguá, Peruíbe, Praia Grande, Santos and metropolitan region of Rio de Janeiro.

Help Desk Games: the Porto Seguro Auto customer also has free professional services for installation of videogame console, setup of accessories such as headset and kinect, to access the Internet and game account, in addition to synchronization with digital sound devices, among others.

Campanha Auto+Cartão: nation-wide media campaign created to announce the Porto Seguro Credit Card rewards and the benefits offered by Porto Seguro Auto. Exchange of points for air miles, discounts on acquisition or renewal of the auto insurance and free first annual fees were the main benefits highlighted by the campaign.

Itaú Seguro Auto Roubo: auto insurance with exclusive coverage against robbery and/or theft, which was launched as a new insurance option designed for customers who still do not have any insurance, about 70 percent of the insurable fleet. This product ensures an indemnity of 80 percent of the vehicle's value and also provides free 24-hour assistance with mechanical repairs and towing for a limit of **300 kilometers** and lack of fuel, tire change and locksmith.

Parceria Itaú Seguro Auto e Ipiranga: with the partnership between Itaú and Ipiranga, all customers registered with the program "KM de Vantagens" have the option of redeeming a discount voucher of **150 reais** to use upon the purchase or renewal of the Itaú auto insurance. The voucher can be redeemed and delivered to a friend or family member, with no restriction on the quantity of redemptions, but only a restriction on the use, i.e. one voucher per policy. In addition, upon purchasing or renewing the Itaú auto insurance, the insured will earn credits from the program "KM de Vantagens da rede Ipiranga", equivalent to 1,000 points, and those who have a checking account with Itaú receive another 200 points, totaling **1,200 points**.

Mini Residencial: creation of a product with coverage and assistance for classes C, D and customers who do not have the protection of a complete product. This product became a reference product with a high rate of customer retention and satisfaction, in addition to ensuring profitability for the insurance company.

AWARDS

In 2013, Porto Seguro received several awards, of which we highlight:

Most Admired Company of the Year Awards, insurance industry, awarded by the newspaper DCI.

Brazil's Most Admired Company Awards, insurance industry, awarded by the magazine Carta Capital.

Companies that Better Communicate with Journalists Awards, insurance category, awarded by the magazine Negócios da Comunicação.

Trusted Brands Awards, insurance industry, as a result of a survey conducted by IBOPE with the readers of the magazine Seleções Readers Digest.

Successful Brands Awards – the brands most recalled by consumers, insurance category, awarded by the newspaper Correio Popular de Campinas.

The Best of the Year Awards, insurance category, awarded by Sindirepa – SP.

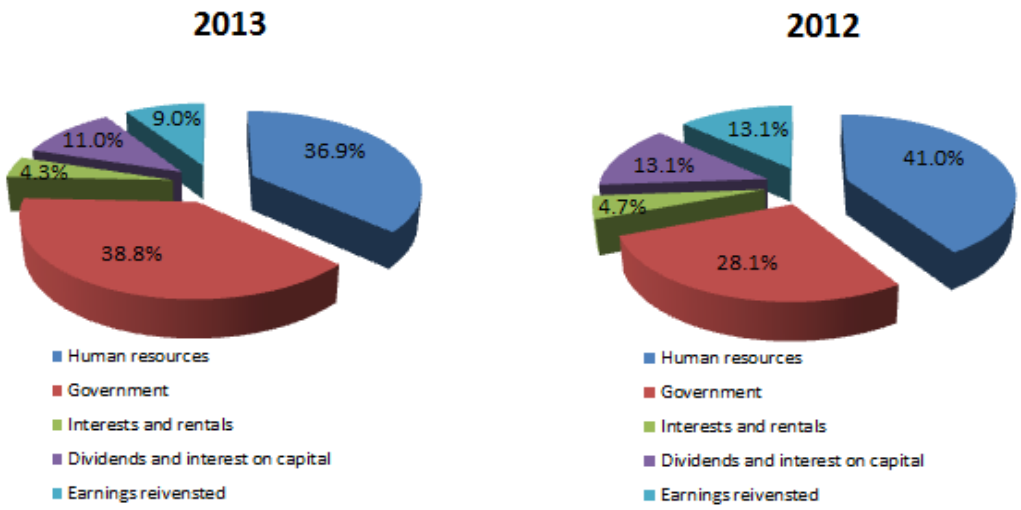
IBHE Corporate Hospitality Awards, insurance category, awarded by Instituto Brasileiro de Hospitalidade Empresarial.

2013 Internet Top Of Mind Awards, finance category – insurance company, in a survey conducted by Datafolha.

Brazil's 2013 Top Of Quality Awards, giving the Company public recognition for the excellence and quality of its operations with strong and outstanding reputation in the business community, awarded by the magazine Top Brazil Quality.

VALUE ADDED

In 2013, the value added generated by the Company totaled R$2,806.9 million, up 7.6 percent over the R$2,607.5 million generated in 2012. Excluding nonrecurring adjustments, the value added generated by the Company totaled R$3,514.7 million, up 34.8 percent over the R$2,607.5 million generated in 2012, distributed as follows:



HUMAN RESOURCES

Porto Seguro closed 2013 with 13,405 employees.

Development/Training

By recognizing the importance of education and professional training, in this period we have invested approximately R$5.5 million in scholarship to college undergraduate and graduate degrees, and language course grants, awarded to an average of 1,346 staff members, representing close to 10 percent of total personnel.

We also invested in development programs, covering courses, lectures, and meetings with market institutions.

We dedicated 134,051 hours with 8,679 attendances and close to R$2.7 million to employee training, considering in-class and distance learning.

Apprentice

In 2003 we began “The Young Apprentice” program to promote the practical application of Law 10,097 of December 2000 and Decree 5,598 of December 2005, which amended the Brazilian Labor Code to allow young people, between the ages of 14 and less than 24, to be hired. We currently hire 361 apprentices in Brazil, of whom 293 were hired in 2013 under partnerships with several institutions, especially Ensino Social Profissionalizante (ESPRO) (Professional Social Learning).

Efficient Inclusion
We work actively in including handicapped people to strengthen their approval of our organization and all links of the business chains (brokers, customers, employees, shareholders, service providers, partners, the market, and the community), generating inclusion opportunities for these workers in the job market. We hired 82 handicapped persons, promoted 30 and closed 2013 with a total of 379 persons in this category.

Recruitment and Selection

Internship Program
Our Internship Program started in 2009. Its objective is to attract young talents and train professionals aligned with our culture and our business to work in the various areas of our organization. The Program has the following characteristics:

- It can be attended by students effectively enrolled in courses at a college that are recognized by the Ministry of Education (MEC) and linked to public or private education institutions and respected by the requesting students;

- It is also suitable for employees who meet the requirements listed above and the conditions established before the selection process;

- Since 2012, it has a maximum duration of 18 months;

- Students have the opportunity to know several areas of the Company and get hired after the internship;

- Hiring can be made final only after a student has completed a minimum of 12 months in the internship agreement and the Challenge Project;

- Students have access to a Tutor, a Mentor and a Human Resources Consultant;

- Students interested in participating in the Porto Seguro Internship Program undergo a rigorous selection process, which consists of English tests, logical and analytical thinking, group dynamics, and interviews with human resources and managers.

Until 2013 we have hired 102 interns, 23 of which in 2013, who are under training, which is expected to be completed in 2014.

Performance Management
Focused on the integration of the People Management processes, in 2013 the Performance Management process was conducted on a new platform. With a central focus on people development, we combined the forms of Objectives and Competencies into a single form.

The Performance Management process has occurred in a differentiated way for Teams and Leaderships of Porto Seguro Companies. We reached the adherence of 85 percent to the Team Performance Management.

Quality of Life
Porto Seguro believes that employee satisfaction is also a product of our incentive to a better quality of life. Accordingly, we encourage and support habits and life styles that promote the health and wellbeing of all our employees.

By means of events that promote the physical and emotional well-being, integration and facilities, in 2013, the Quality of Life Program involved 23,255 people in the following events:

Road Races
With a group formed in December 2007, in 2013 we participated in thirteen road races (including the São Paulo São Silvestre Race), with a total of 1,561 participants, including employees and service providers.

Ballroom Dance: 54 participants (divided into 03 modules every three months).

Macunaíma: 30 participants (divided into 03 modules for a duration of 4 months).

Tribute Festival: homage to the employees who complete 10, 15, 20, 25, 30, 35 and 40 years of service at the organization.

Company Gathering: one of the most expected events of the year, where employees meet in the same place to have fun and celebrate their achievements.This year, 7,670 employees attended the gathering.

On-Site Physical Fitness Program: a space in the daily work routine where employees can enjoy physical activities. Classes are provided at the workplace and conducted by physical education professionals. Depending on the availability of each Sector, classes are provided during 10 to 15 minutes, two or three times per week.

The Porto Seguro Cultural and Leisure Center
The objective of this area is to promote integration, experience sharing, leisure, and culture, in addition to access to the library and its structure, to enable its users to actively enjoy the whole area, and also join its physical fitness, yoga and dancing classes.

The Library Collection
Aims at providing employees and service providers educational and cultural enrichment opportunities, professional development, and entertainment in various knowledge areas.

Social Service
With a though in employee well-being, Porto Seguro has a Social Service intended to help employees in more critical situations, such as hospital treatment, death in the family, financial hardship, sick leaves, etc. We aim at offering the employees alternatives to solve their problems, and facilitating and expediting documentation processing.

Occupational Health and Safety
This area's objective is to prevent diseases and promote the employees' health through environmental risk prevention and medical occupational health control programs.

The continuous monitoring of employee health by means of periodic occupational medical examinations, in addition to complying with legal formalities, allows the early detection of diseases and defines the appropriate treatments.

Changes in health mapping steer the future prevention campaigns, aimed at general well-being and reducing absenteeism.

The Occupational Safety team is responsible for analyzing the occupational risks and training, and together with Occupational Medicine, sets the actions aimed at continuous improvement of working conditions.

Benefits
Aimed at the continuous monitoring of employee needs and ensuring the strict compliance with the collective bargaining agreements and the relevant legislation, today it plays an important role in the employee retention process by studying new benefits in addition to maintaining those already offered to guarantee their enforcement pursuant to the established rules.

Looking outside the company, to keep up-to-dated with the best practices adopted by organizations is key for the development of the area's activities that will result in further propositions for internal improvements.

INSTITUTIONAL AND CULTURAL PROJECTS
As part of our concern in promoting the Brazilian culture, we sponsor shows and theater performances, in addition to supporting movies and sports. In 2013, we sponsored 893 projects, such as plays, exhibits, live performances, and movie sessions, among others, both for grownups and children, throughout Brazil and offering the public discounts and promotions.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY
The concepts and principles underlying the social and environmental responsibility have always been considered in the corporate and business strategies of Porto Seguro.

Over the last years the social and environmental initiatives of the Company have consistently expanded, as evidenced by the inclusion of this commitment in the Company's mission statement. With this achievement and visibility, employees and other stakeholders of Porto Seguro began to see their activities and businesses from the point of view of sustainability.

With this new operating model, sustainability in the company begins to be integrated and systemic, directed at each one of the various products and services, enhancing the lightness and kindness with which the Company seeks to serve its stakeholders.

Noticing the importance of this movement, the insurance market has also moved to consolidate the culture of sustainability, with the launch in June 2012 of the Principles for Sustainability in Insurance (PSI), an initiative from the United Nations Environment Program/Financial Initiative (UNEP/FI) in partnership with CNseg (National Confederation of General Insurance, Private Pension and Life, Supplementary Health and Capitalization Companies). In the same year, Porto Seguro adhered to PSI, since it believes that this movement will certainly contribute to raising awareness among the companies from the industry. To meet the objectives of PSI, Porto Seguro adopts, as described in this report, actions in synergy with principles such as: a directive of social and environmental responsibility that guides us in decision making, inclusion of social and environmental responsibility clauses in service agreements, training and discussions with employees and service providers about the importance of environmental, social and governance issues as well as the integration of these issues to the process of competition and selection of suppliers.

SOCIAL PROJECTS

Porto Seguro's social projects are based principally on professional education and training to contribute to the development of a society with equality and citizenship values. In 2013, the highlights were the following:

Volunteer program

We offer our employees, service providers and brokers the opportunity to engage in volunteer work. We believe that we have to encourage, build awareness and provide a favorable environment for people to find a way to serve as volunteer. Our strategy is to promote various volunteer activities, either individual or collective, inside or outside the working hours, with children, adults and senior citizens.

In 2013, we had 944 volunteers who totaled approximately 1,300 hours dedicated to volunteer activities and served around 10,085 thousand people in social organizations throughout Brazil, by means of specific actions such as social and education workshops, educational lectures, leisure and quality of life programs.

Collection campaigns

Throughout the year, we carry out collection campaigns all over Brazil. In 2013, the items collected included clothes, shoes, toys, school supplies, personal care products, and food, totaling 77,636 donations and 45,903 people served in 101 institutions registered by Porto Seguro in Brazil.

Casa Campos Elísios Melhor

Established 2005, Casa Campos Elísios Melhor has the purpose of promoting education, professional training and job and income creation exclusively for the low-income community. In 2013, approximately 6,000 people were assisted, through social and economic interviews, events, workshops for children, and courses.

Professional Qualification Courses

The objective of the professional qualification courses is to provide an improved social and economic condition through individual appreciation and access to jobs.

The target group consists of people in risk and social vulnerability situations, aged between 16 and 60. When they have graduate the course, Porto Seguro sends students who have performed satisfactorily into the job market.

In 2013, 810 people completed courses of IT, Training for the First Job, Gate and Reception Area, Administrative Technician, Mechanics, Bodywork and Painting, Electricity and Plumbing, Monitored Alarms Assistant, and Call Center Operator, in addition to Friends of Insurance, this latter in association with Escola Nacional de Seguros.

Generating Income

The job and income creation courses are directly related to qualitative aspects of information, independent and entrepreneur employability.

In 2013, 282 people participated in hair styling, manicure, computer assembly and maintenance courses, and in crafts workshops – such as fabric painting techniques, biscuit, patchwork and fabric coating. After graduating from this course, former students are invited to take part in the bazaars organized by Porto Seguro.

Educate Action - Children

The Educate Action aims at supplementing official school activities, in pedagogical workshops that cover cross-cutting themes. The objective is to make learning more appealing based on sports, thus stirring up children's interest to the basic concepts of cooperation and citizenship. The project is aimed at children and teenagers from 6 to 15 living in and near the Campos Elisions district. The program is divided in classes, according to their ages, with programs consisting of simultaneous workshops, such as: Collaborative sports, Capoeira, Dance, Music, Incentive to Reading and Writing, Arts and Crafts, IT, and Futsal. In 2013, 111 children participated in this initiative.

A Casa é Nossa

Casa é Nossa is the Casa Campos Elísios relationship program that provides integration between students and education professionals, and between Casa Campos Elísios with the local community and social organizations in the region.

Casa é Nossa is composed of programs focused on culture, citizenship, health prevention and environment.

In 2013, 1,579 people participated in lectures of financial education and flu prevention, education week, environmental theater, show of talents, festa junina (Brazilian festivities taking place in June), Christmas party and bingo for senior citizens. In addition, there were other workshops: workplace exercise, movie sessions, futsal and ballroom dance, attended by 1,926 people.

Associação Crescer Sempre

Associação Crescer Sempre was started in 1998, with the program "Parceria Empresa Escola", supported by Porto Seguro and conducted in the state public schools located in the district of Paraisópolis since 1991, where it was identified that the students started the elementary school without ever attending preschool as at that time there was none in Paraisópolis. In view of this need, this institution for the teaching of children was established. Initially, the institution served 150 children ages 5 and 6.

Over the years, the institution has expanded to serve up to 620 pupils of the same age group. During this process, there was time for reflection, since the child cannot be seen as an isolated member but as a member of the family, with social, economic and cultural difficulties. The conclusion was that serving the children was not enough, it was important to create alternatives to strengthen the family and, thus, professional qualification and middle school courses were developed.

Currently, Associação Crescer Sempre has the following programs: Children School, Regular Middle School, Education in Partnership and Professional Qualification Courses.

ENVIRONMENTAL PROJECTS

The area's environmental segment is divided in two related action lines: Environmental Education and Environmental Management System.

Environmental Education aims at raising the awareness of our stakeholders (employees, brokers, service providers, suppliers, customers, and the community) about the importance of the social and environmental issues, and engaging them in a change of attitude in their daily actions.

The Porto Seguro Environmental Management System (SGA) aims at eliminating environmental risks, complying with relevant legislation, and improving the organization's and our partners' environmental performance, as well as cutting costs. It develops and implements preventive and corrective actions in the organization and makes recommendation to our partners, by setting procedures, conducts, standards, and techniques for the management of the environmental aspects of and impacts caused by their activities.

Environmental Education Projects

Dom Bosco Shelter project

Support to the DOM BOSCO SHELTER, maintained by the SALESIANOS – Liceu Coração de Jesus network. Place of residence of recyclable material gatherers, who aim at social reintegration by gathering recyclable material in downtown São Paulo.

We try, this way, to balance environmental preservation actions (by ensuring that these materials return to the production cycle through recycling), social inclusion (by encouraging citizen involvement and fighting exclusion from the benefits of living in society), and generating income (by allowing the group to generate financial returns through selective collection).

In 2013, we held 18 meetings (breakfasts) with a group of ten shelter dwellers for the establishment of a cooperative to boost material gathering and encourage communication between group members, a sense cooperative work and organization, and the management of collected waste. Additionally, this work also includes the partnership with the businesses in downtown São Paulo to expand the chain of sties that supply recyclable materials to the Group.

Earth Hour

Since 2008, our buildings switch off their lights from 11:30 a.m. to 1:30 p.m. to build the awareness about conscientious electricity consumption. The idea behind this action is to help saving Earth's resources and to use less energy.

In 2013, we saved 163,711.93 MWh, equivalent to savings of R$52,387.81. This corresponds to the average consumption of 910 São Paulo families during a month. This program also results in large cost cuts.

Cooking oil recycling campaigns

We started the Cooking Oil Recycling Campaign in 2008 with the main purpose of calling the population's attention to the consequences of the incorrect disposal of waste oil and show that it can also be reused through recycling, including to produce biodiesel, a renewable fuel, cleaner than regular diesel oil, which is indirectly used in our tow trucks. "
In 2013, 1,170 liters of used oil were recycled.

Card, cell and battery recycling campaigns

When disposed in the common trash, plastic and magnetic cards, cells and batteries end up in landfills or open-air dumps, where they start to decompose, contaminating the environment. Cards are harmful because they contain non-biodegradable substances, such as chips, inks and magnetic strips. As for cells and batteries, they contain heavy metals such as mercury, lead, cadmium, nickel, etc. These elements are highly toxic and contaminate the soil, the water, and wildlife. This campaign aims at offering customers and non-customers the reverse logistics of magnetic cards, which complies with the National Solid Waste Policy.

Environmental Management System projects

Automotive Waste Management Program

Porto Seguro is always looking for alternatives to reduce the environmental impact of its initiatives. Thus, it began an in-house work by adopting the selective waste collection and promoting campaigns to encourage its units to do it.

The second step was to find a way to help our partners make their business more sustainable. As a result, the Automotive Waste Management was created, for the proper disposal of automotive waste – free of oil, paint, grease and solvents – coming from the Porto Seguro Automotive Center and some accredited repair shops.

Selective waste collection
It aims at sending the recyclable materials generated at the organization for recycling, through social projects and cooperatives dedicated to the sale of these materials directly to manufacturers, in order to create jobs, generate income, and foster social inclusion and transformation.

In the Head Office Complex and the Greater São Paulo Branches, recyclable and organic waste is collected by a waste carrier. Organic waste is sent to landfills and recyclable waste is sent to a cooperative that separates and sells it to recycling companies.

CVM Instruction 381/03
In the period from January to December 2013, the independent auditor and its related parties did not provide non-audit services at a level higher than 5 percent of total fees related to the external audit services.

Prospects

In the international scenario, 2013 can be described as a year of transition, since fears of possible collapses of economies such as of China and Europe during most of the year were gradually eliminated whereas a more positive vision of accelerated economic expansion in the USA has consolidated. More robust global growth led by more mature economies is expected for 2014, while several emerging economies will face a more unstable economic and political environment.

In the domestic scenario, economic growth in 2013 will continue at a quite moderate pace, slightly higher than the level recorded last year. For 2014, low level of activity is expected to continue, with slowdown in consumption and investments, whereas a higher depreciation of exchange rates and higher global growth tend to favor net exports.

Regarding inflation, IPCA was practically the same in 2013 (5.9 percent), the same high recorded in 2012 (5.8 percent). This will not change significantly during 2014, with a change in the principal inflation index still very close to 6%.

Due to the persistent high inflation, the Central Bank started a cycle of monetary tightening, which caused Selic rate to increase to 10 percent at the end of 2013 and this upward movement of the basic interest rate will end at the beginning of 2014 with Selic at about 11 percent.

The Company closed 2013 with a satisfactory increase in premiums and a significant reduction in claims ratio, favored by a strategy focused on recovery of margins, improvements of risk selection criteria and regional expansion. In the auto insurance market, competition remained stable, contributing to the increase in insured items. In addition, recurring operating income for 2013 was two times higher than the prior year's level.

The cost management model adopted by the Company and investments made to streamline processes and systems are contributing to improve operational efficiency. This is part of our strategy aimed at achieving continuing productivity gains without adversely affecting the level of service for customers and brokers.

Accordingly, we will continue to strive for profitable growth, maintain our conservative underwriting policy, through profitable product lines in favorable geographic areas, maintain the investments and improvements in broker and customer services, and administrative cost management.

Executive Committee Statement

In compliance with the provision of CVM Instruction 480, the Executive Committee hereby declares that it has discussed, reviewed, and endorsed the financial statements for the fiscal year ended December 31, 2013, and the opinions expressed in the independent auditor's report.

Acknowledgements

We take this opportunity to thank our brokers and customers for their support and trust, and our staff and personnel for their continued dedication. We also thank the authorities connected to our activities.

São Paulo, February 13, 2014.

Management

PORTO SEGURO S.A. and subsidiaries
Balance Sheets as at December 31, 2013 and 2012 and January 1, 2012
(In thousands of Brazilian reais - R$)

		Parent			Consolidated			
	Note	December 2013	December 2012	January 1, 2012	December 2013	December 2012	January 1, 2012
Current assets		1,093,295	821,057	927,559	15,755,470	14,891,792	13,103,799
Cash and cash equivalents	6	245,262	59,305	131,147	1,336,503	683,302	1,524,262
Financial assets							
Financial assets at fair value through profit or loss	7.1.1	557,518	676,167	751,582	6,784,235	8,288,144	6,700,970
Available-for-sale financial assets	7.1.2	45,789	37,049	19,944	45,789	37,049	19,944
Loans and receivables							
Premiums receivable from policyholders	7.2.1	-	-	-	2,737,312	2,379,456	2,121,607
Lending operations	7.2.2	-	-	-	806,208	551,338	328,212
Notes and credits receivable	7.2.3	-	-	-	2,141,010	1,450,247	1,055,333
Receivable from services	7.2.4		-	-	38,215	25,856	16,875
Reinsurance assets	16.5	-	-	-	75,961	51,969	50,211
Taxes and contributions recoverable	8.2	22,818	31,336	20,056	141,074	71,835	68,828
Non-financial assets held for sale	9	-	-	-	113,202	117,444	128,883
Dividends and interest receivable	14.2	219,862	14,885	3,016	-	-	-
Deferred acquisition costs	10	-	-	-	1,004,720	845,978	765,268
Other assets	11	2,046	2,315	1,814	531,241	389,174	323,406
Noncurrent assets		5,464,666	4,712,723	4,256,099	4,653,845	3,980,187	3,473,815
Long-term assets							
Financial assets							
Financial assets at fair value through profit or loss	7.1.1	-	-	-	1,941	2,047	1,516
Available-for-sale financial assets	7.1.2	-	-	-	1,038,089	10,200	10,349
Loans and receivables							
Premiums receivable from policyholders			-	-	637	17	137
Lending operations	7.2.2	-	-	-	248,220	207,588	162,442
Reinsurance assets			-	-	823	1,296	1,372
Deferred income tax and social contribution	8.1.1	13,609	53,018	43,813	347,290	812,258	683,057
Taxes and contributions recoverable	8.3	-	-	-	53,683	70,362	72,991
Deferred acquisition costs	10	-	-	-	6,799	5,828	5,669
Other assets	11	5,064	4,204	4,434	309,468	457,414	367,116
Investments							
Investiment properties	13	-	-	-	8,883	8,700	8,881
Investiments in subsidiaries	14	5,445,937	4,655,444	4,207,852	-	-	-
Fixed assets	15	-	-	-	1,213,415	1,064,755	886,375
Intangibles	12	56	57	-	1,424,597	1,339,722	1,273,910
Total assets		**6,557,961**	**5,533,780**	**5,183,658**	**20,409,315**	**18,871,979**	**16,577,614**

		Parent			Consolidated		
	Note	December 2013	December 2012	January 1, 2012	December 2013	December 2012	January 1, 2012
Current liabilities		355,712	148,512	150,092	13,977,644	11,659,262	9,968,558
Liabilities of insurance contracts	16		-	-	8,887,137	8,106,977	7,117,680
Insurance and reinsurance payables	17	-	-	-	643,687	546,138	453,329
Financial liabilities	18	-	-	-	3,111,085	2,140,675	1,602,110
Tax and contributions payable	8.4	6,812	6,675	6,451	288,402	275,518	226,847
Dividends and interest on capital payable		334,099	127,243	142,028	350,438	127,243	142,028
Other liabilities	20	14,801	14,594	1,613	696,895	462,711	426,564
Noncurrent liabilities		313,086	318,135	331,051	538,163	2,138,621	1,903,179
Liabilities of insurance contracts	16	-	-	-	20,516	17,860	18,036
Other liabilities	20	-	-	-	52,349	58,394	53,341
Deferred income tax and social contribution	8.1.2	313,086	318,135	331,051	396,423	408,817	422,601
Provisions	19	-	-	-	68,875	1,653,550	1,409,201
Shareholder´s equity							
Total shareholder´s equity		5,889,163	5,067,133	4,702,515	5,893,508	5,074,096	4,705,877
Capital	21 a	2,782,000	2,782,000	1,870,000	2,782,000	2,782,000	1,870,000
Treasury shares		-	(24,252)	(59,782)	-	(24,252)	(59,782)
Capital reserves	21 b	47,412	47,412	959,412	47,412	47,412	959,412
Earning reserves	21 c	2,537,560	2,069,758	1,788,250	2,537,560	2,069,758	1,788,250
Proposed dividends	21 d	508,855	178,549	138,037	508,855	178,549	138,037
Other comprehensive income		13,336	13,666	6,598	13,336	13,666	6,598
Noncontrolling interests		-	-	-	4,345	6,963	3,362
Total liabilites and shareholder´s equity		**6,557,961**	**5,533,780**	**5,183,658**	**20,409,315**	**18,871,979**	**16,577,614**

The accompanying notes are an integral part of these financial statements

PORTO SEGURO S.A. and subsidiaries
Statements of income for the years ended December 31, 2013 and 2012
(in thousands of Brazilian reais- R$, except earnings per share)

		Parent		Consolidated	
	Note	December 2013	December 2012	December 2013	December 2012
Revenue					
Written insurance premiums	22	-	-	11,575,205	9,662,383
(-) Reinsurance premiums ceded	22	-	-	(71,610)	(66,376)
Net Premiums written	22	-	-	11,503,595	9,596,007
Pension plan contributions		-	-	178,191	166,129
Net revenue from capitalization operations		-	-	4,421	63
Revenue from lending operations	23	-	-	636,816	514,732
Revenue from services	24	-	-	614,847	451,752
Other operating income	25	-	-	114,466	449,915
Revenues from rental of properties		-	-	10,001	8,294
Equity in subsidiaries	14	1,460,079	623,208	-	-
Total revenues		**1,460,079**	**623,208**	**13,062,337**	**11,186,892**
Expenses					
Change in technical reserves - insurance		-	-	(1,094,311)	(756,480)
Change in technical reserves - pension plan		-	-	(112,885)	(162,140)
Total - change in technical reserves	27	-	-	(1,207,196)	(918,620)
Gross retained claims	27	-	-	(6,524,424)	(5,811,050)
Pension plan benefits		-	-	(11,837)	(8,302)
(-) Recoveries of reinsurance		-	-	48,403	39,691
(-) Recoveries of salvages and reimbursements		-	-	828,391	575,864
Expenses with claims and benefits, net		-	-	(5,659,467)	(5,203,797)
Amortization of deferred acquisition costs	28	-	-	(2,032,983)	(1,822,779)
Acquisition costs - other		-	-	(74,625)	(64,802)
Administrative expenses	29	(30,026)	(49,085)	(2,399,328)	(2,069,350)
Tax expenses	30	(13,514)	(14,075)	565,496	(315,598)
Costs of services rendered		-	-	(131,500)	(82,663)
Other operating expenses	31	-	-	(854,500)	(699,972)
Total expenses		**(43,540)**	**(63,160)**	**(11,794,103)**	**(11,177,581)**
Operating profit (loss) before net financial result		**1,416,539**	**560,048**	**1,268,234**	**9,311**
Financial income	32	23,040	100,414	740,905	1,325,244
Financial expenses	33	(13)	(1)	217,227	(379,635)
		23,027	**100,413**	**958,132**	**945,609**
Operating profit		**1,439,566**	**660,461**	**2,226,366**	**954,920**
Profit before income tax and social contribution		**1,439,566**	**660,461**	**2,226,366**	**954,920**
Income tax and social contribution	8.2	**(34,359)**	**22,119**	**(829,055)**	**(274,922)**
Current taxes		-	12,914	(369,136)	(415,330)
Deferred taxes		(34,359)	9,205	(459,919)	140,408
Net profit for the year		**1,405,207**	**682,580**	**1,397,311**	**679,998**
Profit attributable to:					
- Shareholders of the Company		1,405,207	682,580	1,405,207	682,580
- Noncontrolling interests in subsidiaries		-	-	(7,896)	(2,582)
Earning per share:					
- Basic	34	4,34654	2,10229	4,32212	2,09434
- Diluted	34	4,34654	2,10229	4,32212	2,09434

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

PORTO SEGURO S.A. and subsidiaries
Statements of comprehensive income for the years ended December 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	December 2013	**December 2012**	**December 2013**	**December 2012**
Net Profit for the year	**1,405,207**	**682,580**	**1,397,311**	**679,998**
Other comprehensive income	**(330)**	**7,068**	**(330)**	**7,068**
Adjustments to securities in subsidiaries	(7,277)	(1,783)	(7,277)	(1,783)
Tax effects on adjustments to securities in subsidiaries	2,911	713	2,911	713
Cumulative translation adjustments - in subsidiaries	1,018	9,985	1,018	9,985
Tax effects on cumulative translation adjustments - in subsidiaries	(407)	(3,994)	(407)	(3,994)
Other equity valuation adjustments - in subsidiaries	5,708	3,578	5,708	3,578
Tax effects on other equity valuation adjustments - in subsidiaries	(2,283)	(1,431)	(2,283)	(1,431)
Total comprehensive income for the year, net of tax effects	**1,404,877**	**689,648**	**1,396,981**	**687,066**
Atributable to:				
- Shareholders of the Company	1,404,877	689,648	1,404,877	689,648
- Noncontrolling interests	-	-	(7,896)	(2,582)

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

PORTO SEGURO S.A. and subsidiaries
Statements of changes in equity for the years ended December 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

	Note	Capital	Treasury shares	Capital reserves	Earnings reserves	Retained earnings	Proposed dividends	Other comprehensive income	Total	Noncontrolling interest in subsidiaries	Total shareholder´s equity
Opening balances - January 1, 2012		**1,870,000**	**(59,782)**	**959,412**	**1,788,250**	**-**	**138,037**	**6,598**	**4,702,515**	**3,362**	**4,705,877**
Approval of supplementary dividends proposed in the previous year		-	-	-	-	-	(138,037)	-	**(138,037)**	**-**	**(138,037)**
Capital increase - E/ASM - 03.29.2012	21 a	912,000	-	(912,000)	-	-	-	-	**-**	-	**-**
Treasury shares cancelled		-	59,782	-	(59,782)	-	-	-	**-**	-	**-**
Treasury shares acquired		-	(24,252)	-		-	-	-	**(24,252)**	-	**(24,252)**
Adjustments to securities in subsidiaries (comprehensive income)		-	-	-	-	-	-	(1,070)	**(1,070)**	-	**(1,070)**
Cumulative translations adjustments (comprehensive income)		-	-	-	-	-	-	5,991	**5,991**	-	**5,991**
Other equity valuation adjustments - in subsidiaries (comprehensive income)		-	-	-	-	-	-	2,147	**2,147**	-	**2,147**
Capital increase - noncontrolling interest		-	-	-	-	-	-	-	**-**	6,183	**6,183**
Net profit for the year		-	-	-	-	682,580	-	-	**682,580**	(2,582)	**679,998**
Appropriations:								-	**-**		
Legal reserve	21 d	-	-	-	34,129	(34,129)	-	-	**-**	-	**-**
Statutory reserve	21 d	-	-	-	307,161	(307,161)	-	-	**-**	-	**-**
Distribution of dividends:									**-**		
Minimum mandatory dividends	21 e	-	-	-	-	(162,741)	-	-	**(162,741)**	-	**(162,741)**
Supplementary proposed dividends	21 e	-	-	-	-	(178,549)	178,549	-	**-**	-	**-**
Closing balances - December 31, 2012		**2,782,000**	**(24,252)**	**47,412**	**2,069,758**	**-**	**178,549**	**13,666**	**5,067,133**	**6,963**	**5,074,096**
Approval of supplementary dividends proposed in the previous year		**-**	**-**	**-**	(35,498)	**-**	(178,549)	**-**	**(214,047)**	**-**	**(214,047)**
Treasury shares cancelled	21 a	**-**	24,252	**-**	(24,252)	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments to securities in subsidiaries (comprehensive income)		**-**	**-**	**-**	**-**	**-**	**-**	(4,366)	**(4,366)**	**-**	**(4,366)**
Cumulative translations adjustments (comprehensive income)		**-**	**-**	**-**	**-**	**-**	**-**	611	**611**	**-**	**611**
Other equity valuation adjustments - in subsidiaries (comprehensive income)		**-**	**-**	**-**	**-**	**-**	**-**	3,425	**3,425**	**-**	**3,425**
Capital increase - noncontrolling interest		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	5,278	**5,278**
Net profit for the year		**-**	**-**	**-**	**-**	1,405,207	**-**	**-**	**1,405,207**	(7,896)	**1,397,311**
Appropriations:											
Legal reserve	21 d	**-**	**-**	**-**	70,260	(70,260)	**-**	**-**	**-**	**-**	**-**
Statutory reserve	21 d	**-**	**-**	**-**	457,292	(457,292)	**-**	**-**	**-**	**-**	**-**
Distribution of dividends and ICP:											
Minimum mandatory dividends	21 e	**-**	**-**	**-**	**-**	(368,800)	**-**	**-**	**(368,800)**	**-**	**(368,800)**
Supplementary proposed dividends	21 e	**-**	**-**	**-**	-	(508,855)	508,855	**-**	**-**	**-**	**-**
Closing balances - December 31, 2013		**2,782,000**	**-**	**47,412**	**2,537,560**	**-**	**508,855**	**13,336**	**5,889,163**	**4,345**	**5,893,508**

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

PORTO SEGURO S.A. and subsidiaries
Statements of cash flows for the years ended December 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	December 2013	December 2012	December 2013	December 2012
Cash flows from operating activities	**104,603**	**90,857**	**1,441,352**	**(153,518)**
Cash provided by operations	**(42,250)**	**91,661**	**1,528,137**	**793,597**
Net profit for the year	1,405,207	682,580	1,397,311	679,998
Depreciation	-	-	78,630	68,349
Amortization	12,622	32,289	52,522	54,123
Equity in subsidiaries	(1,460,079)	(623,208)	-	-
Results on sale of fixed asets	-	-	(326)	(8,873)
Change in assets and liabilities	**146,853**	**(804)**	**(86,785)**	**(947,115)**
Financial assets at fair value through profit or loss	118,649	75,415	1,504,015	(1,587,705)
Available-for-sale financial assets	(8,740)	(17,105)	(1,036,629)	(16,956)
Premiums receivable from policyholders	-	-	(358,476)	(257,729)
Lending operations	-	-	(295,502)	(268,272)
Notes and credits receivable	-	-	(690,763)	(394,914)
Reinsurance assets	-	-	(23,519)	(1,682)
Deferred income tax and social contribution	37,040	(5,220)	452,574	(142,985)
Taxes and contributions recoverable	8,518	(11,280)	(52,560)	(378)
Taxes and contributions paid	(2,680)	(16,901)	(419,179)	(356,251)
Non-financial assets held for sale	-	-	4,242	11,439
Other assets	(6,278)	(271)	(6,480)	(165,047)
Deferred acquisition costs	-	-	(159,713)	(80,869)
Liabilities of insurance contracts	-	-	782,816	989,121
Insurance and reinsurance payables	-	-	97,549	92,809
Financial liabilities	-	-	1,030,552	580,474
Taxes and contributions payable	137	(38,416)	440,824	366,282
Provisions	-	-	(1,584,675)	244,349
Other liabilities	207	12,974	228,139	41,199
Other	**-**	**-**	**(55,194)**	**(28,658)**
Adjustments to financial instruments	-	-	(330)	7,068
Non-controlling interests	-	-	5,278	6,183
Interest on deposits	-	-	(60,142)	(41,909)
Cash flows from investment activities	**450,154**	**138,475**	**(364,157)**	**(357,610)**
Disposal of fixed assets	-	-	10,950	15,927
Acquisition of fixed assets	-	-	(232,838)	(253,552)
Dividends and interest on capital received	491,900	316,082	-	-
Acquisition of investments	(41,746)	(177,550)	-	-
Acquistion of intangible	-	(57)	(142,269)	(119,985)
Cash flows from financing activities	**(368,800)**	**(301,174)**	**(368,800)**	**(301,174)**
Treasury shares	-	(24,252)	-	(24,252)
Dividends paid	(165,140)	(57,962)	(165,140)	(57,962)
Interest on capital paid	(203,660)	(218,960)	(203,660)	(218,960)
Increase (decrease) in cash and cash equivalents	**185,957**	**(71,842)**	**653,201**	**(840,960)**
Cash and cash equivalents at the beginning of the year	59,305	131,147	683,302	1,524,262
Cash and cash equivalents at the end of the year	245,262	59,305	1,336,503	683,302

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

PORTO SEGURO S.A. and subsidiaries
Statements of value added for the years ended December 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	December 2013	December 2012	December 2013	December 2012
Revenues	-	-	12,968,285	10,933,497
Revenues from insurance operations	-	-	11,575,205	9,662,383
Revenues from pension plan	-	-	178,191	166,129
Revenues with management fees and other	-	-	28,715	30,969
Service revenues	-	-	614,847	451,752
Other	-	-	715,427	715,905
Provision for impairment of trade receivables	-	-	(144,100)	(93,641)
Change in technical reserves	-	-	(1,207,196)	(918,620)
Insurance operations	-	-	(1,094,311)	(756,480)
Pension plan operations	-	-	(112,885)	(162,140)
Net operating revenues	-	-	11,761,089	10,014,877
Benefits and claims	-	-	(5,659,467)	(5,203,797)
Claims	-	-	(5,647,630)	(5,195,495)
Expenses with benefits	-	-	(11,837)	(8,302)
Inputs acquire from third parties	(1,976)	(1,755)	(3,759,602)	(3,092,905)
Materials, energy and other	(786)	(942)	(1,093,752)	(728,753)
Cost of products and goods sold and services rendered	-	-	(131,500)	(82,663)
Third-party services, net commissions	(1,190)	(813)	(2,687,904)	(2,355,809)
Chance in deferred acquisiton costs	-	-	155,944	72,967
Loss/recovery of assets values	-	-	(2,390)	1,353
Gross value added	(1,976)	(1,755)	2,342,020	1,718,175
Depreciation and amortization	(12,622)	(32,289)	(131,152)	(122,472)
Net value added generated by the entity	(14,598)	(34,044)	2,210,868	1,595,703
Value added received/given through transfer	1,483,106	723,622	596,027	1,011,829
Financial revenues	23,040	100,414	728,296	1,297,027
Equity in subsidiaries	1,460,079	623,208	-	-
Other	(13)	-	(132,269)	(285,198)
Total value added to distribute	1,468,508	689,578	2,806,895	2,607,532
Distributions of value added	1,468,508	689,578	2,806,895	2,607,532
Personnel	15,242	14,874	1,297,565	1,070,130
Direct compensation	932	843	701,059	599,503
Benefits	14,310	14,031	543,771	419,075
Government Severance Indemnity fund for employees - F.G.T.S	-	-	52,735	51,552
Taxes and contributions	48,059	(7,876)	422,690	732,976
Federal	48,059	(7,876)	389,655	706,619
State	-	-	215	899
Municipal	-	-	32,820	25,458
Third-party capital remuneration	-	-	(310,671)	124,428
Interests	-	-	(349,343)	93,264
Rentals	-	-	38,672	31,164
Shareholder´s capital remuneration	1,405,207	682,580	1,397,311	679,998
Dividends	877,655	341,290	877,655	341,290
Retained earnings	527,552	341,290	527,552	341,290
Noncontrolling interest in earnings reinvested	-	-	(7,896)	(2,582)

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

Porto Seguro S.A.

Supplemental information to the financial statements

Social Responsibility Statement
Years ended December 31 - Unaudited
In thousands of Brazilian reais - R$

	2013	2012
1- Computation basis	**Amount**	**Amount**
Net revenue - RL(*)	13,513,140	11,679,501
Operating profit/loss - RO(*)	703,490	682,580
Gross payroll - FPB	1,297,565	1,070,130

2-Internal Social Indicators	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL
Meals	135,998	10,48%	1,01%	123,151	11,51%	1,05%
Compulsory social charges	260,164	20,05%	1,93%	233,093	21,78%	2,00%
Private pension	11,669	0,90%	0,09%	9,916	0,93%	0,08%
Healthcare	68,062	5,25%	0,50%	61,281	5,73%	0,52%
Occupational health and safety	4,395	0,34%	0,03%	3,107	0,29%	0,03%
Education	5,652	0,44%	0,04%	6,071	0,57%	0,05%
Culture	6,047	0,47%	0,04%	4,540	0,42%	0,04%
Professional qualification and growth	1,964	0,15%	0,01%	3,187	0,30%	0,03%
Childcare centers or childcare allowance	5,805	0,45%	0,04%	5,563	0,52%	0,05%
Profit sharing (*)	186,916	14,41%	1,38%	179,615	16,78%	1,54%
Other	-	0,00%	0,00%	-	0,00%	0,00%
Total - internal social indicators	686,672	52,92%	5,08%	629,524	58,83%	5,39%

3-External Social Indicators	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL
Education	11,841	1,68%	0,09%	4,599	0,67%	0,04%
Culture	8,428	1,20%	0,06%	4,991	0,73%	0,04%
Health and sanitation	-	0,00%	0,00%	-	0,00%	0,00%
Sports	1,794	0,26%	0,01%	1,248	0,18%	0,01%
Hunger eradication and food safety	-	0,00%	0,00%	-	0,00%	0,00%
Other	-	0,00%	0,00%	-	0,00%	0,00%
Total contributions to society	22,063	3,14%	0,16%	10,838	1,59%	0,09%
Taxes (excluding social charges)(*)	1,202,172	170,89%	8,90%	588,134	86,16%	5,04%
Total - external social indicators	1,224,235	174,02%	9,06%	598,972	87,75%	5,13%

4-Environmental Indicators	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL
Investments relating to the company's production / operation	-	0,00%	0,00%	-	0,00%	0,00%
Investments in external programs and/or projects	530	0,08%	0,00%	175	0,03%	0,00%
Total environmental investments	530	0,08%	0,00%	175	0,03%	0,00%
With respect to the establishment of "annual goals" to minimize waste and consumption in general in production / operation and increase effectiveness in the use of of natural resources, the company	(x) does not have goals ( ) meets from 51 to 75% ( ) meets from 0 to 50% ( ) meets from 76 to 100%			(x) does not have goals ( ) meets from 51 to 75% ( ) meets from 0 to 50% ( ) meets from 76 to 100%		

5-Staff Indicators	2013	2012
Number of employees at the end of the period	13,405	13,696
Number of hires during the period	3,812	3,835
Number of outside employees	13,207	13,010
Number of interns	29	20
Number of employees above 45 years	1,295	1,415
Number of women working in the company]	7,414	7,247
% of leadership positions held by women	276,33%	141,69%
Number of black individuals working in the company	4,097	3,190
% of leadership positions held by black individuals	19,36%	7,24%
Number of handicapped or disabled individuals	393	377

6-Relevant information on the exercise of the corporate citizenship	2013	2014 Goals
Relationship between the higher and lower compensation in the company	54	53
Total number of work accidents	18	17

	2013			2012		
The social and environmental projects implemented by the company were defined by:	( ) management	(x) management and sectors	( ) all employees	( ) management	(x) management and sectors	( ) all employees
Occupational safety and health standards in the work environment were defined by:	(x) management and sectors	( ) all employees	(x)all + Cipa	(x) management and sectors	( ) all employees	(x)all + Cipa
With respect to union freedom, the right of collective bargaining agreement and internal representation of all workers, the company:	( ) does not get involved	( ) abides by OIT standards	(x) encourages and abides by OIT	( ) does not get involved	( ) abides by OIT standards	(x) encourages and abides by OIT
Private pension comprises:	( ) management	(x) management and sectors	( ) all employees	( ) management	(x) management and sectors	( ) all employees
Profit sharing comprises:	( ) management	(x) management and sectors	( ) all employees	( ) management	(x) management and sectors	( ) all employees
In selecting suppliers, the same ethical and social and environmental responsibility standards adopted by the company:	( ) are not taken into consideration	(x) are recommended	( ) are required	( ) are not taken into consideration	(x) are recommended	( ) are required
With respect to the participation of employees in voluntary work programs, the company:	( ) does not get involved	( ) supports	(x) organizes and encourages	( ) does not get involved	( ) supports	(x) organizes and encourages
Total number of complaints and criticisms from consumers:	in the company 88,371	in Procon 1,725	in the court 6,008	in the company 84,764	in Procon 1,085	in the court 4,450
% of complaints and criticisms answered or solved:	in the company 100%	in Procon 65.43%	in the court 36.22%	in the company 100%	in Procon 76.61%	in the court 35.35%
Total wealth for distribution - in thousands of R$(*):	In 2013: 3,514,658			In 2012: 2,607,532		
Wealth distributed - DVA(*):	38.8% government 11.0% shareholders	36.9% employees 4.3% third parties withheld	9.0%	28.1% government 13.1% shareholders	41.0% employees 4.7% third parties withheld	13.1%

(*) Not considering nonrecurring adjustments.

7-Other information

- Porto Seguro S.A. - CNPJ. 02.149.205/0001-69. Details, comments and projects are separately disclosed in the Company's Management Report, published together with the financial statements.
- For explanation on the information furnished, please contact Celso Damadi - Telephone: (11) 2393-5199 -e-mail: celso.damadi@portoseguro.com.br
- This company does not employ child or slave labor, has no involvement with prostitution or sexual exploration of children or adolescents and is not involved in corrupt activities.
- Our company appreciates and respects internal and external diversity.

1. Operations and general information

Porto Seguro S.A. (the "Company") is a publicly-held corporation with headquarters in Alameda Ribeiro da Silva, 275 - 1st floor, in the city and State of São Paulo - SP, 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 (denominated "Porto Seguro" or "Company"), 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.

(d) Services related, connected or supplementary to insurance and the other aforementioned activities.

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

Insurance, private pension plan and capitalization

(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 controlled by 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.

(vii) 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.

Finance companies and consortiums

(viii) 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.

(ix) 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.

(x) 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.

Services and commerce

(xi) 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.

(xii) Porto Seguro Renova – Serviços e Comércio Ltda. (new name of Porto Seguro Reciclagem – Serviços e Comércio Ltda.") (“Porto Renova”)- A direct subsidiary of the Company (99.50%), established on April 18, 1979. Since September 28, 2012, primarily engaged in sale and distribution of new and used spare parts.

(xiii) 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.

(xiv) 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.

(xv) 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.

(xvi) 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.

(xvii) 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.

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

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

(xx) Porto Seguro Telecomunicações S.A. ("Porto Telecomunicações") - A subsidiary of Porto Seguro Serviços e Comércio (70%) 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.

(xxi) Porto Seguro Serviços de Gerenciamento de Informações S.A. ("Porto Gerenciamento"), controlled by Porto Telecomunicações (99.99%), was established on May 4, 2012 to provide information management, information technology, added value and software development services.

(xxii) Porto Servicios S.A. (“Porto Serviços Uruguai”), a wholly-owned subsidiary of Porto Serviços e Comércio since August 2, 2012, will be primarily engaged in insurance services, either related or supplementary, in Uruguay.

(xxiii) Bioqualynet Saúde Ocupacional Ltda. (“Bioqualynet”), controlled by Serviços Médicos since February 6, 2013, engaged in the provision of occupational health, safety and hygiene consulting and advisory and ergonomics services and of ambulatory health services.

(xxiv) Bioqualynet Sul Saúde Ocupacional e Segurança do Trabalho Ltda. (“Bioqualynet Sul”), controlled by Serviços Médicos since February 6, 2013, engaged in the provision of occupational health, safety and hygiene consulting and advisory, ergonomics, phonoaudiology and physiotherapy services and the provision of ambulatory health services.

(xxv) Porto Seguro Investimentos Ltda. (“Porto Investimentos”), a direct subsidiary (99.75%), was established on May 30, 2012 to manage and administer securities portfolios, investment funds and other third-party funds. It is awaiting the approval by the regulatory agency (Brazilian Securities and Exchange Commission (CVM)) to start up its activities.

2. Summary of significant accounting policies

The principal accounting policies used in the preparation of these financial statements are set out below. These policies were consistently applied to all periods presented, unless otherwise stated.

2.1. Basis of preparation

The preparation of financial statements requires management to make use of judgment to determine and record accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include, among others, the determination of: (i) the fair value of assets and liabilities, (ii) the adjustments to the provision for impairment of trade receivables, (iii) realization of deferred income tax and social contribution, (iv) technical reserves and (v) provisions for judicial process. Actual results may differ from these estimates.

The Company reviews these estimates and assumptions on a periodical basis. (See note 3.) These financial statements have been prepared on the assumption that the Company will continue as a going concern.

Porto Seguro is also presenting the social balance sheet, which discloses social and environmental indicators, headcount data, and relevant information on exercising corporate citizenship. Some information was obtained using subsidiary records and certain managerial information.

The Company's financial statements were authorized for issuance by the Board of Directors on February 13, 2014.

2.1.1 Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

2.1.2 Individual financial statements

The individual financial statements of the parent company have been prepared in accordance with accounting practices adopted in Brazil issued by the CPC in compliance with Brazilian Corporate Law and are disclosed together with the consolidated financial statements.

The accounting practices adopted in Brazil, applied to the individual financial statements, differ from IFRSs applicable to the separate financial statements only with respect to the measurement of investments in subsidiaries under the equity method, which under IFRSs must be measured at cost or fair value.

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

- IFRS 9 “Financial instruments” This standard is the first step in the process to replace IAS 39,"Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until January 1, 2015.

- IFRIC 21 – Levies. It is interpretation of IAS 37 – “Provisions, Contingent Liabilities” about the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes. The interpretation is not applicable until January 2014.

- A mendment to IAS 32 – Financial Instruments: Disclosure. The amendment clarifies when an entity should offset financial assets and financial liabilities, according to contractual terms and conditions. The amendment is not applicable until January 1, 2014

- A mendment to IAS 36 – Impairment of Assets. The amendment reduces the circumstances for disclosure of the recoverable value of assets of cash-generating units and clarifies the disclosures required. The amendment is not applicable until January 1, 2014.

- A mendment to IAS 39 - Financial Instruments: Recognition and Measurement. The amendment introduces an exception to the requirement of interruption of the hedge accounting set out in IAS 39 and IFRS 9, provided that certain criteria are met. The amendment is not applicable until January 1, 2014.

Porto Seguro’s Management does not expect these new standards, interpretations and amendments above to have a material impact on the financial statements after being adopted.

- MP 627 – Provisional Act 627, of November 11, 2013, promoted changes to the IRPJ, CSLL, PIS and COFINS, effective in 2015, permitting taxpayer to irreversibly abide by the new rules in 2014 already. The aforementioned provisional act has specifically standardized tax laws based on the accounting criteria and procedures introduced by Laws 11638/2007 and 11941/2009, and has also eliminated the Transitional Tax Regime (RTT) and new tax rules applicable to the legal entity domiciled in Brazil with respect to earnings accrued abroad by subsidiaries and associates and changes in the goodwill application method. Since until the publication of this balance sheet, the provisional act was not converted into law, additional changes, inclusions and/or exclusions in the originally proposed text could arise. However, based on the current text, MP 627 will not have significant impacts on the financial statements of Porto Seguro S/A.

Specifically with respect to subsidiaries Porto Seguro and Porto Vida, which will no longer pay COFINS in calendar year 2014 after a favorable decision on the lawsuit related to such tax, these subsidiaries will start to pay such contribution in 2015, pursuant to the new tax basis introduced by MP 627.

2.1.4 Standards and amendments to standards adopted in 2013

National Private Insurance Council ("CNSP") issued CNSP Resolution 264/12, which eliminated the charging of policy costs separate from the premium. Revenue from these costs totaled R$322,213 in 2012 (see note 25).

In 2013, Superintendence of Private Insurance (SUSEP) issued SUSEP Circular Letter 462/13, which provides for the criterion to calculate and the procedures for the recognition of the technical reserves of the insurance market. The Unearned Premium Reserve (PPNG) started to be calculated net of the premium portion defined as revenue for recovery of initial contracting costs. Revenue deriving from such change was R$381,498 in 2013, recorded in line item "Insurance premium written" in the income statement for the year.

In accordance with the same Circular Letter, the Company reversed the Provision for Premium Insufficiency - PIP and the Provision for Contribution Insufficiency - PIC, and, as a result of the liability adequacy test - LAT, it constituted the Supplementary Coverage Provision - PCC, both recorded under "Insurance Contract Liabilities". The net effect of these changes was a provision reversal of R$25,528 (net of tax effects).

CNSP also issued resolutions on minimum capital requirements for the insurance market.

International standards IFRS 10, IFRS 11, IFRS 12 e IFRS 13 became effective on January 1, 2013 and did not impact the Company's interim financial information. The impacts of IAS 19 (revised) adtoption are presented below.

2.1.5 Adjustments and reclassification

The following items were adjusted in the consolidated balance sheet as at December 31, 2012 and January 1st, 2012, as well as in the 2012 consolidated income statements:

	Consolidated					
	Originaly reported 12/31/2012	Reclasification	Adjusted 12/31/2012	Originaly reported 01/01/2012	Reclasificat ion	Adjusted 01/01/2012
Assets						
Premiums receivables form policyholders (current) - (a), (b) (i) and (d)	2,273,358	106,098	2,379,456	2,019,019	102,588	2,121,607
Premiums receivables form policyholders (noncurrent) - (b) (i) and (ii)	-	17	17	-	137	137
Deferred acquisition costs (current) - (b) (iii)	831,983	13,995	845,978	753,126	12,142	765,268
Receivable from services - (f)	-	25,856	25,856	-	16,875	16,875
Other assets (current) - (d), (f) and (g)	422,855	(33,681)	389,174	347,257	(23,851)	323,406
Deferred income tax and social contribution (noncurrent) - (c) (ii)	815,397	(3,139)	812,258	684,766	(1,709)	683,057
Liabilities						
Liabilities of insurance contract (a) and (b) (i)	7,998,576	108,401	8,106,977	7,014,138	103,542	7,117,680
Insurance and reinsurance payables - (b) (iii)	532,143	13,995	546,138	441,187	12,142	453,329
Other liabilities - current - (b) (ii), (c) (i) and (g)	539,064	(17,959)	521,105	491,969	(12,064)	479,905
Equity						
Earnings reserve - (e)	2,078,715	(8,957)	2,069,758	1,792,286	(4,036)	1,788,250
Other comprehensive income - (c) (i) (ii)	-	13,666	13,666	-	6,598	6,598

	Originaly reported 12/31/2012	**Reclasification**	**Adjusted 12/31/2012**
Income Statement			
Written insurance premiums - (b) (iv)	9,629,669	32,714	9,662,383
Changes in technical reserves - insurance - (b) (iv)	(723,766)	(32,714)	(756,480)

(a) The National Supplementary Health Agency (ANS) issued ANS Regulatory Instruction 314/12, which provides for the recognition of technical reserves to be met by private health care plan operators. The balances of early billing started to be accounted for in “Insurance agreement obligations”, and were previously accounted as a reduction to “Premiums receivable” in current assets. The amount recorded on December 31 2012 deriving from such change was R$75,689 (R$76,335 in January 1st, 2012).

(b) SUSEP Circular Letter 464/13 changed the revenue recognition criteria for insurance companies, which the premiums issued as of this Circular Letter started to be booked as of the insurance of the policies. Previously, the revenue was recognized in the effectiveness of risk; therefore, the policies issued before they were effective were recorded in memorandum accounts. The amount on December 31, 2012 and January 1st, 2012 recorded arising from this change were:

(i) Recording of premium issued of R$32,714 (R$27,207 in January 1st, 2012) in “Accounts receivable - clients" and in "Insurance contract liabilities".

(ii) Reclassification of amounts received in advance totalling of R$2,413 (R$817 in January 1st, 2012) from “Other liabilities” to “Accounts receivables – clients”.

(iii) Costs and acquisitions of R$13,995 (R$12,142 in January 1st, 2012) in “Deferred acquisition costs” (current assets), Acquisition costs (income statement); and “Debits of insurance and reinsurance operations” (current liabilities).

(iv) Reclassification of R$32,714 from “Variation in technical provisions – insurances” to “Insurance premiums issued”.

Aditionally the following reclassifications were made:

(c) Adoption of revised IAS 19 (CPC 33), which addresses employee benefits. The net adjustments arising from adopting IAS 19 made to the consolidated equity in the amount of R$4,709 as at December 31, 2012 and R$2,562 as at January 1, 2012 also impacted the Company's individual equity and the balance of "Investments in subsidiaries" by the same amounts.
(i) Reclassification in light of the adoption of IAS 19 in the amount of R$7,848 (R$4,270 as at January 1, 2012) from "Other liabilities" to "Other comprehensive income (loss)(equity)".
(ii) Reclassification in light of the adoption of IAS 19 in the amount of R$3,139 (R$1,709 as at January 1, 2012) from "Other comprehensive income (loss)(equity)" to "Deferred income tax and social contribution (noncurrent)".

(d) Reclassification of securities and cumulative translation adjustments in the amount of R$8,957 (R$4,036 as at January 1, 2012), from "Earnings reserves (equity)" to "Other comprehensive income (loss)(equity)".

(e) Reclassificatoin of securities and accumulated translation adjustments in the amount R$ 8.957 (R$ 4.036 in January 1st, 2012) from "Earnings reserves (equity)" to "Other comprehensive income (equity)".

(f) Reclassification of receivables from provision of services in the amount of R$25,856 (R$16,875 as at January 1, 2012) from "Other assets" to the specific line item "Receivables from provision of services".

(g) Reclassification of prepaid profit sharing in the amount of R$7,698 (R$6,976 as at January 1, 2012) from "Other assets" to "Other liabilities".

The aforementioned changes also impacted the statement of comprehensive income, statement of changes in equity and statement of cash flow.

2.2. Control and Consolidation

Subsidiaries are entities in which the Company, directly or through other subsidiaries, is entitled to shareholder rights, which ensure, permanently, the majority of voting capital and the power to elect most of the directors or shareholders that you ensure the power and the ability to direct the activities of relevant societies, affecting, inclusive, their returns on these, and when there is a right on the returns variables of companies.

Subsidiaries are consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases. In this sense, all entities listed in Note 1 are subsidiaries (either direct or indirect) and are consolidated in the financial statements of Porto Seguro.

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

The consolidation process includes the following eliminations: (i) participations in equity between the companies; (ii) current account balances and other assets and/or liabilities between consolidated companies; (iii) income and expenses arising from intercompany transactions – when applicable. Subsequently it is detached the value of non-controlling interests are shown separately in the financial statements.

2.3. Segment reporting

Operating segments are grouped and reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, which is the main decision-maker, responsible for allocating resources and assessing performance of the operating segments, including makes the Company's strategic decisions. The detailed information on operating segments is disclosed in Note 5.

2.4. Functional and presentation currency

The Company's financial statements are presented in Reais (R$), which is the functional and presentation currency of the Company. The functional currency is the currency of the main economic environment where each Porto Seguro company operates.

(a) Translation and balances denominated in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains or losses on translation resulting from the settlement of such transactions are recognized in the statement of income, except when recognized in equity as results from foreign operation qualified as foreign investment.

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

2.5 Cash and cash equivalents

Cash and cash equivalents include bank deposits and other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value.

2.6 Financial assets

(a) Measurement and classification

Company´s management determines the classification of financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired, that are classified in the following categories:

(i) Financial assets at fair value through profit or loss – securities held for trade

The Company classifies in this category the financial assets for active and frequent trading. Gains or losses arising from changes in the fair value of these assets are immediately recognized in the statement of income within "Financial result" in the period in which they occur.

(i) Available-for-sale securities

Non-derivative financial instruments stated at fair value (plus directly attributable transaction costs) upon initial recognition and in subsequent periods.

Interest on available-for-sale securities, calculated under the effective interest method, is recognized as “Finance income (costs)” in the income statement. The corresponding portion of the adjustment to fair value (unrealized gains or losses) is accounted for in equity, in “Other comprehensive income (loss)”, and any effective gain/loss is recognized in profit or loss upon effective settlement or permanent loss in the balance sheet (see note 2.9.2).

(ii) Loans and receivables (clients)

These include loans granted and receivables that are non-derivative financial assets with fixed or determinable payments not quoted in an active market. The Company's loans and receivables comprise premiums receivable from policyholders, loans to customers, receivables, providing services receivables. Loans and receivables are carried at amortized cost using the effective interest method and assessed for impairment at each reporting date (see Note 2.9.1).

(b) Determination of financial asset and liability fair value

The fair values of quoted investments are based on bid prices. For financial assets without an active market or public quotation, the Company establishes the fair value through valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on management inputs.

The fair value estimate measurement of assets classified as “Held for trading” and “Available for sale” is based on the following hierarchy:

- 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, when the Company uses internal assumptions to determine its methodology and classification.

2.7 Derivative financial instruments and embedded derivatives

The Company analyzes all financial instruments, insurance contracts, reinsurance contracts and service contracts to identify embedded derivatives. The Company did not identify during the reporting period any derivatives embedded in its insurance contracts, except for certain pension fund contracts.

The Company issues pension plan contracts that meet the definition of an insurance contract, in which the participants have interest rate guarantee and options for redemption of their reserve. These embedded guarantees comply with the definition of an embedded derivative; however, the Company uses the exemption established in IFRS 4, which states that, if the embedded derivative complies with the definition of an insurance contract, the Company does not separate the derivative embedded in this contract. These embedded guarantees are considered in the Liability Adequacy Test (LAT), because they modify estimated cash flows of contracts.

2.8 Reinsurance assets

Reinsurance assets are represented by receivables from reinsurers and amounts in current and noncurrent reinsurance reserves (assets). Reinsurance assets are valued in a manner consistent with the balances associated with insurance liabilities subject to reinsurance. Liabilities payable to reinsurance companies comprise mainly premiums payable in reinsurance agreements. Any gains or losses on initial reinsurance contracting are amortized during the term of the contract risks.

The Company tests reinsurance assets for impairment on a regular basis and, at least, at each reporting date. When there is objective evidence of impairment, the Company reduces the reinsurance asset's carrying amount to its estimated recoverable value and recognizes any loss immediately in the statement of income.

Impairment losses are evaluated using a methodology similar to that used for financial assets (see Note 2.9). This methodology also takes into consideration disputes and specific cases which are analyzed by management as to the documentation and progress of the recovery process with reinsurance companies.

2.9 Analysis of impairment

2.9.1 Financial assets recognized at amortized cost

The Company evaluates, continuously, whether there is evidence that a certain asset or group of assets classified as loans or receivables is impaired.

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

- Previous losses and default.
- Significant financial difficulty of the customer/policyholder or borrower due to unemployment.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The probability that the borrower will enter bankruptcy or creditor protection status due to an economic crisis that may affect their business segment.
- Observable information indicating that there is a measurable decrease in future cash flows of a group of assets (for collective impairment), although this decrease cannot be attributed to individually insignificant assets.

For evaluation of impairment of financial assets classified in this category, the Company uses the incurred loss model, which considers whether there is objective evidence of impairment for individually significant assets. If there is no evidence of impairment, the Company will include this asset in a group of assets according to their credit risk characteristics (such as, but not limited to, internal ratings, industry or types of insurance contracts, and category of the credit transaction) and test on a collective basis. For this collective impairment calculation, the Company uses the methodology named “Roll Rate Model”. Individually significant assets evaluated for impairment on an individual basis are not included in the collective impairment calculation basis.

The economic studies on realized losses consider prior-year issues and exclude terminations of policies not directly associated with losses arising from credit risk factors, such as cancellations, write-off of assets due to losses, incorrect issues or changes in policies required by brokers that result in write-off of the asset.

2.9.2 Available-for-sale financial assets

The Company evaluates at each reporting date if there is objective evidence that an asset classified as available for sale is individually impaired. If such evidence exists, the cumulative loss (being the difference between the acquisition cost and the current market value, less any impairment loss previously recognized) is removed from equity and immediately recognized in the statement of income. Losses on impairment of equity instruments recorded in the statement of income cannot be reversed in subsequent periods.

2.9.3 Non-financial assets

Assets that are subject to amortization, such as intangible assets with finite useful life, fixed assets and real estate investment properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units - CGUs). The UGCs are determined and grouped by the Administration based on the geographic distribution of your business and on the basis of the services and products offered, in which cash flows are identified specific. Non-financial assets other than goodwill that suffered an impairment are subsequently reviewed for possible reversal of the impairment.

2.10 Deferred acquisition costs

Commissions and other direct acquisition costs are deferred and amortized over the life of the insurance policy, and are reflected in the "Deferred acquisition costs" account. The Company does not differ from indirect costs of acquisition.

2.11 Intangible assets

Intangible assets with finite useful lives are amortized on a straight-line basis based on the estimated useful life of the assets. The amortization rates applied by the Company are disclosed in Note 12.

(a) Goodwill and intangible asset with indefinite useful lives – Business combination

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

Porto Seguro also owns the trademark "Itaú Seguros de Auto e Residência", recorded in a business combination and carried at fair value on acquisition date, as an asset with indefinite useful life, since there is no estimated time limit for the generation of future benefits arising from such a trademark to the Company (based on a market survey), which is evaluated according to the "Relief from Royalties" method.

(a) Intangible assets with finite useful lives – Business combination

Other intangible assets acquired and identified in a business combination are recognized at fair value on the business combination date and amortized based on the estimated useful life of the assets.

(c) Computer software

Software and the computer systems purchased are recognized and amortized over their useful lives.

Software and systems purchase and implementation costs are recognized as assets when there is evidence that they will generate future economic benefits, based on their economic viability. Software maintenance costs are recognized in profit or loss for the year when incurred.

(d) Other intangible assets

The Company acquired certain rights to sell its products in various retail sales channels. The amount paid for these rights, plus additional direct transaction costs, were recorded by the Company as intangible assets of defined useful life and amortized over the contractual term. The expenditure related to trademarks and patents are booked as intangible assets with finite useful lives, at their fair values on acquisition date.

2.12 Investment properties

Fixed assets (buildings and land) not classified as property for the Company's own use and those leased to third parties to earn income are classified as investment properties. Investment properties are stated at acquisition cost less depreciation. These fixed assets comprise properties leased to third parties and are classified as operating leases.

Since the Company uses the cost model permitted by IAS 40 for investment properties, these assets are tested for impairment and allocated to the corresponding CGUs (see accounting policy in 2.9(c)).

2.13 Fixed assets for own use

Fixed assets for own use comprise properties for own use, equipment, furniture, machinery, fittings and vehicles used in the Company's business. Fixed assets for own use are stated at historical cost reduced by accumulated depreciation of the asset (except for land, which is not depreciated). The historical cost of fixed assets includes costs directly attributable to the acquisition of capitalized items and to bringing them into use.

Subsequent costs are capitalized as part of the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repair or maintenance costs are recognized in the statement of income as incurred.

Depreciation of other fixed assets is calculated using the straight-line method over their estimated useful lives (land is not depreciated). Depreciation rates used by the Company are disclosed in Note 15.

Residual value and useful life of assets are reviewed, and adjusted as necessary, at each reporting date.

An asset's carrying amount is written down immediately if the asset's carrying amount is greater than its recoverable value.

2.14 Lease agreements

Lease agreements are classified upon their signature. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recorded as expenses on a straight-line basis over the period of the lease.

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized in the balance sheet at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2.15 Non-financial assets held for sale

The Company has certain assets held for sale, arising from the recovery of assets which were pledged in guarantee of lending operations (loans and financing) granted to customers, as well as inventories of salvages recovered after the payment of claims to policyholders. These assets are stated at net realizable value and the expenses payable by the customer, such as auction expenses.

2.16 Insurance contracts and investment contracts - classification

The Company issues several types of general insurance contracts and benefit products (open pension plans) which transfer insurance and/or financial risks. In general, the Company defines significant insurance risk as the possibility of paying significant benefits to policyholders if an insured event occurs (with commercial significance). Reinsurance contracts are also classified according to the insurance risk transfer principles of IFRS 4.

Contracts in which the Company engages outsourced employees or allocates its own employees to provide services related to, for example, residences and automobiles, 24- hour support, windows, among other risks, are also evaluated for classification purposes, and are classified as insurance contracts under IFRS when a significant portion of insurance risk is transferred between the counterparties of the contract.

The health insurance contracts were classified as insurance contracts because the results from policies may not be favorable to the Company. The policyholder has the option to cancel a contract effective for at least twelve months upon 60 days' notice without the obligation of paying any penalty to the Company; accordingly, this is a probable scenario with commercial substance for retention of significant insurance risk.

Investment contracts are those which do not transfer insurance risk or transfer insignificant insurance risk. The capitalization certificates issued by Porto Seguro are classified as investment contracts and booked as financial instruments pursuant to IAS 39, even though they are regulated by SUSEP.

2.17 Liabilities arising from insurance contracts and open pension plan

2.17.1 Evaluation liabilities of insurance contracts

The Company uses IFRS 4 guidelines to evaluate insurance contracts and applied the minimum procedure standards for evaluation of insurance contracts, such as: (i) liability adequacy test, (ii) review of prudence level considered in evaluation of insurance contracts, among other applicable policies.

The Company did not use the Shadow Accounting principles, since it does not have contracts for which the evaluation of liabilities, or benefits to policyholders, are impacted by unrealized gains or losses on available-for-sale securities. The Company also did not identify situations in which excess prudence was used, as defined by IFRS, in the evaluation of insurance contracts.

Technical reserves are constituted according to determinations of CNSP, of SUSEP and ANS, whose criteria, parameters and formulas are documented in technical actuarial notes, described as follows:

Casualty (automobile, transportation, property, etc.), life without a surviving beneficiary clause and health insurance lines

(a) The unearned premium reserve (PPNG) is calculated on a daily pro rata basis, for casualty and personal insurance, based on issued premiums, calculated net of the portion of the premium defined as revenue for recovery of initial contracting costs and is intended to provide for the portion of the latter corresponding to the unexpired risk period, starting on the calculation base date.

(b) The unearned premium reserve for risks in effect but not issued (PPNG - RVNE) is intended to estimate the portion of unearned premiums related to risks assumed by the Company, which are already effective and in the process of being issued, in accordance with the methodology provided for in the technical actuarial notes in the casualty, group life and personal accidents insurance lines.

(c) The reserve for unsettled claims - PSL (administrative and judicial) is based on estimates of indemnities payable, made upon the receipt of notices of claims ou judicial notification, gross of reinsurance and net of coinsurance adjustments. An additional reserve for unsettled claims (IBNER) is recorded to cover reported claims whose amounts are subject to changes during the claim analysis process. This reserve is calculated using statistical and actuarial techniques based on the historical behavior of claims, in accordance with the methodology provided for in the technical actuarial notes in the life and casualty insurance lines.

(d) The reserve for claims incurred but not reported (IBNR) is set up for the payment of claims incurred but that had not been reported by the end of the reporting period, and is calculated using statistical and actuarial techniques based on the historical behavior observed between the occurrence of claims and their being reported, in accordance with a technical actuarial note in the life and casualty insurance lines. The IBNR reserve for the DPVAT (mandatory insurance against personal injury caused by automotive vehicles) line is recognized pursuant to CNSP Resolution.

(e) The Reserve for Related Expenses (PDR) is recognized to cover the expected amounts relating to claim-related expenses. The reserve should cover allocable and non-allocable expenses relating to the settlement of indemnities or benefits.

(f) Other Technical Reserves (OPT) correspond to all reserves recognized, which are not included in the group of reserves set out in CNSP Resolution 281/2013, as authorized by SUSEP. They are calculated based on a specific methodology, set forth in the NTA.

(g) Mathematical reserves for vested benefits (PMBC) for the health insurance line are recognized based on the estimate of future medical and hospital expenses of the beneficiaries who are receiving a remission benefit (death of policyholder with maintenance of insurance of dependents without payment of premiums). This reserve is calculated in accordance with the methodology provided for in the technical actuarial notes, based on the present value of the related estimated expenses.

Pension plan and life insurance with a surviving beneficiary clause

(h) The mathematical reserves for unvested benefits (PMBaC) and vested benefits (PMBC) represent the amount of obligations assumed with the participants of annuity and lump-sum pension plans, structured under the capitalization and allocation of coverage capitals financial methods, and of life insurance with a surviving beneficiary clause. These reserves are calculated based on technical actuarial notes.

(i) The Unearned Premium Reserve (PPNG) (previously referred to as Unexpired Risk Reserve (PRNE)) is calculated on a pro rata basis, with respect to plans organized under the simple distribution and funding capital distribution financial regimes (benefits and pensions), based on the contributions received in the month, and which is intended to accrue the part of the contribution correspond to the unexpired risk period, counted from the calculation base date.

(j) The Unearned Premium Reserve on Unissued Current Risks (PPNG-RVNE) (previously referred to as Unexpired Risk Reserve on Unissued Current Risks (PRNE-RVNE)) is calculated, with respect to plans organized under the simple distribution and funding capital distribution financial regimes (benefits and pensions), based on the specific methodology described in the NTA and is intended to estimate the potion of unexpired risks relating to the risks assumed by the insurance company whose terms have already started and which are being issued.

(k) Supplementary Coverage Reserve (PCC) is calculated in accordance with the methodology provided for in technical actuarial notes, considering the difference between the application of contractual technical bases and estimated technical bases, such as the mortality table BR-EMS, in its most current version, plus an estimation of longevity, and the cash flows are discounted at a discount rate disclosed by the SUSEP (risk-free interest rate forward structure).

(l) The reserve for related expenses (PDR) (previously named reserve for administrative expenses (PDA)) is recognized to cover expenses related to claims and benefits are paid to participants. This reserve is also recorded for plans which are still in the contribution stage, assuming a certain rate of conversion into future income. The reserve is calculated in accordance with the methodology provided for in technical actuarial notes, taking into account the present value of estimated future expenses and a realistic assumption of the participants' survival.

(m) The reserve for claims incurred but not reported (IBNR) is calculated on estimated claims not yet reported to the Company, and is calculated using the criteria set forth by SUSEP Circular 448/12. The for Claims Incurred But not Reported of the DPVAT (compulsory insurance) line is set up as established by CNSP Resolution.

(n) The reserve for unsettled claims - PSL (previously named of reserve for benefits to regularize (PBAR)) is recorded due to the report of an event and is based on pending lump-sum and annuity amounts, as provided for in the participant's contract.

(o) The reserve for financial surplus (PEF) is calculated using the criteria established in the participant's contract and covers the accrued financial surplus amounts to be used in accordance with the pension plan's regulations.

(p) Other Technical Reserves (OPT) correspond to all other reserves recognized, which are not included in the group of reserves set out in CNSP Resolution 281/2013 and SUSEP Circular Letter 462/13. These reserves are calculated based on a specific methodology, set forth in the NTA, and currently correspond to the aggregate amount of the former Risk Oscillation Reserve (POR).

2.17.2 Liability Adequacy Test (LAT)

As required by IFRS 4, and additional requirements of SUSEP, the Company, at each reporting date, prepares the Liability Adequacy Test (LAT) of all contracts in effect on the test date, except for DPVAT. This test is prepared based on the net carrying amount of all liabilities arising from insurance contracts, less deferred acquisition costs (assets). For this test, the Company prepared a methodology based on its best estimate of all future cash flows, which also include additional and claim settlement expenses, using current assumptions for the test. For determination of estimated future cash flows, the contracts are grouped together based on similar features (or risk characteristics). Cash flows are brought to present value, based on assumptions of risk-free interest rates.

Should any deficiency be identified in the LAT, the Company immediately records the loss in the statement of income, and sets up additional reserves for Supplementary Coverage Provision - PCC.

Some contracts allow the Company to acquire ownership of the asset or the right to sell a damaged asset that has been recovered (such as salvages). The Company also has the contractual right to seek or collect reimbursements from third parties, such as subrogation of rights, for payment of partial or total damages covered by an insurance contract. Consequently, estimates of recovery of salvages and reimbursements arising from subrogation of rights are included as a deduction in the evaluation (estimate of insurance contract payment flow) and, as a result, in liability adequacy tests.

When the asset is recovered on a date subsequently to the claim event, the Company classifies it under “assets for sale”. For unexpired risk lines, the Company takes into consideration the observed earned premiums to make the best estimate of revenues from premiums in the period subsequent to the calculation base date.

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

After the tests conducted as at December 31, 2013, deficiencies were identified in future income plans in the amount of R$12,386 and benefits granted in the amount of R$25,806 and, with respect to these deficiencies, supplementary funds were appropriately accrued as supplementary coverage reserve (PCC). For all other groups, no deficiencies were identified as at this base date.

2.18 Financial liabilities

2.18.1 Borrowings

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

2.18.2 Capitalization plans' liabilities

The financial liabilities of the capitalization certificates are calculated at the time the company receives the related funds. These certificates are issued with bullet payment and the deposit amount made to cover certificate redemption is adjusted for inflation using the indices and criteria set forth in the related general terms and conditions. These amounts constitute the reserve for redemptions.

The certificates' beneficiaries can receive a prize by lot drawing or redeem the amount corresponding to the portion of the deposits paid intended for redemptions, adjusted as forth in the contract's general terms and conditions.

The reserves are set up according to CNSP and SUSEP guidance, whose criteria, benchmarks and formulas are documented in NTAs, described in brief below:

(a) The Reverse for Redemptions (PMR) is calculated for each outstanding or suspended certificate, over the forecast effective period of the certificate's general terms and conditions. It is also calculated at the amounts of the expired certificates and the amounts of the certificates not yet expired but with early redemption requested by the customers. The reserves are adjusted for inflation using the indices established for each certificate.

(b) The reserves for lot drawings to be conducted and payable are calculated to cover the prizes awardable by future drawings (to be conducted) and also the prizes from drawings with winning customers (payable).

2.18.3 Other liabilities

Trade and other payables are measured at amortized cost added of interests incurred, when applicable.

2.19 Employee benefits

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

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

2.20 Other provisions, contingent assets and liabilities

The Company recognizes a provision only when there is a present obligation (either of a legal or social responsibility nature) as a result of past events, it is probable that the payment of resources will be required to settle the obligation and a reliable estimate of the provision can be made. Should any of these characteristics not be present, the Company does not recognize a provision.

The Company records provisions to cover future disbursements that may arise from civil, tax and labor litigation. Provisions are recorded based on an individual analysis, made by the legal counsel of the Company and its subsidiaries, of lawsuits in progress and expectations of unfavorable outcomes requiring future disbursements. Taxes which are being disputed in court are recorded based on the "legal obligation" concept.

Legal obligations (tax and social security) arise from lawsuits related to tax obligations, whose legality or constitutionality is being challenged, and which, regardless of the evaluation of the likelihood of a favorable outcome, are fully recognized in the financial statements and monetarily restated in accordance with current tax legislation (Special System for Settlement and Custody (SELIC) interest rate).

Escrow deposits directly associated to provisions for tax, civil and labor lawsuits, if any, such provisions are carried net of the related deposits. The other escrow deposits are disclosed in assets. Escrow deposits are also adjusted for inflation.

2.22 Share capital

The Company's shares are classified as a component of equity. Incremental costs, directly attributable to the issue of the Company's shares, are recorded in equity as deductions from the funds received, net of taxes.

When the Company buys back its shares (treasury shares), the amount paid, including incremental costs directly attributable to the transaction, is deducted from equity attributable to the owners of the Company until the shares are canceled or resold. When these shares are resold, any proceedings, net of any additional transaction costs, are included in equity attributable to the owners of the Company.

2.22 Revenue recognition

2.22.1 Insurance and reinsurance premiums

Revenues from premiums of insurance contracts are recognized when the issuance of policy or when the validity of the risk, whichever occurs first, on a proportional basis, over the period of policy risk coverage, by setting up/reversing the PPNG (see note 2.17.1(a)). The Tax on Financial Transactions (IOF) on premiums receivable is recorded in liabilities and is withheld and paid when the premium is received.

The costs of ceded reinsurance are recognized as the related insurance premium is recognized (proportional reinsurance) and/or according to the reinsurance contract (disproportional reinsurance).

2.22.2 Contributions from pension plans

Contributions from participants in the pension plan segment are recognized in the statement of income at the time they are effectively received by the Company. The Company’s revenues comprise the administrative fee and the load fee charged.

2.22.3 Loans

Loans (transactions with lending features) are recognized at present value, calculated on a daily pro rata basis based on the fluctuation of the agreed index and interest rate, on an accrual basis until 60 days overdue; after the 60th day, they are recognized in profit or loss when the installments are effectively received.

2.22.4 Revenue from capitalization certificates

Revenue from capitalization certificates refers to the management fee charged upon the issue of the bullet payment certificates payment and is recognized in profit or loss on a daily pro rata basis, according to the certificates’ effectiveness.

2.22.5 Revenues from service rendering and sale of surveillance equipment and from consortiums

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of taxes, returns, rebates and discounts.

Revenues from administration fees are recognized as the plan management services are rendered by the Company. Commissions on consortium share sales are recognized in the statement of income when consortium shares are sold, or according to the established contract.

2.22.6 Interest and dividends received

Revenues from interest on financial instruments are recognized in the statement of income, in accordance with the amortized cost method and the effective rate of return. When a financial asset becomes impaired, the Company reduces the asset's carrying amount to its recoverable value, corresponding to the estimated future cash flows discounted using the effective interest method, and continues to recognize interest on these financial assets as revenue from interest in the statement of income.

Interest charged on insurance premiums paid in installments is deferred for appropriation to the statement of income over the same term of such installments.

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

2.22.7 Loyalty programs

Company evaluates situations in which the insurance contracts sold to policyholders include components of a significant financial amount, where the price of a part of the revenue or premium is increased to cover benefits that can be used by the Company's customers at third party merchants during the effectiveness of the insurance contracts. The Company evaluates the significance of these components and whether the revenue recognition standard (for example, the standard for use of these benefits) would differ significantly from that applied to the recognition of insurance premiums issued.

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

2.23 Distribution of dividends and interest on capital

Dividend and interest on capital distributions to the Company's shareholders are recognized as a liability in the financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required (25%) is only provided on the date it is approved by the shareholders.

The tax benefit of interest on capital is recognized in the income statement. The rate used to calculate interest on capital is the Long-term Interest Rate (TJLP) during the applicable period, as per relevant legislation.

2.24 Income tax and social contribution

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

Current taxes are calculated based on tax laws and rules in effect on the date the balance sheet is prepared. In Brazil, current income tax is calculated at the base rate of 15% plus a 10% surtax on annual taxable income exceeding R$ 240. The provision for social contribution is calculated at the rate of 15% for insurance and financial companies and 9% for other subsidiaries and the Company (parent company).

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

3. Accounting estimates and judgments

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

3.1 Estimates of insurance liabilities

Management is required to make significant judgments and use estimates for the calculation of the Company's insurance liabilities. Several sources of uncertainties should be considered in the estimation of liabilities to be ultimately settled by the Company. The Company uses all available internal and external information sources for past experience and indicators that may affect the decision-making of the Company's management and actuaries to define actuarial assumptions and the best estimate of claim settlement amounts for contracts whose insured event has already occurred.

Consequently, the provisions may differ from the amounts actually paid in the future. The provisions that are affected the most by judgment and uncertainties are those related to high risk insurance contracts (for example, special risks) and life insurance contracts (see Note 4.4).

3.2 Estimates of provisions for tax, civil and labor contingencies

The Company has a large number of lawsuits in progress on the date of preparation of the financial statements. Consequently, the process used by management to determine and record the accounting estimates takes into consideration the legal advice of experts, progress of the lawsuits and judgment status (or court) of each specific case. In addition, the Company uses its best judgment on these cases and historical information about losses, in which there is a high level of judgment used, to record the provisions in accordance with IAS 37 / CPC 25.

3.3 Estimates of impairment of financial assets

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

The fair value of financial instruments that are not traded in an active market (for example, shares of closely-held companies) is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3.4 Estimates used in the calculation of tax assets

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

4. Risk management

Porto Seguro is exposed to a set of risks inherent in its activities and, to manage these risks, it has numerous principles, guidelines, actions, roles and responsibilities necessary to identify, assess, handle and control risks.

Risk management comprises the following categories:

- **Financial risk**

(a) Credit risk: related to the possibility of noncompliance with an agreement entered into among the parties.

(b) Liquidity risk: related to the potential unavailability of cash to cover future obligations.

(c) Market risk: related to the possibility of losses arising from fluctuations in the market of the positions held in portfolio.

- **Insurance risk**

(d) Underwriting risk: corresponds to the of the insurance company's risk of loss or unfavorable growth of the amount of liability components, due to an inappropriate price determination and incorrect accrual assumptions.

- **Non-financial risks**

(e) Operational risk: represented by the loss arising from inadequate or inefficient internal processes, personnel and systems and external events. This definition includes the legal risk, but it excludes the strategic and image risks.

(f) Other: include strategy, legal/compliance, regulatory and social and environmental risks.

The risk management governance relies on the involvement of all areas and is intended to hedge the Company's results of operations and shareholders, contribute to its sustainability and value, involving, to this end, transparency- and accountability-related aspects.

Within this context, Porto Seguro manages risk on integrated, independent manner, by preserving and appreciating a joint decision-making environment. Decisions are based on factors that combine the return on the weighted risk, thus enabling its alignment with the definition of business objectives, and promote the cultural change of employees in all hierarchical levels, from the business areas to the Board of Directors.

All these initiatives enable the growth of the Company's operating efficiency and subsequent decrease in the level of losses, besides optimizing the use of the available capital.

Reflecting the Company's commitment to risk management, we should point out the creation of the Risk Corporate Management area, whose mission is to ensure that risks are effectively identified, measured, mitigated, monitored and reported on an independent and integrated manner.

In order to obtain synergy during the risk management process, the Company created a permanent high-level round-table, referred to as Integrated Risk Committee (CRI), which is intended to assist the Board of Directors with the approval of institutional policies and risk exposure limits within the Company's scope.

Additionally, the Company has an Investment Committee, responsible for defining and monitoring investment strategies, which seeks to diversify investments in various markets, so as to ensure capital returns during a sustainable period rather than concentrating exposures to risk factors that can damage the business value.

Note that the liability profile is analyzed and regulatory requirements are taken into consideration for purposes of definition of the investment strategies, upon the use of the Asset Liability Management (ALM) method.

The full report describing the risk management framework is available at Porto Seguro's website (www.portoseguro.com.br/solucoes-financeiras/investimentos), in "Risk Management Report".

4.1 Credit risk

Credit risk is comprised of the following items:

(a) Investments: Management adopts policies to ensure that limits, or certain exposures to the credit risk, are not exceeded. This is made through the compliance with the Credit Risk Policy with respect to financial assets that share similar risks, taking into consideration both the counterparty's financial capacity to perform its obligations and the active market factors.

The credit risk limits are set based on the counterparty's risk rating so as to ensure that the overall exposure to the credit risk is managed and controlled according to the policies determined. When certain counterparties do not have a credit rating assigned by renowned external agencies, Management uses its knowledge and experience, as well as available market information, to classify said counterparty in its risk rating structure. However, these situations are extensively discussed and analyzed by the Credit and Risk Committees, with restrictions on the operational areas so as to limit the exposure to the credit risk.

(b) Premiums receivable: the exposure to the credit risk arising from premiums receivable from insured parties is substantially mitigated under certain circumstances where the coverage of losses can be cancelled (as set forth in Brazilian regulations), if premium payments are not made on the maturity date. The policy issuance procedure takes into account all aspects and all quality policies in accepting the insurance risk, as well as a strict analysis of the credit risk quality of insured parties, where the risk profile of these insured parties before credit agencies for individuals and legal entities is confirmed, as well as the history of unusual situations and payment of recurring premiums of insured parties upon renewal of agreements.

(c) Risk assignment: insurance risk assignment is the method whereby an insurance company transfers part of the risks assumed to authorized third parties. Porto Seguro has a specific risk assignment management policy that relies on exposure limits by economic group and is intended to minimize potential losses arising from the default under risk assignment agreements.

The limit framework is based on the Financial Strength Ratings issued by at least one internationally recognized rating agency (Standard & Poors (S&P), Moody's, AM Best or Fitch).

(d) Default in credit transactions: Porto Seguro relies on specific credit extension policies and authority levels. Additionally, potential credit losses can be mitigated by using collaterals, which are formalized by means of legal instruments.

The table below shows all financial assets that are not past due or impaired held by Porto Seguro and broken down by credit rating according to internal classification, prepared in line with the ratings furnished by rating agencies. Assets classified as "other ratings" mainly comprise amounts receivable from insured parties.

	Brazilian Nacional Treasure	AA	A	B	C	D - E	F-G	Unrated / other	Curren accouting balance	Non-current accouting balance
Total cash and cash equivaltents	**1,204,260**	-	-	-	-	-	-	**132,243**	**1,336,503**	-
Total financial investments (i)	**6,639,302**	**1,215,743**	-	-	-	-	-	**15,009**	**6,830,024**	**1,040,030**
Loans and receivables										
Premiums receivables from policyholders (ii)	-	-	-	-	-	-	-	2,737,949	**2,737,312**	**637**
Lending operations (iii)	-	15,346	869,010	61,997	43,373	48,039	16,663	-	**806,208**	**248,220**
Notes and credits receivable (iv)	-	-	2,120,342	16,801	3,098	706	63	-	**2,141,010**	-
Receivable from services	-	-	-	-	-	-	-	38,215	**38,215**	-
Total Loans and receivables	-	**15,346**	**2,989,352**	**78,798**	**46,471**	**48,745**	**16,726**	**2,776,164**	**5,722,745**	**248,857**
Reinsurance Receivables (v)	-	-	-	-	-	-	-	279	**279**	-
Maximum exposure to credit risk on December 31, 2013	**7,843,562**	**1,231,089**	**2,989,352**	**78,798**	**46,471**	**48,745**	**16,726**	**2,923,695**	**13,889,551**	**1,288,887**
Maximum exposure to credit risk on December 31, 2012	**7,843,461**	**1,093,584**	**2,050,985**	**58,984**	**36,487**	**35,053**	**12,266**	**2,517,586**	**13,428,554**	**219,852**
Maximum exposure to credit risk on January 1, 2012	**7,247,892**	**952,003**	**1,445,048**	**31,530**	**20,755**	**12,051**	**5,715**	**2,244,701**	**11,785,251**	**174,444**

(i) Investments rated as "AA" refer to floating private bonds.
(ii) Premiums receivable from the Company's insured party, in general, do not have risk concentration (e.g., by economic sector), since they are primarily receivable from individuals.
(iii) Refer to the risk rating of the Central Bank of Brazil (BACEN) (CMN Resolution 2682/99), net of reserve.
(iv) Refer to current or unbilled amounts receivable from credit card members.
(v) Refer to losses receivable from reinsurance companies.

Of the maximum exposure to the credit risk as at December 31, 2013 and 2012, 98.9% refer to exposures in Brazil and the remainder in Uruguay.

The table below shows the aging list of past-due assets held by the Company:

	Assets not yet due	Assets overdue					Impaired allowance	Current accouting balance	Non-current accouting balance
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Overt 180 days			
Total cash and cash equivaltents	**1,336,503**	-	-	-	-	-	-	**1,336,503**	-
Total financial investments	**7,870,054**	-	-	-	-	-	-	**6,830,024**	**1,040,030**
Loans and receivables									
Premiums receivables from policyholders	2,463,308	237,706	28,370	3,254	4,676	14,407	(13,772)	**2,737,312**	**637**
Lending operations	350,196	601,497	44,363	31,096	66,368	98,063	(137,155)	**806,208**	**248,220**
Notes and credits receivable	2,152,893	-	-	-	-	-	(11,883)	**2,141,010**	-
Receivable from services	30,449	3,098	1,916	1,605	1,535	1,642	(2,030)	**38,215**	-
Total Loans and receivables	**4,996,846**	**842,301**	**74,649**	**35,955**	**72,579**	**114,112**	**(164,840)**	**5,722,745**	**248,857**
Reinsurance assets (*)	279	-	-	-	-	-	-	**279**	-
Total - December 31,2013	**14,203,682**	**842,301**	**74,649**	**35,955**	**72,579**	**114,112**	**(164,840)**	**13,889,551**	**1,288,887**
Total - December 31, 2012	**12,854,807**	**692,071**	**62,251**	**25,912**	**52,500**	**67,773**	**(106,908)**	**13,428,554**	**219,852**
Total - January 1, 2012	**11,369,851**	**519,258**	**42,584**	**19,882**	**39,654**	**54,412**	**(85,946)**	**11,785,251**	**174,444**

(*)Refer to losses receivable from reinsurance companies. These amounts are included in line item “Reinsurance assets” in the balance sheet.

4.2 Liquidity risk

Porto Seguro has a series of controls intended to keep its liquidity at an adequate level, aligned with regulatory requirements. The key items addressed in the liquidity risk management are: (i) liquidity risk limits; (ii) scenario simulations (stress tests; and (iii) potential contingency measures.

The liquidity risk management limits are monitored periodically and reported to the senior management, including a prospective assessment of the mismatches of lending and borrowing transactions, in previously defined scenarios. Within this context, liquidity contingency measures are defined for potential stress cases and adverse liquidity scenarios.

In investment management, the liquidity risk is mitigated using Management’s classification of short-term investments, primarily classified as “Held for Trading”, thus enabling redemptions and reinvestments of funds, when necessary. Additionally, own resources can be used in the performance of obligations assumed in potential needs.

The table below shows the liquidity risk of Porto Seguro:

	Contractual and undiscuounted cash flow (i)						Curren accouting balance	Non-current accouting balance
	No stated maturity	0 to 30 days	1to 6 months	6 to 12 months	Over 1year	Total		
Total cash and cash equivaltents	**132,243**	**1,204,260**	-	-	-	**1,336,503**	**1,336,503**	-
- Financial assets at fair value through profit and loss								
Fixed-rate assets - public	-	-	-	-	2,808,550	2,808,550	**2,808,550**	-
Floting-rate assets - public	-	301,094	-	41,745	1,597,626	1,940,465	**1,502,388**	-
Floting-rate assets - private	-	-	35,638	30,528	1,535,341	1,601,507	**1,215,743**	-
Inflation indexes	-	14,114	9,950	23,376	706,861	754,301	**876,663**	-
Shares	227,559	-	-	-	-	227,559	**227,559**	-
Other	43,592	-	111,609	-	-	155,201	**199,121**	**1,941**
- Financial assets - Available for sale								
Inflation indexes	-	-	32,670	31,825	1,088,538	1,153,033	-	**1,023,080**
Investment fund quotas	45,789	-	-	-	-	45,789	-	-
Shares	15,009	-	-	-	-	15,009	-	**15,009**
Total financial investments (ii)	**331,949**	**315,208**	**189,867**	**127,474**	**7,736,916**	**8,701,414**	**6,830,024**	**1,040,030**
- Loans and receivables								
Premiums receivables from policyholders		904,251	1,394,903	194,061	638	2,493,853	**2,737,312**	**637**
Lending operations	-	500,465	159,367	138,762	261,106	1,059,700	**806,208**	**248,220**
Notes and credits receivables	-	2,136,085	4,925	-	-	2,141,010	**2,141,010**	-
Receivable from services		27,799	2,068	582	-	30,449	**38,215**	-
Total Loans and receivables	**-**	**3,568,600**	**1,561,263**	**333,405**	**261,744**	**5,725,012**	**5,722,745**	**248,857**
Reinsurance assets (iii)	279	-	-	-	-	279	**279**	-
Total financial and insurance contract assets on December 31,2013	**464,471**	**5,088,068**	**1,751,130**	**460,879**	**7,998,660**	**15,763,208**	**13,889,551**	**1,288,887**
Total financial and insurance contract assets on December 31,2012	**314,808**	**3,600,250**	**1,481,747**	**542,467**	**7,812,706**	**13,751,978**	**13,428,554**	**219,852**
Total financial and insurance contract assets on January 1,2012	**186,434**	**4,185,215**	**1,679,942**	**223,102**	**5,991,066**	**12,265,759**	**11,785,251**	**174,444**
Liabilities of insurance contracts	-	1,537,549	2,256,369	964,573	3,231,669	7,990,160	**8,887,137**	**20,516**
Insurance and reinsurance payables	49,837	186,557	276,896	37,411	156	550,857	**643,687**	-
Financial liabilities	-	977,158	1,716,487	409,827	2,027	3,105,499	**3,111,085**	-
Total financial liabilities and liabilities of insurance contracts on December 31,2013	**49,837**	**2,701,264**	**4,249,752**	**1,411,811**	**3,233,852**	**11,646,516**	**12,641,909**	**20,516**
Total financial liabilities and liabilities of insurance contracts on December 31, 2012	**42,467**	**2,061,301**	**1,932,817**	**2,364,400**	**2,574,494**	**8,975,479**	**10,793,790**	**17,860**
Total financial liabilities and liabilities of insurance contracts on January 1, 2012	**41,041**	**1,233,811**	**2,221,815**	**1,780,896**	**3,624,217**	**8,901,780**	**9,173,119**	**18,036**

(i) Estimated cash flows based on Management's opinion and insured permanence studies for supplementary pension plans that offer redemption option, insurance agreement risk expiration and better expectation with respect to the estimated claim settlement date. These flows were estimated until the expected payment and/or receipt and do not consider past-due amounts receivable. Floating financial assets and liabilities were distributed based on contractual cash flows, and the balances were projected using the interest curve, projected Interbank Deposit Certificate (CDI) rates and exchange rates disclosed for future periods in close or similar dates.
(ii) Of total financial assets, R$2,437,851 (R$2,336,314 in December 2012) refer to assets related to supplementary pension plans.
(iii) Refer to claims receivable from reinsurance companies. These amounts are included in line item "Reinsurance assets" in the balance sheet.

4.3 Market risk

Porto Seguro uses a series of sensitivity analyses and stress tests such as market risk management tools. The results of such analyses are used to mitigate risks and understand the impact on results of operations and equity under normal stress conditions. These tests take into consideration historical and future market condition scenarios, and their results are used in the planning and decision-making process, as well as in the identification of specific risks arising from the financial assets and liabilities held by the Company.

Below is the table of sensitivity of the financial instruments to their respective market risks as at December 31, 2013, which describes the risks that can give rise to material losses to the Company, as set forth in CVM Instruction 475/08.

For the sensitivity analysis, the following scenarios were used:

- Scenario I: application of the probable case scenario of stress for each risk factor, according to the scenarios provided in BM&FBOVESPA's website.
- Scenario II: 25%stress of each risk variable used in Scenario I.
- Scenario III: 50%stress of each risk variable used in Scenario I.

		Stress Scenario "BM&F"		
Operation	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**
Fixed rate	Fixed interest rates - in brazilian reais	(79,115)	(197,067)	(308,336)
Inflation	Coupon rate of price indexes	(97,107)	(292,078)	(352,502)
Variable income	Share prices	(40,539)	(50,674)	(60,423)
Floting rates	Floting interest rates - in brazilian reais	(764)	(955)	(1,146)

The sensitivity analyses herein show the impacts on the investment portfolios and represent a stationary assessment of the risk exposure. Therefore, they do not consider the Company's active reaction capacity, which adopts risk mitigating measures whenever a situation of loss or high risk is identified, thus minimizing the possibility of substantial losses.

Additionally, it should be pointed out that the results shown do not necessarily represent accounting results, because the study was conducted exclusively for disclosure of the exposure to risks considering the fair value of financial instruments.

4.4. Underwriting risk

The purpose of this note is to show how the Company handles the different risks originating from the insurance contracts it accepts by issuing policies in the insurance lines where it operates, as well as describing the uncertainties inherent to their measurement.

The key elements of the Company's underwriting policy are: (i) maintenance of centralized underwriting control; (ii) continuous and independent monitoring of the quality of the business accepted; and (iii) keeping own databases that allow us to apply modern risk measurement techniques and sizing the technical reserves, generating high reliability and assertiveness levels.

For its intrinsic nature, an insurance contract can generate several risks for the Company in addition to those risks assumed to the insureds, of which the most significant in the Underwriting Risk.

The underwriting risk management is the main responsibility attributed by our management to the Technical Officer (DT).

In addition, the DT is also responsible for the reinsurance function, the main role of which is to plan, value, and obtain the reinsurance protections that adapt better to the our business profile, to meet the following objectives: (i) avoid exposing our assets to material financial losses resulting from major events; (ii) make possible the operation in certain business segments where the insured amounts of individual risks exceed the retention limits established by the law or the limits that match our risk appetite.

Our underwriting risk management takes into consideration the similarity of the risks transferred by the different agreements and lines where we operate and the experience accumulated over the years handling different specific risks. The main insurance risk concentration and management segments are structured as follows:

- Auto
- Healthcare
- Life Insurance and Pensions
- Casualty insurance (except auto) and financial risks

The process we use to determine the actuarial assumptions consists of, firstly, identifying the risk we intend to insure, of the insurable item, the maximum value at risk, and the availability of the inputs necessary for pricing and underwriting purposes.

After this stage, Management determines the actuarial assumptions relevant for the risk we intend to insure and the origin and reference of the inputs that will be used for pricing and underwriting purposes. The sensitivity analyses for the insurance risk, as well as the liabilities adequacy tests, are performed using the following actuarial assumptions:

- Use as claim ratio assumptions the risk premium forecasts calculated on the study's date, based on a history of frequency and severity findings for each insurance line and/or group of lines.
- Use of premium assignment and claim recovery forecasts calculated on the study's date, based on a history of findings for each insurance line and/or group of lines. The forecasts observe the clauses in effect on the date of the study of the contracts entered into with reinsurers.
- SUSEP's benchmark interest rates disclosed to the market for assets and liabilities. The index used was the Extended Consumer Price Index (IPCA), which is predominantly used in the Company's standard contracts.
- Expected interest rate for the assets, equivalent to the SELIC (Brazil's policy rate), which matches the yield obtained b the investment function during the current year.
- Actuarial assumptions specific for each product as a result of their impact on insurable risk pricing.

Information on credit and liquidity risks relating to insurance activities is included in Notes 4.1 and 4.2, respectively.

4.4.1 Auto

The Company operates nationwide and in Uruguay, selling auto insurance to individuals and organizations, under individual or, in the case of fleets, group policies.

The Company divide the underwriting risk arising on operating auto insurance in two types of risk: a) Premium Risk, generated from a possible insufficiency of the premiums charged to cover financial expenditure on the payment of claims not yet incurred related to already assumed commitments; b) Risk of insufficiency reserve, generated from a possible insufficiency of the balances of reserves used to cover financial expenditure on the payment of claims already incurred.

(a) Premium Risk

The auto insurance premium risk is managed by investing in considerable analysis techniques and risk pricing resources, using different statistical models for renewals and new insurance. For renewals, are used result-enhancing techniques that allow the early valuation of the results generated in different scenarios that combine price levels, quotation conversion, and results. Decisions are always made taking into consideration the best scenario that generates the best margins for the product. The results of these decisions are documented, reported to our Management, and continuously monitored, thus allowing us to report and correct possible deviations from projections as early as possible.

(b) Risk of insufficiency reserve

The reserve determination process is subject to uncertainty regarding the final amounts required to settle claims in the future, as these can be affected by adjustment indices, changes in legislation, and optional civil liability claims with higher margin for development, specially those subject to court decisions. We have the following rules to gain more control over this risk: centralized calculation; continuous review of methodologies and assumptions; internal and external reviews of processes and methodologies.

Reserve sizing takes into consideration the claim amount development history from the time they occur to their final settlement, the used of updated methodologies, acknowledged by the actuarial community, and understanding our processes and systems based on the continuous contact with the operating claims and underwriting departments. The main monitoring as assumption and methodology compliance testing tool are the consistency tests performed on different reporting dates, which check the historic sufficiency of the set-up reserves. These tests are updated on a monthly basis and, whenever deviations are identified, these are analyzed and the necessary adjustments are immediately made.

Exposure to the insurance risk

The table below shows the maximum exposure to the insurance risk in the main geographies where we operate:

Location	December 2013	December 2012
São Paulo	54.8%	57.4%
Rio de Janeiro	9.5%	9.5%
South region	9.1%	8.1%
Other regions	23.8%	22.9%
Uruguai	2.9%	2.0%
	100%	**100%**

Risk mitigation measures

We use certain measures for auto insurance that indisputably reduce claim frequency, such as: tracking device and vehicle locator, and etching the vehicle identification number onto several parts of vehicle's body. To select the vehicles that will receive these devices, we monitor the history of stolen and robbed vehicles, and establish criteria such as vehicle models, high value, and traffic regions.

Sensitivity analyses

In order to view the impact of the main actuarial assumptions on our profit or loss and equity, are conducted sensitivity analyses, the results of which are presented in the table below (net of taxes):

	Impact on profit or loss and equity			
	December 2013		December 2012	
Actuarial assumptions	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Increase of 5% in frequency of claims	(331,374)	(331,374)	(137,449)	(137,427)
Increase of 15% in administrative expenses	(3,701)	(3,701)	(2,578)	(2,578)
Increase of 15% in claim expenses	(7,778)	(7,778)	(5,730)	(5,729)
Increase of 10% in percentage of recovery of salvages	32,639	32,639	32,983	32,975
Decrease of 5% in percentage of recovery of salvages and reimbursements	(17,108)	(17,108)	(17,124)	(17,120)

4.4.2 Healthcare

We operate in the healthcare market since 1992, offering only group (corporate) plans. As in the case of auto insurance, the Company understands that the underwriting risk arising on operating the healthcare insurance is divided into two types of risk: a) Premium Risk, generated from a possible insufficiency of the premiums charged to cover medical and hospital costs not yet incurred related to already assumed commitments; b) Risk of insufficiency reserve, generated from a possible insufficiency of the balances of reserves used to cover financial expenditure on the payment of claims already incurred.

(a) Premium Risk

The actuarial and statistical function is responsible for pricing healthcare insurance, drawing on the work of its team of healthcare specialists and working focused on the research of new methodologies and the analysis of databases based on in-house experience and also by monitoring market experiences. Based on these analyses, risk premium models are generated and put into practice throught the insurance sale tables.

In addition to risk modeling for pricing purposes, the actuarial and statistical function is responsible for monitoring the performance of the different healthcare products and, as a result, the results of the risk premium models, by presenting monthly reports to our Management where it analyzes the results obtained and presents recommendations whenever the need for corrections is identified.

The main risk that generates uncertainty with regard to the effectiveness of the healthcare risk premium models is the risk of increase in medical care costs during the contract period, and the risk of extraordinary, high-impact events (pandemics).

The Company only operates with short-term contracts (one year). The healthcare insurance sold includes mainly SMEs (up to 99 lives insured) and corporate plans (more than 99 lives insured). The corporate plans contain a specific price adjustment clause at the end of each contract when the actual claim ratio exceeds the target claim ratio. The risk of material losses on contracts with a high level of use, therefore, is minimized and limited to the past effective period.

In addition to the price adjustment clauses, the Company continuously monitors the usage indicators and healthcare costs, which allows us to negotiate price adjustments and increases for contracts that historically show results worse than expected or show a deterioration trend over time. This monitoring also allows us to update the risk premium models by adjusting our sales tables to the actual usage frequency and healthcare costs.

(b) Risk of insufficiency reserve

The reserve risk of the healthcare plans sold by the Company can be considered low because the claim development time is very short when compared to the other segments where the Company operates. The main risk that affects reserve adequacy is the seasonality of long-term events. Claim reserve determination is centralized, performed by the actuarial function, where methodologies that can better capture claim development are continuously tested. The use of any methodologies must be previously approved by the ANS, which requests a detailed statement of the methodology compliance with the Company's reality using consistency tests, which are already internally used to monitor the seasonality of long-term event and the technical adjustments made to the assumptions.

Risk mitigation measures

The accredited network is continuously monitored to management of the risk and service quality and cost control tools. Moreover, assistance costs are constantly monitored so as to identify the compliance in the use and implementation of the procedures carried out.

All plans sold comply with the procedures established by the ANS. General medical procedures do not require the Company's approval, except for services such as hospitalizations and highly complex procedures, which are analyzed by the medical audit team.

Sensitivity analyses

In order to view the impact of the main actuarial assumptions on our profit or loss and equity, we conduct sensitivity analyses, the results of which are presented in the table below (net of taxes):

	Impact on profit or loss and equity			
	December 2013		December 2013	
Actuarial assumptions	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Increase of 2.5% in portfolio risk premium	(7,398)	(7,398)	(7,276)	(7,276)
Increase of 2.5% in risk premium of H+Ob plans	(14)	(14)	(2)	(2)
Increase of 2.5% in risk premium of A+H+Ob plans	(7,263)	(7,263)	(7,275)	(7,275)
Increase of 2.5% in claim expense risk	(369)	(369)	(429)	(429)
Increase of 2.5% in dental plan risk premium	(217)	(217)	(14,369)	(14,369)

(*)H+Ob - Hospital and Obstetric Coverage; A+H+Ob - Outpatient, Hospital, and Obstetric Coverage.

4.4.3 Life insurance and pensions

(a) Traditional life insurance

- Life insurance under an individual contract

The main features of the products are: offers death, disability, temporary disability income, and other coverage.

The biometric risk is the most relevant risk of this product, susceptible to increase in claims incurred due to extraordinary events, such as pandemics; constant increase in disability.

- Life insurance under a group contract

The main features of the products are: obtained by SMEs; offers death, disability, temporary disability income, and other coverage; short-term effectiveness (usually one year); the premiums and coverage are set at the beginning of the contract and can only be changed after its termination.

The relevant risks are: (i) biometric - increase in the frequency of temporary disability, resulting in the deterioration of risk premiums; (ii) anti-selection - actual group different from the quotation group; and (iii) disaster - like airplane crash, affecting several lives insured in a single event.

(b) Life insurance with survival coverage and pension plan

- Individual or group life insurance or pension plans

The main features of the products are: their guarantees are long term because they are pegged to the participants' pension panning; they offer survival coverage in addition to death, disability, and pension coverage in case the insured's death; the benefit and guarantee parameters are established when contracted and cannot be changed during he effective period; when he or she reaches the retirement age, the participant must opt for redeeming the accumulated contributions or retire and receive the type of annuity set in the plan (life, temporary, income with reversal to a beneficiary, etc.); in case of retirement, the benefit is calculated based on a survival assumption, interest rate and adjustment index for the annual of the annuity, and set beforehand in the contract.

The relevant risks are: (i) biometric - increase of participants' survival making inadequate the biometrical assumption set when the plan is contracted; (ii) economic - decrease in long-term interest rates to levels lower than those guaranteed when the plans are contracted.

(c) Traditional pension plans

- Traditional plans (future income, PRGP and VRGP)

The main features of the products are: minimum guarantee plans during the accrual stage and a retirement stage; the future income plan guarantees a return rate equivalent to IGP-M + 6% p.a. in interest; the PRGP and VRGP plans guarantee a return rate equivalent to IGP-M + 3% p.a. in interest; in case of retirement , the benefit is calculated based on a survival assumption set beforehand in the contract.

The relevant risks are: (i) biometric - increase of participants' survival making inadequate the biometrical assumption set when the plan is contracted; (ii) economic - decrease in long-term interest rates to levels lower than those guaranteed when the plans are contracted; increase of the income conversion rate.

The main risk of the life and pension fund operations is the biometrical risk. To manage this risk, we have a centralized underwriting policy that guarantees the consistent, appropriate use of the policies and procedures relevant to the product. There is a constant concern with the improvement of the risk selection and pricing processes.

Currently, the Company sells individual and corporate pension plans, using prudent biometric table assumptions for the survival ratio, such as the AT-2000 and the BR-EMS, without guaranteed minimum interest rates; however, it guarantees the credit (on a non-discretionary way) of the gains made on financial assets and that are higher than those established in contract.

The sale of the Future Income plan was discontinued in 2003 and of the PRGP and VRGP plans since the beginning of 2009; there are, however, effective contracts under these terms and conditions. For the other plans, there is no contractual interest rate on either assets or liabilities, and interest rates are determined based on the yield obtained from investing funds.

The Company continuously monitors the used pricing assumptions taking into consideration the development of internal results and market trends for similar plans or using statutory parameters. When a deterioration trend is identified for the main assumptions, the Company takes a conservative stance toward the products sold and could change the parameters for the sale of new plans, and their reserves for future deficits could affect their balance.

The main tool to size possible deficiencies in the actuarial assumptions is the LAT, where the balances of the reserves allocated to the Company's balance sheet are matched with the present value of future commitments determined based on the minimum assumptions set by the SUSEP in a standard to the market.

Risk mitigation measures

For life insurance with individual contracts, the company has a process of risk profile analysis in hiring with capital limits and coverages as well as, in specific cases, request documentation, examinations and personal health declaration. To the collective insurance is the centralized subscription with prior analysis of insurable groups for determining premiums, coverage and insured capital.

To mitigate the interest rate risk generated by the minimum guarantees granted under the traditional plans, the Company performs an asset liability management (ALM) to acquire and hold assets that will generate adequate return for guarantees .

Note 4.2 (b) shows the Company's liquidity analysis based on the ALM model used to manage the insurance and financial risk of these contracts.

Sensitivity analyses

For sensitivity analysis purposes, were used the actuarial assumptions described below as a result of their impact on the pricing of the risk assumed by us. The table below shows the results of the sensitivity analyses (net of taxes):

- Life insurance with survival coverage and pension plan

Actuarial assumptions	Impact on profit or loss and equity			
	December 2013		December 2012	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Increase of 5% in conversion into income	3,573	3,573	(579)	(579)
Decrease of 5% in conversion into income	(3,573)	(3,573)	579	579
Increase of 5% in discount rate	39,132	39,132	45,239	45,239
Decrease of 5% in discount rate	(41,582)	(41,582)	(48,602)	(48,602)
Increase of 0.5% in improvement by age	895	895	(144)	(144)
Exclusion of "improvement"	3,766	3,766	453	453

- Life insurance without survival coverage:

Actuarial assumptions	Impact on profit or loss and equity			
	December 2013		December 2012	
	Gross of	Net of	Gross of	Net of
Increase of 5% in portfolio risk premium	(2,962)	(3,023)	(3,455)	(3,505)
Increase of 5% in death coverage risk premium	(1,689)	(1,725)	(2,058)	(2,088)
Increase of 5% in other coverage risk premium	(1,192)	(1,217)	(1,353)	(1,373)
Increase of 5% in claim expenses	(167)	(171)	(271)	(275)
Increase of 5% in insured amount	(2,384)	(2,325)	(3,225)	(3,147)

4.4.4 Casualty insurance (except auto) and financial risks

The casualty (except auto) insurance line includes the sale to households, businesses, condominiums, construction works, rural, liability, equipment, transportation and other insurance. The financial risks no insurance line includes the sale of guarantee insurance of contractual obligations and rent insurance.

To manage the underwriting risk in these business segments, the Company uses a structure similar to the auto insurance because, generally speaking, it can be divided into (a) premium risk and (b) reserve risk (see note 4.1.1.)

The table below shows the maximum exposure to the insurance risk in the main geographies where we operate:

Type	December 2013			
	São Paulo	Rio de Janeiro	South Region	Other
Transport	29.6%	9.8%	38.5%	30.3%
Corporate insurance	21.2%	16.8%	12.8%	22.5%
Residential insurance	34.1%	55.5%	34.3%	30.6%
Condominium insurance	12.5%	14.9%	12.0%	14.6%
Lessor's guarantee insurance	1.4%	2.5%	1.5%	0.5%
Other risks	1.2%	0.5%	0.9%	1.5%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Type	December 2012			
	São Paulo	Rio de Janeiro	South Region	Other
Transport	29.5%	10.4%	44.7%	33.0%
Corporate insurance	22.8%	15.6%	11.8%	23.0%
Residential insurance	33.7%	59.4%	33.1%	31.5%
Condominium insurance	11.3%	11.8%	8.2%	10.9%
Lessor's guarantee insurance	1.5%	2.4%	1.5%	0.6%
Other risks	1.2%	0.4%	0.7%	1.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Risk mitigation measures

- Property insurance

Differently from the auto insurance, casualty insurance can include policies with a high insured amount that, in the event of a claim, could impair both our profit and equity. To avoid this risk, the Company has a corporate policy of transfer of risks and centralized procurement of reinsurance both to protect against individual risks/claims and catastrophic claims.

There are other risk mitigation measures, including previous inspection of the insured sites to assess the risk quality. If not approved in previous inspection, we cannot accept the risk.

- Guarantee insurance of contractual obligations and rent insurance

In financial risks, all the deals proposed by insureds and brokers undergo a previous analysis of the financial and credit position of the company, which will only be accepted if its results are above minimum risk parameters. Also, the Company has a reinsurance contract that in addition to supporting risk acceptance in amounts above the retention ceiling, supports and provides know-how on analyzing and selecting financial risks.

- Transportation

In this segment, in addition to the standards measures mitigation, another risk mitigation measure is our focus on risk management of the insured cargo, including by tracking the risk in transit.

Sensitivity analyses

In order to view the impact of the main actuarial assumptions on our profit or loss and equity, we conduct sensitivity analyses, the results of which are presented in the table below (net of taxes):

- Asset insurance, rent insurance, and contractual obligations insurance

Actuarial assumptions	Impact on profit or loss and equity			
	December 2013		December 2012	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Increase of 5% in severity of lessor's guarantee claims	(5,207)	(5,093)	(4,172)	(3,993)
Decrease of 10% in expenses with settlement and/or regulation of claims in property risks	1,538	1,486	1,068	980
Decrease of 5% in property risk premium	(18,189)	(17,473)	(16,046)	(14,780)
Decrease of 10% in expenses with settlement of claims in liability risks	45	34	55	29
Decrease of 5% in liability risk premium	(177)	(135)	(207)	(109)
Decrease of 10% in expenses with settlement of claims in rural risks	27	21	28	6
Decrease of 5% in rural risk premiums	(203)	(162)	(194)	(39)

- Transportation

Actuarial assumptions	Impact on profit or loss and equity			
	December 2013		December 2012	
	Gross of	Net of	Gross of	Net of
Increase of 10% in frequency of claims	(11,799)	(11,676)	(7,880)	(7,848)
Increase of 8% in claim expenses	(379)	(375)	(187)	(186)
Increase of 12% in claim expenses	(568)	(562)	(280)	(279)
Decrease of 15% in recovery of salvages	(214)	(212)	(122)	(121)
Decrease of 9% in revenues from reimbursements	3	3	(39)	(39)

4.5. Operational risk

Operational risk is represented by the loss arising from inadequate or inefficient internal processes, personnel and systems and external events. This definition includes the legal risk, but it excludes the strategic and image risks.

The operational risk monitoring and management activity is performed by all Company's areas, according to their roles, and relies on a formal process used to identify risks and opportunities and estimate the potential impact of these events; it includes the development of a database, in the medium and long terms, for internal operational risk losses containing information necessary to identify the real extent of its impact on Porto Seguro, as well as to improve the reliability of market solvency management, control supervision mechanisms.

4.6. Capital management

Porto Seguro carries out its capital risk management based on a consolidated 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 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 primary capital management goals are: (a) define capital requirements on a prudent basis; (b) establish the capital profile aligned with the strategic goals of each entity, by planning, to the extent possible, risk growth or change measures in business; (c) adopt a prospective behavior, by anticipating capital requirements arising from possible changes (uncontrolled) in economic, regulatory/legal and market conditions; (d) efficiently allocate capital, generating value to the business and the shareholder; (e) keep a capital surplus, ensuring the economic feasibility of companies in adverse situations; (f) abide by regulations issued by the regulatory bodies of the Group companies; and (g) ensure the liquidity of the Group companies, even those that do not have legal minimum capital requirement, so as not to adversely affect the commitments assumed to customers, suppliers and partners and preserve the Company's image.

Porto Seguro continuously monitors its capital levels, by monthly reporting to Management the minimum capital adequacy, in the classifications determined. As at December 31, 2013, the Company had a capital surplus of R$1,086,837, in relation to the capital required by the regulatory agencies for insurance and financial companies.

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, considering the similarities between the services and products, 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, and net consideration of the healthcare plans sold by Portomed.

- Personal and pension plan insurance: comprise (a) personal insurance premiums issued by Porto Seguro, Porto Vida and Azul Seguros, net of cancellations, refunds, and premiums ceded to other insurance companies; and (b) 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) and DPVAT, in addition to the insurance written in Uruguai by Porto Uruguai.

- 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 from all other entities fo the Company (including revenues from provided services in Uruguai by Porto Uruguai) and revenues from capitalization certificates.

Porto Seguro takes into consideration the internal financial reporting of performance each segment's and geographies where operate, is used by Management in conducting businesses. The "net Income/ (Loss)" is the main item used by the Administration for the management of the performance of the segments.

Of total revenue of the Company, as of December 31, 2013, 98.9% (99.0% in December 2012) were from Brazil and the rest of the Uruguay. Porto Seguro does not have revenue concentration by customer or group of companies.

	Automobile insurance	Health insurance	Personal and pension plan insurance	Other - insurance	Consortium and Lending operations	Other	December 2013	December 2012
Written insurance premiums	7,971,856	1,021,815	657,371	1,924,163	-	-	11,575,205	9,662,383
Changes in technical reserves for insurance and ceded reinsurance premiums	(713,723)	(184)	(204,395)	(247,619)	-	-	(1,165,921)	(822,856)
Premium earned	**7,258,133**	**1,021,631**	**452,976**	**1,676,544**	**-**	**-**	**10,409,284**	**8,839,527**
Contribution to pension plans, net	-	-	178,191	-	-	-	178,191	166,129
Changes in technical reserves for pension plans	-	-	(112,885)	-	-	-	(112,885)	(162,140)
Revenues from capitalization	-	-	-	-	-	4,421	4,421	63
Revenues from lending operations	-	-	-	-	636,816	-	636,816	514,732
Income from services rendered	-	-	-	-	213,593	401,254	614,847	451,752
Expenses with claims and benefits, net (i)	(4,011,503)	(800,941)	(178,941)	(668,082)	-	-	(5,659,467)	(5,203,797)
Total acquisition costs	(1,491,124)	(83,862)	(121,589)	(343,367)	(57,779)	(9,887)	(2,107,608)	(1,887,581)
Other operating income (expenses)	(991,692)	(160,164)	(43,414)	(439,896)	(614,613)	(314,086)	(2,563,865)	(2,626,711)
Costs of services rendered	-	-	-	-	-	(131,500)	(131,500)	(82,663)
Operating profit	**763,814**	**(23,336)**	**174,338**	**225,199**	**178,017**	**(49,798)**	**1,268,234**	**9,311**
Finance result	804,254	10,345	13,773	78,745	22,016	28,999	958,132	945,609
Profit before taxes	**1,568,068**	**(12,991)**	**188,111**	**303,944**	**200,033**	**(20,799)**	**2,226,366**	**954,920**
Income tax and social contribution	(614,676)	12,739	(74,885)	(21,971)	(76,090)	(54,172)	(829,055)	(274,922)
Net Profit (loss) - December 2013	**953,392**	**(252)**	**113,226**	**281,973**	**123,943**	**(74,971)**	**1,397,311**	**679,998**
Net Profit (loss) - December 2012	**199,702**	**5,009**	**125,315**	**182,957**	**115,038**	**51,977**		

Assets and liabilities							December 2013	December 2012
Identified assets	6,255,674	264,408	2,126,385	1,560,834	3,718,260	265,013	14,190,574	12,688,755
Fixed assets and Intangibles (ii)	163,667	-	-	352,793	-	1,505,075	2,021,535	1,811,677
Goodwill from business combination (iii)	109,901	-	-	236,899	-	23,677	370,477	346,800
Intangibles with no useful lifes (iii)	77,958	-	-	168,042	-	-	246,000	246,000
Other non identified assets (iv)	-	-	-	-	-	3,580,729	3,580,729	3,778,747
	6,607,200	**264,408**	**2,126,385**	**2,318,568**	**3,718,260**	**5,374,494**	**20,409,315**	**18,871,979**
Identified liabilities	4,741,460	247,578	2,659,093	1,259,522	3,718,260	265,013	12,890,926	11,112,396
Provisions	-	-	-	-	-	68,875	68,875	1,653,550
Other non identified liabilities	-	-	-	-	-	1,556,006	1,556,006	1,031,937
Equity	-	-	-	-	-	5,893,508	5,893,508	5,074,096
	4,741,460	**247,578**	**2,659,093**	**1,259,522**	**3,718,260**	**7,783,402**	**20,409,315**	**18,871,979**

(i) The amounts of retained claims are stated net of recovery of reinsurance, coinsurance, savages and reimbursements.
(ii) The intangibles assets alocated in "Automobile" and "Othe – insurance" refer to the acquisition of Itaú Auto e Residência (see Note 14).

(iii) The goodwill and intangible assets with indefinite useful life allocated to segments “Automobile” e “Other - insurance”, Refers to those originated from the acquisition of the Itaú Auto e Residência (see note 14). The goodwill allocated to the segment "Other", refers to those originated from the acquisition of Bioqualynet.
(iv) Refers primarily to financial assets not related to technical reserves, deferred income tax and social contribution and recoverable taxes and contributions.

6. Cash and cash equivalents

	Parent			Consolidated		
	December 2013	December 2012	January, 1 2012	December 2013	December 2012	January, 1 2012
Cash	130	10	71	132,243	88,895	46,921
Cash Equivalents (*)	245,132	59,295	131,076	1,204,260	594,407	1,477,341
	245,262	**59,305**	**131,147**	**1,336,503**	**683,302**	**1,524,262**

(*) Cash equivalents include highly liquid short-term investments with original maturities of up to three months and an insignificant risk of change in value, comprised by repo operations backed by Treasury Financial Bills (LFTs), National Treasury Notes (NTNs), and National Treasury Bills (LTNs) 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 4.1, 4.2. and 4.3. The financial assets held by the Company are broken down as follows.

7.1. Financial assets at fair value

7.1.1. Held for trading (*)

	Parent		
	December 2013	December 2012	January 1, 2012
Open funds			
Investments fund quotas	121,133	61,090	-
	121,133	**61,090**	**-**
Exclusive funds			
Financial Treasury Bills - LFT	141,793	33,367	41,656
National Treasury Bill - LTN	98,062	41,020	58,141
National Treasury Notes - NTN - series B	70,493	72,708	174,632
National Treasury Notes - NTN - series C	68,874	95,987	171,120
Debentures	24,585	5,713	114
Private securities	19,684	9,043	10,236
Time deposits with special guarantee - DPGE	5,483	337,448	281,340
Financial Bills - Private	5,293	15,443	9,520
Shares of publicly-held companies	2,118	4,348	623
	436,385	**615,077**	**747,382**
Own portifolio			
Financial Treasury Bills - LFT	-	-	4,200
	-	**-**	**4,200**
Total	**557,518**	**676,167**	**751,582**

	Consolidated					
				December 2013	December 2012	January 1, 2012
	Insurance	Pension Plans	Other activities	Total	Total	Total
Open funds						
Investments fund quotas	365,074	44,405	201,568	611,047	611,345	618,611
Retained funds - IRB	290	3	-	293	330	407
Other investments	4,003	-	-	4,003	3,949	2,433
	369,367	**44,408**	**201,568**	**615,343**	**615,624**	**621,451**
Exclusive funds						
National Treasury Bill - LTN	1,686,326	972,307	149,912	2,808,545	3,620,369	2,255,185
Financial Treasury Bills - LFT	667,339	251,720	205,029	1,124,088	403,153	560,707
Debentures	282,269	81,192	99,997	463,458	458,787	486,857
National Treasury Notes - NTN - series C	100,921	646,081	35,521	782,523	781,165	716,474
Financial Bills - Private	69,497	68,209	40,264	177,970	60,064	26,645
National Treasury Notes - NTN - series B	23,332	63,751	7,057	94,140	1,695,288	1,388,781
Time deposits with special guarantee - DPGE	17,499	1,476	12,071	31,046	55,388	30,225
Private securities	9,015	774	2,726	12,515	46,534	53,267
Shares of publicly-held companies	-	47,733	98,062	145,795	96,549	103,653
National Treasury Notes - NTN - series F	-	-	-	-	-	51,942
	2,856,198	**2,133,243**	**650,639**	**5,640,080**	**7,217,297**	**5,673,736**
Own portifolio						
Financial Bills - Private	501,481	-	-	501,481	373,054	-
Time deposits with special guarantee - DPGE	29,272	-	-	29,272	26,844	-
Private securities	-	-	-	-	54,883	355,009
Financial Treasury Bills - LFT	-	-	-	-	-	4200
National Treasury Notes - NTN - series C	-	-	-	-	2,489	29,974
	530,753	**-**	**-**	**530,753**	**457,270**	**389,183**
Derivative financial instruments	-	-	-	-	-	18,116
Total	**3,756,318**	**2,177,651**	**852,207**	**6,786,176**	**8,290,191**	**6,702,486**
Current				6,784,235	8,288,144	6,700,970
Non-current				1,941	2,047	1,516

(*) Financial assets held for trading consist basically of investment fund units, and thus the adjusted unit value is the portfolio's fair value

7.1.2. Available-for-sale securities - consolidated

	December 2013				December 2012	January 1, 2012
	Insurance	Pension Plans	Other activities	Total	Total	Total
Restricted funds						
Investments fund quotas	-	-	45,789	45,789	37,049	19,944
Total - Parent Company	**-**	**-**	**45,789**	**45,789**	**37,049**	**19,944**
Own portifolio						
National Treasury Notes - NTN - series B (i)	1,023,080	-	-	1,023,080	-	-
Other investments						
Investment in IRB (ii)	13,196	522	-	13,718	8,428	8,428
Others	1,031	188	72	1,291	1,772	1,921
Total - Consolidated	**1,037,307**	**710**	**45,861**	**1,083,878**	**47,249**	**30,293**
Current				45,789	37,049	19,944
Non-current				1,038,089	10,200	10,349

(i) The yield curve's value of securities was R$1,020,169, generating an unrealized gain of R$2,061 in Other Comprehensive Income.

(ii) Investment stated at acquisition cost, since there are no active markets for these shares. In view of the process of privatization of the IRB, in July 2013, the Company acquired new shares in the amount of R$5,290, in order to maintain their participation in the Company.

7.1.3. Changes in financial investments – consolidated (*)

	December 2013	December 2012	January 1, 2012
Opening balance	8,931,847	8,210,120	7,638,934
Financial investments	10,086,953	7,680,468	6,564,313
Redemptions	(10,344,937)	(7,955,279)	(6,813,691)
Earnings	400,451	996,538	820,564
Closing balance	**9,074,314**	**8,931,847**	**8,210,120**
Current	8,034,284	8,919,600	8,198,255
Non-current	1,040,030	12,247	11,865

(*) The changes in financial assets include financial assets “Held for trading” and “Available for sale” and assets classified as cash equivalents (except cash amounted in R$132,243 (R$88,895 in 2012)).

7.1.4. Fair value estimate - consolidated

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 table below show the fair value hierarchy (note 2.6 (b)) of "Held for trading" and "Available for sale" held by Porto Seguro:

	December 2013					December 2012	January 1, 2012
	Level 1	Level 2	Total	Level 1	Level 2	Total	Total
Open funds	615,343	-	615,343	615,624	-	615,624	621,451
Exclusive funds	4,955,091	684,989	5,640,080	6,596,524	620,773	7,217,297	5,673,736
Own portifolio	1,023,080	530,753	1,553,833	2,489	454,781	457,270	389,183
Derivative financial instruments	-	-	-	-	-	-	18,116
Restricted funds	-	45,789	45,789	-	37,049	37,049	19,944
Other investments	-	15,009	15,009	-	10,200	10,200	10,349
	6,593,514	**1,276,540**	**7,870,054**	**7,214,637**	**1,122,803**	**8,337,440**	**6,732,779**
Current			6,830,024			8,325,193	6,720,914
Non-current			1,040,030			12,247	11,865

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. Investment fund quotas are valued based on the price of the quota disclosed by the fund's manager. Private securities are valued at market through the same pricing methodology adopted by the manager of investment funds.

7.2. Loans and receivables - consolidated

	December de 2013	December de 2012	January 1, de 2012
Premiums receivable from policyholders consolidated (7.2.1)	2,737,949	2,379,473	2,121,744
Lending operations (7.2.2)	1,054,428	758,926	490,654
Notes and credits receivable (7.2.3)	2,141,010	1,450,247	1,055,333
Receivable from services (7.2.4)	38,215	25,856	16,875
	5,971,602	**4,614,502**	**3,684,606**
Current	5,722,745	4,406,897	3,522,027
Non-current	248,857	207,605	162,579

7.2.1. Premiums receivable from policyholders - consolidated

	December 2013			December 2012			January 1, 2012
	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	Premiums receivable - net
Automobile	2,051,547	(3,284)	2,048,263	1,718,649	(1,892)	1,716,757	1,544,244
Casualty	384,178	(3,445)	380,733	369,534	(1,429)	368,105	326,016
Transportation	21,618	(130)	21,488	22,846	(478)	22,368	16,229
Life	155,231	(852)	154,379	153,352	(2,019)	151,333	125,957
Health	84,789	(1,421)	83,368	86,056	(2,065)	83,991	83,957
Uruguay	54,358	(4,640)	49,718	39,836	(2,917)	36,919	25,341
	2,751,721	**(13,772)**	**2,737,949**	**2,390,273**	**(10,800)**	**2,379,473**	**2,121,744**
Current			2,737,312			2,379,456	2,121,607
Non-current			637			17	137

(*) See note 2.1.3.

7.2.1.1. Changes in premiums receivable from policyholders - consolidated

	December 2013	December 2012	January 1, 2012
Opening balance	2,379,473	2,121,744	1,939,889
Issuances	11,323,219	9,799,328	8,864,609
Receipts	(10,190,587)	(8,869,251)	(8,017,427)
Cancelations	(760,384)	(661,548)	(647,049)
	2,751,721	**2,390,273**	**2,140,022**
Provision for impairment of trade receivables	(13,772)	(10,800)	(18,278)
Closing balance	**2,737,949**	**2,379,473**	**2,121,744**

7.2.2. Lending operations - consolidated

	September 2013	December 2012	January 1, 2012
Loans	93,867	85,579	67,859
Financing	478,632	390,993	305,657
Credit Cards (*)	619,083	370,296	179,503
	1,191,582	**846,868**	**553,019**
Provision for impairment of receivables	(137,154)	(87,942)	(62,365)
	1,054,428	**758,926**	**490,654**
Current	806,208	551,338	328,212
Non-current	248,220	207,588	162,442

(*) Refer to receivables from holders of credit cards billed, overdue or payable in installments.

7.2.3. Notes and credits receivable - consolidated

	September 2013	December 2012	January 1, 2012
Credit card operations (*)	2,152,892	1,458,413	1,060,636
Provision for impairment of trade receivables	(11,882)	(8,166)	(5,303)
	2,141,010	**1,450,247**	**1,055,333**

(*) Refer to receivables from holders of credit cards not yet due or not billed, classified in current assets. These amounts are classified as credits with loan characteristics with a corresponding entry in accounts payable to merchants. See note 18.

7.2.4. Receivables from provided services - consolidated

	September 2013	December 2012	January 1, 2012
Receivable from services (*)	40,245	27,199	19,216
Provision for impairment of trade receivables	(2,030)	(1,343)	(2,341)
	38,215	**25,856**	**16,875**

(*)Refers to values to receive provision of services. Seenote 1 (Services and commerce).

7.2.5. Impairment of financial assets - consolidated

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

	Premiums receivable from policyholders	Lending operations	Notes and credits receivable	Receivable from services	Total
Amount at January 1, 2012	**18,278**	**62,365**	**5,303**	**2,341**	**88,287**
Provisions for the period	9,227	33,755	3,131	5,027	51,140
Reversal of provisions for impairment	(16,705)	(8,178)	(268)	(6,025)	(31,176)
Amount at December 2012	**10,800**	**87,942**	**8,166**	**1,343**	**108,251**
Provisions for the period	6,532	56,502	6,247	3,847	73,128
Reversal of provisions for impairment	(3,560)	(7,290)	(2,531)	(3,160)	(16,541)
Amount at December 2013	**13,772**	**137,154**	**11,882**	**2,030**	**164,838**
Total credits individually significant classified as impaired	**-**	**70,808**	**311**	**-**	**71,119**

The expenses/reversal of impairment were recorded in “Other operating expenses”, in the statement of income (see note 31). Amounts recorded in provisions as impairment losses are usually written-off when management no longer expects to recover the financial asset.

8. Taxes

8.1 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 8.4.

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.

8.1.1 Non-current assets (*)

	Parent				Consolidated				
	January, 1 2012	December 2012	Additions	December 2013	January, 1 2012	December 2012	Additions	Reversals	December 2013
Tax credit - Tax losses (i)	30,204	39,409	31,485	-	33,517	55,113	48,795	(92,883)	11,025
	30,204	**39,409**	**31,485**	**-**	**33,517**	**55,113**	**48,795**	**(92,883)**	**11,025**
Temporary differences									
Provision for legal obligations - COFINS (ii)	11,209	11,209	-	11,209	471,903	560,016	9,187	(527,934)	41,269
Provision for legal obligations - PIS AND INSS (ii)	2,400	2,400	-	2,400	72,970	61,254	87,078	(2,358)	145,974
Provision for legal obligations - others (ii)	-	-	-	-	15,662	31,044	4,790	(18,228)	17,606
Provision for credit risks (iii)	-	-	-	-	25,931	36,417	24,394	(2,071)	58,740
Provision for risks - civil (iv)	-	-	-	-	16,430	16,969	1,451	(2,549)	15,871
Employee benefits (v)	-	-	-	-	14,280	13,941	363	(5,785)	8,519
Other provisions (iv)	-	-	-	-	32,364	37,504	20,707	(9,925)	48,286
	13,609	**13,609**	**-**	**13,609**	**649,540**	**757,145**	**147,970**	**(568,850)**	**336,265**
	43,813	**53,018**	**31,485**	**13,609**	**683,057**	**812,258**	**196,765**	**(661,733)**	**347,290**

(*) Tax credits are recorded in assets and were determined according to current legislation. Management, based on technical study of estimated future taxable income and other factors, estimates the realization period as follows:
(i) four years for tax loss carryforwards;
(ii) Provision for legal obligations: see note 8.1.1.1.
(iii) 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.
(iv) Provision for risks: realized considering lawsuits basically involving labor claims, which realization estimate depends on the progress of the lawsuit.
(v) Employee benefits: refer to the constitution of tax credits on the provision for post-employment benefits, achievable within fourty seven years.
(a) Management re-analyzed the tax credit realization study in 2013 and, consequently, primarily due to regulatory standards, it has recorded a provision in the amount of R$70.9 million in the Parent.

8.1.1.1 Estimated realization – provision for legal contingencies

The tax credits arising from temporary differences on provisions for legal contingencies are recognized on lawsuits of tax nature, whose estimated realization depends on the outcome of the lawsuit. In case all tax lawsuits assessed as "legal contingencies" were decided favorably to the Company, the tax credits as at December 31, 2013 would be realized in the current year. If the outcome was unfavorable, the credits would be realized as follows:

	Value
2014	196,551
2015	8,298
Total	**204,849**
Present value (*)	**192,811**

(*)For the adjustment to present value was considered the SELIC rate of the last day of the quarter, net of tax effects.

8.1.2 Liabilities – non-current

	Parent					Consolidated				
Nature	January, 1 2012	December 2012	Additions	Reversals	December 2013	January, 1 2012	December 2012	Additions	Reversals	December 2013
Income tax and social contribution on business combination - Itaú Auto e Residência (i)	322,948	310,032	-	(5,049)	304,983	322,948	310,032	2,406	(5,049)	307,389
Income tax and social contribution on future realization of revaluation reserve	-	-	-	-	-	69,411	67,724	-	(958)	66,766
contribuion on deferred PIS and COFINS (ii)	-	-	-	-	-	21,909	22,085	909	(8,865)	14,129
Income tax and social contribuion on financial instruments adjustments	-	-	-	-	-	-	-	-	-	-
Other (iii)	8,103	8,103	-	-	8,103	8,333	8,976	118	(955)	8,139
	331,051	**318,135**	**-**	**(5,049)**	**313,086**	**422,601**	**408,817**	**3,433**	**(15,827)**	**396,423**

(i) See note 14.
(ii) Refer to PIS and COFINS (until December 31′ 2012) 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.
(iii) Mainly deferred income tax and social contribution on derecognition of negative goodwill arising from Azul Seguros acquisition.

8.2 Taxes and contributions recoverable

	Parent			Consolidated		
	December 2013	December 2012	January 1, 2012	December 2013	December 2012	January 1, 2012
Current assets						
Income tax (*)	17,801	26,835	18,087	67,483	39,627	36,689
Social contribution (*)	5,017	4,501	1,969	62,805	22,582	17,560
INSS a recoverable	-	-	-	1,180	1,085	5,294
Other	-	-	-	9,606	8,541	9,285
	22,818	**31,336**	**20,056**	**141,074**	**71,835**	**68,828**
Non-current assets						
PIS and COFINS over unsettled claims	-	-	-	44,218	64,124	63,686
Social Investment Fund (FINSOCIAL) (a)	-	-	-	2,561	2,561	5,643
Supplementary State Income Tax (b)		-	-	1,587	1,587	1,587
PIS	-	-	-	1,264	1,237	1,221
INSS - independent contractors (c)	-	-	-	664	664	665
Income tax and social contribution on land revaluation	-	-	-	158	158	158
Income tax	-	-	-	3,231	31	31
	-	**-**	**-**	**53,683**	**70,362**	**72,991**
	22,818	**31,336**	**20,056**	**194,757**	**142,197**	**141,819**

(*)Refer mainly to income tax and social contribution withheld at source and income tax and social contribution to offset..

(a) FINSOCIAL

Porto Cia filed an overpayment refund claim in connection with amounts charged and paid to the Brazilian government as FINSOCIAL. The claim was deemed with grounds by way of a final and unappealable decision which requires the Brazilian government to refund the overpayment in ten installments, by means of a court-ordered instrument. Porto Cia calculated five installments, and installments from 05 to 09 are blocked by way of a pledge in the tax execution action relating to PIS debts. Currently, the Company claims the release of the blocked installments.

(b) Supplementary State Income Tax (AIRE)

Porto Cia filed an overpayment refund claim in connection with amounts charged and paid to the State government of São Paulo as AIRE. The claim was deemed with grounds by way of a final and unappealable decision which requires the State Finance Department to refund the overpayment in ten installments, by means of a court-ordered instrument. 06 installments were released to date.

(c) National Institute of Social Security (INSS) - independent contractors

Porto Cia filed an overpayment refund claim in view of the contribution of 20% to the National Social Security Institute - INSS, levied on the payment to independent contractors, third parties and management. The claim was deemed with grounds by way of a final and unappealable decision which requires the Brazilian government to refund the overpayment in ten installments, by means of a court-ordered instrument. 08 installments were released to date. The court records are temporarily shelved since the Company is awaiting the release of attachment of two installments of court-ordered instruments in light of Tax Execution relating to PIS debts.

8.3. Taxes and contributions payable

	Parent			Consolidated		
	December 2013	December 2012	January 1, 2012	December 2013	December 2012	January 1, 2012
Tax on Financial Transactions - IOF on insurance premiums (*)	-	-	-	165,982	140,830	126,213
Income tax	-	-	-	34,040	46,501	16,414
Contributions to INSS and FGTS	17	16	14	24,495	24,497	28,325
Social contributions (*)	-	-	-	3,835	17,765	1,568
Whithholding Income Tax - IRRF	3,404	3,199	2,636	20,857	15,719	20,109
Services Tax (ISS) withheld at source	-	-	-	4,222	3,834	6,106
PIS and COFINS contributions	3,391	3,459	3,801	18,787	9,808	12,311
Other	-	1	-	16,184	16,564	15,801
	6,812	**6,675**	**6,451**	**288,402**	**275,518**	**226,847**

(*)Refer to income tax and social contribution provisions, net of anticipated amounts, totaling R$243,107 – income tax and R$176,072 – social contribution (R$221,995 – income tax and R$144,256 – social contribution in 2012).

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

	Parent		Consolidated	
	December 2013	December 2012	3rd Quarter	September
Profit before income tax, social contribution	1,439,566	660,461	2,226,366	954,920
Standard rate - % (*)	34%	34%	40%	40%
	(489,452)	**(224,557)**	**(890,546)**	**(381,968)**
Computation of IRPJ ans CSLL expenses at the standard rate				
Income tax and social contributions effect of permanent differences				
Equity in subsidiaries	496,342	211,891	-	-
Interest on capital	32,465	36,350	90,134	96,660
Tax incentives	-	-	12,425	9,070
Provision/Revesal of tax credit - tax losses	(70,894)	-	(89,553)	7,743
Provision/Revesal of temporary differences	-	-	26,345	-
Tax Debt Refinancing Program	-	-	50,413	-
Non-deductible expenses, net of non-taxable income	-	-	(12,203)	1,487
Other	(2,820)	(1,565)	(16,070)	(7,914)
Income tax and social contribuition effect of temporary differences				
COFINS	-	-	518,747	(69,073)
PIS e INSS	-	-	(84,720)	(6,742)
Provision for credit risks	-	-	(22,323)	(9,573)
Provision for risks - cível	-	-	1,098	(539)
Post- employment benefits	-	-	5,422	(4,230)
Tax credit - Tax losses	-	(9,205)	44,088	(21,596)
Other	-	-	(2,393)	(28,655)
Current IRPJ and CSLL	**-**	**12,914**	**(369,136)**	**(415,330)**
Deferred IRPJ and CSLL	**(34,359)**	**9,205**	**(459,919)**	**140,408**
Total IRPJ and CSSL expenses	**(34,359)**	**22,119**	**(829,055)**	**(274,922)**
Efective rate			**37.2%**	**28.8%**

(*) 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. Non-financial assets held for sale - consolidated

	December 2013	December 2012	January 1, 2012
Salvage for sale (i)	138,385	145,865	149,418
Assets received from third parties (ii)	5,769	3,090	2,440
(-) Provision for impairment	(30,952)	(31,511)	(22,975)
	113,202	**117,444**	**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.

10. Deferred acquisition cost (DAC) - consolidated

	December 2013	December 2012	January 1, 2012
Automobile	770,146	647,098	583,918
Property	136,319	123,492	110,915
Financial Risk	52,863	46,832	38,967
Personal	44,228	22,395	28,253
Health	1,552	1,430	1,387
Casualty	1,145	1,622	1,840
Transportation	1,373	1,588	1,653
Other	3,893	7,349	4,004
	1,011,519	**851,806**	**770,937**
Current	1,004,720	845,978	765,268
Non-current	6,799	5,828	5,669

10.1. Changes in DAC – consolidated

	December 2013	December 2012	January 1, 2012
Opening balance	851,806	770,937	697,232
Additions	2,020,642	1,736,424	1,729,768
Reversals	(1,860,929)	(1,655,555)	(1,656,063)
Closing balance	**1,011,519**	**851,806**	**770,937**

11. Other assets

	Parent			Consolidated		
	December 2013	December 2012	January 1, 2012	December 2013	December 2012	January 1, 2012
Other accounts receivable (11.1)	7,110	6,519	6,248	532,052	390,205	320,019
Supplies	-	-	-	22,025	22,940	21,121
Judicial Deposits (11.2)	-	-	-	286,632	433,443	349,382
	7,110	**6,519**	**6,248**	**840,709**	**846,588**	**690,522**
Current	2,046	2,315	1,814	531,241	389,174	323,406
Non-current	5,064	4,204	4,434	309,468	457,414	367,116

11.1. Other accounts receivable

	Parent			Consolidated		
	December 2013	December 2012	January 1, 2012	December 2013	December 2012	January 1, 2012
Current						
Commissions in process (i)	-	-	-	361,888	229,685	195,227
Advances to employees	-	-	-	8,444	8,746	6,534
Administrative advances	27	336	307	20,549	14,329	5,637
Prepaid expenses	-	202	185	9,148	8,377	7,504
Undeposited checks	-	-	-	15,110	14,563	11,500
Notes and credits receivable - credit card	-	-	-	15,500	6,621	13,217
Receivable from policyholders	-	-	-	8,014	16,720	13,870
DPVAT agreement	-	-	-	6,115	6,517	5,078
Warranty deposits - Visa	-	-	-	-	-	12,506
Amounts receivable - Fundação Itaú	-	-	-	4,347	10,716	-
Advances to agents	-	-	-	348	2,799	1,910
Receivables from IRB	-	-	-	9,123	13,320	5,567
Other	3,262	1,777	1,322	50,630	33,841	23,735
	3,289	**2,315**	**1,814**	**509,216**	**366,234**	**302,285**
Non-current						
Advances to employees	-	-	-	10,149	5,752	4,388
Undeposited checks	-	-	-	1,603	8,561	4,705
Credits receivable	-	-	-	209	209	209
Other(ii)	3,821	4,204	4,434	10,875	9,449	8,432
	3,821	**4,204**	**4,434**	**22,836**	**23,971**	**17,734**
	7,110	**6,519**	**6,248**	**532,052**	**390,205**	**320,019**

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

(ii) These refer mainly to sale of Integração Assessoria e Informática Ltda., whose amount is to be paid until November 2020, actualized by IGP-M.

11.2. Judicial deposits – consolidated

	December 2013	December 2012	January 1, 2012
Income tax and social contribuition (i)	90,697	208,062	186,880
Claims	90,198	78,887	77,884
PIS/COFINS (ii)	25,542	31,079	6,346
INSS - independent contractors (iii)	58,664	45,256	12,628
CSLL	15,397	30,420	25,774
Offset of tax loss- income tax basis (iv)	-	33,558	29,770
Other	6,134	6,181	10,100
	286,632	**433,443**	**349,382**

(i) Refers mainly to escrow deposits made under lawsuits addressing deductibility from Corporate Income Tax (IRPJ) base) and the deductibility of taxes and contributions from the IRPJ and CSLL tax base (See note 19 (b)).
(ii) See note 19 (a) (i) e (ii).
(iii) Refers mainly to an escrow deposit relating to the lawsuit addressing the INSS levied on the Company's profit sharing. See Note 19 (b).
(iv) 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. Escrow deposits were withdrawn in February 2013 (See note 19).

12. Intangible assets – Consolidated

			Changes			December 2013			
	Balance at January 1, 2012	Balance at December 2012	Acquistions	Disposals	Amortization expenses	Cost	Accumulated amortization	Net Amount	Annual rates - amortization (%)
Software	110,342	214,807	110,033	(4,872)	(37,283)	401,533	(118,848)	282,685	20
Other intangibles	9,398	3,033	229	-	(1,362)	12,979	(11,079)	1,900	10 a 20
Intangibles in use	**119,740**	**217,840**	**110,262**	**(4,872)**	**(38,645)**	**414,512**	**(129,927)**	**284,585**	
Trademark	246,000	246,000	-	-	-	246,000	-	246,000	-
VOBA	19,666	-	-	-	-	-	-	-	40
Distributition Channel	541,704	529,082	-	-	(12,624)	568,000	(51,542)	516,458	2.2
Goodwill on acquisition of investments	346,800	346,800	-	-	-	346,800	-	346,800	10 a 20
Businnes Combination - Itaú Auto e Residência (i)	**1,154,170**	**1,121,882**	**-**	**-**	**(12,624)**	**1,160,800**	**(51,542)**	**1,109,258**	
Goodwill on acquisition of investments	-	-	23,677	-	-	23,677	-	23,677	-
Other - Businnes Combination Bioqualynet	-	-	8,330	-	(1,253)	8,330	(1,253)	7,077	14.29
Businnes Combination - Bioqualynet (ii)	**-**	**-**	**32,007**	**-**	**(1,253)**	**32,007**	**(1,253)**	**30,754**	
	1,273,910	**1,339,722**	**142,269**	**(4,872)**	**(52,522)**	**1,607,319**	**(182,722)**	**1,424,597**	

(i) Intangible assets arising from business combination of Itaú Auto e Residência (see Note 14).
(ii) Intangible assets arising from business combination of Bioqualynet (see Note 36).

12.1. Measurement of goodwill impairment and intangible assets with indefinite useful lives

At December 31, 2013, the carrying amount of goodwill and intagibles assets with indefinite useful lives were tested for impairment based on its value in use, in accordance with the discounted cash flow for the CGUs (see note 5).

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 (the risk-free rate), based on financial budgets approved by management, thus determining the business economic value for shareholders.

Goodwill and intangible assets with indefinite useful lives are allocated to the CGSs of the operating segments: “Vehicle insurance” and “Insurance – other lines”. The amounts allocated to each one of the segments are shown in Note 5. Based on the Company's asset recovery test, the recognition of impairment losses was not necessary.

13. Investment properties - consolidated

The Company has 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.

	December 2013	December 2012	January 1, 2012
At the beginning of the year	8,700	8,881	9,010
Depreciation	(219)	(181)	(129)
Other	402	-	-
Total of investment properties	**8,883**	**8,700**	**8,881**

Income or loss from the Company’s investment properties comprise rental revenues, depreciation expenses and other repair and upkeep expenses on the properties rented to third parties and amounted to R$2,939 through December 2013 (R$2,090 in 2012). Most of rental contracts carry an option to renew for 4 years and rentals are adjusted by the IGPM index from Getúlio Vargas Foundation - FGV.

Investment properties are depreciated on the straight-line method, using an annual weighted depreciation rate of 2.64%. The accumulated depreciation until December 2013 was R$1,304.

The fair value of these properties in 2013 is estimated at R$36,229 (based on the market price in the region where the properties are located) and cost value (depreciated) is R$8,883.

14. Investments in subsidiaries - Parent

	Ownership interest (%)	Balances at January 1, 2012	Balances at December 2012	Equity in the results of subsidiaries	Capital increase	Adjustment of securities	Translation adjustment / other	Interest on capital/ dividends	Balances at December 2013
Porto Cia	99.99	**1,575,168**	**1,830,987**	1,057,680	-	313	619	(397,759)	**2,491,840**
Itaú Auto e Residência	99.99	**724,564**	**699,263**	137,498	-	(1,189)	631	(142,437)	**693,766**
Azul Seguros	99.71	**319,470**	**372,174**	142,241	-	(1,271)	206	(36,763)	**476,587**
Portoseg	99.99	**171,221**	**271,320**	97,351	-	-	15	(25,203)	**343,483**
Porto Consórcio	99.99	**167,762**	**186,635**	32,385	-	-	102	(92,335)	**126,787**
Proteção e Monitoramento	99.98	**35,643**	**41,948**	8,379	-	-	28	-	**50,355**
Porto Serviços e Comércio	99.99	**17,937**	**51,132**	(30,258)	14,699	(2)	181	-	**35,752**
Serviços Médicos	99.99	**14,453**	**40,335**	13,142	24,280	-	22	-	**77,779**
Portopar	99.99	**20,271**	**28,055**	6,628	-	-	-	(9,987)	**24,696**
Portomed	99.00	**4,228**	**4,288**	(1,679)	6,000	-	-	-	**8,609**
Porto Investimentos	99.00	**-**	**-**	(1,248)	3,990	-	-	-	**2,742**
Crediporto	99.80	**1,422**	**2,403**	635	-	-	7	-	**3,045**
Porto Renova	99.50	**1,344**	**4,835**	(3,756)	-	-	-	-	**1,079**
Porto Serviços Ltda. (i)	99.72	**-**	**-**	861	337	-	(1,198)	-	**-**
Porto Odonto	99.00	**199**	**188**	(30)	-	-	-	-	**158**
Combinação de negócios (ii)	-	**1,154,170**	**1,121,881**	-	-	-	(12,622)	-	**1,109,259**
		4,207,852	**4,655,444**	**1,459,829**	**49,306**	**(2,149)**	**(12,009)**	**(704,484)**	**5,445,937**

(i) On September 20, 2013 the Company sold Porto Serviços Ltda., performing a gain on the disposal of this investment of R$250.

(ii) 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. On this business combination, goodwill and other intangible assets were recorded, as stated in note 12.

Indirect subsidiaries	**Ownership interest - %**
Porto Vida	99.97
Porto Saúde	99.98
Porto Capitalização	99.99
Porto Uruguai	100.00
Porto Serviços Uruguai	100.00
Porto Atendimento	99.94
Porto Telecomunicações	70.00
Porto Gerenciamento	99.99
Bioqualynet	100.00
Bioqualynet Sul	100.00
Franco	99.99

Other information on the operations of each subsidiary is presented in note 1.

14.1 Summarized subsidiaries' financial information

The table below shows the summarized financial information of the Company's subsidiaries as at and for the year ended December 31, 2013

	Total assets	Total liabilities	Total revenues (*)	Year end profit (loss)
Porto Cia	7,079,829	4,588,792	6,092,819	1,057,650
Itaú Auto e Residência	2,591,131	1,897,365	2,708,690	137,738
Azul Seguros	1,840,910	1,362,947	1,963,040	143,214
Portoseg	3,507,512	3,162,949	8,322	97,592
Porto Consórcio	175,387	48,535	195,678	32,385
Proteção e Monitoramento	58,093	7,727	82,520	8,379
Porto Serviços e Comércio	39,397	3,644	28,860	(30,257)
Serviços Médicos	98,915	21,135	120,143	13,142
Portopar	31,441	6,743	2,897	6,629
Portomed	14,915	6,219	15,091	(1,620)
Crediporto	4,788	1,737	10,849	635
Porto Renova	1,298	219	332	(3,756)
Porto Odonto	160	1	11	(29)
Porto Investimentos	3,920	1,150	13	(1,218)
Outras - controladas indiretas	3,431,318	3,028,208	1,582,170	(3,189)
	18,879,014	**14,137,371**	**12,811,435**	**1,457,295**

(*) Include finance income.

14.2. Related-party transactions

Related-party transactions are carried out at amounts, terms and average rates compatible with those of third parties on the respective dates. The main restrictions are:

(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) Rendering of services to obtain credit and financing between Crediporto and Portoseg;
(ix) Services rendered of medical care and use of hospital network hired by Porto Saúde from Serviços Médicos;
(x) Rendering of call center services obtained from Porto Atendimento;
(xi) Underwriting of capitalization bonds between Porto Capitalização and Porto Cia.
(xii) Raising funds from Itaú Group companies.

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

	Revenue		Expenses	
Statement of income	**December 2013**	**December 2012**	**December 2013**	**December 2012**
Parent company	-	-	388	386
Direct and indirect subsidiaries				
Porto Cia	396,639	346,981	122,529	114,663
Azul Seguros	-	-	123,024	106,655
Itaú Auto e Residência	-	-	116,485	94,725
Proteção e Monitoramento	11,708	15,399	20,288	18,961
Porto Consórcio	-	-	19,830	17,733
Porto Renova	-	-	520	1,112
Portoseg	9,953	14,099	64,317	51,204
Portopar	3,353	3,213	3,662	2,183
Crediporto	10,615	10,570	1,049	966
Serviços Médicos	47,543	16,712	7,182	4,836
Portomed	-	-	2,822	20
Porto Serviços e Comércio	1,765	3,430	3,769	10,447
Porto Atendimento	97,582	74,862	26,981	18,557
Porto Telecomunicações	1,668	-	3,869	3,996
Porto Vida	4,268	4,092	16,937	14,964
Porto Saúde	55,376	54,460	112,622	82,260
Porto Capitalização	6,278	-	1,114	150
Porto Gerenciamento	1,125	-	51	-
Bioqualynet	4	-	367	-
Bioqualynet Sul	-	-	71	-
	647,877	**543,818**	**647,877**	**543,818**

As of December 2013 was recognized in the P&L of Portoseg the amount of R$33,635 (R$22,437 in 2012) relating to the funding costs with companies of Itaú Group.

	Consolidated		
	December 2013	**December 2012**	**January 1, 2012**
Assets			
Current assets			
Dividends receivable			
Itaú Auto e Residência	6,703	7,125	2,305
Portoseg	11,705	5,706	-
Porto Cia	182,843	-	-
Azul Seguros	18,611	2,035	530
Portomed	-	19	13
Porto Serviços	-	-	168
Trade receivable			
Porto Cia	27	336	286
Odonto	-	-	22
	219,889	**15,221**	**3,324**
Liabilities			
Interest on capital and dividends payable	144,223	60,199	73,730
	144,223	**60,199**	**73,730**

(b) Transactions with the key management personnel refer to profit sharing, management fees and charges paid or payable to directors, officers and members of the Executive Committee, as shown below.

	Parent		Consolidated	
	December 2013	December 2012	December 2013	December 2012
Profit sharing - management	14,308	14,025	152,355	75,555
Fees and social charges	1,142	1,077	15,853	15,721
	15,450	**15,102**	**168,208**	**91,276**

15. Fixed assets – consolidated

	Balance at January 1, 2012	Balance at December 2012	Changes				December 2013			Annual rate - depreciation (%)
			Acquisitions	Disposals	Depreciation expenses	Others	Cost	Accumulated depreciation	Net amount	
Land	227,866	245,341	23,703	-	-	15,022	284,066	-	284,066	-
Buldings (*)	249,878	385,299	19,244	-	(9,268)	196,035	634,960	(43,650)	591,310	2.4
Properties in use	**477,744**	**630,640**	**42,947**	**-**	**(9,268)**	**211,057**	**919,026**	**(43,650)**	**875,376**	
IT	68,648	82,082	32,600	(284)	(26,391)	53	225,989	(137,929)	88,060	12,5 to 25
Equipment	39,585	53,444	9,245	(228)	(9,137)	262	91,273	(37,687)	53,586	10 to 14,3
Equipment held by thrid parties	16,582	19,434	4,705	48	(3,877)	-	34,988	(14,678)	20,310	10.0
Furniture, machines and fittings	44,722	50,579	8,016	(1,531)	(6,952)	(175)	86,641	(36,704)	49,937	10.0
Vehicles	15,413	12,868	1,774	(711)	(4,119)	-	23,052	(13,240)	9,812	20.0
Traking equipment	7,849	10,526	11,071	(1,166)	(5,859)	-	162,868	(148,296)	14,572	25 to 33,3
Assets in use	**192,799**	**228,933**	**67,411**	**(3,872)**	**(56,335)**	**140**	**624,811**	**(388,534)**	**236,277**	
Construction in progress	179,087	156,862	117,387	-	-	(211,460)	62,789	-	62,789	-
Leasehold improvements and works of art	36,745	48,320	5,495	(1,476)	(13,227)	(139)	66,055	(27,082)	38,973	20 to 50
Other	**215,832**	**205,182**	**122,882**	**(1,476)**	**(13,227)**	**(211,599)**	**128,844**	**(27,082)**	**101,762**	
	886,375	**1,064,755**	**233,240**	**(5,348)**	**(78,830)**	**(402)**	**1,672,681**	**(459,266)**	**1,213,415**	

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

The Company did not identify any impairment as a result of the tests carried out in 2013, therefore, it decided that there was no need to recognize impairment losses.

In December 2013, the Company had properties that could be pledged in guarantee of technical reserves for insurance with SUSEP amounting to R$129,556 (R$125,177 in December 2012).

Aditionally, the Company leases several assets (mainly third-party properties through operating lease contracts) to conduct its business in the branches located in various regions of Brazil. Rental contracts do not have an asset purchase option and most of them can be renewed for 6 years.

16. Liabilities of insurance contracts - consolidated

	December 2013		December 2012		January,1 2012	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Technical reserves for insurance contracts (16.1)	7,253,945	7,177,161	6,470,649	6,417,384	5,731,342	5,679,759
Technical reserves for pension plans (16.2)	1,579,302	1,579,302	1,524,890	1,524,890	1,279,369	1,279,369
Other reserves for insurance contracts and pension plan (16.3)	74,406	74,406	129,298	129,298	125,005	125,005
	8,907,653	**8,830,869**	**8,124,837**	**8,071,572**	**7,135,716**	**7,084,133**
Current	8,887,137		8,106,977		7,117,680	
Non-current	20,516		17,860		18,036	

16.1. Technical reserves for insurance contracts - consolidated

	December 2013		December 2012		January,1 2012	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Unearned premiums reserve	4,877,448	4,855,154	4,269,862	4,247,881	3,692,232	3,674,184
Unsettled claims (administrative and judicial)	1,222,373	1,171,171	1,149,549	1,119,944	1,188,124	1,155,266
Mathematical reserve - insurance	778,760	778,760	694,802	694,802	558,209	558,209
Reserve for claims incurred but not reported	374,446	371,158	355,703	354,024	291,923	291,246
Reserve for vested benefits	918	918	733	733	854	854
	7,253,945	**7,177,161**	**6,470,649**	**6,417,384**	**5,731,342**	**5,679,759**

16.2. Technical reserves for pension plan contracts

	December 2013		December 2012		January,1 2012	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Mathematical reserve for unvested benefits	1,505,412	1,505,412	1,466,051	1,466,051	1,231,714	1,231,714
Mathematical reserve for vested benefits	66,238	66,238	51,047	51,047	40,668	40,668
Provision for benefits to be regulated	6,247	6,247	7,046	7,046	6,003	6,003
Reserve for claims incurred but not reported	1,405	1,405	746	746	984	984
	1,579,302	**1,579,302**	**1,524,890**	**1,524,890**	**1,279,369**	**1,279,369**

16.3. Other reserves for insurance and pension plan contracts - consolidated

	December 2013		December 2012		January,1 2012	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Contribution deficiency reserve	43,286	43,286	-	-	-	-
Reserve for risk fluctuation	14,332	14,332	17,135	17,135	13,982	13,982
Administrative expenses reserve	9,736	9,736	16,384	16,384	19,679	19,679
Porvision for insufficiency of contribution	-	-	78,479	78,479	76,589	76,589
Porvision for insufficiency of premiums	-	-	12,336	12,336	7,181	7,181
Other	7,052	7,052	4,964	4,964	7,574	7,574
	74,406	**74,406**	**129,298**	**129,298**	**125,005**	**125,005**

16.4. Technical reserve guarantee - consolidated

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

	December 2013	December 2012	January 1, 2012
Technical reserves for insurance contracts	7,253,945	6,470,649	5,731,342
Technical reserves for pension plans contracts	1,579,302	1,524,890	1,279,369
Ohter reserves for insurance and pension plan contracts	74,406	129,298	125,005
Total technical reserves	**8,907,653**	**8,124,837**	**7,135,716**
(-) Reinsurance operations	(76,784)	(53,265)	(51,583)
(-) Deferred acquisition costs (i)	(548,346)	-	-
(-) Funds and reserves retained by IRB	(293)	(330)	(407)
(-) Credit rights (ii)	(2,185,507)	(1,730,979)	(1,512,839)
Amount to be guaranteed	**6,096,723**	**6,340,263**	**5,570,887**
Fixed-income government securities	1,019,460	2,489	29,974
Fixed-income private securities	515,841	426,744	334,135
Investment fund quotas	3,099,601	4,465,966	4,224,519
Specially constituted fund quotas	1,817,047	1,574,430	1,254,298
Technical reserve guarantees	**6,451,949**	**6,469,629**	**5,842,926**
Excess	**355,226**	**129,366**	**272,039**

(i) SUSEP Circular Letter 461/13 enabled the deduction of deferred acquisition costs (settled financially) from technical reserves by guaranteed assets.
(ii) Refers to installments not yet due of premiums receivable and unexpired insurance risks.

16.5. Changes in liabilities of insurance contracts and reinsurance assets - consolidated

	Liabilities of insurance contracts	Assets of reinsurance contracts
Amount at January 1, 2012	**7,135,716**	**51,583**
New contracts issued and claims reported	14,932,554	101,355
Income from pension plan contributions	166,128	-
Monetary variations and interests on pension plan liability	181,472	-
Expired risks (i)	(9,141,798)	(57,609)
Payments and receipts	(5,048,741)	(40,317)
Impairment do reinsurance assets	-	(1,747)
Other changes (ii)	(100,494)	-
Amount at December 2012	**8,124,837**	**53,265**
New contracts issued and claims reported	17,452,400	120,906
Income from pension plan contributions	159,658	-
Monetary variations and interests on pension plan liability	188,325	-
Expired risks (i)	(12,299,878)	(44,214)
Payments and receipts	(4,381,057)	(51,227)
Impairment do reinsurance assets	-	(1,946)
Other changes (ii)	(336,632)	-
Amount at December 2013	**8,907,653**	**76,784**

(i) Refers mainly to the amortization of the PPNG, claims terminated without indemnity.
(ii) Refers mainly to changes in benefits, redemptions and portability.

16.6 Behavior of the claims reserve in years subsequent to the recognition year

The table below shows the changes in the Company's claims reserve (in millions), called claim development table (i):

	December							
	2006	2007	2008	2009	2010	2011	2012	2013
Reserves for claims at the end of the previous year (ii)	**467.5**	**519.0**	**522.0**	**494.4**	**966.1**	**1,117.7**	**1,181.6**	**1,186.6**
Claims reported	**2,017.2**	**2,153.8**	**2,449.3**	**2,737.4**	**4,007.7**	**4,747.0**	**5,185.8**	**5,201.2**
Current year	1,940.3	2,084.8	2,310.9	2,519.2	3,671.6	4,480.1	4,829.3	4,840.4
Prior years	76.9	69.0	138.4	218.2	336.1	266.9	356.5	360.9
Payments	**(1,965.7)**	**(2,150.8)**	**(2,476.9)**	**(2,699.5)**	**(3,856.1)**	**(4,683.2)**	**(5,180.8)**	**(5,112.9)**
Current year	(1,750.1)	(1,891.9)	(2,207.7)	(2,334.0)	(3,291.1)	(4,001.4)	(4,316.8)	(4,331.4)
Prior years	(215.6)	(258.9)	(269.2)	(365.5)	(565.0)	(681.8)	(864.0)	(781.6)
Reserves for claims at the end of the year - gross of reinsurance	**519.0**	**522.0**	**494.4**	**532.3**	**1,117.7**	**1,181.6**	**1,186.6**	**1,274.9**
Reserves for claims at the end of the year - net of reinsurance	**497.4**	**500.7**	**479.0**	**507.2**	**1,092.1**	**1,150.7**	**1,155.9**	**1,205.5**

(i) Does not include the reserves of Porto Uruguai, Porto Vida, DPVAT, and retrocession. The inclusion these reserves could distort the information presented in this table as such reserves are immaterial (for example, Porto Uruguai and retrocession), are not applicable (for example, Porto Vida), and are calculated using different methodologies (for example, DPVAT). The presentation criterion of the claims reserves in the date they are incurred.
(ii) Beginning 2010, with the business combination with Itaú Unibanco Holding S.A., we added to the Company's claims reserve balance the balances of Itaú Auto e Residência (see note 14).

The table below shows the development of claim payments (in million). The line "Cumulative surplus (deficiency)" reflects the difference between the last recalculated reserve amount and the reserve amount originally established. The purpose of this table is to show the consistency of the Company's policy related to reserves for claims.

									December
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Reserves for claims	**467.5**	**519.0**	**522.0**	**494.4**	**966.1**	**1,117.6**	**1,181.5**	**1,186.6**	**1,274.9**
Cumulative amount paid up to									
One year later	215.6	258.9	269.2	365.5	565.0	681.8	864.0	781.6	-
Two year later	264.0	296.5	311.5	393.4	677.8	846.8	945.9	-	-
Three year later	292.8	325.1	329.3	418.7	812.2	914.0	-	-	-
Four year later	317.3	341.1	351.1	473.9	872.6	-	-	-	-
Five year later	332.6	360.3	399.4	494.7	-	-	-	-	-
Six year later	350.0	404.1	416.5	-	-	-	-	-	-
Seven year later	384.8	419.5	-	-	-	-	-	-	-
Eight year later	398.9	-	-	-	-	-	-	-	-
Reserves re-estimated									
One year later	171.8	158.3	136.4	152.6	400.4	327.2	321.2	300.9	-
Two year later	141.5	116.6	127.0	163.7	288.7	280.5	267.3	-	-
Three year later	106.3	109.8	136.3	111.2	248.7	229.8	-	-	-
Four year later	99.5	116.1	95.0	114.9	200.9	-	-	-	-
Five year later	105.3	81.8	96.2	85.5	-	-	-	-	-
Six year later	72.0	82.7	70.9	-	-	-	-	-	-
Seven year later	72.2	61.8	-	-	-	-	-	-	-
Eight year later	54.6	-	-	-	-	-	-	-	-
Cumulative Surplus (deficiency) - gross of reinsurance	**14.0**	**37.7**	**34.7**	**(85.8)**	**(107.4)**	**(26.2)**	**(31.7)**	**104.1**	**-**
Cumulative Surplus (deficiency) - net of reinsurance	**16.7**	**37.9**	**35.7**	**(74.0)**	**(96.9)**	**(23.6)**	**(37.6)**	**86.0**	**-**

16.7 Discount rate

The result of future payment flows is also considerably influenced by the fluctuation of interest rates, used as discount rate. The Interest Rate Term Structure (ETTJ) corresponds to the discount rate defined and informed by SUSEP to the market. The possibility of use of an interest rate to discount the actuarial liability flow, based on as specific study, is not used by Porto Seguro. The effects of the discount rates and their change on insurance and pension liabilities as at December 31, 2013, considering LAT results, are shown below:

	Insurance	Pension plan
Interest rate with no discount	37,884	1,211,722
Increase of 2,5% in discount rate	(894)	(289,563)
Increase of 3,0% in discount rate	(1,072)	(338,041)
Increase of 4,0% in discount rate	(1,429)	(427,543)
Increase of 5,0% in discount rate	(1,785)	(508,337)

17. Insurance and reinsurance payables - consolidated

	December 2013	December 2012	January 1, 2012
Commissions on premiums issued	550,855	437,093	368,891
Other insurance payables (17.1)	45,624	70,682	58,101
Reinsurance companies	47,208	38,363	26,337
	643,687	**546,138**	**453,329**

17.1. Other insurance payables - consolidated

	December 2013	December 2012	January 1, 2012
Assistance services	23,461	39,302	33,147
Provision for operating expenses	4,650	4,342	2,709
Premiums to be refunded	2,455	2,658	3,300
Invoices received in advance	1,091	14,002	11,185
Agents and correspondents	2,446	1,430	1,969
Insurance companies	300	496	365
Bonus expenses - Porto Socorro	1,266	545	394
Other	9,955	7,907	5,032
	45,624	**70,682**	**58,101**

18. 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, and the capitalization plans sold by Porto Capitalização.

	December 2013	December 2012	January 1, 2012
Credit Card transactions (i)	2,169,859	1,537,814	1,078,846
Funds from acceptance and issue of securities	179,370	200,061	187,252
Interbank deposits	681,409	398,647	336,012
Liabilities from capitalization (ii)	80,447	4,153	-
	3,111,085	**2,140,675**	**1,602,110**

(i) Refer mainly to amounts payable to merchants arising from credit card transactions.
(ii) Refer to the liabilities of the capitalization plans, consisting of reserves for redemptions and reserved for lot drawings.

19. Provisions

The Company is party to lawsuits involving tax contingencies and labor and civil claims. Provisions arising from these lawsuits are estimated and periodically updated by management, based on the opinion of the Company's legal department and external advisors, however, there are uncertainties with respect to the determination of the likelihood of loss of the lawsuits, in the expected cash outflow amount and at the final term of these outflows. The balances of and changes in the provisions for risks are as follows:

				Consolidated		
				December 2013	December 2012	January 1, 2012
	Tax (a)	Labor (c)	Civil (d)	Total	Total	Total
Opening balance	2,390,197	16,354	42,915	2,449,466	2,232,541	1,953,596
Additions	182,538	6,714	21,566	210,818	169,318	179,297
Payments	(157,485)	(470)	(7,290)	(165,245)	(52,620)	(6,625)
Reversals	(1,517,902)	(5,191)	(17,836)	(1,540,929)	(24,884)	(38,980)
Monetary restatement	229,007	1,827	3,547	234,381	125,111	145,253
	1,126,355	**19,234**	**42,902**	**1,188,491**	**2,449,466**	**2,232,541**
(-) Judicial deposits	(1,103,266)	(8,638)	(7,712)	(1,119,616)	(795,916)	(823,340)
Net provision	**23,089**	**10,596**	**35,190**	**68,875**	**1,653,550**	**1,409,201**
Number of proceedings	86	671	3,334	4,091	3,144	2,175

(a) Provision for tax lawsuits

When classified as legal obligations, the tax lawsuits are provided for regardless of the likelihood of loss. The legal obligations are provided for if classified as possible losses.The other lawsuits are provided for if classified as probable losses. The table below shows a breakdown of these lawsuits by nature:

	Parent			Consolidated		
	December 2013	December 2012	January 1, 2012	December 2013	December 2012	January 1, 2012
COFINS (i) e (iii)	58,366	55,668	52,688	184,832	1,483,759	1,303,097
PIS (ii) e (iii)	12,537	11,959	11,321	458,180	344,845	311,349
INSS - independent contractors (iv)	-	-	-	164,004	162,604	158,029
Social contribution - deductibility from tax base (v), (vi), (vii) and (x)	-	-	-	64,229	75,139	72,043
Income tax loss offset (ix)	-	-	-	-	32,741	32,741
Social contribution - rate difference of 6%	-	-	-	-	-	49,128
Income tax (viii)	-	-	-	222,794	267,711	233,520
Provision for PAT	-	-	-	13,549	10,711	7,521
Other	-	-	-	18,767	12,687	10,620
Total	**70,903**	**67,627**	**64,009**	**1,126,355**	**2,390,197**	**2,178,048**
(-) Judicial deposits	(70,903)	(67,627)	(64,009)	(1,103,266)	(780,835)	(808,978)
Net provision	**-**	**-**	**-**	**23,089**	**1,609,362**	**1,369,070**

(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 10684/03. The companies 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 9718/98, which classified revenues as equivalent to gross revenue

The lawsuit filed by companies Porto Seguro and Porto Vida is currently awaiting judgment of Extraordinary Appeal and Constitutional Claim by the Federal Supreme Court (STF). The lawsuits filed by companies Porto Saúde and Portopar are currently awaiting judgment of the Special and Extraordinary Appeal filed by the companies. The lawsuit filed by company Azul Seguros is currently awaiting judgment of the Extraordinary Appeal filed by the company. The lawsuit filed by company Itaú Auto e Residência is currently awaiting judgment of the Appeal filed by the company.

On December 12, 2013, in the lawsuit brought by Porto Cia and Porto Vida, the decision that acknowledged the invalidity of the Extraordinary Appeal was made final and unappealable, based on the judgment of the interlocutory appeal filed by the federal government, which is in progress at the Federal Supreme Court, and, on December 19, 2013, the loss of the subject of the Constitutional Claim also filed by the federal government was acknowledged. In light of the abovementioned decisions handed down, which ratified the non-levy of COFINS on revenues, the companies reversed, in December 2013, the portion of provisions for risks relating to the levy of COFINS in the amount of R$1,492,919 (R$895,751, net of taxes), reversed in line items "Tax expenses" and "Finance costs" in the amounts of R$946,926 and R$545,993, respectively. See Notes 30 and 33.

(ii) PIS

The companies 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 Constitutional Amendments 01/94, the company Porto Vida partially enjoyed the benefits under Law 11941/09 and await the calculation of the remaining balance; for the portion still being challenged is pending judgment of the Special and Extraordinary Appeal filed by the company. The lawsuit filed by company 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 filed by the Federal Government. The lawsuit filed by companies Porto Seguro e Porto Vida challenging Constitutional Amendments 17/97 is awaiting judgment of the Special and Extraordinary Appeal filed by the companies. The lawsuit filed by company Azul Seguros, the escrow deposits in the amounts of R$1,054 were withdrawn. The lawsuit filed by subsidiaries Porto Seguro and Porto Vida challenging Law 9718/98 is awaiting judgment of the Appeal filed by the companies and by the Federal Government. The lawsuit filed by company 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 732.247.

In the case of Law 9718/98, the lawsuit brought by Porto Cia and Porto Vida is awaiting the judgment of the appeals filed by the companies and the federal government The lawsuit brought by Azul Seguros is awaiting the judgment of the special and extraordinary appeals brought by the federal government, it being understood that the extraordinary ,appeal was halted until the judgment of RE 400.479 and of interlocutory appeal 732.247. The lawsuit brought by Porto Saúde is awaiting the judgment of the special and extraordinary appeals brought by the company, which were halted until judgment of the repetitive appeal by the STF.

(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 the Special and Extraordinary Appeals filed by the Parent Company.

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

The companies 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.

Upon enactment of Laws 11941/09 and 12865/13, the companies have joined, with the benefits set forth in the aforementioned laws, the Tax Debt Refinancing Program (REFIS) in December 2013 and, presently, they await the ratification for withdrawal of the lawsuits. For further details on the participation in said program, see item (b) below.

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

The companies Porto Seguro, Porto Vida, Porto Saúde, Portopar and Azul Seguros are challenging the legality and constitutionality of Law 9316/96, which prohibited the deduction of social contribution on net income from the Corporate Income Tax (IRPJ) calculation basis.

Upon enactment of Laws 11941/09 and 12865/13, the companies have joined, with the benefits set forth in the aforementioned laws, the Tax Debt Refinancing Program (REFIS) in December 2013 and, presently, they await the ratification for withdrawal of the lawsuits. For further details on the participation in said program, see item (b) below.

(vi) Social contribution (rate difference)

The subsidiary Portopar is 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).

Upon enactment of Laws 11941/09 and 12865/13, the companies have joined, with the benefits set forth in the aforementioned laws, the Tax Debt Refinancing Program (REFIS) in December 2013 and, presently, they await the ratification for withdrawal of the lawsuits. For further details on the participation in said program, see item (b) below.

(vii) CSLL

The company Rio Branco, merged into Azul Seguros, was challenged for the non-payment of CSLL in the period from 1992 to 2000. The company is discussing the application of this tax assessment at the administrative level, once it was granted a favorable final and unappealable decision that grants it the right to not paying said tax. Currently awaiting the judgment of Special Appeals filed by the Brazilian government and the company, due to the decision that partially approved the Voluntary Appeal.

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

The companies Porto Seguro, Porto Vida, Porto Saúde and Porto Consórcio are challenging the constitutionality of the Law 8981/95, which prohibited the deduction of taxes and contributions being discussed in court from the IRPJ and CSLL calculation bases on the accrual method.

Upon enactment of Laws 11941/09 and 12865/13, the companies have joined, with the benefits set forth in the aforementioned laws, the Tax Debt Refinancing Program (REFIS) in December 2013 and, presently, they await the ratification for withdrawal of the lawsuits. For further details on the participation in said program, see item (b) below.

(ix) Tax loss offset

The company Porto Seguro challenged provisions established by Law 8981/95, exclusively as to the limitation of tax loss offset in 30% of adjusted profit, and deposited in court the related amount. Upon enactment of Laws 11941/09, the companies have joined to the Tax Debt Refinancing Program (REFIS). Escrow deposits were withdrawn in February 2013 and the provisions were reversed.

(x) Deductibility of interest on capital from the social contribution basis (1996)

The company Porto Seguro is claiming in court the deductibility of expenses relating to interest on capital in the social contribution calculation basis, in the base period of 1996. The special and extraordinary appeals brought by the company are currently pending judgment. Upon cancellation of the no obligation to pay, the Company elected to pay the debt and the provision was reversed in June 2013.

(b) Tax Debt Refinancing Program ("REFIS")

In December 2013 Porto Cia, Porto Vida, Porto Saúde, Azul Seguros, Porto Consórcio and Portopar have joined the REFIS, introduced by Laws 11941/09 and 12865/13, with the benefits set forth in the aforesaid laws.

Payments relating to the participation in the program were made in cash, with the prompt payment of taxes and/or request for conversion of part of the deposits into federal government's income.

The benefits introduced by REFIS, which was joined by the companies, enabled, in conformity with art. 1,§ 3, I of Law 11941/2009 and Law 12685/13, the decrease by 100% of late payment and voluntary fines, 40% of individual fines, 45% of late payment interest and 100% of legal charges. The benefits from joining the tax debt refinancing program on the companies' results was equivalent to R$63,256. Below is the debt amount included in the REFIS:

	Principal	Penalty	Interest	Total
INSS - independent contractors	63,308	-	70,436	133,744
CSLL (dedutibilidade da base de cálculo do	110,487	17	38,140	148,644
Social contribution - rate difference	604	-	1,528	2,132
Deductibility of taxes and contributions from the IRPJ and CSLL calculation bases	103,651	99	127,472	231,222
	278,050	**116**	**237,576**	**515,742**

(c) Tax and social security contingencies

The Company is a party to other tax and social security lawsuits which are not classified as legal obligations and are not recognized in accounting records, when assessed as possible or remote loss. The amount of tax and social security lawsuits whose likelihood of loss is assessed as possible is estimated at R$204,048. The lawsuit addresses the INSS levied on the Company's profit sharing.

(d) Labor claims

The Company is party 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. The likelihood of loss of these lawsuits is assessed as probable. The average term for the conclusion of labor claims in the Company is 30 months.

In addition to the provisions recorded, there are other contingent liabilities in the amount of R$9,689 (R$9,167 in December 2012) with respect to which, based on the opinion of the Company's legal counsel, losses are assessed as possible and no provision is recognized. Despite the uncertainties inherent in the determination of these liabilities, Management does not expect significant effects on the Company's results of operations arising from the outcome of these lawsuits.

(e) Civil claims

The Company is party to civil. The most frequent claims refer to pain and suffering, property damages, bodily injuries and loss of suit. The likelihood of loss of these lawsuits is assessed as probable. The average term for outcome of these civil claims in the Company is 24 months.

In addition to the provisions recorded, there are other unaccrued contingent liabilities, amounting to a risk of R$58,593 (R$47,024 in 2012), for which no provision is necessary, according to the opinion of the subsidiaries' legal department (possible loss). Despite the uncertainties inherent in the determination of these liabilities, Management does not expect significant effects on the Company's results of operations arising from the outcome of these lawsuits.

20. Other liabilities

	Parent			Consolidated		
	December 2013	December 2012	January 1, 2012	December 2013	December 2012	January 1, 2012
Provision for vacation pay and social	-	-	-	83,519	75,258	65,952
Profit sharing	14,800	14,517	1,605	284,281	142,596	110,727
Suppliers	1	77	8	94,606	74,362	80,146
Thrid-party deposits	-	-	-	83,991	74,791	82,284
Provision for loyalty credit card	-	-	-	63,659	47,059	31,499
Amounts payable	-	-	-	20,841	35,186	37,109
Uncleared checks	-	-	-	15,682	17,681	18,625
Refund to consortium members	-	-	-	21,865	15,677	10,551
Account payable - Serviços Médicos (*)	-	-	-	11,506	-	-
Other	-	-	-	69,294	38,495	43,012
	14,801	**14,594**	**1,613**	**749,244**	**521,105**	**479,905**
Current	14,801	14,594	1,613	696,895	462,711	426,564
Non-current	-	-	-	52,349	58,394	53,341

(*) Refer to the amounts payable resulting the acquisition of Bioqualynet and Bioqualynet Sul, payable by February 2014.

21. Share capital and reserves - Parent

(a) Share capital

At December 31, 2013, subscribed and paid-up capital is R$2,782,000 (R$1,870,000 at January 1st, 2012), comprising 323,293,030 common nominative book-entry shares, with no par value (324,669,130 in December 2012 and 327.641.730 in January 1st, 2012).

The Extraordinary and Annual Shareholders Meeting of March 29, 2012 resolved to increase capital by R$912,000 from the “Capital reserves”. 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.

The Annual/Extraordinary General Meeting held on March 28, 2013 approved the cancellation of 1,376,100 treasury shares in the amount of R$24,252 (all shares), without capital decrease, upon the use of the bylaws reserve.

(b) Capital reserves

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

(c) Treasury shares

On February 20, 2013, 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 21, 20123 and end on February 20, 2014;
- Number of shares to be purchased: up to the limit of 5 million shares;
- Financial Institution Authorized: Itaú Corretora de Valores S.A.

No share was bought back to this date and there are no treasury shares.

(d) Earnings reserve

(i) 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 6404/76. As at December 31, 2013, the balance was R$289,684 (R$219,424 in 2012 and R$185.295 in January 1st, 2012).

(ii) 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 6404/76 will be appropriated to this reserve. As at December 31, 2013, the balance was R$2,151,466 (R$1,850,335 in 2012 and R$1,606,991 in January 1st, 2012). The limit of said reserve will correspond to the total amount of the Company's unrealized profit, provided also that the balance of the earnings reserves should not exceed the balance of the share capital.

(e) 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 (net of taxes) 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 Company's management approved, at the Board of Directors' meetings held on October 28, 2013 and December 13, 2013, the distribution to its shareholders of interest on capital amounting to R$203,660 (R$218,960 in 2012), net of income tax. Interest on capital is attributed to mandatory minimum dividends. Os dividendos mínimos e os adicionais propostos (to be approved at the Extraordinary/Annual Shareholders' Meeting of March 28, 2014) were calculated as follows:

	December 2013	December 2012	January 1, 2012
Net profit for the year	1,405,207	682,580	580,084
IFRS aqdjustment	-	-	(76)
(-) Legal reserve - 5%	(70,260)	(34,129)	(29,000)
Adjustments due to differente GAAP	1,421	2,513	1,140
Basic profit used to determine dividends	**1,336,368**	**650,964**	**552,148**
Mandatory minimum dividends	**334,092**	**162,741**	**138,037**
Additional interest on capital - net	-	94,859	78,713
Additional proposed dividends	508,855	83,690	59,324
Total dividends/additional interest on capital	**508,855**	**178,549**	**138,037**
Total dividends	**842,947**	**341,290**	**276,074**
Total per share (R$)	**2.60738**	**0.51140**	**0.84513**

(*) Comprised of net interest on capital already credited in the books and minimum dividends accrued.

(*) Mandatory minimum dividends separately disclosed in the statement of changes in equity include R$34,708, relating to the income tax (15% for shareholders resident in Brazil and differentiated tax rate for shareholders resident abroad) on the amount of R$239,600 (R$204,892, net) approved by the Board of Directors as interest on capital.

22. Earned insurance premiums and net payments - consolidated

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

	December 2013			December 2012		
	Written premiums	Premiums ceded (reinsurance)	Net premiums earned	Written premiums	Premiums ceded (reinsurance)	Net premiums earned
Automobile	7,971,856	-	7,971,856	6,463,484	(1,961)	6,461,523
DPVAT	295,062	-	295,062	289,151	-	289,151
Health	1,021,815	-	1,021,815	967,788	-	967,788
Personal	472,690	(11,295)	461,395	432,874	(8,677)	424,197
Property	953,988	(23,098)	930,890	761,616	(22,779)	738,837
Transportation	130,921	(86)	130,835	131,237	(1,008)	130,229
Casualty	15,009	(1,204)	13,805	15,128	(1,805)	13,323
Financial risks	360,549	(5,652)	354,897	301,060	(5,347)	295,713
Other	41,629	(29,235)	12,394	35,121	(23,874)	11,247
Porto Uruguay	143,555	(1,040)	142,515	107,264	(925)	106,339
	11,407,074	**(71,610)**	**11,335,464**	**9,504,723**	**(66,376)**	**9,438,347**
VGBL premiums	168,131	-	168,131	157,660	-	157,660
	11,575,205	**(71,610)**	**11,503,595**	**9,662,383**	**(66,376)**	**9,596,007**

23. Credit operations income - consolidated

	December 2013	December 2012
Credit card	398,560	326,877
Interchange	125,014	73,294
Financing	67,170	74,692
Lending	38,942	31,102
Others	7,130	8,767
	636,816	**514,732**

24. Income from services- consolidated (i)

Serviços Médicos	December 2013	December 2012
Porto Consórcio	184,300	172,560
Porto Atendimento	106,171	76,613
Serviços Médicos	118,912	48,970
Proteção e Monitoramento	80,641	74,259
Portopar	29,293	22,908
Bioqualynet e Bioqualynet Sul	40,501	-
Porto Serviços	28,183	43,874
Other (ii)	26,846	12,568
	614,847	**451,752**

(i) The breakdown of the services provided by the Company's entity is described in Note 1.
(ii) Refer mainly to revenue from Porto Serviços Ltda. and Porto Serviços Uruguai.

25. Other operating income – consolidated

	December 2013	December 2012
Income - insurance (i)	58,465	72,131
Other income - credit card	22,526	19,779
Income - pension plan	28,715	30,969
Charges for policy costs (ii)	-	322,213
Other	4,760	4,823
	114,466	**449,915**

(i) Refers primarily to revenue arising from contractual charges relating to DPVAT Agreement.
(ii) See note 2.1.3.

26. Changes in technical reserves - consolidated

	December 2013		December 2012	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Unearned premiums reserves	937,144	938,585	600,767	595,859
Reserve for prension plan	112,885	112,885	162,140	162,140
Mathematical reserve	161,427	161,427	4,028	4,028
Unexpired risks reserve	(5,701)	(5,701)	156,593	156,593
Other reserves				
	1,205,755	**1,207,196**	**923,528**	**918,620**

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.

	December 2013		December 2012	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Automobile	4,645,368	4,643,569	4,095,451	4,095,747
Health	928,290	928,290	826,525	826,525
Property	294,033	265,324	252,946	239,434
Personal	136,329	128,403	134,636	129,619
Financial risks	115,682	115,209	111,829	110,197
DPVAT	258,271	258,272	252,178	252,167
Other	68,342	58,845	82,732	62,917
Porto Uruguay	78,109	78,109	54,753	54,753
	6,524,424	**6,476,021**	**5,811,050**	**5,771,359**

28. Amortization of deferred acquisition costs (*)

	December 2013	December 2012
Automobile	1,442,957	1,274,919
Property	255,530	229,239
Personal	103,065	109,074
Health	83,862	83,037
Financial risks	87,514	72,468
DPVAT	4,237	4,196
Other	30,299	30,597
Porto Uruguay	25,519	19,249
	2,032,983	**1,822,779**

(*)Includes amortization of deferred acquisition costs (Note 10) and non-deferred insurance selling expenses.

29. Administrative expenses

	Parent		Consolidated	
	December 2013	December 2012	December 2013	December 2012
Personnel and post-employment benefits	1,120	1,017	1,048,089	926,694
Outsorced services	1,190	813	361,094	351,559
Facilities and operations	262	299	460,464	419,263
Amortization of business combination - Itaú Auto e Residência	12,622	32,289	13,875	32,289
Advertising and legal publications	516	615	137,187	108,518
Profit-sharing	14,308	14,025	308,482	179,615
Donations and contributions	5	12	25,313	14,667
Other	3	15	44,824	36,745
	30,026	**49,085**	**2,399,328**	**2,069,350**

30. Tax expenses

	Parent		Consolidated	
	December 2013	December 2012	December 2013	December 2012
COFINS	10,953	11,452	(670,385)	227,324
PIS	2,378	2,486	46,802	38,896
Tax on services	-	-	27,354	21,575
ICMS	-	-	1,937	1,572
Other	183	137	28,796	26,231
	13,514	**14,075**	**(565,496)**	**315,598**

(i) See note 19 (a) (i).

31. Other operating expenses - Consolidated

	December 2013	December 2012
Provision for credit risks - financial	145,581	92,139
Credit card expenses	231,167	123,080
Supervision and collection	62,124	61,290
Policy and contracts administration	67,923	49,542
Expenses with anti-theft devices	61,082	72,564
Bonus expenses - Porto Socorro	63,677	52,457
Risk inspections	57,076	52,135
Social charges on insurance transactions	-	-
Provision for credit risks - insurance	35,482	32,766
Other	(3,453)	(8)
	133,841	164,007
	854,500	**699,972**

32. Financial income

	Parent		Consolidated	
	December 2013	December 2012	December 2013	December 2012
Net gains on changes in fair value and interest revenue of financial assets at fair value through profit or loss:	25,749	97,184	301,051	873,554
Revenue from interest on:				
- Available for sale financial assets	(4,326)	2,281	17,366	2,281
- Payment of insurance premiums in installments	-	-	277,550	253,745
PGBL /VGBL transactions	-	-	82,034	120,703
Monetary variations of judicial deposits	-	-	35,310	34,209
Other	1,617	949	27,594	40,752
	23,040	**100,414**	**740,905**	**1,325,244**

33. Financial costs - Consolidated

	Parent		Consolidated	
	December 2013	December 2012	December 2013	December 2012
Pension Plan transactions (i)	-	-	(34,294)	122,151
PGBL transactions	-	-	48,895	70,795
VGBL transactions	-	-	32,361	48,904
Monetary variations on provision for long-term taxes	-	-	(349,339)	87,205
Insurance transactions	-	-	63,920	43,370
Other	13	1	21,230	7,210
	13	**1**	**(217,227)**	**379,635**

(i) The credit balance from January to December 2013 refers, mainly, to the reversal of financial surplus of Porto Vida.
(ii) See note 19 (a) (i).

34. Employee benefits - Consolidated

34.1. Pension plan

In 1994, Porto Seguro implemented a defined contribution pension plan, according to IAS 19, for their employees, through Portoprev - Porto Seguro Previdência Complementar, a nonprofit, private pension fund.

Under this plan's regulations, the main funds are represented by contributions from the plan's sponsors and participants, and the yield on the related investments. Contributions made by participants vary from 1% to 6% of each participant's salary, and the sponsor's contribution corresponds to 100% of the participant's contribution.

In December 2013, the entity had 5 thousand active participants (4.9 thousand in December 2012). The Company’s contribution to the plan amounted of R$ 11,524 (R$ 11,860 in December 2012).

34.2 Post-employment benefits

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

	December 2013	December 2012	January 1, 2012
Present value of actuarial liability in the beginning of the year	35,186	33,521	36,068
Cost of benefits	2,927	2,962	4,333
Cost of interest	3,061	3,453	4,715
Benefits paid	(1,577)	(1,374)	(2,176)
Initial recognition	107	-	-
Effect - payment/reduction	(13,433)	-	(3,627)
(Gain)/loss on the actuarial liability	(5,430)	(3,376)	(5,792)
Liability final balance	**20,841**	**35,186**	**33,521**
Actuarial Gains /(losses) in other comprehensive income	**13,557**	**7,848**	**4,270**

The actuarial assumptions are reviewed on an annual basis. The principal actuarial assumptions used for 2013 were as follows:

Discount rate (annual)	6.24%
Rate of return on investiments (annual)	6.50%
Future salary increases (annual)	3.00%
Economic inflation (annual)	4.50%
Medical inflation (annual)	4.00%
Rate of FGTS balance variation (annual - nominal	4.55%
Life insurance capital	R$ 29.1

34.3 Other benefits

	Consolidated	
	December 2013	December 2012
Food and meal vouchers	130,774	124,023
Health and dental assistance	67,313	59,797
Transportation vouchers	10,532	14,008
Tuition	6,203	6,682
Child daycare assistance	5,196	5,508
	220,018	**210,018**

35. 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.

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. The basic earnings per share is shown in the table below:

	2013	
	December 2013	December 2012
Profit attributable to the shareholders of the Company	1,405,207	682,580
Weighted avarage number of shares outstanding during the year	323,293	324,684
Basic and diluted earnings per share - in R$	4.35	2.10

36 Business combination – Bioqualynet

On February 6, 2013, Porto Seguro Serviços Médicos ("Serviços Médicos" or "Buyer"), a direct subsidiary of Porto Seguro S.A., acquired the total share capital of the following companies (jointly referred to as "Bioqualynet" or "Acquiree"):

Bioqualynet Saúde Ocupacional Ltda.;
Bioqualynet Sul Saúde Ocupacional e Segurança do Trabalho Ltda.

The companies are engaged in the provision of occupational health consulting and advisory services – Occupational Health Medical Control Programs (PCMSO), occupational safety, occupational hygiene and ergonomics and provision of ambulatory healthcare services. Bioqualynet operated in the occupational health market since 1995 and it owns offices in São Paulo, Rio de Janeiro, Recife and Rio Grande do Sul.

Bioqualynet's control was acquired at the fixed amount of R$32,170, plus variable amounts (R$644 through December 31, 2013) calculated on future revenues from given customers, over a period of 12 months. The purchase and sale agreement provides for negative adjustments arising from contingencies in the amount of R$2,714, withheld for 60 months counted from the agreement execution date.

The amounts of assets and liabilities recognized / assumed were:

Assets	
Cash	1,490
Clients	1,597
Tax recoverble	237
Fixed Assets	327
Other assets	2,125
	5,776
Liabilities	
Supplier	(501)
Loans	(34)
Tax payable	(253)
Labor and social security payable	(1,349)
Deferred income tax and social contribution	(2,832)
	(4,969)
Fair value of net assets acquired	**807**

The Company applied the requirements set out in IFRS 3 – Business Combination and identified the following intangible assets in this business combination:

	Fair value	Useful live (years)
Client´s relationship	3,171	8
Trademark - Bioqualynet	879	10
Accredited network	1,609	5
No compete- agreement	2,671	5
Total identified intangibles	**8,330**	

As a result of the fair value measurement of assets acquired and liabilities assumed, the Company recognized the amount of R$23,677 as goodwill based on expected future earnings (Goodwill). Intangible asset item “labor” in the amount of R$1,313 which, according to the IFRS, is not eligible to separate recognition, is an integral part of “goodwill”.

37. Insurance

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

Items	Types of coverage	December 2013	December 2012
Buildings	Any damage to buildings, installations and machines and equipment	230,497	155,400
Vehicles	Fire, theft and collision - optional civil liability	6,723	7,930
		237,220	**163,330**

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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&FBovespa 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), as well as National Monetary Council Resolution 3198/04.

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 (IFRSs) issued by the International Accounting Standards Board (IASB).

Deloitte Touche Tohmatsu Auditores Independentes audits 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 and international 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 (IFRSs) issued by the 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.

Based on its bylaws, in 2013 the Audit Committee has performed the following activities, among other: (a) analyze, approve, and monitor the annual internal audit activity plan for 2013; (b) hold meetings with various organization functions; (c) request, analyze, and monitor information and reporting on the internal control and risk management environment framework and functioning; (d) assess the level of the work performed by internal and external audit staff, and the independence policy maintained; (e) request and analyze the documentation related to the accounting and financial aspects of the Group and the ongoing legal proceedigns; and (f) analyze the compliance with regulations relevant to the industries where Porto Seguro S.A. and its subsidiaries operate.

The Committee met the independent auditor and became aware of the report on the financial statements for the year ended December 31, 2013 of Porto Seguro S.A. and subsidiaries (consolidated).

Thus, in reliance upon the activities performed during the period and based on the limitations arising from the scope of its work, the Audi Committee understands that the financial statements of Porto Seguro S.A. and subsidiaries (consolidated) for the year ended December 31, 2013 have been prepared in conformity with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and recommends its approval by the Board of Directors.

São Paulo, February 13, 2014

Alfredo Sérgio Lazzareschi Neto

Evandro César Camillo Coura

Ricardo Baldin

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying individual and consolidated financial statements of Porto Seguro S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Porto Seguro S.A. as at December 31, 2013, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Porto Seguro S.A. as at December 31, 2013, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in note 2.1.2, the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Porto Seguro S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified due to this matter.

Other matters

Statements of value added

We also have audited the individual and consolidated statements of value added ("DVA") for the year ended December 31, 2013, prepared under the responsibility of the Company´s management, the presentation of which is required by the Brazilian corporate legislation for listed companies, and considered as supplementary information for IFRS that does not require the presentation of DVA. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Financial statements for the year ended December 31, 2011 audited by other auditors

The audit of the financial statements for the year ended December 31, 2011, prepared originally before of the adjustments described in Note 2.1.4, was conducted under the responsibility of other auditors, who issued a report dated February 25, 2012, without qualification. As part of our audit of the financial statements of 2013, we also audited the adjustments described in Note 2.1.4 which were made to change the balance sheet as at January 1, 2012 (open balance). In our opinion, these adjustments are appropriate and were properly made. We were not engaged to audit, review, or apply any other procedures to the financial statements of the Company relating to 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 financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, February 13, 2014

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Francisco Antonio Maldonado Sant'Anna
Engagement Partner

EXECUTIVE BOARD

Jayme Brasil Garfinkel	President
Marco Ambrogio Crespi Bonomi	Vice President
Casimiro Blanco Gomez	Board member
Pedro Luiz Cerize	Independente Director
Fernando Kasinski Lottenberg	Independente Director
Jorge Diamant Schulhof	Board member
Caio Ibrahim David	Board member

EXECUTIVE BOARD

Rosa Garfinkel	Honorary President
Fábio Luchetti	Chief Executive Officer
Luiz Alberto Pomarole	Managing Director
Marcelo Barroso Picanço	Chief Financial Officer and Investor Relations Executive Officer
Lene Araújo de Lima	Chief Legal Officer

Celso Damadi
Accountant - CRC 1SP197919/O-2