
Porto Seguro S.A.

***Parent company and consolidated
financial statements at
December 31, 2020
and independent auditor's report***



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Company Information / Capital Composition

Quantity of shares (thousand)	Current quarter 12/31/2020
Paid-in capital	
Common	323,293
Preferred	-
Total	323,293
Held in treasury	
Common	3,369
Preferred	-
Total - in treasury	3,369

Individual Financial Statements/Balance Sheet - Assets

(In thousand of Brazilian reais)

Code of account	Account description	Current year 12/31/2020	Prior year 12/31/2019
1	Total assets	9,658,260	8,894,767
1.01	Current assets	2,134,804	1,790,847
1.01.01	Cash and cash equivalents	146,714	214,389
1.01.02	Interest earning bank deposits	1,928,737	1,503,097
1.01.02.01	Interest earning bank deposits measured at fair value	1,928,737	1,503,097
1.01.02.01.03	Financial instruments at fair value through profit or loss	1,928,737	1,503,097
1.01.06	Recoverable taxes	30,403	42,288
1.01.06.01	Current taxes recoverable	30,403	42,288
1.01.06.01.01	Recoverable taxes and contributions	30,403	42,288
1.01.08	Other current assets	28,950	31,073
1.01.08.03	Other	28,950	31,073
1.01.08.03.01	Other assets	28,950	31,073
1.02	Non-current assets	7,523,456	7,103,920
1.02.01	Long term assets	144	176
1.02.01.10	Other non-current assets	144	176
1.02.01.10.03	Other assets	144	176
1.02.02	Investments	7,522,734	7,103,744
1.02.02.01	Equity interest	7,429,730	7,016,453
1.02.02.01.02	Interest in subsidiaries	7,429,730	7,016,453
1.02.02.02	Investment properties	93,004	87,291
1.02.02.02.01	Investment real estate properties	93,004	87,291
1.02.03	Fixed assets	578	-
1.02.03.01	Fixed assets in operation	578	-

Individual Financial Statements/Balance Sheet - Liabilities

(In thousand of Brazilian reais)

Code of account	Account description	Current year 12/31/2020	Prior year 12/31/2019
2	Total liabilities	9,658,260	8,894,767
2.01	Current liabilities	423,091	351,906
2.01.03	Tax obligations	2,399	1,950
2.01.03.01	Federal tax obligations	2,399	1,950
2.01.03.01.02	Taxes and contributions payable	2,399	1,950
2.01.05	Other obligations	420,692	349,956
2.01.05.02	Other	420,692	349,956
2.01.05.02.01	Dividends and interest on own capital payable	398,739	322,669
2.01.05.02.04	Other liabilities	21,810	26,481
2.01.05.02.05	Derivative financial instruments	143	806
2.02	Non-current liabilities	268,167	273,216
2.02.03	Deferred taxes	268,167	273,216
2.02.03.01	Deferred income and social contribution taxes	268,167	273,216
2.03	Shareholders' equity	8,967,002	8,269,645
2.03.01	Realized capital	4,500,000	4,000,000
2.03.04	Profit reserves	4,372,248	4,135,163
2.03.04.08	Additional dividend proposed	443,298	361,418
2.03.04.09	Shares for maintaining in treasury	-160,061	-19,788
2.03.04.10	Profit reserves	4,089,011	3,793,533
2.03.08	Other comprehensive income	94,754	134,482

Individual Financial Statements/ Statement of Income

(In thousand of Brazilian reais)

Code of account	Account description	Accumulated of the Current Year 01/01/2020–12/31/2020	Accumulated of the Prior Year 01/01/2019–12/31/2019
3.04	Operating expenses/income	1,600,455	1,186,481
3.04.02	General and administrative expenses	-41,716	-52,068
3.04.02.01	Administrative expenses	-18,594	-25,171
3.04.02.02	Tax expenses	-23,122	-26,897
3.04.04	Other operating income	6,291	1,675
3.04.05	Other operating expenses	-12,621	-11,526
3.04.06	Equity in net income of subsidiaries	1,648,501	1,248,400
3.04.06.01	Equity in net income of subsidiaries	1,648,501	1,248,400
3.05	Income (loss) before financial income (loss) and taxes	1,600,455	1,186,481
3.06	Financial income	82,687	187,553
3.06.01	Financial income	274,116	218,656
3.06.02	Financial expenses	-191,429	-31,103
3.07	Income (loss) before income tax	1,683,142	1,374,034
3.08	Income and social contribution taxes	5,049	5,049
3.08.02	Deferred	5,049	5,049
3.09	Net income (loss) of continued operations	1,688,191	1,379,083
3.11	Income/loss for the period	1,688,191	1,379,083
3.99.01	Basic earning per share		
3.99.01.01	Basic earning per share	5.23992	4.26851
3.99.02	Diluted earnings per share		
3.99.02.01	Diluted earnings per share	5.23992	4.26851

Individual Financial Statements/Statement of Comprehensive Income

(In thousand of Brazilian reais)

Code of account	Account description	Accumulated of the Current Year 01/01/2020–12/31/2020	Accumulated of the Prior Year 01/01/2019–12/31/2019
4.01	Net income for the period	1,688,191	1,379,083
4.02	Other comprehensive income	-39,728	43,626
4.02.01	Adjustments to securities in subsidiaries	-85,200	73,680
4.02.02	Tax effects over adjustments to securities	34,080	-29,472
4.02.03	Accumulated translation adjustments	2,205	-3,284
4.02.05	Other equity valuation adjustments	9,187	2,702
4.03	Comprehensive income for the period	1,648,463	1,422,709

Individual Financial Statement/Statement of Cash Flows - Indirect Method

(In thousand of Brazilian reais)

Code of account	Account description	Accumulated of the current year 01/01/2020–12/31/2020	Accumulated of the prior year 01/01/2019–12/31/2019
6.01	Net cash from operating activities	-405,228	190,894
6.01.01	Cash generated in operations	52,312	143,305
6.01.01.01	Net income for the period	1,688,191	1,379,083
6.01.01.02	Amortizations	12,622	12,622
6.01.01.03	Equity in net income of subsidiaries	-1,648,501	-1,248,400
6.01.02	Changes in assets and liabilities	-457,329	59,232
6.01.02.01	Financial instruments at fair value through profit or loss	-425,640	-13,807
6.01.02.03	Recoverable taxes and contributions	11,885	2,220
6.01.02.06	Derivative financial instruments	-663	1,539
6.01.02.07	Taxes and contributions payable	-4,136	-8,060
6.01.02.08	Deferred income and social contribution taxes	660	13,029
6.01.02.09	Provisions	-5,049	-5,049
6.01.02.11	Other liabilities	-34,386	69,360
6.01.03	Other	-211	-11,643
6.01.03.01	Income and social contribution taxes paid	-211	-11,643
6.02	Net cash used in investment activities	1,168,264	582,795
6.02.02	Dividends and interest on own capital received	1,275,824	508,803
6.02.03	Capital increase (decrease) - subsidiaries	-107,560	73,992
6.03	Net cash from financing activities	-830,711	-675,098
6.03.01	Treasury shares	-141,196	-19,788
6.03.03	Dividends and interest on own capital paid	-689,515	-655,310
6.05	Increase (decrease) in cash and cash equivalents	-67,675	98,591
6.05.01	Opening balance of cash and cash equivalents	214,389	115,798
6.05.02	Closing balance of cash and cash equivalents	146,714	214,389

Individual Financial Statements/Statement of Changes in Equity - 01/01/2020 to 12/31/2020

(In thousand of Brazilian reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	4,000,000	-19,788	4,154,951	-	134,482	8,269,645
5.03	Adjusted opening balances	4,000,000	-19,788	4,154,951	-	134,482	8,269,645
5.04	Capital transactions with partners	500,000	-140,273	-412,737	-898,096	-	-951,106
5.04.01	Capital increase	500,000	-	-500,000	-	-	-
5.04.04	Shares in treasury	-	-141,196	-	-	-	-141,196
5.04.08	Share payment recognized	-	-	6,306	-	-	6,306
5.04.09	Payment of intermediary dividends	-	-	-361,418	-	-	-361,418
5.04.10	Shares canceled, granted, or loss of right	-	923	-923	-	-	-
5.04.11	Minimum mandatory dividends/interest on own capital proposed	-	-	-	-454,798	-	-454,798
5.04.12	Additional dividend	-	-	443,298	-	-	-
5.05	Total comprehensive income	-	-	-	1,688,191	-39,728	1,648,463
5.05.01	Net income for the period	-	-	-	1,688,191	-	1,688,191
5.05.02	Other comprehensive income	-	-	-	-	-39,728	-39,728
5.05.02.01	Financial instrument adjustments	-	-	-	-	-51,120	-51,120
5.05.02.04	Conversion Adjustments	-	-	-	-	2,205	2,205
5.05.02.06	Additional dividend/interest on own capital proposed	-	-	-	-	9,187	9,187
5.06	Internal changes in shareholders' equity	-	-	790,095	-790,095	-	-
5.06.04	Legal reserve	-	-	84,410	-84,410	-	-
5.06.05	Statutory reserve	-	-	705,685	-705,685	-	-
5.07	Closing balances	4,500,000	-160,061	4,532,309	-	94,754	8,967,002

Individual Financial Statements/Statement of Changes in Equity - 01/01/2019 to 12/31/2019

(In thousand of Brazilian reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	4,000,000	-	3,552,388	-	90,856	7,643,244
5.03	Adjusted opening balances	4,000,000	-	3,552,388	-	90,856	7,643,244
5.04	Capital transactions with partners	-	-19,788	-22,136	-754,384	-	-796,308
5.04.04	Shares in treasury	-	-20,154	-	-	-	-20,154
5.04.08	Share payment recognized	-	-	2,297	-	-	2,297
5.04.09	Additional dividend/interest on own capital proposed	-	-	-343,055	-	-	-343,055
5.04.10	Shares canceled, granted, or loss of right	-	366	-366	-	-	-
5.04.11	Additional dividend/interest on own capital proposed	-	-	361,418	-361,418	-	-
5.04.12	Accounting policy adjustment - Porto Consórcio commissior	-	-	18,041	-	-	18,041
5.04.13	Initial adoption - IFRS 16 and IFRC 23	-	-	-60,471	-	-	-60,471
5.04.14	Minimum mandatory dividends/interest on own capital proposed	-	-	-	-392,966	-	-392,966
5.05	Total comprehensive income	-	-	-	1,379,083	43,626	1,422,709
5.05.01	Net income for the period	-	-	-	1,379,083	-	1,379,083
5.05.02	Other comprehensive income	-	-	-	-	43,626	43,626
5.05.02.01	Financial instrument adjustments	-	-	-	-	44,208	44,208
5.05.02.04	Conversion Adjustments	-	-	-	-	-3,284	-3,284
5.05.02.06	Additional dividend/interest on own capital proposed	-	-	-	-	2,702	2,702
5.06	Internal changes in shareholders' equity	-	-	624,699	-624,699	-	-
5.06.04	Legal reserve	-	-	68,954	-68,954	-	-
5.06.05	Statutory reserve	-	-	555,745	-555,745	-	-
5.07	Closing balances	4,000,000	-19,788	4,154,951	-	134,482	8,269,645

Individual Financial Statements/Statement of Value Added

(In thousand of Brazilian reais)

Code of account	Account description	Accumulated of the current year	Accumulated of the prior year
		01/01/2020–12/31/2020	01/01/2019–12/31/2019
7.01	Income	6,291	1,675
7.01.02	Others Income	6,291	1,675
7.02	Inputs acquired from third parties	-3,329	-1,275
7.02.02	Materials, Energy, outsourced services and other	-2,030	670
7.02.03	Loss of assets	-	-1,010
7.02.04	Other	-1,299	-935
7.03	Gross added value	2,962	400
7.04	Retentions	-12,622	-12,622
7.04.01	Depreciation, amortization and depletion	-12,622	-12,622
7.05	Net added value produced	-9,660	-12,222
7.06	Added value received as transfer	1,733,195	1,440,476
7.06.01	Equity in net income of subsidiaries	1,648,501	1,248,400
7.06.02	Financial income	274,116	218,656
7.06.03	Other	-189,422	-26,580
7.07	Total added value payable	1,723,535	1,428,254
7.08	Distribution of added value	1,723,535	1,428,254
7.08.01	Personnel	14,460	22,250
7.08.01.01	Direct remuneration	3,906	2,750
7.08.01.02	Benefits	10,554	19,500
7.08.02	Taxes, rates and contributions	18,877	22,399
7.08.02.01	Federal	18,877	22,399
7.08.03	Third-party capital remuneration	2,007	4,522
7.08.03.01	Interest	2,007	4,522
7.08.04	Remuneration of own capital	1,688,191	1,379,083
7.08.04.01	Interest on own capital	372,382	436,638
7.08.04.02	Dividends	525,714	317,745
7.08.04.03	Retained earnings / Loss for the period	790,095	624,700

Consolidated Financial Statements/Balance Sheet – Assets

(In thousand of Brazilian reais)

Code of account	Account description	Current year 12/31/2020	Prior year 12/31/2019
1	Total assets	36,730,202	32,711,299
1.01	Current assets	25,135,042	22,783,780
1.01.01	Cash and cash equivalents	915,881	893,263
1.01.02	Interest earning bank deposits	9,564,448	9,304,762
1.01.02.01	Interest earning bank deposits measured at fair value	9,564,448	8,619,251
1.01.02.01.03	Financial instruments at fair value through profit or loss	9,564,448	8,619,251
1.01.02.02	Financial instruments at fair value through other comprehensive income	-	685,511
1.01.03	Accounts receivable	11,871,223	9,958,521
1.01.03.01	Clients	11,871,223	9,958,521
1.01.03.01.01	Premiums receivable from policyholders	4,608,343	3,994,251
1.01.03.01.02	Loans and financing	7,192,576	5,900,861
1.01.03.01.04	Service receivables	70,304	63,409
1.01.06	Recoverable taxes	130,025	155,308
1.01.06.01	Current taxes recoverable	130,025	155,308
1.01.06.01.01	Recoverable taxes and contributions	130,025	155,308
1.01.08	Other current assets	2,653,465	2,471,926
1.01.08.03	Other	2,653,465	2,471,926
1.01.08.03.01	Non-financial assets held for sale	107,899	178,690
1.01.08.03.02	Deferred acquisition costs	1,924,421	1,815,191
1.01.08.03.03	Other assets	441,381	356,155
1.01.08.03.04	Derivative financial instruments	-	7,440
1.01.08.03.05	Reinsurance assets	179,764	114,450
1.02	Non-current assets	11,595,160	9,927,519
1.02.01	Long term assets	7,545,116	6,074,990
1.02.01.01	Interest earning bank deposits measured at fair value	1,587	1,552
1.02.01.01.01	Trading securities	1,587	1,552
1.02.01.02	Financial instruments at fair value through other comprehensive income	4,472,292	2,120,610
1.02.01.02.04	Financial instruments at fair value through other comprehensive income	4,472,292	2,120,610
1.02.01.03	Financial investments measured at amortized cost	1,168,205	2,514,697
1.02.01.03.01	Financial investments measured at amortized cost	1,168,205	2,514,697
1.02.01.04	Accounts receivable	1,128,617	685,064
1.02.01.04.01	Loans and financing	976,168	680,789
1.02.01.04.02	Premiums receivable from policyholders	152,449	4,275
1.02.01.07	Deferred taxes	333,053	264,930
1.02.01.07.01	Deferred income and social contribution taxes	333,053	264,930
1.02.01.10	Other non-current assets	441,362	488,137
1.02.01.10.03	Reinsurance assets	6,718	4,027
1.02.01.10.04	Deferred acquisition costs	73,837	47,625
1.02.01.10.05	Recoverable taxes and contributions	2,295	2,281
1.02.01.10.06	Other assets	358,512	434,204
1.02.02	Investments	139,695	132,478
1.02.02.02	Investment property	139,695	132,478
1.02.03	Property, plant and equipment	1,754,226	1,683,403
1.02.03.01	Fixed assets in operation	1,650,505	1,564,446
1.02.03.02	Assets from a lease	103,721	118,957
1.02.04	Intangibles	2,156,123	2,036,648

Consolidated Financial Statements/Balance Sheet - Liabilities

(In thousand of Brazilian reais)

Code of account	Account description	Current year 12/31/2020	Prior year 12/31/2019
2	Total liabilities	36,730,202	32,711,299
2.01	Current liabilities	20,806,607	18,000,704
2.01.03	Tax obligations	536,800	543,892
2.01.03.01	Federal tax obligations	536,800	543,892
2.01.03.01.02	Taxes and contributions payable	536,800	543,892
2.01.05	Other obligations	20,269,807	17,456,812
2.01.05.02	Other	20,269,807	17,456,812
2.01.05.02.01	Dividends and interest on own capital payable	406,111	328,555
2.01.05.02.04	Insurance contract liabilities	9,568,600	9,058,721
2.01.05.02.05	Debts from insurance and reinsurance operations	502,154	398,365
2.01.05.02.06	Financial liabilities	8,915,922	6,861,875
2.01.05.02.07	Derivative financial instruments	143	4,072
2.01.05.02.08	Other liabilities	856,650	785,271
2.01.05.02.09	liabilities from a lease	20,227	19,953
2.02	Non-current liabilities	6,956,465	6,440,811
2.02.02	Other obligations	6,557,002	6,004,465
2.02.02.02	Other	6,557,002	6,004,465
2.02.02.02.03	Insurance contract liabilities	6,110,483	5,577,061
2.02.02.02.04	Other liabilities	262,484	238,716
2.02.02.02.06	Derivative financial instruments	68,696	64,543
2.02.02.02.07	liabilities from a lease	115,339	124,145
2.02.03	Deferred taxes	284,526	292,139
2.02.03.01	Deferred income and social contribution taxes	284,526	292,139
2.02.04	Provisions	114,937	144,207
2.02.04.01	Tax, social security, labor and civil provisions	114,937	144,207
2.02.04.01.01	Tax provisions	75,950	111,772
2.02.04.01.02	Social security and labor provisions	17,086	11,470
2.02.04.01.04	Civil provisions	21,901	20,965
2.03	Consolidated shareholders' equity	8,967,130	8,269,784
2.03.01	Realized capital	4,500,000	4,000,000
2.03.04	Profit reserves	4,372,248	4,135,163
2.03.04.08	Additional dividend proposed	443,298	361,418
2.03.04.09	Shares for maintaining in treasury	-160,061	-19,788
2.03.04.10	Reserves	4,089,011	3,793,533
2.03.08	Other comprehensive income	94,754	134,482
2.03.09	Interest of non-controlling shareholders	128	139

Consolidated Financial Statements/Income Statement

(In thousand of Brazilian reais)

Code of account	Account description	Accumulated of the Current Year	Accumulated of the Prior Year
		01/01/2020–12/31/2020	01/01/2019–12/31/2019
3.01	Income from sales of goods and/or services	18,619,960	18,076,916
3.01.01	Insurance premiums issued and net considerations	15,804,951	15,470,367
3.01.02	(-) Premiums - reinsurance ceded	-159,532	-114,540
3.01.03	Income from loans	1,638,920	1,472,651
3.01.04	Income from services rendered	1,134,405	1,029,215
3.01.05	Contributions to pension plan	151,358	173,492
3.01.06	Income from special savings bonds	49,858	45,731
3.03	Gross income (loss)	18,619,960	18,076,916
3.04	Operating expenses/income	-16,935,804	-17,088,962
3.04.02	General and administrative expenses	-3,794,589	-3,652,025
3.04.02.01	Administrative expenses	-3,158,869	-3,083,146
3.04.02.02	Tax expenses	-635,720	-568,879
3.04.04	Other operating income	186,963	185,108
3.04.04.01	Other operating income	186,963	185,108
3.04.05	Other operating expenses	-13,328,178	-13,622,045
3.04.05.01	Changes in technical reserves - insurance	-670,142	-449,145
3.04.05.02	Changes in technical reserves - pension	-115,700	-189,863
3.04.05.03	Retained claims - Gross	-8,221,391	-9,113,123
3.04.05.04	Private pension plan benefits	-13,110	-28,142
3.04.05.05	Recovery of reinsurance	137,204	54,981
3.04.05.06	Recovery of salvage and reimbursements	976,035	1,160,918
3.04.05.07	Acquisition cost - insurance	-3,475,487	-3,347,224
3.04.05.08	Acquisition costs - other	-276,194	-179,572
3.04.05.09	Cost of services rendered	-168,365	-197,658
3.04.05.10	Other operating expenses	-1,501,028	-1,333,217
3.05	Income (loss) before financial income (loss) and taxes	1,684,156	987,954
3.06	Financial income	921,072	1,039,102
3.06.01	Financial income	1,899,844	1,739,309
3.06.02	Financial expenses	-978,772	-700,207
3.07	Income (loss) before income tax	2,605,228	2,027,056
3.08	Income and social contribution taxes	-917,012	-647,947
3.08.01	Current	-992,748	-622,218
3.08.02	Deferred	75,736	-25,729
3.09	Net income (loss) of continued operations	1,688,216	1,379,109
3.11	Consolidated income (loss) for the period	1,688,216	1,379,109
3.11.01	Attributed to the Parent company's partners	1,688,191	1,379,083
3.11.02	Attributed to non-controlling partners	25	26
3.99.01.01	Common shares	5.23999	4.26859
3.99.02.01	Common shares	5.23999	4.26859

Consolidated Financial Statements/Statement of Comprehensive Income

(In thousand of Brazilian reais)

Code of account	Account description	Accumulated of the Current Year 01/01/2020–12/31/2020	Accumulated of the Prior Year 01/01/2019–12/31/2019
4.01	Consolidated net income for the period	1,688,216	1,379,109
4.02	Other comprehensive income	-39,728	43,626
4.02.01	Adjustments of securities	-85,200	73,680
4.02.02	Tax effects over adjustments to securities	34,080	-29,472
4.02.03	Accumulated translation adjustments	2,205	-3,284
4.02.05	Other equity valuation adjustments	9,187	2,702
4.03	Consolidated comprehensive income for the period	1,648,488	1,422,735
4.03.01	Attributed to the Parent company's partners	1,648,463	1,422,709
4.03.02	Attributed to non-controlling partners	25	26

Consolidated Financial Statement/Statement of Cash Flows - Indirect Method

(In thousand of Brazilian reais)

Code of account	Account description	Accumulated of the current year	Accumulated of the prior year
		01/01/2020–12/31/2020	01/01/2019–12/31/2019
6.01	Net cash from operating activities	1,438,758	1,233,451
6.01.01	Cash generated in operations	1,931,245	1,628,298
6.01.01.01	Net income for the period	1,688,216	1,379,109
6.01.01.03	Depreciations	103,367	119,327
6.01.01.04	Amortizations	124,519	118,032
6.01.01.05	Income (loss) from the sale of property, plant and equipment	15,143	11,830
6.01.02	Changes in assets and liabilities	209,823	50,612
6.01.02.01	Financial instruments at fair value through profit or loss	-945,232	1,426,097
6.01.02.02	Financial instruments – other categories	-319,679	-1,471,516
6.01.02.03	Premiums receivable from insured parties	-762,266	-368,680
6.01.02.04	Loan operations	-1,587,094	-1,068,277
6.01.02.06	Reinsurance assets	-68,005	-13,739
6.01.02.07	Deferred income tax and social contribution	-75,736	25,729
6.01.02.08	Recoverable taxes and contributions	25,310	1,989
6.01.02.09	Lease transactions	6,704	25,141
6.01.02.10	Goods for sale	70,791	-5,798
6.01.02.11	Other assets	-14,701	-169,841
6.01.02.12	Deferred acquisition costs	-135,442	-182,085
6.01.02.13	Insurance contract liabilities	1,043,301	233,140
6.01.02.14	Debts from operations with insurance and reinsurance	103,789	47,012
6.01.02.15	Financial liabilities	2,214,681	1,066,974
6.01.02.16	Derivative financial instruments	13,630	932
6.01.02.17	Taxes and contributions payable	655,411	576,123
6.01.02.18	Provisions	-29,270	56,815
6.01.02.19	Other liabilities	13,631	-129,404
6.01.03	Other	-702,310	-445,459
6.01.03.01	Financial instrument adjustments	-39,729	43,626
6.01.03.02	Non-controlling interest	-36	-364
6.01.03.04	Income and social contribution taxes paid	-662,545	-488,721
6.02	Net cash used in investment activities	-448,563	-316,032
6.02.01	Disposal of property, plant and equipment	191,396	147,236
6.02.02	Acquisition of property, plant and equipment	-369,737	-282,736
6.02.04	Acquisition of intangible assets	-270,222	-180,532
6.03	Net cash from financing activities	-967,577	-793,628
6.03.01	Treasury shares	-141,196	-19,788
6.03.04	Funding interest paid	-136,866	-118,530
6.03.05	Dividends and interest on own capital paid	-689,515	-655,310
6.05	Increase (decrease) in cash and cash equivalents	22,618	123,791
6.05.01	Opening balance of cash and cash equivalents	893,263	769,472
6.05.02	Closing balance of cash and cash equivalents	915,881	893,263

Consolidated Financial Statements/Statement of Changes in Equity - 01/01/2020 to 12/31/2020

(In thousand of Brazilian reais)

Code of account	Account description	Capital reserves, Options granted and Treasury				Other comprehensive		Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
		Paid-up capital	shares	Profit reserves	Retained earnings (loss)	income				
5.01	Opening balances	4,000,000	-19,788	4,154,951	-	134,482	8,269,645	139	8,269,784	
5.03	Adjusted opening balances	4,000,000	-19,788	4,154,951	-	134,482	8,269,645	139	8,269,784	
5.04	Capital transactions with partners	500,000	-140,273	-412,737	-898,096	-	-951,106	-36	-951,142	
5.04.01	Capital increase	500,000	-	-500,000	-	-	-	-	-	
5.04.04	Shares in treasury	-	-141,196	-	-	-	-141,196	-	-141,196	
5.04.08	Share payment recognized	-	-	6,306	-	-	6,306	-	6,306	
5.04.09	Payment of intermediary dividends	-	-	-361,418	-	-	-361,418	-	-361,418	
5.04.10	Shares canceled, granted, or loss of right	-	923	-923	-	-	-	-	-	
5.04.11	Additional dividend	-	-	443,298	-443,298	-	-	-	-	
5.04.13	Minimum mandatory dividends/interest on own capital proposed	-	-	-	-454,798	-	-454,798	-	-454,798	
5.04.14	Reduction of non-controlling interests in subsidiaries	-	-	-	-	-	-	-36	-36	
5.05	Total comprehensive income	-	-	-	1,688,191	-39,728	1,648,463	25	1,648,488	
5.05.01	Net income for the period	-	-	-	1,688,191	-	1,688,191	25	1,688,216	
5.05.02	Other comprehensive income	-	-	-	-	-39,728	-39,728	-	-39,728	
5.05.02.01	Financial instrument adjustments	-	-	-	-	-51,120	-51,120	-	-51,120	
5.05.02.04	Conversion Adjustments	-	-	-	-	2,205	2,205	-	2,205	
5.05.02.06	Additional dividend/interest on own capital proposed	-	-	-	-	9,187	9,187	-	9,187	
5.06	Internal changes in shareholders' equity	-	-	790,095	-790,095	-	-	-	-	
5.06.04	Legal reserve	-	-	84,410	-84,410	-	-	-	-	
5.06.05	Statutory reserve	-	-	705,685	-705,685	-	-	-	-	
5.07	Closing balances	4,500,000	-160,061	4,532,309	-	94,754	8,967,002	128	8,967,130	

Consolidated Financial Statements/Statement of Changes in Equity - 01/01/2019 to 12/31/2019

(In thousand of Brazilian reais)

Code of account	Account description	Capital reserves, Options granted and Treasury				Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
		Paid-up capital	shares	Profit reserves	Retained earnings (loss)				
5.01	Opening balances	4,000,000	-	3,552,388	-	90,856	7,643,244	477	7,643,721
5.03	Adjusted opening balances	4,000,000	-	3,552,388	-	90,856	7,643,244	477	7,643,721
5.04	Capital transactions with partners	-	-19,788	-22,136	-754,384	-	-796,308	-364	-796,672
5.04.04	Shares in treasury	-	-20,154	-	-	-	-20,154	-	-20,154
5.04.08	Share payment recognized	-	-	2,297	-	-	2,297	-	2,297
5.04.09	Payment of intermediary dividends	-	-	-343,055	-	-	-343,055	-	-343,055
5.04.10	Shares canceled, granted, or loss of right	-	366	-366	-	-	-	-	-
5.04.11	Additional dividend/interest on own capital proposed	-	-	361,418	-361,418	-	-	-	-
5.04.12	Accounting policy adjustment - Porto Consórcio commission	-	-	18,041	-	-	18,041	-	18,041
5.04.13	Initial adoption - IFRS 16 and IFRS 23	-	-	-60,471	-	-	-60,471	-	-60,471
5.04.14	Minimum mandatory dividends/interest on own capital proposed	-	-	-	-392,966	-	-392,966	-	-392,966
5.04.15	Reduction of non-controlling interests in subsidiaries	-	-	-	-	-	-	-364	-364
5.05	Total comprehensive income	-	-	-	1,379,083	43,626	1,422,709	26	1,422,735
5.05.01	Net income for the period	-	-	-	1,379,083	-	1,379,083	26	1,379,109
5.05.02	Other comprehensive income	-	-	-	-	43,626	43,626	0	43,626
5.05.02.01	Financial instrument adjustments	-	-	-	-	44,208	44,208	-	44,208
5.05.02.04	Conversion Adjustments	-	-	-	-	-3,284	-3,284	-	-3,284
5.05.02.06	Additional dividend/interest on own capital proposed	-	-	-	-	2,702	2,702	-	2,702
5.06	Internal changes in shareholders' equity	-	-	624,699	-624,699	-	-	-	-
5.06.04	Legal reserve	-	-	68,954	-68,954	-	-	-	-
5.06.05	Statutory reserve	-	-	555,745	-555,745	-	-	-	-
5.07	Closing balances	4,000,000	-19,788	4,154,951	-	134,482	8,269,645	139	8,269,784

Consolidated Financial Statements/Statement of Value Added

(In thousand of Brazilian reais)

Code of account	Account description	Accumulated of the current year 01/01/2020–12/31/2020	Accumulated of the prior year 01/01/2019–12/31/2019
7.01	Income	10,912,179	9,893,351
7.01.02	Other income	11,067,931	9,931,265
7.01.02.01	Insurance operations	15,804,951	15,470,367
7.01.02.02	Loan operations	1,638,920	1,472,651
7.01.02.03	Rendering of services	1,186,119	1,078,030
7.01.02.04	Income from pension operations	151,358	173,492
7.01.02.07	Changes in technical reserves - insurance	-670,142	-449,145
7.01.02.08	Changes in technical reserves - pension	-115,700	-189,863
7.01.02.09	Retained claims	-7,108,152	-7,897,224
7.01.02.10	Expenses with benefits	-13,110	-28,142
7.01.02.11	Provision for impairment (salvage)	-16,986	4,354
7.01.02.12	Other	210,673	296,745
7.01.04	Formation/reversal of allowance for doubtful accounts	-155,752	-37,914
7.02	Inputs acquired from third parties	-6,428,118	-6,257,628
7.02.01	Cost of products, goods and services sold	-168,365	-197,658
7.02.02	Materials, Energy, outsourced services and other	-1,590,156	-1,896,959
7.02.03	Loss/recovery of asset values	2,621	5,997
7.02.04	Other	-4,672,218	-4,169,008
7.02.04.01	Outsourced services, net commissions	-4,761,129	-4,236,728
7.02.04.02	Change in deferred acquisition costs	88,911	67,720
7.03	Gross added value	4,484,061	3,635,723
7.04	Retentions	-227,886	-237,359
7.04.01	Depreciation, amortization and depletion	-227,886	-237,359
7.05	Net added value produced	4,256,175	3,398,364
7.06	Added value received as transfer	937,270	1,136,787
7.06.02	Financial income	1,899,844	1,739,309
7.06.03	Other	-962,574	-602,522
7.06.03.01	Financial expense	-962,574	-602,522
7.07	Total added value payable	5,193,445	4,535,151
7.08	Distribution of added value	5,193,445	4,535,151
7.08.01	Personnel	1,668,274	1,617,835
7.08.01.01	Direct remuneration	978,712	938,048
7.08.01.02	Benefits	621,473	614,250
7.08.01.03	Severance Pay Fund (FGTS)	68,089	65,537
7.08.02	Taxes, rates and contributions	1,829,090	1,498,037
7.08.02.01	Federal	1,758,160	1,429,078
7.08.02.02	State	665	4,492
7.08.02.03	Municipal	70,265	64,467
7.08.03	Third-party capital remuneration	7,865	40,170
7.08.03.01	Interest	13,743	59,345
7.08.03.02	Rents	-5,878	-19,175
7.08.04	Remuneration of own capital	1,688,216	1,379,109
7.08.04.01	Interest on own capital	372,382	436,638
7.08.04.02	Dividends	525,714	317,745
7.08.04.03	Retained earnings / Loss for the period	790,095	624,700
7.08.04.04	Non-controlling interest in retained earnings	25	26



Dear shareholders and other stakeholders,

We are pleased to submit to you the Management Report of Porto Seguro S.A. and its subsidiaries and the related Financial Statements, including the Independent Auditor's Report, for the year ended December 31, 2020.

Message from Management

In 2020, Porto Seguro demonstrated the strength of its operations once again, with increased revenues and double-digit growth in net income, despite the impacts of the Covid-19 pandemic.

Porto Seguro ends the year 2020 and enters 2021 with some dreams and challenges, the main one is "Increasingly being a Safe Harbor (*Porto Seguro* in Portuguese) for our customers", offering relevant experiences in the use of its products and services, increasing the reach of the brand, leveraging transversality and cross selling between products. There is a major growth potential in the markets in which we operate and, from now on, Porto Seguro will present its businesses grouped in four verticals: Insurance, Health, Financial Businesses and Services This new Company's vision seeks to contribute to fostering the growth of its businesses, observing the different characteristics of the markets, the growth potential of each segment and the dynamics of each of these verticals.

In the Insurance vertical, premiums remained relatively stable compared to the previous year (-0.1% vs. 2019). Auto insurance premiums dropped 1.2% in the year, due to the reduction in economic activity and the fall in risk, mainly in the second quarter, reflecting on the insurance price. However, Auto insurance resumed growth in the volume of premiums issued in the second semester of 2020, due to initiatives related to the portfolio protection and the recovery in new insurance sales, driven by the gradual resumption of economic activity and by actions taken to increase quotes and sales conversion. Therefore, the insured fleet ended the year with a growth of 0.7% compared to December 2019. Property insurance premiums, owing to an increase in demand for home insurance, increased 4.8%, while Life insurance increased 2.7%, with a more favorable performance in Individual Life insurance (+12.2% vs 2019), which has been growing two digits for over five years. On the other hand, the sharp drop in demand for travel insurance and coverage in events has restricted the expansion of consolidated Life insurance, which should normalize as the pandemic decreases.

In the Health vertical, there was an increase of 11.3% in annual sales, driven by the fourth consecutive year of double-digit growth in Corporate Health premiums. It is also worth highlighting the increase of 60,000 lives covered in the consolidated Health businesses, even in a year as challenging as 2020. The customers' journey should be transformed in the Health, Dental and Occupational areas, with a greater holistic focus on health - and a less transactional focus on treating diseases. Medical effectiveness and efficiency are fundamental for the inclusion of a larger portion of the population in the plans. Very sophisticated analytical intelligence will be key to the achievement of this goal, allowing the health care chain to be used in the best way possible.

In the consolidated of all Insurance businesses (including Health), the combined ratio reached 90.1%, accounting for a drop of 4.4 pp compared to 2019, representing the best result of Porto Seguro's historical series. This drop is mainly explained by the decrease of 5.3 pp in the loss ratio, resulting from the improvement in underwriting and risk pricing and the decrease in the circulation of vehicles, due to the social isolation measures, which resulted in the reduction of the loss ratio of the Auto insurance segment. In the Health segment, the volume of claims also decreased, mainly due to the reduction in elective procedures, mainly in the second quarter.

The insurance administrative and operational expense ratio, disregarding expenses and incentives to social programs to fight combat the impacts of the pandemic on society (including the "Meu Porto Seguro" program), improved 0.5 pp in the year (vs. 2019), representing the fifth consecutive year of improvement in this indicator.

The Financial Businesses vertical recorded an increase in revenues of 17.5% in the year, driven by the Consortium (+18.5% vs. 2019), which registered an increase in the number of quotas and an increase in the average ticket, and by the growth in Financial Risks (+49.8% vs. 2019). In Loan Operations (+8.4% vs. 2019), we highlight the expansion in the customer base: the CDC operation increased the number of contracts by 25.5% (vs. 2019), while the number of Credit Cards reached 2.5 million units (+9.7% vs. 2019), with 65% of customers using their cards every month. The Loan Operations Portfolio ended the year with a balance of R\$ 10 billion, 24.2% higher in relation to the end of 2019. Effective management of the loan portfolio and risk mitigation initiatives contributed to a reduction in default (90+ days NPL), which reached 4.4% at the end of 2020, showing an improvement of 0.2 pp compared to 2019, and reaching a favorable result even when compared to the period before the pandemic.

In the Services vertical, the Company recorded an increase of 22.7% in annual revenues, with emphasis on "Carro Fácil" (Easy Car), which grew 36.2% in the year (vs. 2019), reaching 6,500 active contracts in 2020. The service line also includes other products offering synergy with Porto Seguro's businesses and presenting attractive expansion potential, such as Porto Cuida, Health for Pet, Porto Faz and Reppara!.

The financial result decreased 11.4% in the year, mainly impacted by the drop in the basic interest rate. However, profitability of financial investments (except pension plans) surpassed the benchmark, reaching 387% of the CDI rate, mainly explained by the performance of investments in inflation-indexed securities, variable income and, to a lesser extent, in multimarket funds.

Net income with no business combination totaled R\$ 1,696 million in 2020, a growth of 22.3% in relation to prior year, resulting in a Return on Equity of 21.6% in the period, 2.3 pp higher than that recorded in 2019. As a reference, the Company's adjusted profitability excluding excess capital and considering a return of 100% of the CDI on investments would be 24.1% in 2020.

With the purpose of increasing the transparency of its businesses and expanding the reach of Environmental, Social and Corporate Governance (ESG) projects and practices, Porto Seguro expanded the communication channels and increased the details of the ESG information and initiatives carried out by Company, which are increasingly aligned with its business strategies and generate positive impacts for society and the environment, besides contributing to the creation of long-term value for all its stakeholders.



Among the main ESG initiatives carried out in 2020 are the launch of “Meu Porto Seguro” (My Porto Seguro) program, created to generate 10,000 temporary jobs for people who lost their jobs during the pandemic, offering training and qualification aimed at the return of these individuals to the labor market with better qualification and independence (by the end of 2020, 8.2 thousand jobs had already been created); the entry into operation of the country’s first electric tow trucks; the launch of the sustainable consortium for the purchase of solar energy panels for homes and businesses; the investment of R\$ 5.0 million in the WE Ventures Fund, to foster entrepreneurship in Brazil through investments in technology startups led by female teams. It is also worth highlighting the results achieved in another private social investment cycle, which resulted in R\$ 6.4 million that will benefit over 34,000 people.

Furthermore, in the face of the economic and health crisis caused by the Covid-19 pandemic, Porto Seguro carried out actions throughout 2020 with the purpose of contributing to overcome the challenges faced by society. The main highlights were as follows: the adoption of measures to protect employees, through the implementation of the remote work regime for over 95% of the staff and the public commitment to not dismiss any employee during the acute crisis period; income supplementing for service providers by advancing payment for services; the opening and expansion of specific credit facilities for brokers, salespersons around the head office facilities and customers; extension of the maturity of insurance, loans and financing installments to customers; the provision of supplies and equipment for hospital networks; the intensification of support for needy people and the donation of food to assistance entities.

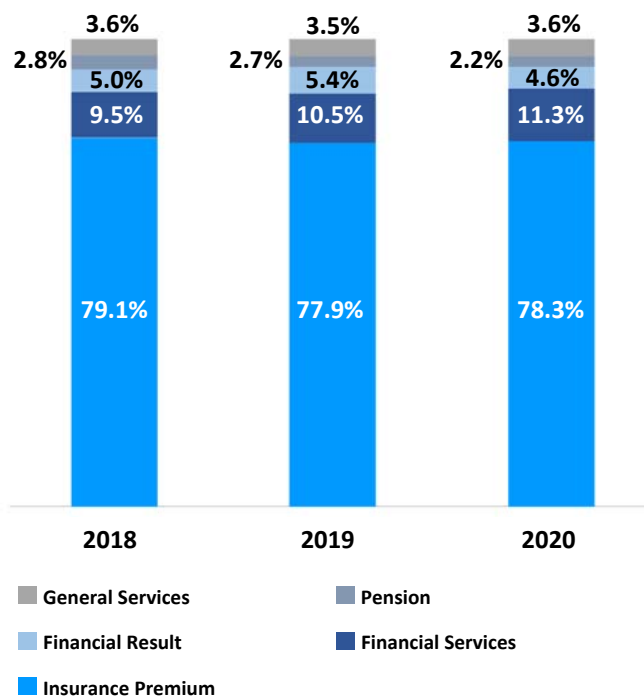
The Company remains confident in the soundness of its operations and is well positioned to remain solid in its journey of business growth and delivery of consistent results, through initiatives that will allow it to continue increasing operational efficiency gains, advancing in the digital transformation process, expanding ESG practices and continuing to improve business models to leverage several opportunities that the market offers. We also would like to thank all employees, brokers, service providers, customers, shareholders, partners, suppliers, investors and other stakeholders for their cooperation and trust.



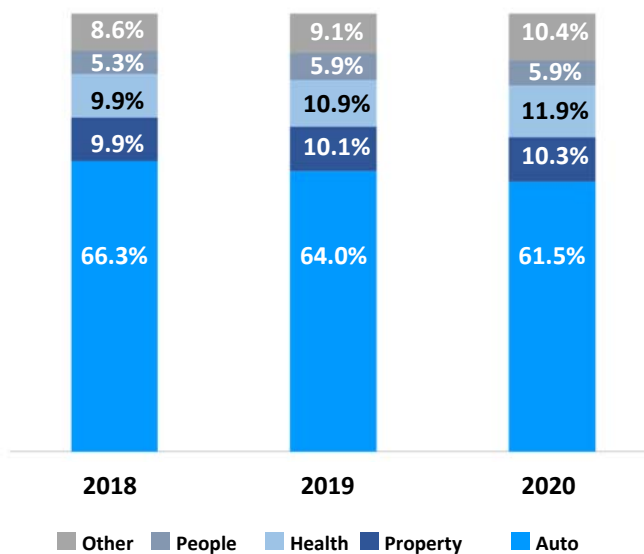
OUR PERFORMANCE

Main indicators:

Distribution of total revenue

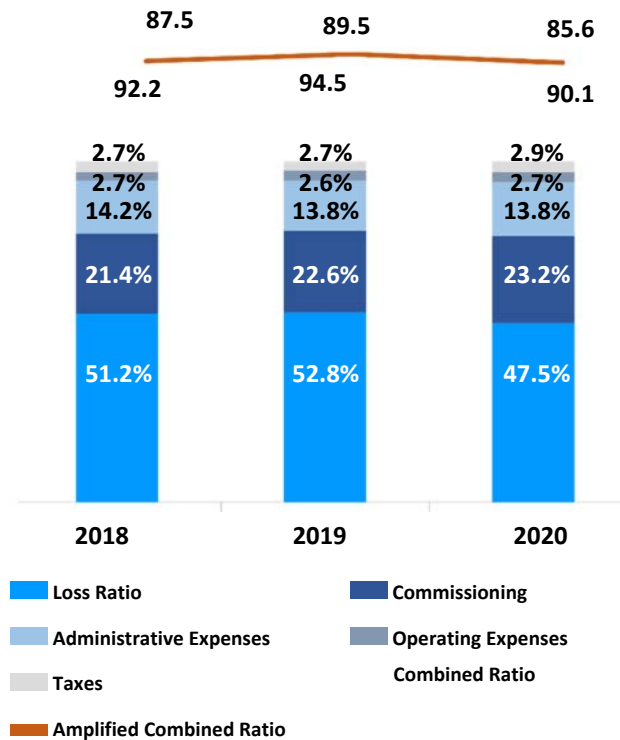


Distribution of Insurance Premiums

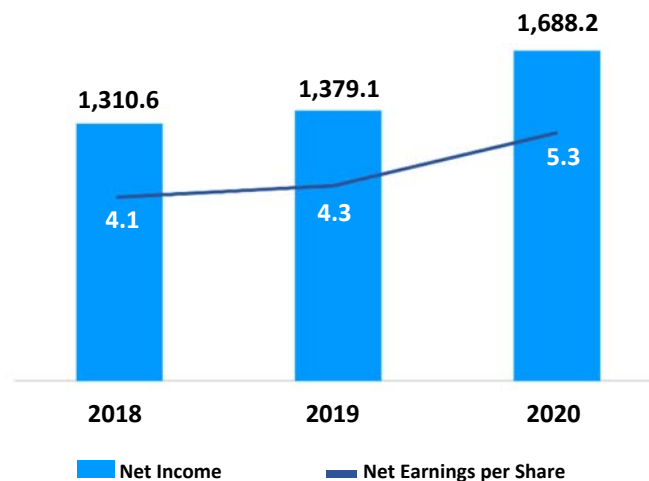




Combined Insurance Ratio %



Net Income from Business Combination





In the titles below, “2020” and “2019” refer to the balances and ratios calculated by the Company in the periods from January 1 to December 31, 2020, and from January 1 to December 31, 2019, respectively. All amounts in millions of reais, unless otherwise stated.

Details of income (loss) for the year

Operating

INSURANCE

Auto - Consolidated	2020	2019	Change %
Earned premiums	9,716.0	9,836.2	(1.2)
Loss ratio (%)	46.9	56.1	(9.2)
Insured vehicles - fleet	5,462	5,426	0.7

- Auto Insurance Segment: earned premiums in the auto insurance line totaled R\$ 9,716.0 million, a decrease of R\$ 120.2, or 1.2% in relation to the R\$ 9,836.2 million in 2019, offset by the increase of 0.7% in the number of insured vehicles, from 5,426 thousand vehicles in 2020 to 5,462 thousand vehicles in 2019.

Earned premiums - Property	2020	2019	Change %
Property – Porto Seguro	1,151.2	1,075.3	7.1
Property – Itaú	479.0	480.9	(0.4)
Total Property	1,630.2	1,556.2	4.8

Loss ratio - Property	2020	2019	Change pp
Property – Porto Seguro	37.1	31.4	5.7
Property – Itaú	25.4	29.6	(4.2)
Total Property	33.5	30.8	2.7

- The revenues from pension plan contributions and VGBL premiums totaled R\$ 439.6 million in 2020, a decrease of R\$ 72.1 million, or 14.1% in relation to the R\$ 511.7 million in 2019. The number of participants in the Vida e Previdência segment (except for Vida Prêmio) grew to 131.5 thousand in 2020, a decrease of 7.0% in relation to the 141.4 thousand participants in 2019.

- The administrative and operating expense ratio reached 16.5% in 2020 (in relation to the earned premium), remaining stable compared to the prior year. The model adopted by the Company to manage the expenses and investments made to streamline processes and systems is contributing to generate operational efficiency gains. This is part of our strategy, which aims at obtaining continuous production gains, without adversely affecting the level of services provided to customers and brokers.

HEALTH

Earned premiums - Health	2020	2019	Change %
Corporate Health	1,745.2	1,540.1	13.3
Dental Health Plan	139.4	129.1	8.0
Total Health	1,884.6	1,669.2	12.9

Loss ratio - Health	2020	2019	Change pp
Corporate Health	74.4	78.3	(3.9)
Dental Health Plan	42.1	44.3	(2.2)
Total Health	72.0	75.6	(3.6)

- It is worth highlighting the increase of 60,000 lives covered in the consolidated Health businesses, even in a year as challenging as 2020.

FINANCIAL BUSINESSES

- Revenues from loan operations totaled R\$ 1,709.3 million in 2020, an increase of R\$ 132.7 million or 8.4% over R\$ 1,576.6 million in 2019. The managed loan portfolio increased 24.2%, from R\$ 8,065.6 million in 2019 to R\$ 10,019.6 million in 2020.
- The revenues from consortium management services totaled R\$ 384.0 million in 2020, an increase of R\$ 59.9 million or 18.5% over R\$ 324.1 million in 2019. The number of managed consortium quotas increased 10.5%, from 152 thousand in 2019 to 168 thousand in 2020.

SERVICES

- Carro Fácil (Easy Car) is the main highlight, growing 36.1% in the year and reaching over 7 thousand active contracts in 2020. The service recurring revenues also includes other products offering synergy with Porto Seguro's businesses and presenting attractive expansion potential, such as Health for Pet, Porto Faz and Reppara.

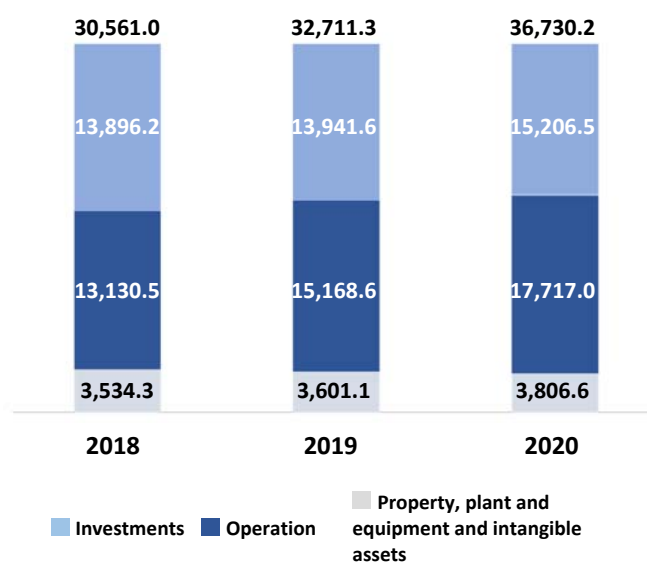
Financial income (loss)

Financial income	2020	2019	Change %
Financial income (loss) – insurance	779.3	823.5	(5.4)
Financial income (loss) – other businesses	141.8	216.3	(34.4)
Total financial income (loss)	921.1	1,039.8	(11.4)

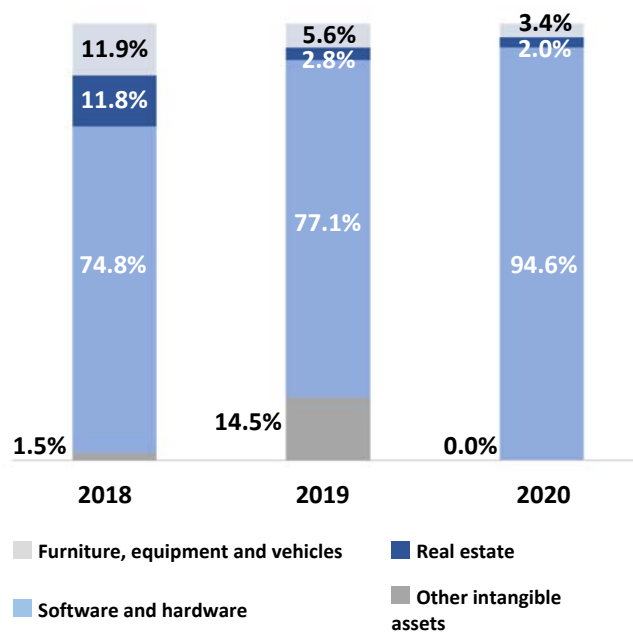
- The financial result decreased 11.4% in the year, mainly impacted by the drop in the basic interest rate. However, profitability of financial investments surpassed the benchmark, reaching 412% of the CDI rate, mainly explained by the performance of investments in inflation-indexed securities and variable income.

Equity Positions

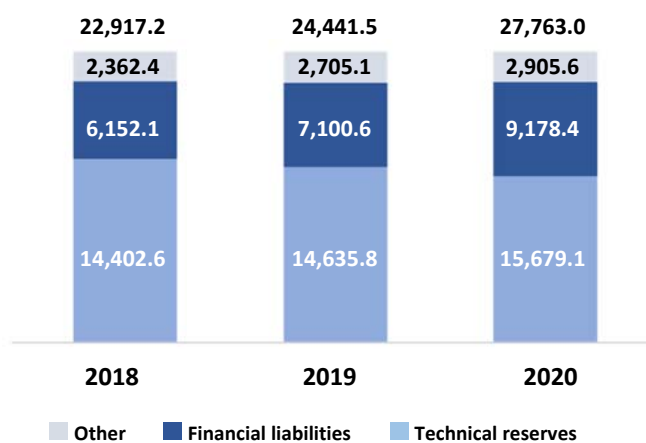
Total assets



Investments (Capex)

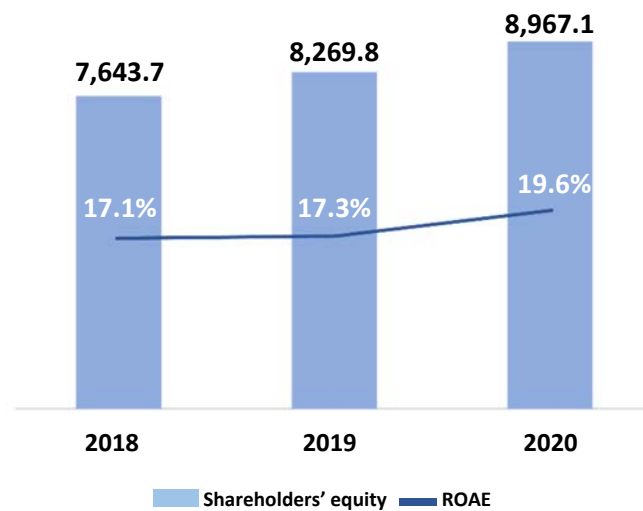


Total liabilities



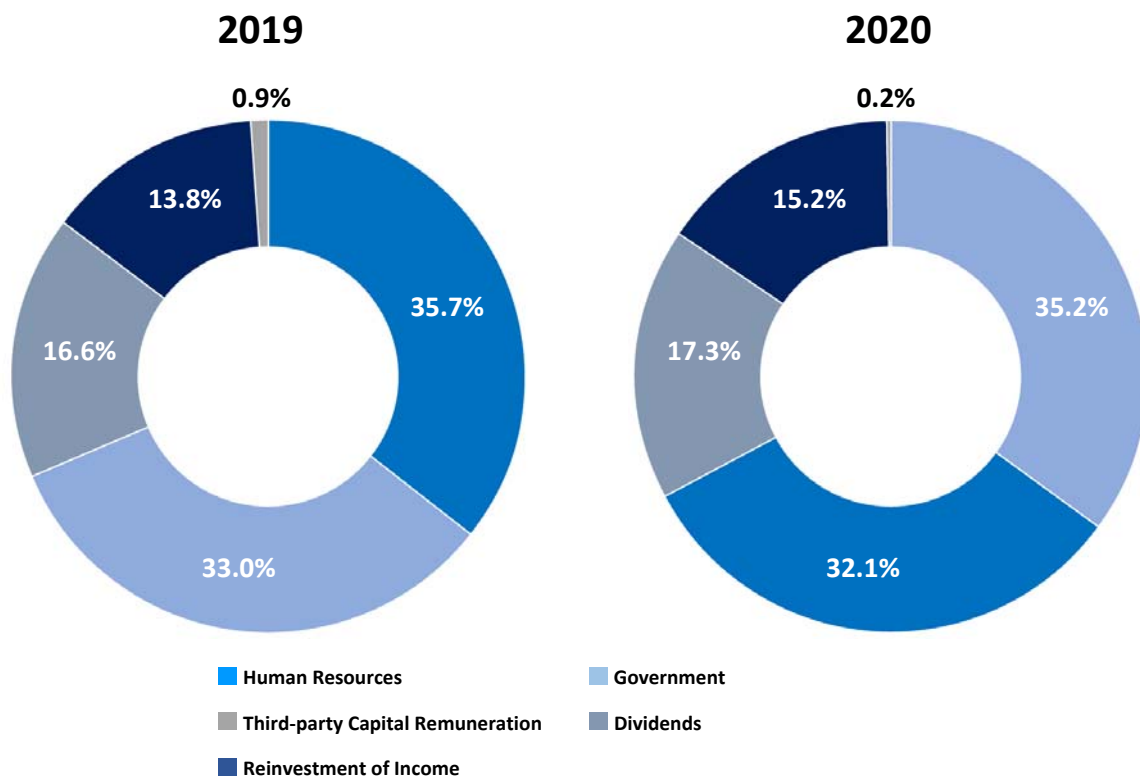


Shareholders' equity with Business Combination



ADDED VALUE

In 2020, the Company recognized added value of R\$ 5,193.4 million, an increase of 14.5% when compared to the R\$ 4,535.2 million reached in 2019, distributed as follows:



CORPORATE GOVERNANCE AND CAPITAL MARKET

The Company follows the best Corporate Governance practices, strengthening the principles that promote transparency, equity and respect to its shareholders, and which create conditions for the development and maintenance of a long-lasting relationship with its investors. In the search for the constant improvement of our business, various departments of the Company are committed to enhance the permanent communication channel between the Company and all stakeholders: shareholders, regulatory agencies, brokers, employees, and the community, among others.

The Company's shares are traded on the Novo Mercado (under ticker symbol PSSA3), a special market segment of the São Paulo Stock Exchange B3, (formerly BM&FBovespa) which is exclusively targeted at companies that meet certain specific minimum requirements and comply with differentiated corporate governance rules, in accordance with the practices established by the Novo Mercado segment and recommended by the Brazilian Institute of Corporate Governance (IBGC).

Moreover, the Company, its shareholders, administrators, members of the Tax Council, if any, undertake to resolve any and all disputes or controversies that may appear between them relating to or arising from their condition as issuer, shareholders, administrators and members of the tax council, vis-à-vis the Market Arbitration Chamber, according to the Arbitration clause contained in its Articles of Incorporation.

The Company's Board of Directors created the Advisory Committees, which are auxiliary bodies with technical and consultative duties ("Committees"), with the purpose of making the performance of the Company's managing bodies more efficient in such a way as to maximize the Company's worth and shareholders' returns, respecting the best practices of transparency and corporate governance. Currently, in addition to the Audit Committee – which operates on a permanent basis as set forth in the Company's Articles of Incorporation, the following Committees are in place:

Audit Committee:

The Audit Committee is the statutory advisory body, operating on a permanent basis, directly linked to the Company's Board of Directors. The primary purpose of this committee is to advise the Board of Directors, independently evaluating, monitoring and recommending: (i) full compliance with legal and regulatory provisions applicable to the Company and its subsidiaries, considering the characteristics of each entity, in addition to internal regulations and policies; (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) engagements and works carried out by internal and external audits; and (v) the adjustment to or improvement of policies, practices and procedures identified within the scope of its activities.



People Committee:

The purpose of the People Committee is to provide support and information to the Board of Directors regarding strategies and policies for managing people of all the companies that compose the Porto Seguro Group.

Remuneration Committee:

The purpose of the Remuneration Committee is to provide support and information to the Board of Directors so that the decisions on remuneration of directors and employees of the companies that compose the Porto Seguro Group are in line with the internal policies and rules governing this matter, in addition to the applicable laws and regulations.

Integrated Risk Committee:

The Integrated Risk Management has the purpose of providing grants and information to the Board of Directors referring to risk management, proposing action plans and guidelines, evaluating compliance with risk management rules and following up key risk indicators in all entities comprising Porto Seguro Group.

Code of Ethics and Conduct:

The purpose of the Ethics and Conduct Committee is to guide and disseminate the Company's Code of Ethics and Conduct, at all the companies that compose the Porto Seguro Group, in addition to conducting investigations and proposing corrective measures relating to violations of this Code.

Investment Committee:

The Investment Committee aims to provide support and information to the Company's Board of Directors relating to the management of investment of all the companies that compose the Porto Seguro Group.



Marketing Committee:

The Marketing Committee aims to provide support and information to the Company's Board of Directors relating to the communication strategy of all the companies that compose the Porto Seguro Group to several targets.

Digital Committee:

The Digital Committee aims to provide support and information to the Company's Board of Directors relating to the surveys and technological trends, on market and innovations of new products and processes, in line with the objectives of all companies that compose the Porto Seguro Group.

PRODUCT AND SERVICE INNOVATION AND MARKETING

During 2020, Porto Seguro continued expanding and innovating its product and service lines, particularly in relation to:

Meu Porto Seguro: the program offered 10,000 jobs, providing training and income generation for people who lost their jobs during the pandemic.

Partnership with Volkswagen: partnership between Porto Seguro Auto and Volkswagen, offering free insurance for one year for the Nivus car and access to the Porto Seguro app through VW Play, available at the media center of the Nivus and T-Cross vehicles.

Partnership with Estapar: through the Porto Seguro Auto app, customers can locate the Estapar Network parking lots, receiving discounts of up to 40%.

Pix as a payment method: Porto Seguro Auto accepts Pix, Brazil's new electronic payment method, launched in November 2020, to pay for auto insurance.

New installment payment options in Azul Seguro Auto: when purchasing or renewing Azul Seguro Auto insurance, customers can split the amount of insurance payment in up to 10 interest-free monthly installments in any credit card or 12 interest-free monthly installments using the Porto Seguro Credit Card.

Digital Policy: prioritizing agility and sustainability, Azul Seguros policies are currently fully digital for new clients, renovations or similar renovations.



Seguro Auto + financing partnership: possibility to finance a vehicle and include the value of Porto Seguro Auto or Azul Seguro Auto in the same installment, at the time of contracting. The modality is exclusive for individuals and passenger cars up to 10 years old.

Electric tow truck: Porto Seguro started operating the first and only fully electric tow truck, which emits 96% less greenhouse gases.

2020 AWARDS

Among the various acknowledgments received by Porto Seguro in 2020, in different categories, we highlight the following:

- Brazilian Most Valuable Brands 2020 (Interbrand).
- “Estadão Finanças Mais” (O Estado de S. Paulo newspaper) – Auto insurance.
- Marcas Mais (O Estado de S.Paulo) – Insurance Companies.
- Top Of Mind (Folha de S.Paulo newspaper) – Insurance;
- Biggest and Best Ranking (Exame Magazine) – General Ranking and Insurance Companies Ranking.
- Mobility Award (O Estado de S.Paulo) – Auto.
- Best Services (O Estado de S.Paulo) – Insurance, Residential and Auto.
- Most Loved Brands by Rio de Janeiro Inhabitants (O Globo) – Best Insurance Company.

INSTITUTIONAL AND CULTURAL PROJECTS

In 2020, the Porto Seguro Theatre exhibited 18 attractions such as online concerts and events in person in 41 sessions, attracting over 18 thousand viewers.

HUMAN RESOURCES

At the end of 2020, Porto Seguro Group had 12,081 employees, of which 7,996 integrated the staff of the insurance companies, and 4,085 worked for other companies of the group. 1,963 employees were hired, 356 in the diversity programs: “Young Apprentice Program” and “Disabled People Inclusion Program”. We closed 2020 with 2,126 employees in the “Remot Work Program” (17.6% of the total employees). Moreover, during the Covid-19 pandemic, the Company adopted measures to protect employees, through the implementation of the remote work regime for a substantial portion of employees, with high rates of acceptance and productivity.



In 2020, the New Porto Seguro 2020-2025 Season (Integrating Clients and Businesses) was launched, which brings the strategic direction for the next 5 years. Furthermore, we present our Essence in being increasingly more a Safe Harbor for our customers, and new skills that make up the Porto Way. We communicated the program to all the team of leaders and employees, bringing clarity and transparency about the organization's goals to be achieved in the coming years. Aiming to increase everyone's understanding and engagement, we carried out support/development actions throughout the year.

In this atypical year of 2020, owing to the pandemic, internal adjustments, reinforcement and care for the health and safety of our employees were necessary. Throughout the year, we kept less than 5.0% of the staff performing presential work at Porto Seguro facilities, following all WHO security protocols.

One of the actions to contribute to the safety and health of employees who continued working in our facilities was the structuring of the Covid-19 Testing Center in our Rosa Garfinkel Building. We also prepared health protocols, such as temperature measurement at the reception of our units, providing masks, hand sanitizer and safe distance protocols, aiming to meet the guidelines of the Ministry of Health and WHO on pandemic care. We carried out periodic rounds to ensure the effectiveness of the actions implemented and also prepared weekly newsletters on Covid-19 prevention and care for employees and their families.

Concurrently to the preventive actions, we also implemented care through telemonitoring of our employees, in addition to maintaining our health and safety team acting in person for occupational and assistance services.

In April 2020, we carried out the flu vaccination campaign for 4,500 employees, in a decentralized manner and at various points, aiming to ensure the social distance protocols and the safety of our employees. We also vaccinated dependents through low cost partnerships to prevent health problems for them.

The Life Quality department promoted actions focused on the employee's health and integration to employees. During the year, there were more than 47,000 participations in different projects, such as: street running, dancing classes, pilates, guitar, harmonica, muay thai, gym, acupuncture, music and food festival, among others. In 2020, two new activities were remotely offered to employees: Belly Dance and Ukulele classes.

Investments in employee training programs promoted by HR department amounted to R\$ 129 thousand/month, totaling 1,281 thousand hours/year. Actions for leadership development, which totaled over 10 thousand hours/year, should be highlighted among the programs.

The employee turnover rate, which measures the ratio between new hires and terminations was 16.85%.



We joined the movement #NãoDemita (Do Not Fire), since for us at Porto Seguro this problem needs to be faced with firmness and serenity, guided by our values and the certainty that we only reached our position as one of the largest companies in the industry thanks to our main asset: people.

In the career transition process, which supports and prepares the employees for retirement, we have 122% of the eligible employees and 82% attended the actions which were carried out.

Systems developments were performed to improve the user experience for accessing information regarding people management, with a focus on simplicity, integration and the customer at the center.

We launched the “Meu Porto Seguro” (My Porto Seguro) project, which offered 10,000 vacancies for a distance learning training program, and an extra monthly income in the amount of R\$ 1,500.00 per person, for three months. The social impact initiative aimed at generating extra income for people who lost their jobs due to the pandemic.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Company’s social and environmental initiatives have grown consistently, allowing employees and other audiences of Porto Seguro to look at the business and activities from the sustainability viewpoint. Based on this new operational model, sustainability has become an integrated and systemic concept, oriented to each one of the numerous products and services, thus maximizing the delicacy and kindness with which the Company increasingly seeks to be the Porto Seguro to all target audiences.

The following social and environmental projects should be highlighted:

Social and environmental education

- 44 social and environmental education actions were carried out for the internal audience, with approaches to conscious consumption, sustainability, climate change, waste, among others. In total, we had the participation of 1,721 employees.
- The first Porto Seguro Sustainability Marathon was held, in which 34 Social and Environmental Agents participated, building solutions to Porto Seguro’s actual sustainability challenges. In the end, the winning idea of reformulating the traditional Christmas Campaign for the online environment was implemented at Porto Seguro. The Marathon also had 120 hours of technical training for participants and 406 employees present at the final presentation of ideas.
- Conscious Consumption Week, with lectures and workshops for employees, having the “Conscious Consumption at Home” as its central theme. The current moment was an opportunity to bring more sustainable practices into the daily lives of employees and their families. The event totaled 480 participations and 223 views on YouTube after the event.



Eco-efficiency

- Initiatives to reduce energy consumption, such as LED lamps, presence sensors in spaces, installation of solar panels and the Earth Time Program - when the Company's lights are turned off for an hour and we use natural lighting. In 2020, all these initiatives, coupled with the reduction in consumption in buildings due to the pandemic, guaranteed energy savings of 12,119,899 kwh, which is equivalent to R\$ 7,399 million.
- Initiatives to reduce water consumption, such as rainwater collection, indoor water treatment plant, reuse water, dual flush system and vacuum flushes. In 2020, these initiatives represented savings of 56,672,929 liters of water, equivalent to R\$ 1,063 million.
- 31% of the waste disposed at the head office was sent for recycling and the disposal efficiency is 69% at the end of 2020.

Social projects

Corporate Volunteer Program aimed at promoting various forms of volunteer work, whether individual or collective, during or after working hours, with children, adults, or the elderly. In 2020, 890 volunteer vacancies were offered to employees in 57 different actions, involving children, the elderly, animals and the neighborhood. The highlight was the offer of 20% of the Porto Voluntário's vacancies in online actions, thus allowing the employee to work even from home.

Donations covering all projects that include receiving donations, such as Conscious Consumption Station, Collection Campaigns in the localities and sporadic donations. In 2020, due to the pandemic, Porto Seguro organized several campaigns to collect food, books and Christmas kits. 98 campaigns were carried out, totaling a donation of 298,802 items to 133 institutions throughout Brazil.

Porto Seguro Institute: its purpose is to maximize the development of social, environmental and cultural projects in the region, and expand the activities that inspire and attract the target audience of Porto Seguro by offering more than 10 different professional qualification courses. In 2020, 605 students were graduated and 53% of students were hired through the qualification courses.

Associação Crescer Sempre is intended to fulfill the needs of education and professional qualification in the community of Paraisópolis, offering assistance to children from pre-school to high school level. It offers professional qualification courses focused on work and income generation. In 2020, 325 children in early childhood education and 59 adolescents graduated from high school were served.



ECONOMIC ENVIRONMENT

The year 2020 will be remembered for decades due to the Covid-19 pandemic, which generated major loss of lives and an equally severe economic impact. The contraction of global GDP during the year was not only greater since governments and the central banks around the world used a set of fiscal and monetary incentives unparalleled in history.

However, the year ends with promising prospects regarding the availability of vaccines. In addition to the development of vaccines in record time, some of them, whose clinical tests have already been completed, point to a very high efficiency, which suggests a gradual return to economic normality during the first half of 2021, as the immunization process progresses.

Domestically, the economic effects of the pandemic were also largely mitigated by an important reduction in the basic interest rate (Selic), and mainly by a significant income transfer program for the most vulnerable sections of the population. The so-called *emergency aid* has undeniably contributed to the preservation of a robust level of consumption of goods throughout the year.

However, the fiscal cost of this and other programs launched during 2020 was very high, one of the highest among the emerging countries. This sharp rise in public spending further accentuated the already fragile Brazilian fiscal condition, which in turn put pressure on the exchange rate and contributed to high inflation during the second half of 2020.

For 2021, we expect that the vaccination of the population over the first half of the year will allow a resumption of activity in general, and particularly in the service sector, which is most strongly impacted by the pandemic.

In view of this perspective, the necessary and urgent fiscal adjustment agenda is expected to be advanced in 2021, while the improvement in activity should lead Copom to start the cycle of normalization of monetary policy in the first half of the year, reducing the current degree of monetary stimulus.

COMPLIANCE

Statement of the Executive Board

Directors responsible for preparing financial statements, in accordance with provisions of article 29, paragraph 1, item II, and article 25, paragraph 1, items V and VI, of CVM Instruction 480/2009, as amended, state that:

a) reviewed, discussed and agreed with opinions expressed in the independent auditors' report on Company's financial statements for the fiscal year ended December 31, 2020; and

b) reviewed, discussed and agreed with the Company's financial statements for the fiscal year ended December 31, 2020.

CVM INSTRUCTION 381/03

Independent auditors and related parties, in the period from January to December 2020, have not provided services not related to external audit that were equivalent to more than 5% of the total fees charged for external audit services.

ACKNOWLEDGMENT

We would like to thank again our brokers and customers for their support and trust, and our employees and associates for their continued dedication. We also take this opportunity to thank the authorities that regulate our activities.

São Paulo, February 03, 2021

The Management

1. OPERATIONS AND GENERAL INFORMATION

Porto Seguro S.A. (“Parent Company”) is a publicly-held company headquartered at Alameda Barão de Piracicaba, nº 618/634 - Torre B - 11º andar, Campos Elíseos, São Paulo/SP, Brazil, with shares traded on B3’s Novo Mercado, under the acronym PSSA3. Its business purpose is to participate as a shareholder or partner in other companies, Brazilian or foreign (known herein, jointly with Porto S.A. “Porto Seguro” or “Company”), which may be engaged in the following activities: insurance, in all lines; financial institutions, similar organizations, and consortia administration entities; as well as activities related to, associated with or supplementary to the activities described above.

Below is the description of the subsidiaries that are consolidated:

- **Insurance, supplementary pension and capitalization:**
 - (i) Porto Seguro Companhia de Seguros Gerais (“Porto Cia”), operates damage and personal insurance plan.
 - (ii) Porto Seguro Vida e Previdência S.A. (“Porto Vida e Previdência”), operates personal insurance and supplementary pension plans under the types of savings and income.
 - (iii) Porto Seguro - Seguros del Uruguay S.A. (“Porto Seguro Uruguai”), operates damage and personal insurance plans in Uruguay.
 - (iv) Porto Seguro - Seguro Saúde S.A. (“Porto Saúde”), operates health care.
 - (v) Azul Companhia de Seguros Gerais (“Azul Seguros”), operates damage and personal insurance plan.
 - (vi) Itaú Seguros de Auto e Residência S.A. (“Itaú Auto e Residência”), operates damage insurance.
 - (vii) Porto Seguro Capitalização S.A. (“Porto Capitalização”), manages and trades special savings bonds.
- **Financial entities and consortia:**
 - (viii) Porto Seguro Administradora de Consórcios Ltda. (“Porto Consórcio”), manages groups of consortium for acquisition of chattels and properties.
 - (ix) Portoseg S.A. - Crédito, Financiamento e Investimento (“Portoseg”), grants loans and financing for consumption and working capital, and also operates credit cards.
 - (x) Portopar Distribuidora de Títulos e Valores Mobiliários Ltda. (“Portopar”), operates in the distribution of investment fund quotas.
- **Services and trading:**
 - (xi) Porto Seguro Proteção e Monitoramento Ltda. (“Proteção e Monitoramento”), provides services related to protection and electronic monitoring.

- (xii) Porto Seguro Renova – Serviços e Comércio Ltda. (“Renova”), trades and distributes auto parts.
- (xiii) Porto Seguro Renova – Serviços e Comércio de Peças Novas Ltda. (“Renova Peças Novas”), trades and distributes new auto parts.
- (xiv) Crediporto Promotora de Serviços Ltda. (“Crediporto”), provides services to obtain credits and financing for consumption.
- (xv) Franco Corretagem de Seguros Ltda. (“Franco”), provides technical insurance brokerage services.
- (xvi) Porto Seguro Serviços Médicos Ltda. (“Serviços Médicos”) provides administrative advisory services to physicians and health care providers.
- (xvii) Portomed - Porto Seguro Serviços de Saúde Ltda. (“Portomed”), operates private health care plans.
- (xviii) Porto Seguro Serviços Odontológicos Ltda. (“Porto Odonto”), will operate private dental care plans.
- (xix) Porto Seguro Serviços e Comércio S.A. (“Porto Serviços e Comércio”), provides services related, supplementary or correlated to insurance activity.
- (xx) Porto Seguro Atendimento Ltda. (“Porto Atendimento”), provides telemarketing and call center services in general.
- (xxi) Porto Seguro Telecomunicações Ltda. (“Porto Conecta”), provides telecommunications services.
- (xxii) Porto Servicios S.A. (“Porto Serviços Uruguai”), provides services related, supplementary or correlated to insurance activity in Uruguay.
- (xxiii) Porto Seguro Saúde Ocupacional e Segurança do Trabalho Ltda. (“Porto Seguro Saúde Ocupacional”), provides consulting and advisory services in occupational health, labor security, ergonomics and outpatient medical services.
- (xxiv) Porto Seguro Investimentos Ltda. (“Porto Investimentos”), manages securities portfolios, investment funds and other third-party funds.
- (xxv) Porto Seguro Locadora de Veículos Ltda. (“Porto Locadora”), is engaged in the rent and outsourcing of vehicles or fleets of vehicles.
- (xxvi) Saúde For Pet Administradora de Planos de Saúde para Animais de Estimação S.A. (“Saúde For Pet” or “H4P”), manages and offers health care plans to pets, as well as vet services and accessories in general.

During the period, there was no change on the list of subsidiaries that are consolidated.

Interest percentages are shown in note 16.

1.1 OTHER INFORMATION

1.1.1 COVID-19

Despite the challenging scenario, Porto Seguro S.A. remains optimistic in the performance of its operations and confident in the robustness and resilience of its business model to overcome the Covid-19 pandemic crisis.

We continue monitoring the effects of the pandemic, and highlight the main effects on the Group's business in 2020 by segment:

Insurance operation:

In the Auto segment, issued premiums totaled R\$ 9,716.0 million in 2020, a decrease of R\$ 120.2 million, or 1.2% in relation to the R\$ 9,836.2 million earned in 2019. Moreover, the loss ratio ended the year at 46.9%, a decrease of 9.2 pp in relation to the same period of the previous year. Despite a first half with reductions in emissions due to the Covid-19 pandemic, Automobile insurance once again grew in the volume of premiums issued in the second half of 2020, owing to initiatives related to portfolio protection and recovery sales of new insurance, actions taken to increase quotes and sales conversion. Regarding the loss ratio, the improvement is mainly due to the low vehicle circulation in a large part of the national territory, due to social isolation.

In the Healthcare operations, issued premiums totaled R\$ 1,884.6 million in 2020, an increase of R\$ 215.4 million, or 12.9% in relation to the R\$ 1,669.2 million earned in 2019. Furthermore, the loss ratio ended the year at 72.0%, a reduction of 3.6 p.p. compared to the same period of the previous year. It is worth highlighting that some elective surgeries were canceled during the pandemic period and can be resumed in subsequent periods.

In the In the Life (People) Insurance segment, issued premiums totaled R\$ 928.5 million in 2020, an increase of R\$ 24.2 million, or 2.7% in relation to the R\$ 904.3 million earned in 2019. Additionally, the loss ratio ended the year at 37.7%, an increase of 7.1 p.p. in relation to the same period of the previous year. It is worth mentioning that, considering the circumstances of calamity and the difficulty in making accurate diagnoses, the Company is indemnifying the cases related and diagnosed to Covid-19 in this segment.

In the Surety Insurance segment, premiums issued remained stable in relation to the prior year. Moreover, the loss ratio ended the year at 52.9%, an increase of 24.8 p.p. in relation to the same period of the previous year.

Financial business and services:

The credit card and CDC operations portfolio grew 24.4% in the year compared to 2019. Additionally, in 2020, we observed a deterioration in default indicators and, consequently, aiming to support the

growth in credit risk, the Company increased the provision for losses by 27.8%, calculated using statistical models that capture historical and prospective information.

Financial income (loss):

The financial result fluctuated throughout the year and ended the year with R\$ 921.1 million, accounting for a decrease of 11.4% when compared to 2019. This decrease in the financial result is also a reflection of the fall in the basic interest rate throughout 2020.

In the remaining products and lines of financial statements, we have not recorded significant fluctuations in terms of results and equity up to the end of the year.

It is worth highlighting that after the base date, the Company continues monitoring the results and impacts of business related to Covid-19 crisis daily. Moreover, up to the date of approval of the financial statements, the variations observed in insurance operations, financial businesses and services are similar to that reported above.

Institutional actions related to the pandemic:

We continue with a Working Group to coordinate the actions to be taken to face the pandemic, with the purpose of minimizing any impacts on the quality of service to its clients, insured parties and beneficiaries, minimizing the risk to our employees and family members and ensuring the continuity and quality of the Company's businesses.

Among the main internal actions, we highlight the adoption of the home office regime for a significant part of our employees, the prioritization of videoconference meetings and the circulation of corporate communication to inform and raise awareness among all employees on the risks related to the spread of the virus and direct the search for new information.

Regarding initiatives for the social good, the program Meu Porto Seguro (My Porto Seguro) stands out. The purpose of said initiative was to offer over 10,000 temporary job and training opportunities for people who lost their jobs during the pandemic, who were already unemployed or in search of their first job throughout the national territory. The Program started in July 2020, with over 9 thousand professionals hired up to December 2020.

We emphasize the confidence in the solidity in the balance sheet of the Company and in the quality and experience of its executives and managers to face the current situation, with the certainty that we will be even stronger and better positioned to continue expanding our business and delivering the good financial and operating results that characterize the Company at the end of this period.

1.1.2 OTHER GENERAL INFORMATION

For the year 2020, we highlight the completion of the migration schedule of the alarm and video surveillance customers from Porto Seguro Proteção e Monitoramento to ADT Serviços de Monitoramento Ltda (ADT) in August 2020, approved by Brazil's Administrative Council for Economic Defense (CADE) on January 29, 2020. This portfolio transfer operation resulted in a total gross revenue of R\$ 60,740 in 2020.

At the General Meeting, in accordance with the provisions of the DPVAT Insurance Consortium Instrument, the dissolution of the DPVAT Insurance Consortium was deliberated, with the Lead Insurer on behalf of the Consortium Members being designated to manage the run-off of their operations and obligations regarding claims incurred up to December 31, 2020, including regarding future lawsuits involving them. As of January 1, 2021, any new risk underwriting by the Lead Insurer on behalf of the Consortium Members is prohibited. Moreover, all indemnities related to DPVAT for claims that occurred after January 1, 2021 are in charge of the existing reserve of the DPVAT Insurance Consortium, formed over the last years.

2. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are shown below. These policies were adopted on consistent basis for all the comparative periods presented. In year 2020 there were no changes in Company's significant policies.

2.1 PREPARATION BASIS

Preparation of the financial statements requires that Company's Management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include, among others, the determination: (i) of the fair value of financial assets and liabilities, (ii) of technical reserves, (iii) of the provision for credit risk (impairment), (iv) of the realization of deferred taxes and (v) of the provisions and contingencies for proceedings and lawsuits. The settlement of transactions involving these estimates may be performed in sensitively different amounts due to the lack of precision inherent to the process of their determination.

The Company reviews these estimates and assumptions on regular basis (see note 3). The financial statements have been prepared based on the going concern assumption except for Porto Conecta, the activities were discontinued after a commitment executed into with TIM Celular S.A., in 2018.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by Company's Management. Thus, these Financial Statements adequately present the financial position, performance and cash flows.

Financial statements were approved by the Board of Directors of the Company on February 3, 2021.

2.1.1 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared and are being presented as the accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS. “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 were prepared in accordance with accounting practices adopted in Brazil, issued by Accounting Pronouncement Committee (CPC) and International Financial Reporting Standards (IFRS). “International Financial Reporting Standards” (IFRS), issued by the “International Accounting Standards Board” (IASB) in accordance with provisions of the Brazilian Corporate Law and the Brazilian Securities and Exchange Commission (CVM), and disclosed together with consolidated financial statements.

2.1.3 STANDARDS, CHANGES AND INTERPRETATIONS OF STANDARDS NOT YET IN EFFECT AND WERE NOT ADOPTED IN ADVANCE BY THE COMPANY

- IFRS 17 - Insurance Contracts. the standard establishes the principles for recognition, measurement, presentation and disclosure of the insurance agreements. This standard establishes three models for measurement of insurance contracts, which must be grouped according to similarity of risks and issuance periods. Subsequently, existence of onerous contracts must be evaluated and, when identified, loss must be recognized immediately. After that, in accordance with standard requirements, the Company will choose measurement model as follows: (i) general measurement model (“BBA – Business Block Approach”); (ii) variable rate model (“VFA – Variable Fee Approach”); (iii) Premium Allocation Approach (“PPA - Premium Allocation Approach”). Models “i” and “ii” are more complex and consider adjusted contract cash flows. These models are applicable to long-term contracts, such as life and social security contracts. Model “iii” is a simplified model, similar to current models for accounting of insurance contracts applicable to non-onerous contracts of up to 12 months. Standard will become effective on January 1, 2023. The Company is evaluating it and expects low to moderate impacts on measurement of its contracts, because a substantial portion of its portfolio is comprised of short-term insurance, therefore, eligible to simplified model. A relevant impact is expected as soon as upon presentation of its financial statements, with adoption of new formats, groupings and nomenclature. However, such impacts cannot be accurately measured.

2.1.4 STATEMENT OF ADDED VALUE - DVA

The purpose of this statement to evidence the wealth created by the Company and its distribution during a certain period and is presented as part of its individual financial statements (Parent Company) and as supplemental information to the consolidated financial statements, as it is not a statement provided by IFRS. The statement of added value was prepared in accordance with the provisions of CPC 09 - Statement of Added Value.

2.2 CONTROL AND CONSOLIDATION

Subsidiary is the company in which the Parent Company, directly or through other subsidiaries, holds rights of partners or shareholders which entitle them to the power and ability to control the relevant activities of the companies, also affecting their returns on them, and when there is the right to variable returns of the companies.

The subsidiaries are consolidated as of the date in which the control is transferred and are no longer consolidated as of the date in which this control ceases to exist. Accordingly, all the companies presented in note 1 are (direct or indirect) subsidiaries and are consolidated in the financial statements of Porto Seguro.

The accounting policies of the subsidiaries have been harmonized, when necessary, in order to ensure consistency in the preparation of the consolidated financial statements, in conformity with IFRSs and CPCs.

The consolidation process includes the following eliminations: (i) of interest in the equity maintained between them; (ii) of the balances of checking accounts and other assets and/or liabilities, maintained among them; and (iii) of balances of revenues and expenses from operations conducted between them – when applicable. As a result, the amount for non-controlling interest of these subsidiaries in consolidated financial statements is highlighted.

2.3 DISCLOSURE OF INFORMATION BY SEGMENT

The operating segment information was grouped and disclosed in a consistent manner with the internal report provided to Executive Board, which is the main operating decision makers, allocation of funds and responsible for performance evaluation of the operating segments and also, Porto Seguro's strategic decision making. The details and disclosures of segments are presented in note 6.

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

The Company's financial statements are being presented in thousands of Reais, which is its functional currency and the most observed in the main economic environment in which every Porto Seguro's company operates.

(a) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions denominated in foreign currency are converted into Company's functional currency by using exchange rates prevailing on the transaction dates. Gains or losses on conversion of balances resulting from the settlement of these transactions are recognized in the result for the year, except when recognized in shareholders' equity as result of items of operation characterized as investment abroad.

The result and balance sheet assets of Porto Seguro Uruguai and Porto Serviços Uruguai (whose functional currency is the Uruguayan peso) are converted to the currency of presentation of the Company as follows: (i) assets and liabilities – at the exchange rate on the balance sheet date or at historical rate, according to the characteristic of the item; (ii) revenues and expenses – at the average exchange rate of the year (except when the average does not correspond to a reasonable approximation for this purpose); and (iii) all translation differences are recorded as a separate component of shareholders' equity.

2.5 CASH AND CASH EQUIVALENTS

They include cash, bank deposits and other high-liquidity short-term investments, maturing originally after three months and less an insignificant risk of change in value.

2.6 FINANCIAL ASSETS

(a) MEASUREMENT AND CLASSIFICATION

Porto Seguro determines classification of its financial assets at initial recognition, in accordance with IFRS 9/ CPC 48 definition that introduced the concept of business model and the evaluation of contract cash flows characteristics (SPPJ – only payment of principal and interest). Business model represents the way in which the Company manages its financial assets and SPPJ refers to evaluation of cash flows generated by a financial instrument for the purpose of verifying if they are only payment of principal and interest. According to these concepts, financial assets are classified in the following categories:

(i) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets whose purpose and investment strategy is to maintain frequent negotiations are classified in this category. Gains or losses resulting from changes in fair value are immediately recorded and presented in statement of income under "financial income" for the year in which they occur.

(ii) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets that are maintained both to obtain contract cash flows - comprised only of payment of principal and interest - and to sell are classified in this category. Interest of these securities, calculated under the effective interest rate method, is recognized in the statement of income under "Financial income". The change in fair value (unrealized gains or losses) is recorded

against Shareholders' Equity, under "Other comprehensive results", and was realized against the result upon its effective settlement or for loss considered permanent (impairment).

(iii) AMORTIZED COST

Used when financial assets are managed to obtain contract cash flows, comprised only of payment of principal and interest. This category includes receivables (securities, premiums receivable from insured parties, credit operations, securities and credits receivable and receivables from provision of services) which are non-derivative financial assets with fixed or measurable payments, not quoted in an active market. These receivables are accounted for at amortized cost, using the effective interest rate method (when applicable), and are assessed for impairment at each balance sheet date (see note 2.9.1).

(b) DETERMINATION OF FAIR VALUE OF FINANCIAL ASSETS

The fair values of investments with public quotation are recorded based on trading prices. For financial assets without an active market or public quotation, Management establishes the fair value through valuation techniques. These techniques include the use of recent operations contracted with third parties, and reference to other instruments that are substantially similar, making the greatest possible use of information generated by the market and has the minimum amount of information possible generated by the Management. Fair values of assets classified as "Financial instruments at fair value through profit or loss" and "Financial instruments at fair value through other comprehensive income" are based on the following hierarchy:

- Level 1: Prices quoted and not adjusted in active markets for identical assets.
- Level 2: classified when a discounted cash flow methodology or other methodology is applied for pricing the asset based on market data which are observable in money market.
- Level 3: pricing is not based on observable market data, and the Company uses internal assumptions to determine its fair value.

Market value for governmental bonds is based on the unit price in the market as informed by ANBIMA – Brazilian Association of Financial and Capital Market Entities. Investment fund quotas are valued by the value of the quota informed by the respective fund manager. Private securities are valued at market using the same pricing methodology adopted by the manager of investment funds.

2.7 DERIVATIVE FINANCIAL INSTRUMENTS

2.7.1 EMBEDDED DERIVATIVES

The Company, by means its subsidiaries, issues supplementary pension agreements in which the participants are granted guarantee of interest rates and options of redemption of its reserve. These guarantees comply with the definition of embedded derivative, however, it is used the exemption provided for in IFRS 4 - Insurance Agreements, in which, in case the embedded derivative complies with the definition of an insurance agreement alone, the separation of the embedded derivative is not made in this agreement. As shown in note 2.17.2, these embedded guarantees are considered in the Liability Adequacy Test (LAT), since they modify the estimated cash flows of the agreements.

2.7.2 HEDGE INSTRUMENTS

The operations with derivative financial instruments contracted by Porto Seguro, allocated to own portfolio or to closed investment funds, refer to: (i) “swaps”, aimed to hedge against exchange rates originated from funding liabilities or against adverse interest rate changes of interest earning bank deposits allocated to investment funds; (ii) future agreements of prefixed interest, which summarize the exposure to interest; (iii) future index options of Ibovespa, which summarize the exposure to the index; and (iv) future currency agreement, which summarize the exchange exposure of interest earning bank deposits in foreign currencies.

These instruments are measured at their fair value, with changes recorded against the result for the year (in “Financial Income”), simultaneously to the change in fair value of the item object of hedge. Fair value of derivatives is calculated based on information from each contracted transaction and on respective market information on foreign exchange rate and market interest rate, disclosed by B3.

At the beginning of hedge operations, the Company documents the relation between it and the item object of hedge with its purposes and strategies in the management of risks, in addition, the Company checks, over the entire life of the agreement, its effectiveness. The fair values of derivatives are disclosed in note 14. The determination of the market risk to which the Company is exposed is shown in note 4.3 and consolidates the exposure of assets, as well as the derivative hedge instruments, which is shown on net basis.

2.8 REINSURANCE ASSETS

The reinsurance assets are reinsurance values receivable from reinsurance holders and values of technical reinsurance reserves, stated on consistent basis with the balances associated to insurance liabilities object of reinsurance. Values payable to reinsurance holders are composed of premiums in reinsurance assignment agreements.

Impairment losses, when applicable, are stated using a methodology similar to that applied to financial assets (see note 2.9.1). This methodology also takes into consideration administrative flows that are specific for recovery from reinsurance companies.

2.9 ANALYSIS OF ASSET IMPAIRMENT

2.9.1 LOANS AND RECEIVABLES (CLIENTS)

It is constantly assessed if there is evidence that a given asset or group of assets classified in the category of loans or receivables (stated at amortized cost) is deteriorated or “impaired”. For impairment analysis, the Company uses observable factors that include historical base of losses and default and breach of agreements (cancellation of risk coverages).

The methodology used for premiums receivable considers the existence of objective evidence of impairment for individually significant assets. If the conclusion is that there is no such evidence, the assets are included in a group with similar credit risk characteristics (types of insurance agreement, internal “ratings”, etc.) and tested on a grouped basis, with the adoption of the following parameters:

probability of default of the operations, expectation of recovery of these losses including the current guarantees and the historical losses of debtors classified in the same category.

Regarding the receivables from credit, CDC and credit card transactions (issued by Portoseg), the Company adopts the concept of expected asset impairment losses. Accordingly, amount of provision for this portfolio is calculated through a methodology that captures, in addition to incurred losses, those expected during contractual flow of assets; thus, these financial assets are classified into three different stages, in compliance with the credit quality of the counterparty as follows:

- Stage 1: with no significant credit deterioration since initial recognition or low credit risk on calculation date (12 months);
- Stage 2: significant deterioration in credit since initial recognition quality, but no objective evidence of impairment;
- Stage 3 objective evidence of impairment on observation date.

An asset will migrate from a stage as its credit risk increases or decreases. Accordingly, a financial asset that migrate to stages 2 and 3 may return to stage 1, unless it was originated or purchased with credit recovery issues. For each stage, a specific expected loss is calculated so as to reflect a higher or lower risk in each transaction.

Values recorded as loss are usually written off when there is no expectation of recovery of the asset.

2.9.2 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

At each balance sheet date, it is assessed if there is objective evidence that an asset classified as financial instrument at fair value through other comprehensive income is individually impaired. If there is such evidence, the accumulated loss is removed from the Shareholders' Equity and immediately recognized in the profit or loss.

2.9.3 NON-FINANCIAL ASSETS

Assets subject to depreciation and amortization, such as intangible assets with defined useful life and property, plant and equipment are reviewed to confirm their impairment and whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized for the amount by which the book value of the asset exceeds its recoverable value. The latter is the higher of the asset's fair value less its sale costs and value in use.

For impairment valuation purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows, “Cash Generating Units” (CGUs). CGUs are determined and grouped by Management based on the geographic distribution of its business and based on the services and products offered, in which specific cash flows are identified. Non-financial assets that suffered impairment are subsequently reviewed for possible reversal of the impairment.

2.10 GOODS FOR SALE

The Company, by means of its subsidiaries, holds current assets that are maintained for sale, such as inventories of recovered salvage assets after full indemnities in automobile claims, recorded at the estimated realizable value, based on historical recovery studies and vehicles from terminations of lease agreements and assets from guarantees offered in credit operations that are stated at realizable value.

2.11 DEFERRED ACQUISITION COST (DAC)

Commissions on premiums issued and direct costs of client attraction are deferred and amortized according to the validity term of the policies, as shown in note 13. Administrative costs directly related to obtaining new insurance contracts, such as cost for acceptance of risks and policy issuance, are also deferred using the same criterion. Indirect trading costs are not deferred.

2.12 INTANGIBLE ASSETS

(a) SOFTWARE

Costs related to acquisition and implementation of software programs and systems are recognized as assets when there are evidences of generation of future economic benefits, considering its economic feasibility. Expenses related to software maintenance are recognized in income for the year, when incurred.

(b) GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIFE - BUSINESS COMBINATION

The goodwill on acquisition of companies represents the acquisition cost in excess of the fair value of net assets acquired on the date of the business combination.

Porto Seguro holds the right to use the brand “Itaú Seguros de Auto e Residência”, registered in a business combination and recognized at fair value on the acquisition date, with indefinite useful life, since there is no estimated limit of time for generation of future benefits of this brand to the Company (based on market survey), stated under the method “Relief from Royalties”.

Annually, the goodwill and the right to use the “Itaú Seguros de Auto e Residência” brand are tested to assess the need for impairment. The objective of this test is to projects, based on reasonable and well-grounded assumptions that represent the best estimate, by company management, of the range of economic conditions that will exist over the remaining useful life of the asset.

No provision was identified for the current period. Any losses recorded are not reversed.

(c) INTANGIBLE ASSET WITH DEFINED USEFUL LIFE - BUSINESS COMBINATION

The other intangible assets acquired and identified in a business combination are recognized at fair value on the date of the business combination and amortized based on the estimated useful life, under the straight-line method. Amortization rates used are disclosed in Note 18.

2.13 FIXED ASSETS FOR USE

Include properties, equipment, furniture, machines and fixtures and vehicles used in the Company’s business, by means its subsidiaries. Property and equipment in use is stated at historical cost, less accumulated depreciation (except for land not depreciated). The historical cost of this asset includes costs directly attributable to its acquisition so that the asset is in conditions of use.

Subsequent costs are recorded in assets only when it is probable that future economic benefits associated to the asset item will flow to the Company. All the other repair or maintenance costs are recorded in the result as incurred.

Fixed assets are depreciated under the straight-line method and based on the estimated useful life of the assets. Depreciation rates used are disclosed in Note 17.

2.14 RIGHT-OF-USE ASSET - CONSOLIDATED

These are related to the properties that are leased from third parties in order to conduct Company business in several locations in Brazil. These assets are measured at cash flow from lease liability (see Note 2.21), discounted at present value. Incremental costs (if any) that are necessary to obtain a new lease that would otherwise not have been incurred are also added.

2.15 INVESTMENT REAL ESTATE PROPERTIES

Include properties owned by the Company that are being held for capital appreciation. These properties are timely evaluated at fair value and fluctuations are immediately recorded in income (loss) for the period.

2.16 INSURANCE AGREEMENTS AND INVESTMENT AGREEMENTS – CLASSIFICATION

Porto Seguro issues several types of general insurance agreements and accumulation products (supplementary pension) which transfer material insurance and financial risks or both. Material insurance risk means the chance of paying material benefits to insured parties upon occurrence of an insurance event with commercial substance. Reinsurance agreements are also classified according to the principles of transfer of insurance risk.

The agreements of assistance to insured parties whereby the Company hires service providers or uses own employees to provide services, such as services to automobile and residences and 24-hour assistance, among other, are also evaluated for purposes of classification of agreements and are classified as insurance agreements when there is significant transfer of insurance risk between the parties to the agreement.

In insurance agreements-health, the insurance party (exclusively legal entities) has the option to cancel the agreement with 60-day prior notice for agreements with minimum life of 12 months, with no obligation of payment of values of claim ratio due, thus creating a probable scenario and with commercial substance of retention of material insurance risk.

Investment agreements are those that do not transfer material insurance risk. The special savings bonds issued by Porto Seguro are classified as investment agreements and accounted for as derivative financial instruments according to IFRS 9.

2.17 LIABILITIES FROM INSURANCE AND SUPPLEMENTARY PENSION CONTRACTS

2.17.1 ASSESSMENT OF LIABILITIES FROM INSURANCE CONTRACTS

It uses the instructions of IFRS 4 for evaluation of insurance agreements and adopts the rules of minimum procedures for evaluation of insurance agreements, such as: Test of Suitability of Liabilities (TAP); evaluation of the level of caution used in the evaluation of agreements; among other applicable policies.

The principles of “Shadow Accounting” are not applied, since the Company does not have agreements whose evaluation of liabilities or benefits to insured parties is affected by unrealized gains or losses on financial assets classified as financial instruments at fair value through other comprehensive income.

The technical reserves are recognized according to the guidelines of the National Council of Private Insurance (CNSP), Superintendence of Private Insurance (SUSEP) and the National Regulatory Agency for Private Health Insurance and Plans (ANS), whose criteria, parameters and formulas are documented in Actuarial Technical Notes (NTAs) and are summarized as follows:

- (a) The Provision for Unearned Premiums (PPNG) is calculated on a daily “pro rata” basis for damage and personal insurance plan, based on the premiums issued, the purpose is to accrue the portion of them corresponding to the period of risk to elapse from the base date of calculation.

- (b)** The purpose of the unearned premium reserve for unissued current risks (PPNG-RVNE) is calculated to Damage Insurance and Personal Insurance and to estimate the portion of unearned premiums referring to assumed risks and effectiveness periods already started and are in the issuance process.
- (c)** The Provision for Unsettled Claims (PSL) – administrative and judicial – is recognized based on the estimate of values to be indemnified made upon receipt of the claim notice, events or notification of the lawsuit, gross of reinsurance adjustments and net of coinsurance. This provision is adjusted by the “IBNeR” provision, in order to estimate the changes of values that the reported claims will suffer during the processes of analysis until its settlement. The IBNeR is calculated using statistical and actuarial techniques as run-off triangles, based on the historical development of claims for damage insurance and individual insurance.
- (d)** The Provision for Claims Incurred but Not Reported (IBNR) is recognized for payment of claims already incurred, but not yet reported to the Company until the base date of calculation, and is calculated through statistical and actuarial techniques, as adopting run-off triangles, based on the historical behavior between the date of incurrence of the claim and the date of its registration, for damage and individual insurance. The IBNR of DPVAT (mandatory insurance) is recognized as required by CNSP Resolution and information of Leading Insurer of Consortium.
- (e)** The Provision for Related Expenses (PDR) is recognized in order to ensure the coverage of the values expected in connection with claim-related expenses. This provision should include recognizable and non-recognizable expenses related to settlement of indemnities or benefits.
- (f)** Mathematical Provision for Granted Benefits (PMBC) of the health care line is recognized based on expected future hospital-medical expenses of the insureds that are enjoying remission benefit (death of the main insured with maintenance of coverage for dependent insured parties without respective payment of premiums) and is calculated based on present value of respective expected expenses.
- (g)** Mathematical Provision for Benefits to be Granted (PMBaC) and Mathematical Provision for Granted Benefits (PMBC) represent the value of obligations assumed with participants of supplementary pension plans of the income and life savings types, structured at the capitalization and coverage capitals’ financial systems, as well as life insurance with survival coverage.
- (h)** The Provision for Lead Umbrella (PCC) is determined considering the difference between application of the plans’ contract technical bases and application of actually expected technical bases, such as the BR-EMS Mortality Table, in its last updated version, added of expected increase in longevity, with future flows discounted using the structure of a forward interest rate free of risk (ETTJ), as disclosed by SUSEP (see note 2.17.2).

- (i) The Provision for Related Expenses (PDR) of the pension line is established to cover expenses related to the payment of indemnities or supplementary pension benefits. This provision is also recognized for plans that are still in the contribution stage, assuming a rate for conversion into future income. Provision is calculated considering present value of future expected expenses and a realistic assumption of participants' survival.
- (j) The Provision for Financial Excess (PEF) is calculated according to criteria established in the participant's contract and includes financial excess values for which a provision was recorded and that are to be used in accordance with pension plan regulation.

Technical reserves are segregated into current and non-current in balance sheet, according to their settlement profiles and based on actuarial flows.

2.17.2 LIABILITY ADEQUACY TEST (LAT)

LAT (Liability Adequacy Test) is prepared at every balance sheet date for all contracts prevailing on test date, except DPVAT. This test is prepared considering as accounting value all insurance contract liabilities less deferred acquisition costs (assets), according to IFRS 4 and SUSEP criteria.

For this test, a methodology was developed considering the best estimate of all future cash flows, which also include incremental expenses and claim settlement expenses, using updated assumptions. For lines with expired risk, gained premiums used to obtain the best estimate of premiums revenue in the period subsequent to calculation base date are taken into consideration.

At determination of future cash flow estimates, contracts are grouped by similarities or risk characteristics. Cash flows are brought to present value based on assumptions of risk-free interest rates. In case insufficiency is identified in TAP, loss is immediately recorded as expense in income for the year, recognizing/ supplementing the Supplementary Provision for Coverage (PCC).

Some contracts provide for the right to sell a damaged asset that has been recovered (such as salvage). Contract right to seek reimbursement from third parties, such as sub-rogation of rights for payment of partial or total covered damage is also safeguarded. Accordingly, recovery estimates are included as a reduction in evaluation and, as a result, in TAP performance.

For supplementary pension plan products, Porto Seguro prepared a methodology that takes into consideration elements that directly impact cash flow of said contracts, such as participants' permanency level, rates for conversion into income, assets' return guaranteed to participants during stages of benefit accumulation and concession (financial excess), guaranteed interest rate options (inflation rate – General Market Price Index - IGP-M) or realized asset gains above remuneration of such index for traditional products and redemption options.

2.18 FINANCIAL LIABILITIES

2.18.1 LOANS AND FINANCING

Loan and financing liabilities deriving from fund raising transactions, amounts payable from credit card transactions and financing of fixed assets and cash flow are initially recognized at fair value, net of incremental transaction costs directly attributable to liability origin. These liabilities are subsequently evaluated: (i) at amortized cost, using the effective interest rate method, which takes into consideration transaction costs, and interest is recognized up to contract maturity; or (ii) assigned at fair value through profit or loss.

Any options for advanced redemption or different debt settlement rules are evaluated for the purpose of identifying embedded derivatives in such contracts. For floating loans, effective interest rate is periodically estimated when the effect of reevaluating contracts' effective interest rate is significant.

2.18.2 LIABILITIES OF CAPITALIZATION PLANS

Capitalization liabilities are calculated at the time securities are issued, and they are paid on a single installment. Value of deposit intended to redeem securities is adjusted for inflation in accordance with indices and criteria established in respective general conditions. Beneficiaries of securities may receive a draw prize and/or redeem amount corresponding to the portion of deposits intended for redemption.

Technical reserves are formed according to CNSP (National Private Insurance Council) and SUSEP (Superintendence of Private Insurance), whose criteria, parameters and formulas are documented in Actuarial Technical Notes (NTAs), described, in summary, as follows:

- (a) Mathematical Provision for Redemptions (PMR) is calculated for each security over the period provided for in securities' general conditions. It is also calculated for overdue securities and current securities for which requests for advanced redemption were placed by clients.
- (b) Provisions for Unrealized and Payable Draws are calculated to cover premiums deriving from future draws (to be realized) and also to premiums deriving from draws in which clients have already been contemplated (payable).
- (c) Provision for Administrative Expenses (PDA) includes deferral of revenues from single-payment securities, carried out at a "pro rata" basis from issuance date to end of security's effective period.

2.19 EMPLOYEE BENEFITS

The Company sponsors the private pension plans Portoprev plans, which are classified as defined contribution plan and variable contribution plan. Post-employment benefits, such as health care and benefits calculated based on policy that assigns scores to employees based on service provision period and age. Liability for such obligations was calculated through a specific actuarial methodology that takes into consideration employees' turnover rates, interest rates for determination of current service cost, and interest cost. Other termination benefits, such as fine or severance pay (FGTS), were also calculated and a provision was recorded, using that methodology, for already-retired employees whose right had already been established.

2.20 LEGAL PROVISIONS, CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS

Provisions are formed to cover future disbursements that might arise from civil, fiscal and labor lawsuits in progress. Formations are based on an individualized analysis, carried out by the legal advisors of the Company, of the lawsuits in progress and of the prospects of an unfavorable result implying future disbursement.

Taxes, whose demandability is being questioned in court, are recorded taking into consideration the concept of "legal obligation" (tax and social security), which challenges their legality or constitutionality and, regardless of evaluation on likelihood of success, have their amounts fully recognized and adjusted for inflation at SELIC rate.

When there are judicial deposits directly linked to provisions for tax, civil and labor lawsuits, these provisions are presented net of respective deposits. Other judicial deposits are presented in assets. Judicial deposits are also adjusted for inflation.

2.21 LEASE LIABILITY

They refer to lease liabilities, which are recognized as a counterparty to right-of-use assets, measured at the present value of the lease payments expected up to the end of the contract, discounted at an incremental financing rate, considering possible renewals and cancellations.

2.22 CAPITAL

Capital is formed by common shares. When the Company purchases its own shares (treasury shares), the amount paid, including any additional costs directly attributable, is deducted from shareholders' equity attributable to shareholders until shares are canceled or resold. When those shares are resold, any amount received, net of any additional directly attributable transaction costs, is included in the shareholders' equity attributable to the Company's shareholders.

2.23 RECOGNITION OF REVENUES

2.23.1 INSURANCE AND REINSURANCE PREMIUMS

Revenues from insurance contracts' premiums are recognized upon policy issuance or upon risk validity, whichever occurs first, proportionately and during respective policies risk coverage period, through recognition/ reversal of PPNG (see note 2.17.1(a)).

Expenses with granted reinsurance are recognized according to respective insurance premium (proportional reinsurance) recognition and/or according to reinsurance contract (not proportional reinsurance).

2.23.2 PENSION PLAN CONTRIBUTIONS

Supplementary pension plans' contributions are recognized upon effective receipt. Revenue includes charged administrative and loading rates.

2.23.3 LOAN OPERATIONS

Revenue from interest on granted loans and financing continues to be recognized even after contract is in delay. Beginning as of the time in which the asset is greatly deteriorated, (migration to stage 3 – see note 2.9.1), revenue is now recognized at net value of the asset for which a provision was recorded.

2.23.4 REVENUES FROM SPECIAL SAVINGS BONDS

Revenue from special savings bonds includes administrative rate charged upon issuance of securities and fees on advanced redemptions. It is recognized in income at a "pro rata temporis" basis according to securities' effectiveness and with recognition/ reversal of PDA (see note 2.18.2 (c)).

2.23.5 REVENUES FROM PROVISION OF SERVICES, TRADING OF EQUIPMENT AND MANAGEMENT OF CONSORTIA FOR THE PURCHASE OF GOODS

Revenues from provision of services, trading of equipment, and fees for the management of consortia for the purchase of goods include fair value of consideration received or receivable for the trading of products and services provided by Porto Seguro. The revenue is stated net of taxes, returns, rebates or discounts.

2.23.6 INTEREST REVENUE AND DIVIDENDS RECEIVED

Revenues from financial instruments' interest are recognized in income (loss) for the year at the amortized cost method and using the effective return rate. The interest charged on the installment of insurance premiums is allocated in statement of income in the same receipt period.

Revenues from dividends of investments in financial assets represented by capital instruments (shares) are recognized in income (loss) when the right to receive dividend payment is established.

2.24 LOYALTY PROGRAMS

The Company issues credit cards that provide benefit programs for clients. These programs include bonuses based on mileage and other loyalty parameters that estimate and account for obligations related to cost of future bonuses based on these benefits' fair value and considering several assumptions for valuation of that component. These assumptions include benefit usage behavior, type of benefit, and estimated expiry of benefits because the client did not use them.

2.25 PAYMENT OF DIVIDENDS AND INTEREST ON OWN CAPITAL

Payment of dividends and interest on own capital (JCP) to shareholders is recognized as a liability, based on the by-laws. Any amount above the mandatory minimum (25%) is provisioned only on the date of its approval by shareholders.

The tax benefit of interest on own capital is recognized in the statement of income for the period. To calculate interest on capital, rate used is the Long-Term Interest Rate (TJLP) during applicable period, according to prevailing law.

2.26 INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution values include current tax expenses and deferred taxes' effects. These amounts are recognized in income for the year, except for tax effects on items that were directly recognized in shareholders' equity; in these cases, tax effects are also recognized in shareholders' equity.

Taxes are calculated based on tax laws and rules prevailing on year end. In Brazil, the income tax is calculated at the rate of 15% plus a 10% surtax on taxable income exceeding R\$240 in the year. The provision for social contribution tax for insurers and financial companies is calculated based on a rate of 15%. For other Porto Seguro companies and the Parent Company, prevailing rate is 9%.

Deferred taxes are recognized on temporary differences deriving from assets and liabilities' tax bases and respective book values of these assets and liabilities. Deferred taxes are also recognized on tax losses for income tax and negative basis of social contribution. Deferred tax assets are recognized at the limit in which future taxable income is probably available for realization of such assets and in compliance with the estimates of realization.

3. ESTIMATES AND ACCOUNTING JUDGMENTS

Accounting estimates and judgments are constantly assessed and are based on prior experience and other factors, including expected future events considered as reasonable in view of circumstances. Criteria for determining estimates regarding financial statements for the year ended December 31, 2019 were not amended.

The Company's management does not foresee medium and long-term scenarios for business continuity risks (except for Porto Conecta operation, which is under the operational closure process of its activities) for the following reasons: (i) it operates in markets expanding in the country, mainly in the insurance market, whose share in Brazilian GDP is very likely to increase in comparison with foreign standards; (ii) it invests in technologies and processes to provide its transactions with sustainable growth; (iii) seeks diversification of products, markets and regions, expanding its operations; (iv) it has consistent past economic-financial results and a robust equity condition.

3.1 EVALUATION OF INSURANCE LIABILITIES

Recognition of insurance liabilities is the component in which Management mostly exercises its judgment and uses estimates. There are many sources of uncertainties that should be considered in the estimate of liabilities that shall be ultimately settled. All sources of information (internal and external) available are used regarding past experiences and indicators which could influence the decision making by Management and actuaries for definition of actuarial assumptions and the best estimate of the value of settlement of claims for agreements whose reinsured event has already occurred.

Consequently, accrued amounts may significantly differ from the amounts effectively settled on future dates for such liabilities. Provisions that are mostly impacted by judgment and uncertainties are those related to insurance contract lines with great risks and insurance contracts for life coverage; however, these lines represent less than 10% of premiums issued by the Company. Provisions for unsettled claims, IBNeR, IBNR and PCC are also established with the use of judgments and estimates by Management. The total consolidated value of liabilities of insurance contracts on December 31, 2020 was R\$ 15,679,083.

3.2 CALCULATION OF FAIR VALUE AND IMPAIRMENT OF FINANCIAL ASSETS

The fair value of financial instruments that are not traded on active markets is determined based on valuation techniques. The Company uses its judgment to select a several methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

Rules for impairment analysis are applied for receivables, especially for credit transactions. High level of judgment is applied to determine uncertainty level in association with realization of estimated financial assets' contract flows. This judgment considers the type of contract, economic segment,

maturity history and other relevant factors that may affect the establishment of impairment losses, as described in item 2.9.1.

Financial assets' total consolidated value (including cash and cash equivalents, loans and receivables) as of December 31, 2020 was R\$ 29,821,922, for which there is a provision for credit risk of R\$ 699,669.

3.3 EVALUATION OF PROVISIONS FOR TAX, CIVIL AND LABOR LAWSUITS

The Company is a party to a great number of ongoing lawsuits on financial statements' dates. Procedure to build accounting estimates used by Management takes into consideration legal advisory from specialists of the area, evolution of lawsuits, situation and court level of each specific case. In addition, best judgment is used on these cases to establish provisions, following principles of IAS 37/ CPC 25 – Provisions, Contingent Liabilities and Contingent Assets. As of December 31, 2020, the consolidated total amount for judicial provisions is R\$ 114,937, net of judicial deposits.

3.4 CALCULATION OF TAX CREDITS

Deferred tax assets are recognized at the limit in which future taxable income is probably available. This is an area that requires the use of the Company's Management judgment to determine estimated capacity of future taxable income generation, based on projections of future income prepared and based on internal assumptions and on future economic scenarios that may, therefore, be subject to changes (see note 11.3.3). Total deferred tax credit as of December 31, 2020 is R\$ 659,085.

4. RISK MANAGEMENT

Porto Seguro is exposed to a set of risks inherent to its activities and, in order to manage these risks, it has a set of principles, guidelines, actions, roles and responsibilities necessary for identifying, evaluating, treatment and controlling risks.

Risk management governance counts with the participation of all areas for the purpose of protecting income and its shareholders, and of contributing to sustainability and value, involving aspects related to transparency and rendering of accounts.

In this context, risk management is integrated and independent, strengthening the value of collective decision-making. Decisions are based on factors that combine return on measured risk, allowing its alignment for definition of commercial objectives and promoting integration of employees with the Company's culture at all hierarchical levels.

All these efforts improve operating efficiency and, accordingly, reduce losses and optimize the use of capital. Reflecting its commitment with risk management, the Company has a Corporate Risk Management area whose mission is to guarantee that risks are effectively and independently identified, measured, mitigated, followed-up and reported.

For the purpose of obtaining synergies throughout the process of managing risks, there is a permanent high-level forum denominated Integrated Risk Committee. The purpose of this forum is to provide

Board of Directors with data and information on matters referring to risk management, proposing action plans and guidelines, evaluating compliance with risk management rules and following up key risk indicators in all entities comprising Porto Seguro. Accordingly, annual review and approval of Risk Management Corporate Policy is a highlight, as well as caring for compliance with other risk policies and providing recommendations related to appetite and exposure limits per risk type.

It is worth highlighting that due to the Covid-19 pandemic, several actions and initiatives were established by the Senior Management of Porto Seguro, with the purpose of facing the uncertainties and challenges inherent in the current scenario, including, among others, the establishment of the Crisis Committee, the daily monitoring of the main business and operation indicators, as well as the elaboration of impact scenarios on income (loss), liquidity and solvency.

Management of financial, insurance and operating risks include the following categories:

4.1 CREDIT RISK

Credit risk is characterized by the counterparty risk, which is the possibility that a given counterparty (individual, legal entity or government) does not comply with obligations related to settlement of transactions involving financial assets. This risk is comprised of:

- (a) **Portfolio of investments:** to manage this risk, the Company has monitoring policies and processes carried out on a monthly basis to ensure that limits or certain exposures are not exceeded. Criteria that contemplate financial capacity, as well as minimum risk level “B” (rating) according to the own classification methodology, which follows governance procedures to evaluate and approve operations.

As of December 31, 2020, 73.9% (80.3% as of December 31, 2019) of interest earning bank deposits were allocated to Brazilian treasury bonds (sovereign risk) and remaining portion to “AA” and “A” rating investments.

Table below demonstrates concentration of the Company’s investment portfolio per type of counterparty:

	December 2020	December 2019
Sovereign risk - Brazil	73.9%	80.3%
Financial institutions	2.5%	2.6%
Electric energy and telecommunication companies	1.4%	1.2%
Other	22.2%	15.9%

In investment portfolio, no transaction is delayed or impaired. Of total maximum exposure to credit risk as of December 31, 2020, 98.0% (99.1% as of December 31, 2019) refer to exposures in Brazil and Uruguay.

(b) Default in premiums receivable: it is the possibility of loss due to non-payment of premiums by insured parties. To mitigate these risks, acceptance rules are established to include analysis of insured parties' credit risk, based on market agency and historic behavior information from Porto Seguro; and, in case of default, coverage of claims will be cancelled according to product, prevailing regulation, and client relationship. Premiums receivable from the Company's insured, in general, do not concentrate risks (per economic sector, for example) as they are receivable mainly from individuals and retail.

Table below presents maturities of premiums receivable from the Company, by means of its subsidiaries:

	December 2020	December 2019
Not overdue	4,584,772	3,871,787
Overdue (days):		
01–30	156,998	96,463
31–60	34,183	24,875
61–90	8,994	8,181
91–180	8,147	15,569
>180	9,858	7,649
Allowance for credit risk	(42,160)	(25,998)
	4,760,792	3,998,526
Current	4,608,343	3,994,251
Non-current	152,449	4,275

(c) Default in loan operations: It is the possibility of losses associated with non-compliance with financial obligations under the terms and conditions agreed upon in borrowing transactions, including: personal loans, such as payroll loans and working capital; financing through direct consumer credit (CDC), for individuals and companies; and credit card. Management of this risk counts with devices and processes for continued monitoring of credit portfolio. Among the monitoring indicators, the following stand out: default (days past due); provision for credit loss; recovery rate for overdue operations; and concentration of operations.

Table below presents assets classified per aging:

	<u>December 2020</u>	<u>December 2019</u>
Falling due (days):		
Up to 30	5,600,758	4,534,400
31–60	8,471	8,070
>60	1,015	1,151
Overdue (days):		
01–30	2,328,295	1,868,383
31–60	105,879	105,256
61–90	117,895	86,948
91–180	264,832	202,747
>180	383,670	277,176
Allowance for credit risk	(642,071)	(502,481)
	<u>8,168,744</u>	<u>6,581,650</u>
Guarantees linked to loan operations	1,798,485	1,272,758
Type of counterparty		
Individuals	85.3%	80.9%
Legal entities	14.7%	19.1%

Given the predominant retail characteristic of the Company's portfolio of credit transactions, there are no individually significant balances classified as impaired.

- (d) **Reinsurance assignment:** for credit risk management of reinsurance risk grant, there is a specific policy with counterparty limits based on external agencies' ratings, considering "A" as minimum for risk granting. As of December 31, 2020, reinsurance exposure receivable totaled R\$ 58,515 (R\$ 20,384 as of December 31, 2019).

4.2 LIQUIDITY RISK

Liquidity risk is defined as possible unavailability of cash to cover future obligations. The Company has controls whose purpose is to maintain its liquidity levels at proper levels - in line with regulatory requirements - as well as to balance the relation among rates, risk and return. Additionally, there is the definition of minimum cash to be held in relation to cash flow projections.

The main items covered in liquidity risk management are as follows: liquidity risk limits, including minimum cash in relation to cash flow projections and highly liquid assets (mostly public securities, which may be settled in advance); scenario simulation (Stress Tests); and potential measures for contingencies.

Liquidity risk to which Porto Seguro is exposed is as follows:

	December 2020		December 2019	
	Flow of assets (ii)	Liability flow (iii)	Flow of assets (ii)	Liability flow (iii)
In cash/ with no maturity date	1,702,345	23,391	1,812,441	24,900
Flow:				
01–30 days	8,505,762	3,057,660	7,634,546	2,652,863
02–06 months	3,340,806	6,200,983	2,882,934	5,291,617
07–12 months	1,194,935	4,094,653	1,709,901	3,375,032
>01 year	13,268,929	13,585,850	11,908,318	13,581,856
Total	28,012,777	26,962,536	25,948,139	24,926,268

(i) Cash flows estimated based on Management judgment and studies on insured parties' permanency in supplementary pension plans with redemption option, expiry of insurance contracts' risk and best expectation of estimated claim settlement date. These flows were estimated up to expected payment and/or receipt and do not consider overdue amounts receivable. Floating financial assets and liabilities were distributed based on contract cash flows, and balances were projected using interest curve, foreseen Interbank Deposit Certificate (CDI) rates and foreign exchange rates disclosed for future periods on close or equivalent dates.

(ii) Assets' flow considers cash and cash equivalents, financial assets, loans and receivables (clients), and transactions with reinsurance companies. Of total financial assets, R\$ 5,314,586 (R\$ 5,513,154 in December 2019) refer to assets linked to supplementary pension plans (third parties' assets).

(iii) Liabilities' flow considers liabilities in insurance and supplementary pension plan contracts and financial liabilities.

4.3 MARKET RISK

Market risk is defined as the possibility of losses occurring due to price and market rate fluctuations of positions held in portfolio. In view of Porto Seguro's business profile, its greatest exposure is related to interest rate risk. There are policies that establish limits, processes and tools for effective market risk management. Investment exposures segregated per market risk factor are as follows:

	December 2020	December 2019
Inflation (IPCA/IGPM)	45.6%	42.0%
Fixed (SELIC/CDI)	37.3%	40.8%
Fixed	8.4%	11.9%
Shares	5.4%	3.8%
Other	3.3%	1.5%

Among the methods used in management, the stress test of investment portfolio is used, considering historical scenarios and hypothetical market conditions, and their results are used for planning and take decisions of investments, identification of specific risks deriving from financial assets and liabilities held by the Company, as well as risk mitigation and understanding of impact on income (loss) and shareholders' equity.

In addition to the stress test, supplementary follow-ups are carried out such as sensitivity analyses and tracking error and “Benchmark-VaR” tools along with use of scenarios that are realistic and plausible for portfolio’s profile and characteristics.

The following table shows the sensitivity analysis of financial instruments, on December 31, 2020, pursuant to CVM Instruction 475/08:

Risk factor	Scenario (*)	Impact on investment portfolio
Price indices	+ 50 b.p.	(509,284)
	+ 25 b.p.	(273,509)
	+ 10 b.p.	(114,470)
	- 10 b.p.	114,470
	- 25 b.p.	273,509
	- 50 b.p.	509,284
Prefixed interest	+ 50 b.p.	(7,241)
	+ 25 b.p.	(3,704)
	+ 10 b.p.	(1,498)
	- 10 b.p.	1,498
	- 25 b.p.	3,704
	- 50 b.p.	7,241
Shares	± 34%	242,599
	± 17%	121,300
	± 9%	60,650
Post-fixed interest	± 50 b.p.	17,549
	± 25 b.p.	14,683
	± 10 b.p.	11,746

(*) B.P. = “basis points”. The baseline scenario used is the possible “stress” scenario for each risk factor, made available by B3.

It should be noted that given the Company’s ability to react, the impacts presented above can be minimized. Moreover, the Company has derivative instruments that reduce its exposure to risks, as shown in Note 14. This sensitivity analysis shows the Company’s exposure considering the use of derivative instruments used in order to hedge its operations.

4.4 INSURANCE RISK/UNDERWRITING

Underwriting risk is defined as the possibility that unexpected events may take place, including failures in the pricing or estimates of technical reserves, which may affect significantly the Company’s results of operations and shareholders’ equity.

Porto Seguro issues auto, casualty, financial risk, health, and life insurance contracts, in addition to supplementary pension plan contracts. The underwriting risk is segmented into the following categories of risk:

- (a) **Premium risk:** associated with a possible insufficiency of premiums collected to cover the financial disbursements required to fulfill the obligations assumed with the insured parties. The Company constantly develops risk analysis and pricing techniques, using different statistical models to renew existing contracts and issue new insurance policies, which enable anticipating the results arising from different scenarios, by combining price levels, quotation and result translations. The decisions are made considering the scenario that generates the best margins for the products.
- (b) **Risk of provision:** associated with a possible insufficiency of balances of reserves formed to cover financial disbursements required to fulfill the obligations assumed with the insured parties. For the purpose of assessing compliance with the assumptions and methodologies used to measure technical reserves, adhesion tests are constantly conducted on different base dates to verify the historical sufficiency of the reserves recognized, including the Liability Adequacy Test - LAT (see Note 2.17.2).

The results from future payment flows are exposed to fluctuations in the interest rates used as discount rate, named Term Structure of Interest Rates (ETTJ), published by SUSEP. The table below shows the impacts of the discount rates and their change on pension plan liabilities at December 31, 2020, based on the LAT:

2.5% increase in rate	2,794
3.0% increase in rate	3,346
3.5% increase in rate	3,896
4.0% increase in rate	4,444
4.5% increase in rate	4,990
5.0% increase in rate	5,534

- (c) **Retention risk:** associated with the exposure to individual risks with high value-at-risk, risk concentration, or occurrence of catastrophic events. These exposures are monitored through appropriate processes and models, and the contracting of reinsurance protection, in accordance with the retention limits per risk approved by SUSEP, as well as internally set limits, which are reflected in the corporate risk assignment policy.
- (d) **Claim risk:** associated with inappropriate rules and procedures for claim regulation and settlement.

Each product department establishes, monitors and documents risk acceptance and claim practices and rules, in conformity with Porto Seguro's general guidelines, which include, for example, previous opinion of the Technical Executive Office on the sale of each product and risk acceptance procedures.

The assumptions used in insurance risk sensitivity analyses, as well as in the Liability Adequacy Test include:

- The use, as loss ratio assumptions, of the risk premium projections based on a history of frequency and severity of findings for each group of insurance line.
- Use of premium assignment and claim recovery projections based on a history of findings for each insurance line and/or group of lines. The projections considered the covenants in effect on the base date of the study of the contracts signed with reinsurance companies.
- The adoption, as index for liabilities, of the Amplified Consumer Price Index (IPCA), which is predominantly used in standard contracts.
- Expected interest rate for assets, equivalent to the SELIC/CDI rate, which matches the return obtained by the investment department during the current year.
- Specific actuarial assumptions for each product as a result of their impact on insurable risk pricing.

The results obtained in the processes to manage and monitor the underwriting risk are documented and reported on a monthly basis to the Top Management, enabling the adjustment of possible deviations in projections, within the shortest time possible.

The sensibility test impacts described below are those that would be recorded in the Company's profit or loss and shareholders' equity arising from the changes in the assumptions presented. As the Company shows sufficiency in LAT flows (Note 2.17.2), pursuant to SUSEP rules, the impacts described must be considered after the depletion of such amounts.

4.4.1 AUTOMOBILES

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

Tracking devices and localization equipment in certain type of vehicles.

The table below shows the exposure to the insurance risk by region:

Location	<u>December 2020</u>	<u>December 2019</u>
Southeastern region	64.8%	67.8%
South region	14.6%	12.2%
Northeastern region	10.3%	10.4%
Mid-west region	6.0%	6.1%
Uruguay	1.9%	2.2%
North region	2.4%	1.4%

The table below shows the portfolio sensitivity to the actuarial assumptions, net of tax effects:

Actuarial assumptions	<u>December 2020</u>	<u>December 2019</u>
Administrative expenses - increase of 30.0 p.p.	(364,128)	(868,601)
Claims - 50.0% increase	(59,879)	(813,997)

4.4.2 CASUALTY INSURANCE (EXCEPT AUTO) AND FINANCIAL RISKS

This segment sells insurance coverage to households, companies, condominiums, construction works, farms, liability, equipment, transportation, contractual obligation guarantees, and Rental Surety Insurance. The main measures to mitigate risks include, in addition to the contracting of reinsurance, the previous inspection of the insured locations and credit analysis of the insured parties.

The table below shows the exposure to the insurance risk by region:

	<u>December 2020</u>			
	<u>São Paulo</u>	<u>South region</u>	<u>Rio de Janeiro</u>	<u>Other</u>
Transportation	61.9%	4.2%	14.9%	19.0%
Rental Surety Insurance	62.6%	11.3%	16.4%	9.7%
Residential	46.4%	21.4%	0.1%	32.1%
Corporate	51.1%	5.2%	14.4%	29.3%
Other risks	47.8%	5.1%	16.2%	30,9%

	<u>December 2019</u>			
	<u>São Paulo</u>	<u>South region</u>	<u>Rio de Janeiro</u>	<u>Other</u>
Transportation	57.7%	14.4%	6.8%	21.0%
Rental Surety Insurance	65.7%	3.7%	12.8%	17.8%
Residential	62.6%	11.8%	16.7%	8.9%
Corporate	54.9%	8.7%	12.6%	23.7%
Other risks	60.8%	6.6%	10.3%	22.3%

The table below shows the portfolio sensitivity to the actuarial assumptions, net of tax effects:

Actuarial assumptions	<u>December 2020</u>	<u>December 2019</u>
Administrative expenses - increase of 30.0 p.p.	(81,854)	(12,555)
Claims - 50.0% increase	103,910	119,242

4.4.3 HEALTH

The Company operates in the supplementary health market, by selling annual corporate plans only. The main risk is related to the healthcare risk premium models arising from the potential increase in healthcare costs during the contractual period, and the risk of occurrence of extraordinary, high-impact events (pandemics).

In line with risk mitigation measures, Porto Seguro negotiates agreements with healthcare service providers so as to enable a reasonable increase in healthcare costs. The accredited network is continuously monitored by means of medical audits, interviews, and surveys with the insured parties.

Highly complex procedures and hospitalizations require the analysis of the medical audit team. This team also reviews the procedures performed by each healthcare service provider in order to verify the compliance and quality of the services provided.

The table below shows the portfolio sensitivity to the actuarial assumptions, net of tax effects:

Actuarial assumptions	<u>December 2020</u>	<u>December 2019</u>
Administrative expenses - increase of 30.0 p.p.	(7,653)	(8,160)
Claims - 50.0% increase	(8,227)	(7,295)

4.4.4 LIFE INSURANCE AND SUPPLEMENTARY PENSION PLAN

- **Traditional life insurance (individual and group)**

This line predominantly comprises products related to annual renewals with death, disability or income coverage due to temporary disability. The most significant risk to which this product is exposed is the biometric risk that can increase claims due to extraordinary events, such as pandemics or constant increase in disability rates. Group insurance contracting is exposed to the risk of anti-selection, where the insured group is different from the quotation group, as well as to the risk of catastrophes, which may affect various insured lives in the same event.

- **Life insurance with survival coverage and supplementary pension plan**

This segment includes the pension plans related to Free Benefit Generating Life Plan (VGBL) and Free Benefit Generating Plan (PGBL), which are products with longer-term guarantees, linked to the participants' retirement planning. These insurance lines offer survival, death, disability and pension coverage in case of death of the holder.

- **Traditional supplementary pension plan**

The main characteristic of these products is the guarantee of a minimum rate of return on the accrual and retirement stage. The Company no longer sells these products, but there are still 6,673 participants with contracts in force under these conditions, which totaled R\$ 810,271 as of December 31, 2020. They pose biometric and mainly economic risk.

Risk mitigation measures

Contracting and age limits are established for individual life insurance, based on which specific documentation is required for analysis of the individual risk. Group life insurance adopts centralized underwriting with prior analysis of insurable groups for determination of the premiums. Other important risk mitigation measures include the contracting of reinsurance and the management of asset and liability flows (“Asset and Liability Management - ALM”).

The tables below show the portfolio sensitivity to the actuarial assumptions, net of tax effects:

- Life insurance without a surviving beneficiary clause:

Actuarial assumptions	<u>December 2020</u>	<u>December 2019</u>
Administrative expenses - increase of 30.0 p.p.	(1,730)	25,978
Claims - 50.0% increase	46,618	82,113

- Life insurance with a surviving beneficiary clause and supplementary pension plan:

Actuarial assumptions	<u>December 2020</u>	<u>December 2019</u>
Administrative expenses - increase of 30.0 p.p.	(120)	(117)
Claims - 50.0% increase	5,534	4,660

4.5 OPERATING RISK

Operating risk is defined as the possibility of losses resulting from failure, weakness or inadequacy of internal processes, people and systems or external events, including legal risk.

Operating risk is monitored and managed on corporate and centralized manner, through the use of a formal process to identify risks and opportunities, estimate the potential impact arising from such events, and provide methods to address such impacts and reduce threats to an acceptable level.

This process includes efforts to build a database of operational risk internal loss, containing wide-ranging, in-depth information, in order to identify the impact of such losses on the Company, and to improve the reliability of the tools used to manage, control and supervise the solvency in this market.

5. CAPITAL MANAGEMENT

The capital management strategy consists of maximizing the Company's capital value through the optimization of the capital level and capital sources available, ensuring the business sustainability in the short and long term, in accordance with regulatory and solvency requirements. The process of capital assessment and management is implemented based on a business viewpoint within one-year horizon to insurance companies and other companies and a three-year horizon to Company's financial companies, supported by business growth, profitability and dividend distribution assumptions, among other key business indicators.

Porto Seguro's capital management framework enables an active and prospective management of this risk. since it is supported by specific policy, which defines roles and responsibilities, sufficiency limits, monitoring reports and capital contingency plans.

The Financial Office is responsible for capital management, with the support of the Technical Office, among others, in the computation of results. The Corporate Risk Management department monitors, independently, the compliance with regulatory requirements and internal policy criteria.

Capital adequacy is assessed according to the criteria issued by CNSP, SUSEP, ANS, BACEN and BCU (Uruguay's Central Bank). In this sense, the capital requirements necessary to support the inherent risks, including credit, market, operational and underwriting risks, are assessed. The table below shows the Company's capital requirements:

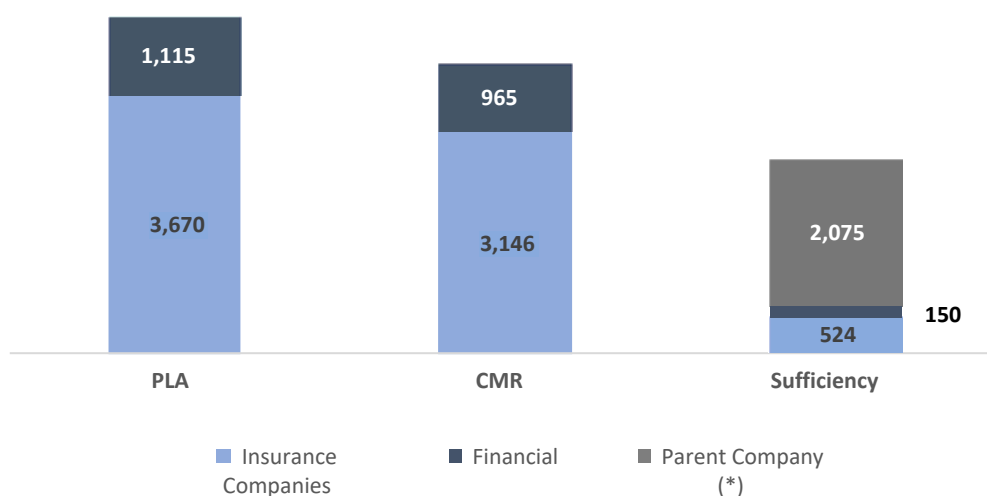
Insurance	
Underwriting Risk Capital	2,318,451
Credit risk capital	128,859
Market risk capital	534,580
Operating Risk Capital	92,205
Benefit from diversification of risks	(346,337)
Required capital - insurance (i)	2,727,758
Required capital - financial (ii)	965,210
Margin of solvency (iii)	417,993

(i) The amounts recorded for the insurance companies correspond to the straight-line sum of each risk capital portion of the companies regulated by SUSEP, since the concept of capital requirements and capital consolidated by economic group is not set forth in the Brazilian regulation.

(ii) Calculated based on the “Prudential Conglomerate” of Portoseg, Porto Consórcio, and Portopar.

(iii) Corresponds to the capital requirements of companies regulated by the National Regulatory Agency for Private Health Insurance and Plans (ANS), and of Porto Seguro Uruguay.

The chart below shows the Company’s Minimum Capital Required (CMR), Adjusted Shareholders’ Equity (PLA) and capital sufficiency at December 31, 2020 (in millions of R\$):



(*) As the Parent Company has no Minimum Capital Required, the sufficiency amount recorded for it corresponds to the liquidity available at the reporting date. In addition to the amounts available at the Parent Company, Management can, based on the capital optimization strategy, reallocate capital sufficiency among the group companies so as to maintain appropriate capital levels among the companies.

Capital levels are above the required level, which provides comfort for adapting to possible regulatory changes and capital requirements.

The following table presents the regulatory capital sensitivity analysis at December 31, 2020, for the insurance companies and healthcare operator, in relation to the changes in the calculation assumptions that are more relevant to the group, showing the impacts on the risk portions:

Assumptions	<u>Impact</u>
Underwriting risk	
Increase of 2 p.p. in the loss ratio and 15% increase in issued premiums	15.8%
Increase in pension technical reserves	21.8%
Credit risk	
Increase in credit risk exposure	11.3%
Operating risk	
Increase in earned premiums or technical reserve	4.7%
Market risk	
100% exposure of market risk capital	25.2%
Margin of solvency	
Increase in issued premiums and retained claims according to growth recorded in the previous year	2.6%

The table below shows the regulatory capital sensitivity analysis of Portoseg's loan portfolio, due to its materiality in relation to the total Prudential Conglomerate, based on changes in the default scenarios:

Scenario	<u>Basel Ratio</u>
Current default	10.6%
Increase of 20% in the portfolio default rate	9.4%
Increase of 50% in the portfolio default rate, as a result of defaults in the Local Financial System	6.8%

6. OPERATING SEGMENTS – CONSOLIDATED

Porto Seguro offers a wide range of products and services for individuals and legal entities in Brazil (primarily) and also in Uruguay. The Company applied IFRS 8 – Operating Segments, and designated the following segments, according to qualitative and quantitative criteria and considering the similarities between the services and products offered, in order to determine reportable segments:

- **Auto Insurance:** includes auto insurance premiums issued by Porto Cia, Itaú Auto e Residência, and Azul Seguros, net of cancellations, refunds and reinsurance assignments.
- **Health plans and insurance:** comprise health and dental insurance premiums issued by Porto Saúde, net of cancellations and refunds, and the net consideration from the health plans marketed by Portomed.

- Personal insurance and supplementary pension: comprising: (i) the insurance premiums of persons issued by Porto Cia and Porto Vida e Previdência, net of cancellations, refunds and assignments of reinsurance, and (ii) revenues from management fees and contributions made monthly by participants in pension plans operated by Porto Vida.
- Insurance - other lines: comprising insurance premiums for damages (other than auto) and DPVAT issued by Porto Cia, Itaú Auto e Residência, and Azul Seguros, net of cancellations, refunds and reinsurance assignments, in addition to insurance issued in Uruguay by Porto Seguro Uruguai.
- Financial entities and consortia: comprising (a) revenues from management fees of consortia groups operated by Porto Consórcio; (b) revenues of Portoseg from credit operations comprised of interest on loans, financing operations, and credit cards in the use of the revolving credit or installment payment of the credit card bill, and (c) revenues from the management of investment funds and management of financial assets of Portopar and Porto Investimentos.
- Other: mainly comprised of income from services rendered by all other companies of the Company (including revenues from services rendered in Uruguay by Porto Serviços Uruguai) and revenues from special savings bonds.

The Company takes into account the internal financial performance reports of each segment and geographic region in which it operates, which are used by Management in conducting its business. “Net Income/(Loss)” is the main indicator used by Company Management to manage segment performance.

Of the total revenues on December 31, 2020, 98.0% (98.1% as of December 31, 2019) were from Brazil and the rest from Uruguay. At Porto Seguro, there is no concentration of revenue by client or by economic group.

	Auto Insurance	Health plans and insurance	Personal insurance and supplementary pension	Insurance - other lines	Financial entities and insurance of assets	Other	December 2020	December 2020
Insurance premiums issued and net considerations	9,716,048	1,888,766	1,196,768	3,003,369	-	-	15,804,951	15,470,367
Changes in technical reserves for insurance and reinsurance premiums ceded	(70,511)	(230)	(312,561)	(446,372)	-	-	(829,674)	(563,685)
Premium earned	9,645,537	1,888,536	884,207	2,556,997	-	-	14,975,277	14,906,682
Revenues from loans	-	-	-	-	1,638,920	-	1,638,920	1,476,427
Revenue from rendering of services	-	-	-	-	480,355	654,050	1,134,405	1,029,215
Pension plan contribution	-	-	151,358	-	-	-	151,358	173,492
Revenue from special savings bonds Withheld claims and supplementary pension benefits - net (i)	(4,520,139)	(1,361,874)	(346,459)	(892,790)	-	49,858	(7,121,262)	(7,925,366)
Costs of purchase	(2,177,273)	(165,408)	(313,075)	(827,088)	(189,565)	(79,272)	(3,751,681)	(3,521,731)
Costs of services rendered	-	-	-	-	-	(168,365)	(168,365)	(197,658)
Changes in pension technical reserves	-	-	(115,700)	-	-	-	(115,700)	(189,863)
Other revenues/(expenses)	(1,842,125)	(237,343)	(208,798)	(837,996)	(1,548,729)	(433,663)	(5,108,654)	(4,808,975)
Operating income (loss)	1,106,000	123,911	51,533	(877)	380,981	22,608	1,684,156	987,954
Financial income	140,012	55,430	(34,451)	618,258	37,012	104,811	921,072	1,039,102
Income (loss) before taxes	1,246,012	179,341	17,082	617,381	417,993	127,419	2,605,228	2,027,056
Income tax and social contribution	(481,887)	(69,708)	(17,695)	(176,756)	(140,032)	(30,934)	(917,012)	(647,947)
Net income - December 2020	764,125	109,633	(613)	440,625	277,961	96,485	1,688,216	1,379,109
Net income - December 2019	435,970	73,191	85,055	354,916	313,299	116,678		
Assets and liabilities							December 2020	December 2019
Assets related to segments	10,154,794	625,602	5,137,560	3,398,335	9,202,943	1,542,483	30,061,717	26,483,790
Fixed and intangible assets (ii)	135,667	-	-	292,437	-	2,861,123	3,289,227	2,979,972
Goodwill from business combination (iii)	109,902	-	-	236,898	-	28,322	375,122	375,122
Intangible asset with undefined useful life (iii)	77,958	-	-	168,042	-	-	246,000	246,000
Other assets (iv)	-	-	-	-	-	2,758,136	2,758,136	2,626,415
	10,478,321	625,602	5,137,560	4,095,712	9,202,943	7,190,064	36,730,202	32,711,299
Liabilities related to segments	7,349,383	523,780	5,733,955	2,071,965	7,962,444	1,660,702	25,302,229	22,338,995
Other liabilities	-	-	-	-	-	2,460,843	2,460,843	2,102,520
	7,349,383	523,780	5,733,955	2,071,965	7,962,444	4,121,545	27,763,072	24,441,515

(i) Amounts related to retained claims are presented net of recovery of reinsurance, co-insurance, recovery, salvages, and reimbursements.

(ii) Intangible assets allocated to the “Automobile insurance” and “Insurance – other lines” segments refer mainly to those stemming from the acquisition of Itaú Auto e Residência (see Note 18).

(iii) Goodwill and intangible assets with indefinite useful lives allocated to the “Automobile insurance” and “Insurance – other lines” segments refer to those stemming from the acquisition of Itaú Auto e Residência (see Note 18). The goodwill allocated to the “Others” segment refers to that stemming from the acquisition of Porto Seguro Saúde Ocupacional and H4P.

(iv) Refer mainly to financial assets not linked to technical reserves, deferred income tax and social contributions, and recoverable taxes and contributions.

7. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	December 2020	December 2019	December 2020	December 2019
Cash equivalents (*)	145,678	213,995	576,305	721,326
Bank deposits	1,036	394	339,576	171,937
	146,714	214,389	915,881	893,263

(*) Comprised of backed up repurchase and resale agreements with maturity date and mainly by National Treasury Bills (LTN) and National Treasury Bills (LTN).

8. FINANCIAL ASSETS

8.1 INVESTMENTS VALUED UNDER THE FAIR VALUE

8.1.1 THROUGH PROFIT OR LOSS (FVTPL)

	Parent company	Insurance	Pension	Other activities	December 2020	December 2019
					Total consolidated	Total consolidated
Open-end funds						
Investment fund quotas - DPVAT	-	787,232	140,371	-	927,603	772,491
Investment fund quotas	35,301	182,759	-	281,251	499,311	148,006
Other investments	29	1,587	-	-	1,616	1,828
	35,330	971,578	140,371	281,251	1,428,530	922,325
Exclusive funds						
Financial Treasury Bills (LFTs)	654,346	1,122,048	2,190,894	258,868	4,226,156	3,872,407
NTNs - B	382,513	104,019	816,273	14,856	1,317,661	1,727,939
Debentures	172,364	97,293	483,249	7,373	760,279	652,048
Fund quotas	330,657	159,302	205,560	32,927	728,446	538,407
Shares of publicly-held companies	310,620	160,391	166,393	-	637,404	257,696
Financial Bills - Private	39,358	45,509	213,623	1,684	300,174	317,208
DI	-	-	-	61,060	61,060	-
NTNs - C	-	23,100	31,573	-	54,673	71,495
CDBs	3,549	1,055	46,897	151	51,652	57,972
National Treasury Bills (LTNs)	-	-	-	-	-	166,696
	1,893,407	1,712,717	4,154,462	376,919	8,137,505	7,661,868
Own portfolio						
Financial Treasury Bills (LFTs)	-	-	-	-	-	36,610
Total	1,928,737	2,684,295	4,294,833	658,170	9,566,035	8,620,803
Current	1,928,737				9,564,448	8,619,251
Non-current	-				1,587	1,552

8.1.2 THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

			December 2020	December 2019
	Insurance	Pension	Total consolidated	Total consolidated
Own portfolio (*)				
NTNs - B	3,866,536	-	3,866,536	1,754,838
NTNs - F	430,647	-	430,647	-
NTNs - C	-	175,109	175,109	365,772
National Treasury Bills (LTNs)	-	-	-	685,511
Total	4,297,183	175,109	4,472,292	2,806,121
Current			-	685,511
Non-current			4,472,292	2,120,610

(*) The curve value (adjusted cost) of the securities in "Own portfolio" on December 31, 2020 was R\$ 4,335,269 (R\$ 2,583,898 on December 31, 2019), thus generating a non-recurring gain recorded in shareholders' equity of R\$ 137,023 (R\$ 222,223 on December 31, 2019), and an effect of R\$ -85,200 (R\$ 73,680 on December 31, 2019) in the statement of comprehensive income, gross of tax effects.

8.1.3 FAIR VALUE HIERARCHY - CONSOLIDATED

			December 2020	December 2019
	Level 1	Level 2	Total	Total
Exclusive funds	5,598,491	2,539,015	8,137,506	7,661,870
Own portfolio	4,041,644	430,647	4,472,291	2,842,729
Open-end funds	1,428,530	-	1,428,530	922,325
Total	11,068,665	2,969,662	14,038,327	11,426,924
Current			9,564,448	9,304,762
Non-current			4,473,879	2,122,162

8.2 MEASURED AT AMORTIZED COST

	Insurance	Pension	Other activities	December 2020	December 2019
				Total consolidated	Total consolidated
Exclusive funds (*)					
NTNs - C	-	715,022	-	715,022	591,746
NTNs - B	273,876	62,901	-	336,777	1,622,373
NTNs - F	-	-	116,094	116,094	220,026
LTN	-	-	-	-	77,106
	273,876	777,923	116,094	1,167,893	2,511,251
Other investments	-	-	312	312	3,446
Other	-	-	-	-	-
	-	-	312	312	3,446
Total non-current	273,876	777,923	116,406	1,168,205	2,514,697

(*) Market value of papers on December 31, 2020 was R\$ 1,329,766 (R\$ 2,811,044 as of December 31, 2019).

8.3 CHANGES IN FINANCIAL INSTRUMENTS DURING THE PERIOD – CONSOLIDATED

	December 2020	December 2019
Opening balance	13,941,621	13,896,202
Investments	29,290,990	18,515,073
Redemptions	(29,196,100)	(19,859,345)
Net income	1,255,221	1,316,011
Mark-to-market	(85,200)	73,680
Closing balance	15,206,532	13,941,621
Current	9,564,448	9,304,762
Non-current	5,642,084	4,636,859

8.3.1 CONTRACTED INTEREST RATES

The main contracted average annual interest rates on interest earning bank deposits are shown below (in %):

	December 2020		December 2020	
	Parent company	Consolidated	Parent company	Consolidated
Cash equivalents (*)	1.88	1.89	4.38	4.44
Exclusive funds				
National Treasury Bills (LTNs)	-	-	6.15	7.72
Financial Treasury Bills (LFTs)	0.10	0.07	0.02	0.02
NTNs B - IPCA +	1.29	2.47	4.64	4.00
NTNs C - IGPM +	-	6.25	-	6.21
NTNs F - Fixed rate	-	7.57	-	8.18
Financial Bills %CDI	121.73	152.74	109.44	110.34
Own portfolio				
National Treasury Bills (LTNs)	-	-	-	11.34
NTNs B - IPCA +	-	2.18	-	4.92
NTNs C - IGPM +	-	5.99	-	5.66
NTNs F - Fixed rate	-	6.99	-	-

(*) See Note 7.

9. LOANS AND FINANCING (AT AMORTIZED COST) - CONSOLIDATED

	Portfolio	Provision for credit risks	December 2020		December 2020	
			Net portfolio	Portfolio	Provision for credit risks	Net portfolio
Securities and credits receivable (i)	5,610,244	(44,278)	5,565,966	4,543,622	(34,614)	4,509,008
Financing (ii)	1,815,817	(75,223)	1,740,594	1,278,720	(44,564)	1,234,156
Credit card operations (iii)	1,137,629	(489,264)	648,365	1,022,420	(397,819)	624,601
Loans	247,125	(33,306)	213,819	239,369	(25,484)	213,885
	8,810,815	(642,071)	8,168,744	7,084,131	(502,481)	6,581,650
Provision over total portfolio			7.29%			7.09%
Current			7,192,576			5,900,861
Non-current			976,168			680,789

(i) Refer to amounts receivable from credit cards due or unbilled, classified in current assets. These amounts are classified with credit granting characteristics and have, as their counterpart, accounts payable to affiliated establishments recorded under "Credit card transactions" (see Note 22).

(ii) Refer to vehicle financing in the form of Direct Consumer Credit (CDC).

(iii) Refer to amounts receivable from credit card transactions billed, past due, or paid in installments.

Maturity information on loans and financing are in Note 4.1 (c).

9.1 CHANGES IN IMPAIRMENT OF LOANS AND FINANCING - CONSOLIDATED

Movement among stages in the period are as follows:

	Stage 1	Stage 2	Stage 3	Total (*)
Balance at December 31, 2018	137,064	73,237	253,351	463,652
New entries	352,916	256,157	250,391	859,464
Improvement in stage	40,309	(25,934)	(14,375)	-
Worsening of stage	(66,373)	(112,666)	179,039	-
Settlements (total or partial)	(341,342)	(142,854)	(336,439)	(820,635)
Balance at December 31, 2019	122,574	47,940	331,967	502,481
New entries	379,404	251,143	393,232	1,023,779
Improvement in stage	10,068	(2,736)	(7,332)	-
Worsening of stage	(75,777)	(154,912)	230,689	-
Settlements (total or partial)	(309,787)	(83,975)	(490,427)	(884,189)
Balance at December 31, 2020	126,482	57,460	458,129	642,071

(*) The amount recognized as loss from loan operations was R\$ 350,040 on December 31, 2020 (R\$ 363,664 as of December 31, 2019).

10. PREMIUMS RECEIVABLE FROM INSURED PARTIES - CONSOLIDATED

	December 2020		December 2019			
	Premiums receivable from insured parties	Provision for credit risks	Premiums receivable, net from insured parties	Premiums receivable, net from insured parties	Premiums receivable, net	
Automobile	3,075,649	(7,935)	3,067,714	2,652,401	(4,515)	2,647,886
Property and Casualty Insurance Lines	987,560	(9,568)	977,992	666,320	(3,430)	662,890
Life	471,101	(5,932)	465,169	465,085	(5,921)	459,164
Health care	143,163	(9,806)	133,357	132,039	(3,378)	128,661
Porto Seguro Uruguai	100,152	(7,830)	92,322	81,907	(7,347)	74,560
Transportation	25,327	(1,089)	24,238	26,772	(1,407)	25,365
	4,802,952	(42,160)	4,760,792	4,024,524	(25,998)	3,998,526
Current			4,608,343			3,994,251
Non-current			152,449			4,275

10.1 CHANGES IN PREMIUMS RECEIVABLE FROM INSURED PARTIES - CONSOLIDATED

	<u>December 2020</u>	<u>December 2019</u>
Opening balance	3,998,526	3,629,846
Premiums issued	16,834,251	16,167,055
IOF	907,816	872,305
Interest for installment insurance payment	176,393	252,503
Canceled premiums	(1,170,944)	(1,093,676)
Receipts	(15,969,088)	(15,830,422)
Provision for credit risks	(16,162)	915
Closing balance	<u>4,760,792</u>	<u>3,998,526</u>

10.2 CHANGES IN IMPAIRMENT OF PREMIUMS RECEIVABLE FROM INSURED PARTIES - CONSOLIDATED

	<u>December 2020</u>	<u>December 2019</u>
Opening balance	25,998	26,913
Formations	76,487	23,311
Reversals	(56,825)	(18,240)
Write-offs to loss (non-collectible)	(3,500)	(5,986)
Closing balance	<u>42,160</u>	<u>25,998</u>

Expenses/reversals of provisions for credit risks were recorded in the "Other operating expenses" account of the Statement of Income.

11. TAXES

11.1 RECOVERABLE TAXES AND CONTRIBUTIONS – CONSOLIDATED (*)

	<u>December 2020</u>	<u>December 2019</u>
Income tax	65,859	82,117
Social contribution	22,263	35,974
PIS & Cofins Taxes	18,284	15,899
Taxes - Uruguay	13,055	11,813
INSS	4,174	3,376
Other	8,685	8,410
	<u>132,320</u>	<u>157,589</u>
Current	130,025	155,308
Non-current	2,295	2,281

(*) The Parent Company's balances refer to income tax and social contribution.

11.2 TAXES AND CONTRIBUTIONS PAYABLE - CONSOLIDATED (i)

	December 2020	December 2019
IOF over insurance premiums	285,585	234,648
PIS & Cofins Taxes	67,793	55,706
Social contribution (ii)	49,316	67,535
Income tax (ii)	41,258	89,474
INSS and FGTS	37,950	34,948
IRRF	29,893	24,510
ISS	11,001	9,182
Other	24,409	28,175
	547,205	544,178
Current	536,800	543,892
Non-current	10,405	286

(i) Parent company's balances refer mainly to income tax withholdings and PIS/COFINS on interest on own capital.

(ii) Refers to provisions, net of prepaid amounts.

11.3 DEFERRED TAXES

11.3.1 ASSETS - CONSOLIDATED

	December 2019	Formation	Reversal/Realization	December 2020
Income tax and social contribution on tax loss and negative basis	15,123	171,515	(177,311)	9,327
	15,123	171,515	(177,311)	9,327
Temporary differences arising from:				
Provision for credit risks	172,949	115,334	(47,128)	241,155
Provision for legal obligations	159,862	3,145	(12,086)	150,921
PIS and COFINS over PSL and IBNR	84,888	36,562	(21,222)	100,228
Provision for profit sharing	68,856	83,937	(79,956)	72,837
Provision for lawsuits - civil and labor	18,476	8,004	(6,346)	20,134
Other provisions	79,865	93,292	(99,347)	73,810
	584,896	340,274	(266,085)	659,085
Offset of deferred asset/liability (*)	(335,089)	-	-	(335,359)
	264,930	-	-	333,053

(*) Deferred income and social contribution tax assets and liabilities are presented in the balance sheet, offset by the Company.

11.3.2 LIABILITIES

	Parent company				Consolidated		
	December 2019	Reversal/Realization	December 2020	December 2019	Formation	Reversal/Realization	December 2020
Income tax and social contribution over business combination (*)	274,691	(5,049)	269,642	275,603	28	(5,050)	270,581
Income tax and social contribution over financial instruments' adjustments	-	-	-	99,226	99,736	(133,816)	65,146
Income tax and social contribution over revaluation of real estate	4,102	-	4,102	51,875	212	(1,094)	50,993
Income tax and social contribution over deferred PIS and COFINS	-	-	-	33,365	11,366	(5,230)	39,501
Income tax and social contribution on tax incentive - provision	-	-	-	36,023	-	(777)	35,246
Other	8,102	-	8,102	10,127	5,012	-	15,139
	286,895	(5,049)	281,846	506,219	116,354	(145,967)	476,606
Offsetting of deferred assets/liabilities	(13,679)	-	(13,679)	(214,080)	-	-	(192,080)
	273,216	-	268,167	292,139	-	-	284,526

(*) See Note 16.

11.3.3 REALIZATION ESTIMATE - CONSOLIDATED

The estimate of realization and present value of deferred tax credits for temporary differences (assets) and tax loss and negative basis, according to expected generation of future taxable income, based on past profitability and a technical feasibility study, is:

	<u>Amount</u>
Year of realization:	
2021	494,836
2022	122,053
2023	24,996
2024	4,888
2025	9,495
2026–2028	7,254
>2028	4,890
Total assets	668,412
Present value (*)	657,118

(*) The adjustment to present value was based on the SELIC rate of the last day of the year, net of tax effects.

This study considered the tax rate effective in each future year.

11.4 RECONCILIATION OF INCOME AND SOCIAL CONTRIBUTION TAX EXPENSE ON INCOME

	Parent company		Consolidated	
	December 2020	December 2019	December 2020	December 2019
Income (loss) before income tax (IRPJ) and social contribution (CSLL) (A)	1,683,142	1,374,034	2,605,228	2,027,056
Current rate (*)	34%	34%	40%	40%
Income tax and social contribution (at nominal rate) (B)	(572,268)	(467,172)	(1,042,091)	(810,822)
Equity in net income of subsidiaries	560,490	420,880	-	-
Dividends and interest on own capital	45,520	53,340	140,921	165,244
Tax incentives	-	-	25,641	16,703
Profit sharing	-	(4,875)	(21,880)	(22,421)
Other (**)	(28,693)	2,875	(19,603)	3,350
Total effects of Corporate Income and Social Taxes on permanent differences (C)	577,317	472,220	125,079	162,875
Total income tax and social contribution (D = B + C)	5,049	5,049	(917,012)	(647,947)
Effective rate (D/-A)	-0.3%	-0.4%	35.2%	32.0%

(*) The rate used in this reconciliation of income tax and social contribution expense refers to the effective nominal rate of Porto Seguro's insurance companies and financial companies, which correspond to the companies that contribute the most to consolidated net income.

(**) Refers mainly to the provision for loss on tax losses.

12. GOODS FOR SALE – CONSOLIDATED

	December 2020	December 2019
Salvage (*)	136,493	189,548
Vehicles retired from leases	11,214	9,756
Vehicles recovered from financing agreements	2,739	4,947
Provision for impairment	(42,547)	(25,561)
	107,899	178,690

(i) Deriving mainly from full indemnifications for auto claims, recorded at the estimated realizable value, based on historical studies of recovery.

13. DEFERRED ACQUISITION COSTS (DAC) - CONSOLIDATED

	<u>December 2020</u>	<u>December 2019</u>
Automobile	1,277,535	1,256,457
Property	382,918	324,158
People	111,212	109,951
Financial risks	110,439	68,715
Health care	78,229	72,890
Liabilities	8,989	7,125
Transportation	2,461	2,290
Other	26,475	21,230
	<u>1,998,258</u>	<u>1,862,816</u>
Current	1,924,421	1,815,191
Non-current	73,837	47,625

The average term of deferral of the DAC is 12 months, same term as in 2019.

13.1 CHANGES IN THE DAC PERIOD – CONSOLIDATED

	<u>December 2020</u>	<u>December 2019</u>
Opening balance	1,862,816	1,680,731
Formation	2,970,419	3,004,496
Appropriation to expense	(2,834,977)	(2,822,411)
Opening balance	<u>1,998,258</u>	<u>1,862,816</u>

14. DERIVATIVE FINANCIAL INSTRUMENTS – CONSOLIDATED

			December 2020	December 2019
	Contracted average rate (p.a.)	Notional value	Curve value	Fair value
Swaps – Long position: Fixed rate + dollar	4.28% + USD	150,200	172,853	-
“Swap” – short position: floating rate for CDI (i)	108.50%	(150,200)	(165,613)	-
Change in mark-to-market			-	7,440
Futures contract of prefixed interest		(28,320)	-	-
Dollar future option		(920)	-	(1,624)
Variable income options		2,658	-	858
Futures Contract DI x IPCA		25,179	-	-
Dollar futures contract		(106,264)	-	-
Index futures contract		(129,146)	-	-
IDI Options		469	-	-
Options and futures contracts (ii)			(143)	(4,072)
Total - current assets			-	7,440
Total current liabilities			(143)	(4,072)

(i) Exchanges the difference between the long position (change in USD + fixed rate) and the short position (change in CDI rate), aimed at mitigating the risk of exchange-rate change on foreign currency borrowings, settled in June 2020 (see Note 22).

(ii) Instruments allocated to the Company's investment funds.

15. OTHER ASSETS – CONSOLIDATED

	December 2020	December 2019
Judicial deposits (i)	315,627	376,309
Prepaid expenses (ii)	129,861	87,232
Commissions in processing (iii)	93,674	75,387
Other credits receivable from credit card	64,787	82,953
Reinsurance receivables	58,515	20,384
Administrative advances	37,370	24,915
Amounts receivable - insurance	29,588	24,926
Storeroom	8,098	8,949
DPVAT agreement	7,162	8,198
Checks to deposit	2,107	19,895
Other	53,104	61,211
Current	799,893	790,359
Current	441,381	356,155
Non-current	358,512	434,204

(i) See Note 15.1.

The balance increase is mainly due to the advance purchase of miles by Portoseg to be used throughout the year, as well as prepaid systems maintenance expenses.

(iii) Represent payments of commissions to brokers on current and non-issued risks.

15.1 JUDICIAL DEPOSITS

	December 2020	December 2019
Lawsuits from adhesion to REFIS (*)	189,321	235,764
Judicial claims	54,761	84,312
PIS & Cofins Taxes	44,983	37,638
Other	26,562	18,595
	315,627	376,309

(*) Refers to the difference between the amount of the judicial deposit and the provisions for legal obligations arising from the benefits provided for in the REFIS. See Note 23 (a).

16. INVESTMENTS IN SUBSIDIARIES – PARENT COMPANY

	Interest (%)	Balances in December 2019	Equity income (loss)	Capital increase/ (decrease)	Financial instrument adjustments	Translation adjustment/oth er	Dividends	Balances in December 2020
Porto Cia	99.99	4,056,488	996,605	-	(28,395)	13,168	(892,596)	4,145,270
Portoseg	99.99	823,173	191,328	45,000	-	235	(48,532)	1,011,204
Azul Seguros (i)	67.84	552,824	220,588	15,601	(18,028)	1,376	(184,445)	587,916
Porto Consórcio	99.99	140,653	66,830	-	-	105	(12,707)	194,881
Itaú Auto e Residência	99.99	165,201	109,952	-	(3,154)	579	(86,987)	185,591
Porto Serviços e Trade	99.99	92,389	(7,456)	66,550	-	439	-	151,922
Medical Services	99.99	59,809	8,523	(2,000)	-	58	(4,000)	62,390
Porto Investimentos	99.99	22,367	28,542	-	-	107	(28,997)	22,019
Portomed	99.99	30,938	2,588	(12,526)	(1,543)	-	-	19,457
Protection and Monitoring	99.96	26,840	35,218	(8,000)	-	146	(36,991)	17,213
Portopar	99.99	9,416	(3,606)	-	-	(13)	-	5,797
Renova	99.99	1,667	(549)	2,850	-	-	-	3,968
Crediporto	99.80	823	(21)	-	-	13	-	815
Porto Odonto Business combination (ii)	-	1,033,526	-	-	-	(12,622)	-	1,020,904
		7,016,453	1,648,501	107,560	(51,120)	3,591	(1,295,255)	7,429,730

(i) "Porto Cia" holds a 32.17% interest in this company.

(ii) On August 23, 2009, Porto Seguro entered into an association with Itaú Unibanco Holding S.A., aimed at unifying its home and auto insurance operations, as well as an operational agreement for the exclusive offer and distribution of these products to clients of Itaú Unibanco in Brazil and Uruguay. On November 30, 2009, Itaú Auto e Residência, a company that received the assets and liabilities of this operation from Itaú Seguros S.A., became controlled by Porto Seguro. Goodwill and other intangible assets originated from this business combination (see Note 18).

Indirect subsidiaries	Interest %
Porto Vida e Previdência	99.97
Porto Saúde	99.99
Porto Capitalização	100.00
Porto Seguro Uruguai	100.00
Porto Serviços Uruguai	100.00
Porto Atendimento	99.99
Porto Conecta	100.00
Porto Seguro Saúde Ocupacional	100.00
Franco	100.00
Porto Locadora	100.00
Health For Pet	100.00
Renova Peças Novas	99.99

16.1 SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES

The table below shows the summarized financial information of Porto Seguro S.A. subsidiaries.

	December 2020			
	Total assets	Total liabilities	Total revenues (i)	Net income / (loss) for the year
Porto Cia (ii)	12,495,700	8,439,716	9,915,904	764,020
Azul Seguros (ii)	3,281,910	2,508,250	3,501,789	324,594
Portoseg	10,026,907	8,997,201	1,722,433	191,337
Itaú Auto e Residência	774,221	590,438	578,080	109,952
Porto Saúde	1,247,828	772,339	1,942,969	107,045
Porto Consórcio	272,304	171,951	408,706	66,834
Protection and monitoring	20,981	3,762	28,926	35,227
Porto Uruguai	349,379	253,480	386,387	26,464
Porto Capitalização	1,043,186	935,571	126,117	21,175
Porto Vida e Previdência	5,395,905	5,200,056	962,782	(26,041)
Porto Serviços e Comércio (ii)	157,050	5,126	46,196	(8,067)
Porto Conecta	9,640	4,615	893	4,079
Medical Services	70,437	8,047	61,321	6,828
Other companies	967,483	757,712	955,334	25,080
	36,112,931	28,648,264	20,637,837	1,648,527
Non-controlling interest	-	-	-	(26)
Equity in net income of subsidiaries	-	-	-	1,648,501

	December 2020			
	Total assets	Total liabilities	Total revenues (i)	Net income / (loss) for the year
Porto Cia (ii)	11,962,994	7,997,492	9,724,055	569,664
Portoseg	8,098,711	7,242,866	1,595,948	231,799
Porto Vida e Previdência	5,483,805	5,259,311	1,021,633	20,742
Azul Seguros (ii)	3,329,713	2,606,095	3,514,658	208,690
Itaú Auto e Residência	882,855	715,693	636,360	64,095
Porto Saúde	1,107,698	673,239	1,708,490	71,323
Porto Capitalização	830,332	792,487	95,348	8,943
Porto Seguro Uruguai	276,845	208,827	343,642	2,551
Porto Consórcio	239,486	168,753	334,986	60,544
Porto Serviços e Comércio (ii)	95,392	3,001	33,222	(11,631)
Porto Conecta	13,599	5,152	19,803	(8,013)
Medical Services (ii)	69,705	9,895	60,374	213
Protection and monitoring	35,949	9,103	68,763	2,879
Other companies	534,852	372,610	793,610	26,627
	2,961,936	26,064,524	19,950,892	1,248,426
Non-controlling interest	-	-	-	(26)
Equity in net income of subsidiaries	-	-	-	1,248,400

(i) They include financial revenues.

(ii) Equity in net income of subsidiaries is removed.

16.2 RELATED PARTY TRANSACTIONS

Related party transactions are carried out at values, terms and average rates in compliance with the rates used with third-parties, if any, at the respective dates. The main transactions are:

- (i) Administrative expenses transferred by Porto Cia, Porto Vida e Previdência, Porto Saúde, and Azul Seguros for the use of the physical and personnel structure;
- (ii) Health insurance and health plan services contracted from Porto Saúde and Portomed;
- (iii) Monitoring services carried out by "Protection & Monitoring";
- (iv) Agreement for apportioning administrative costs between Itaú Auto e Residência and the companies of the Itaú Unibanco Group, due to the use of infrastructure;
- (v) Portfolio management and administration services by Porto Investimentos and Portopar;
- (vi) Agreement to use the means for credit card payment with Portoseg;
- (vii) Medical clinic services and administrative and agreement for apportioning operational costs among "Medical Services," Porto Saúde, and Portomed;
- (viii) Call center services contracted from Porto Atendimento;
- (ix) Subscription of special savings bonds issued by Porto Capitalização;
- (x) Fund raising with companies of the Itaú Unibanco Group;

The amounts of related-party transactions are as follows:

Statement of income	Revenues		Expenses	
	December 2020	December 2019	December 2020	December 2019
Porto Cia	835,432	768,442	195,175	239,384
Porto Atendimento	205,126	182,576	121,578	94,107
Porto Saúde	169,192	176,337	106,049	94,202
Crediporto	62,926	42,386	8,461	6,448
Porto Investimentos	12,021	11,066	6,660	4,725
Porto Capitalização	6,968	8,755	11,601	11,577
Portoseg	9,349	15,932	231,373	176,638
Porto Vida	2,214	4,417	30,317	25,760
Itaú Auto e Residência	1,414	6,830	50,539	73,178
Protection and monitoring	1,043	3,606	15,548	22,383
Azul Seguros	-	-	356,307	329,190
Porto Consórcio	-	-	61,727	52,764
Other	7,692	-	118,042	-
	1,313,377	1,243,996	1,313,377	1,243,996

In the year ended December 31, 2020, the amount of R\$ 13,333 (R\$ 19,900 in December 2019) was recognized in statement of income and R\$ 900,754 in Portoseg liabilities (R\$ 330,425 in December 2019) regarding funding from Itaú Unibanco Group companies, which are remunerated at 100% of CDI, plus Fixed rate.

Liabilities	Parent company	
	December 2020	December 2019
Dividends and interest on own capital payable (*)	398,739	322,669
	398,739	322,669

(*) See Note 26 (d).

16.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Transactions with key Management personnel refer to amounts recognized in Income for the period, such as profit sharing, fees, and charges to the Board of Directors, directors, members of the Audit Committee and Tax Council, as shown below:

	Parent company		Consolidated	
	December 2020	December 2019	December 2020	December 2019
Profit sharing - Directors	10,554	19,500	93,508	93,433
Fees and charges (*)	4,697	3,290	31,036	19,317
	15,251	22,790	124,544	112,750

(*) The increase is mainly due to 5 new officers in the current year, as well as a single exit bonus paid to retired officers and bonuses for officers contracted in the period.

17. FIXED ASSETS - CONSOLIDATED

	Changes						December 2020		Annual depreciation rates (%)
	Residual balance in December 2019	Acquisitions	Write-offs/sales	Depreciation expenses	Other /Transfers	Accumulated Cost	depreciation	Net value	
Buildings (i)	711,866	127	(2,902)	(18,415)	(2,303)	806,572	(118,199)	688,373	2.0
	257,910	-	(3,729)	-	2,789	256,970	-	256,970	-
Land Works in progress	35,701	-	(3,201)	-	-	32,500	-	32,500	-
Leasehold improvements	139,398	11,163	(106)	(10,370)	468	195,784	(55,231)	140,553	5.0-33.3
	1,144,875	11,290	(9,938)	(28,785)	954	1,291,826	(173,430)	1,118,396	
IT, Furniture, machinery and fixtures	68,190	41,207	(1,249)	(47,536)	746	369,793	(308,435)	61,358	20.0-33.3
	20,607	967	(748)	(7,189)	46	94,396	(80,713)	13,683	10.0-50.0
Equipment	10,702	1,282	(5,146)	(2,450)	(507)	38,948	(35,067)	3,881	10.0-14.3
Trackers	5,364	3,963	(2,585)	(5,084)	-	3,734	(2,076)	1,658	100.0
Vehicles	2,502	484	(414)	(1,000)	(112)	7,917	(6,457)	1,460	20.0-25.0
	107,365	47,903	(10,142)	(63,259)	173	514,788	(432,748)	82,040	
Vehicles and equipment leased to third-parties	312,206	310,544	(159,146)	(11,323)	(2,212)	461,100	(11,031)	450,069	3.0-20.0
	312,206	310,544	(159,146)	(11,323)	(2,212)	461,100	(11,031)	450,069	
	1,564,446	369,737	(179,226)	(103,367)	(1,085)	2,267,714	(617,209)	1,650,505	

(i) For this item, the weighted average rate was used;

No objective evidence of impairment was seen for fixed assets in 2020 and no loss was recognized.

18. INTANGIBLE ASSETS - CONSOLIDATED

	Changes					December 2020		Annual depreciation rates (%)	
	Residual balance in December 2019	Acquisitions	Write-offs/sales	Depreciation expenses	Other /Transfers	Accumulated depreciation Cost	Net value		
Software	946,275	270,222	(26,150)	(105,558)	(78)	1,620,264	(535,553)	1,084,711	6.67-20.0
Other intangible assets	28,497	-	-	(6,312)	-	55,135	(32,950)	22,185	20.0
	974,772	270,222	(26,150)	(111,870)	(78)	1,675,399	(568,503)	1,106,896	-
Brand	246,000	-	-	-	-	246,000	-	246,000	
Distribution channel Goodwill on acquisition of investments	440,726	-	-	(12,622)	-	568,000	(139,896)	428,104	2.2
Business combination - Itaú Auto e Residência (*)	346,800	-	-	-	-	346,800	-	346,800	-
	1,033,526	-	-	(12,622)	-	1,160,800	(139,896)	1,020,904	
Goodwill on acquisition of investments	28,323	-	-	-	-	28,323	-	28,323	
Other intangible assets	27	-	-	(27)	-	652	(652)	-	20.0
Other business combinations	28,350	-	-	(27)	-	28,975	(652)	28,323	
	2,036,648	270,222	(26,150)	(124,519)	(78)	2,865,174	(709,051)	2,156,123	

(*) See Note 16.

No objective evidence of impairment was seen for intangible assets in 2020 and no loss was recognized.

18.1 MEASUREMENT OF RECOVERY OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

As of December 31, 2020, the recovery of goodwill and intangible assets' book value with indefinite useful lives were valued based on its value in use, using the discounted cash flow model for the cash generating unit (CGU) to which these items are allocated.

The estimation process of the value in use involves the use of assumptions, judgments and estimates of future cash flows and represents the Company's best estimate and not higher than the most recent averages approved by Management. The methodology consists of projecting the Company's results at a horizon of up to five years and discounting them to present value at a discount rate of the capital expected for the following years, based on financial budgets, thus determining the business economic value for shareholders.

Goodwill and intangible assets with undefined useful lives are allocated to CGUs of operating segments, as shown in note 6: (i) "Automobile insurance" and "Insurance - other lines", referring to acquisition of Itaú Auto e Residência; and (ii) "Other", referring to acquisition of Porto Seguro Saúde Ocupacional and Health for Pet. The Company's asset impairment test did not result in a need to recognize impairment losses.

19. RIGHT-OF-USE ASSET - CONSOLIDATED (*)

	December 2019	Changes				December 2020		Annual depreciation rates (%)
		New contracts/revaluations	Write-offs/cancellations of contracts	Depreciation expenses	Cost	Accumulated depreciation	Net value	
Right-of-use	118,957	11,613	(4,464)	(22,385)	202,077	(98,356)	103,721	5.0–12.5
	118,957	11,613	(4,464)	(22,385)	202,077	(98,356)	103,721	

These are related to the properties that are leased from third parties in order to conduct Company business in several locations in Brazil.

20. INSURANCE CONTRACT LIABILITIES AND SUPPLEMENTARY PENSION - CONSOLIDATED

	December 2020		December 2019	
	Gross reinsurance	Net of reinsurance	Gross reinsurance	Net of reinsurance
Insurance (20.1)	12,752,621	12,566,139	11,804,672	11,686,195
Supplementary Pension (20.2)	2,926,462	2,926,462	2,831,110	2,831,110
	15,679,083	15,492,601	14,635,782	14,517,305
Current	9,568,600		9,058,721	
Non-current	6,110,483		5,577,061	

20.1 INSURANCE – CONSOLIDATED

	December 2020		December 2019	
	Gross reinsurance	Net of reinsurance	Gross reinsurance	Net of reinsurance
Provision for unearned premiums	7,268,073	7,199,335	6,824,813	6,777,926
Mathematical provision - insurance	2,231,882	2,231,882	2,277,791	2,277,791
Unsettled claims (administrative and judicial)	1,703,813	1,605,791	1,450,538	1,385,752
Provision for claims incurred but not reported - DPVAT	926,536	926,536	770,229	770,229
Provision for claims incurred but not reported	482,535	462,813	414,682	407,878
Other provisions	139,782	139,782	66,619	66,619
	12,752,621	12,566,139	11,804,672	11,686,195
Current	9,247,109		8,697,087	
Non-current	3,505,512		3,107,585	

20.2 SUPPLEMENTARY PENSION – CONSOLIDATED

	December 2020		December 2019	
	Gross reinsurance	Net of reinsurance	Gross reinsurance	Net of reinsurance
Mathematical provision for benefits to be granted	2,643,756	2,643,756	2,568,911	2,568,911
Mathematical provision for benefits granted	204,828	204,828	162,449	162,449
Supplementary provision for coverage	63,311	63,311	76,128	76,128
Other provisions	14,567	14,567	23,622	23,622
	2,926,462	2,926,462	2,831,110	2,831,110
Current	321,491		361,634	
Non-current	2,604,971		2,469,476	

20.3 CHANGES IN LIABILITIES OF INSURANCE CONTRACTS, SUPPLEMENTARY PENSION AND REINSURANCE ASSETS – CONSOLIDATED

	Insurance contract liabilities	Reinsurance contract assets
Balances at December 31, 2018	14,402,642	104,737
Constitutions arising from premiums/contributions	15,188,197	95,076
Deferral of the risk	(15,486,838)	(88,850)
Claim Notice	8,721,938	60,378
Payment of claims/benefits	(8,037,409)	(56,366)
Inflation adjustment and interest	513,699	3,522
Redemptions	(396,544)	-
Net portability	(325,211)	-
(+/-) Other (formation/reversal)	55,308	(20)
Balances at December 31, 2019	14,635,782	118,477
Constitutions arising from premiums/contributions	15,644,249	126,959
Deferral of the risk	(15,272,805)	(106,439)
Claim Notice	8,321,442	148,257
Payment of claims/benefits	(7,313,018)	(107,422)
Inflation adjustment and interest	465,215	7,492
Redemptions	(454,534)	-
Net portability	(244,337)	-
(+/-) Other (formation/reversal)	(102,911)	(842)
Balances at December 31, 2020	15,679,083	186,482
Current	9,568,600	179,764
Non-current	6,110,483	6,718

20.4 GUARANTEE ASSETS – CONSOLIDATED

Pursuant to the current rules, the following assets were linked to SUSEP and ANS:

	December 2020	December 2019
Total liabilities of insurance and supplementary pension plan (A)	15,679,083	14,635,782
Credits receivable (i)	3,934,059	3,257,104
Deferred and paid acquisition costs	976,872	809,535
Reinsurance assets	117,209	71,472
Other	9,751	8,988
Total assets that reduce the need for coverage (B)	<u>5,037,891</u>	<u>4,147,099</u>
Need to cover technical reserves (C = A - B)	<u>10,641,192</u>	<u>10,488,683</u>
Need for liquid assets (ii) (D)	<u>522,151</u>	<u>535,923</u>
Investment Fund Quotas	3,814,945	5,003,210
Fund quotas specially formed	4,084,372	4,200,617
Fixed income securities - Public	4,474,874	2,827,030
Real estate - Uruguai	19,174	20,131
Total assets offered as guarantee (E)	<u>12,393,365</u>	<u>12,050,988</u>
Surplus (E - C - D)	<u>1,230,022</u>	<u>1,026,382</u>

(i) Amount corresponding to the installments due of the premiums receivable from insured parties and risk policies in progress.

(ii) Companies supervised by SUSEP must offer at least 20% of Risk Capital in National Treasury securities or funds composed of such securities.

20.5 BEHAVIOR OF PROVISION FOR CLAIMS

The table below shows the changes in the Company's reserve for claims (gross of reinsurance) (in years subsequent to the recognition year, in millions), named evolution of claims, and shows the consistency of the Company's reserve for claims policy:

	2012	2013	2014	2015	2016	2017	2018	2019	December 2020
Estimated amount of claim in the year of notice	1,186.4	1,238.4	1,230.9	1,192.7	1,235.8	1,466.7	1,648.9	1,798.5	2,086.5
One year later	1,128.3	1,221.7	1,230.2	1,141.3	1,334.5	1,339.4	1,368.5	1,475.5	-
Two years later	1,193.1	1,262.4	1,296.9	1,209.9	1,418.7	1,393.3	1,355.0	-	-
Three years later	1,212.7	1,318.4	1,351.5	1,277.8	1,461.1	1,435.2	-	-	-
Four years later	1,256.2	1,369.0	1,413.8	1,324.6	1,497.2	-	-	-	-
Five years later	1,324.3	1,428.4	1,461.2	1,365.6	-	-	-	-	-
Six years later	1,379.3	1,465.8	1,502.5	-	-	-	-	-	-
Six years later	1,412.3	1,497.5	-	-	-	-	-	-	-
Eight years later	1,432.2	-	-	-	-	-	-	-	-
Current estimate	1,432.2	1,497.5	1,502.5	1,365.6	1,497.2	1,435.2	1,355.0	1,475.5	2,086.5
Payments accumulated up to the base date	(1,196.7)	(1,219.7)	(1,159.0)	(987.4)	(1,080.4)	(960.6)	(870.8)	(966.3)	-
Total	166.1	42.3	65.7	34.7	38.6	57.8	9.6	25.0	1,577.3
DPVAT, retrocession and Porto Seguro Uruguay									1,026.5
PSL and IBNR recognized in the balance sheet									3,113.0

21. DEBTS FROM INSURANCE AND REINSURANCE OPERATIONS - CONSOLIDATED

	December 2020	December 2019
Commissions on issued premiums	404,709	321,091
Reinsurance companies	80,594	52,862
Other insurance debts (*)	16,851	24,412
	502,154	398,365

(*) Refers mainly to amounts payable for assistance services offered to insured parties.

22. FINANCIAL LIABILITIES – CONSOLIDATED

	December 2020	December 2019
Credit card operations (i)	5,349,263	4,354,424
Interbank deposits (ii)	1,185,557	108,742
Acceptances and endorsements (ii)	990,100	1,337,087
Capitalization liabilities (iii)	917,486	783,496
Other loans and financing (iv)	736,000	343,789
Total financial liabilities valued under amortized cost	9,178,406	6,927,538
Funding and financing in foreign currency (v)	-	173,053
Total financial liabilities valued under fair value	-	173,053
	9,178,406	7,100,591
Current	8,915,922	6,861,875
Non-current	262,484	238,716

(i) Refer mainly to amounts payable to affiliated establishments.

(ii) Fundraising of Portoseg, remunerated based on the CDI rate.

(iii) They are comprised of: provisions for redemptions of special savings bonds, corrected for inflation according to the Remuneration Rate ("TR"), plus a fixed rate of 0.1% to 0.5% per annum, and provisions for sweepstakes drawings.

(iv) Mainly refers to the fundraising of Porto Locadora, in the amount of R\$ 160,000, remunerated at CDI + 1.608% pa, maturing in October 2021.

(v) Funding in foreign currency settled in the second quarter of 2020.

Financial liabilities measured at fair value are classified as "Level 2" in the fair value hierarchy.

22.1 CHANGES IN FINANCIAL LIABILITIES - CONSOLIDATED

	Credit card operations	Other financial liabilities	Total
Balance at December 31, 2018	3,687,084	2,465,063	6,152,147
Acquisition/formation	35,293,588	1,234,275	36,527,863
Inflation adjustment/interest	-	221,612	221,612
Settlement/reversal	(34,626,248)	(1,174,783)	(35,801,031)
Balance at December 31, 2019	4,354,424	2,746,167	7,100,591
Acquisition/formation	24,316,382	2,637,109	26,953,491
Inflation adjustment/interest	-	125,478	125,478
Settlement/reversal	(23,321,543)	(1,679,611)	(25,001,154)
Balance at December 31, 2020	5,349,263	3,829,143	9,178,406

23. JUDICIAL PROVISIONS – CONSOLIDATED

The Company is a party to ongoing tax, labor and civil lawsuits. Provisions from these lawsuits are estimated and updated by Management, backed by the opinion of the legal department and external legal advisors. However, there are uncertainties in determining the probability of loss of the lawsuits, in the expected amount of cash outflow and in the final term of these outflows. The balances and changes in the provisions are shown below:

	Tax (a)	Labor	Civil	Total
Balance at December 31, 2019	1,308,922	17,408	29,769	1,356,099
Formations	185	9,391	32,916	42,492
Successes/reversals	-	(6,114)	(23,941)	(30,055)
Payments	(49,461)	(5,303)	(7,746)	(62,510)
Inflation adjustment	33,853	6,144	(431)	39,566
Balance at December 31, 2020	1,293,499	21,526	30,567	1,345,592
(-) Judicial deposits (*)	(1,217,549)	(4,440)	(8,666)	(1,230,655)
Net provision as of December 31, 2020	75,950	17,086	21,901	114,937
Number of lawsuits	68	689	2,085	2,842

(*) Refers to the balance of judicial deposits linked to the provision balances recorded.

(a) PROVISION FOR TAX AND SOCIAL SECURITY PROCESSES

Tax-related lawsuits, when classified as legal obligations, are subject to the formation of a provision irrespective of their likelihood of loss. The other tax lawsuits are provisioned, when the classification of risk of loss is 'probable.' The breakdown of these lawsuits is shown below, by nature of the lawsuit:

	Parent company		Consolidated	
	December 2020	December 2019	December 2020	December 2019
PIS	25,178	24,822	537,831	522,868
COFINS	116,864	115,213	309,085	294,678
Lawsuits from adhesion to REFIS	-	-	373,854	416,988
Other	-	-	72,729	74,388
Total	142,042	140,035	1,293,499	1,308,922
(-) Judicial deposits (*)	(142,042)	(140,035)	(1,217,549)	(1,197,150)
Net provision	-	-	75,950	111,772

(*) Refers to the balance of judicial deposits linked to the provision balances recorded.

(i) PIS

The companies Porto Cia, Porto Vida e Previdência, Porto Saúde and Azul Seguros are challenging the levy of the contribution for the Social Integration Program (PIS), introduced by the provisions of Constitutional Amendments 01/94, 10/96, and 17/97 that changed the calculation basis and the contribution rate, which started to be levied on gross operating income; the subsidiaries are also challenging the applicability of Law 9718/98, which determined the levy of this contribution on gross revenue, regardless of the accounting classification.

In the case of Constitutional Amendment 01/94, Porto Vida e Previdência partially joined REFIS program and; for the remaining installment, we await the withdrawal of deposits made, due to the recognition of the expiration. Azul Seguros awaits the judgment of the Extraordinary Appeal filed by the Federal Government.

The Special and Extraordinary Appeals filed by the companies Porto Cia and Porto Vida in relation to Constitutional Amendment 10/96 await judgment. The Extraordinary Appeal filed by Azul Seguros also awaits judgment.

Regarding Constitutional Amendment 17/97, in the lawsuit filed by Porto Cia and Porto Vida, the case records are awaiting analysis of the request for conversion into partial income, and partial withdrawal of judicial deposits. In the lawsuit of Azul Seguros, we are awaiting compliance with the decision in relation to the deposit for February/98.

Regarding Law 9718/98, in the lawsuit filed by Porto Cia and Porto Vida, the Extraordinary and Special Appeals are awaiting judgment, currently suspended until the Extraordinary Appeal 609.096, with

general repercussion, is judged. In Tax Foreclosure filed against Porto Cia, the conversion of the deposit of R\$ 136,683 in favor of the Federal Government was required, extinguishing the Enforcement in 2017, with no solution of merits. Thus, in the case of a favorable outcome in the Writ of Mandamus that discusses the thesis, a credit recoverable before the Brazilian Federal Revenue Service will be possible for Porto Cia.

Regarding the lawsuit of Porto Saúde, the Extraordinary and Special Appeals are awaiting judgment, currently suspended until the Extraordinary Appeal 609.096, with general repercussion, is judged. The lawsuit filed by Azul Seguros is awaiting judgment of the Special and Extraordinary Appeals filed by the Brazilian government, which were suspended until the judgment of Extraordinary Appeal 400,479 and Interlocutory Appeal 732,247.

(ii) REFIS

The Company joined the Tax Recovery Program (REFIS) in 2013 and 2014, with respect to various lawsuits discussed in court, and currently awaits ratification of its applications to withdraw such lawsuits before the Judiciary Branch. The lawsuit that discussed the deductibility of the Social Contribution on Net Income (CSLL) from the Corporate Income Tax (IRPJ) calculation basis was ratified in June 2015 (Porto Cia and Portopar) and November 2016 (Porto Saúde).

(iii) COFINS

With the enactment of Law 9718, insurance and pension plan companies, among others, became subject to the levy of Social Contribution on Income (COFINS) on their revenues, at the rate of 4% after the enactment of Law 10684/03. The companies 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, which classified revenue as equivalent to gross revenue.

The lawsuits filed by Porto Saúde, Portopar and Itaú Auto e Residência are awaiting judgment of Extraordinary and Special Resources, currently suspended until judgment of Extraordinary Appeal 609.096, with general repercussion. In the lawsuit filed by Azul Seguros, the motions for clarification filed by Extraordinary Appeal filed by the subsidiary is currently awaiting judgment.

(iv) PIS and COFINS on interest revenues on own capital

The Parent Company has filed a lawsuit to challenge the legality and constitutionality of sole paragraph of article 1 of Decree 5164/04, which provides for the levy of PIS and COFINS on amounts received as interest on own capital. Currently is awaiting judgment of the Special and Extraordinary Appeals filed by the Parent Company.

(v) Other taxes

Subsidiaries Azul Seguros, Itaú Auto e Residência, Porto Cia, Porto Consórcio and PortoSeg have discussions regarding: (i) IPTU; (ii) License Fee; (iii) Inspection fee; (iv) Garbage rate; (v) Installation Location and Operation Fee - TLIF; (vi) Operating and Advertising Fee – TFA; (vii) Fine for Lack of Cleaning/Conservation; (viii) Service Tax - ISS; (ix) Traffic Ticket and IPVA - arising from salvaged vehicles, after payment of indemnities for claims.

(b) TAX AND SOCIAL SECURITY CONTINGENCIES

The Company is a party to other tax and social security lawsuits that are not classified as legal obligations and since they are classified as possible loss, they are not provisioned. The estimated total risk of these lawsuits total R\$ 1,531,123 (R\$ 1,104,977 with a possible impact on net income). The main reasons are: (i) discussion on the INSS levied on profit sharing with estimated total risk by R\$ 634,658 (R\$ 458,749 with possible impact in net income); (ii) inquiry by the Brazilian Internal Revenue Service challenging the non-inclusion of certain financial revenues in the PIS (Social Integration Program Contribution) and COFINS (Contribution to the Funding of Social Welfare Programs) calculation basis, with an estimated total risk of R\$ 367,380 (R\$ 273,410 of possible impact on net income); and (iii) INSS discussion regarding the meal workers' program, with an estimated total risk by R\$ 279,349 (R\$ 208,724 of possible impact on net income).

(c) PROVISION FOR LABOR LAWSUITS AND CONTINGENCIES

The Company is party to labor lawsuits. The most frequent claims refer to overtime, its effects, termination pay, salary equivalence and undue payroll deductions. The likelihood of loss on these lawsuits is classified as probable. The average term for the conclusion of labor lawsuits in the Company is 30 months.

In addition to the provisions recorded, there are other contingent liabilities, with the same types of claims of the lawsuits provided for, in the amount of R\$ 4,711 (R\$ 6,512 in December 2019), whose likelihood of loss was considered possible by the Company's legal counsel, and for which no provision was formed. 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.

(d) PROVISION FOR CIVIL LAWSUITS AND CONTINGENCIES

The Company is a party to civil lawsuits, Mostly relating to claims for pain and suffering, property damages, bodily injuries and loss of suit fees. The likelihood of loss on these lawsuits is classified as probable. The average term for the conclusion of civil claims in the Company is 30 months.

In addition to the provisions recorded, there are other contingent liabilities, with the same types of claims of the lawsuits provided for, in the amount of R\$ 169,304 (R\$ 189,501 in December 2019), whose likelihood of loss was considered possible by the Company's legal counsel, and for which no provision was formed. 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.

Following guidance from SUSEP, the Company started to classify certain lawsuits (such as indemnity for pain and suffering, loss of profits etc.), which had been previously recorded under the Provision for Unsettled Claims, as civil lawsuits, together with the amounts claimed.

24. LEASE LIABILITY – CONSOLIDATED (*)

	Lease liability	Unearned interest from lease contracts	Net lease liability
Balances at December 31, 2019	255,302	(111,204)	144,098
Interest appropriation	-	15,226	15,226
Contract constitutions/revaluations	8,669	-	8,669
Payments	(32,957)	-	(32,957)
Other/write-offs	530	-	530
Balances at December 31, 2020	231,544	(95,978)	135,566
Current			20,227
Non-current			115,339

This is due to the lease liability, measured at the present value of the lease payments expected up to the end of the lease, calculated through an incremental financing rate considering possible renewals and cancellations.

25. OTHER LIABILITIES - CONSOLIDATED (*)

	December 2020	December 2019
Profit sharing	261,364	246,178
Suppliers	233,710	183,021
Provision for vacation and social security charges	117,763	112,844
Return to consortium members	81,081	93,178
Loyalty Program - Credit Card	80,132	93,651
Post-employment benefits	57,943	63,907
Other	82,948	56,749
	914,941	849,528
Current	856,650	785,271
Non-current	58,291	64,257

(*) The other liabilities of the Parent Company refer substantially to the profit sharing payable.

26. SHAREHOLDERS' EQUITY – PARENT COMPANY**(a) CAPITAL**

As of December 31, 2020, subscribed and paid-up capital amounted to R\$ 4,500,000, divided into 323,293,030 common, nominative, book-entry shares with no par value, of which 3368936 were held in treasury.

The Annual/Special Shareholders' Meeting held on March 31, 2020 approved an increase in the Capital in the amount of R\$ 500,000, arising from statutory reserves for the adjustment of profit reserves according to the limits established by Law 6404/76, with no change in the amount of shares of the Parent Company.

(b) SHARE REPURCHASE PROGRAM

On January 30, 2020, the Board of Directors approved the renewal of the share repurchase program under the following conditions:

- Program's purpose: the objective of the share repurchase program, by means of the acquisition of shares issued by the Company to be held in treasury, canceled or sold, without a capital decrease, and/or linking to the Company's share-based remuneration plan, is to create an additional alternative for creating value for the shareholders if the conditions are favorable;
- Program period: between February 2, 2020 and January 31, 2021;
- Number of shares to be acquired: up to the limit of 5 million shares;
- Authorized financial institution: Itaú Corretora de Valores S.A.

Changes in treasury shares are as follows:

	Treasury shares (In thousands of reais)	Quantity	Average amount per share (R\$)	Gain from use
Balance at December 31, 2019	19,788	372,386	53.22	30
Repurchases	141,196	3,013,400	46.86	-
Used in the remuneration plan and/or traded (i)	(923)	(16,850)	47.98	115
Balance at December 31, 2020	160,061	3,368,936	50.71	145

(i) Refer to the shares used in the granting exercise provided for in the share-based remuneration plan. See Note 26(e).

On December 31, 2020, the market value of treasury shares was R\$ 165,078 (R\$ 23,363 on December 31, 2019). The minimum price of the shares repurchased during 2020 was R\$ 41.12, and the maximum price was R\$ 52.25.

(c) PROFIT RESERVES

(i) Legal reserve

Legal reserve, formed of 5% of net income for the year aiming at ensuring the integrity of capital, in conformity with article 193 of Law 6404/76. As of December 31, 2020, the amount of the balance was R\$ 703,270 (R\$ 618,860 in December 2019).

(ii) Statutory reserve

The statutory reserve has the purpose of compensating possible losses or capital increase, in order to protect the Company's equity and ownership interest in its Subsidiaries and associated companies, or ensure future distribution to the shareholders.

The remaining balance of net profit, after transfer to the legal reserve and distribution of minimum mandatory dividends, may be allocated to this reserve, except if Management considers this reserve sufficient to meet the Company's needs, in which case, in a specific year, the balance is fully or partially distributed to the shareholders or reversed for capital increase. This reserve is limited to the amount of the Company's capital. At December 31, 2020, the balance was R\$ 3,340,201 (R\$ 3,135,105 at December 31, 2019).

(d) DIVIDENDS AND INTEREST ON OWN CAPITAL

According to the Bylaws, the shareholders are entitled to a minimum compulsory dividend of 25%, calculated over the adjusted net income (Parent Company) for the year. The payment of mandatory dividends can be limited to the amount of net income realized financially, under the terms of the law. The payment of interest on own capital (net of taxes) is included in the minimum mandatory dividends. Provision related to amount above minimum mandatory value will be recognized on the date in which it is approved; before that, it will be maintained in Shareholders' equity as presented in statement of changes in shareholders' equity.

The Annual and Special Shareholders' Meeting held on March 31, 2020 approved the distribution of dividends for 2019, in the amount of R\$ 689,541, comprised by: (i) interest on own capital charged to the mandatory dividend for the year 2019, in the amount of R\$ 371,796, net of income tax, and out of this amount, R\$ 43,673 correspond to additional interest on own capital to the minimum mandatory; and (ii) dividends in addition to the mandatory minimum dividend for the year of 2019, in the amount of R\$ 317,745. The Company approved the payment of said interest on own capital as of April 9, 2020.

According to the notice to shareholders on August 19, 2020, the Company announced that, in addition to the Notice to Shareholders released on March 31, 2020, the payment of additional dividends to the mandatory minimum dividends for the year 2019 was approved at the Board of Directors' Meeting, in the amount of R\$ 317,745. The payment was made on August 28, 2020.

Pursuant to the notice to shareholders made in June and October 2020, the Company credited on June 29, 2020, R\$ 192,176 and on October 30, 2020, R\$ 180,206 (gross of income tax) in Interest on Own Capital (JCP) to its shareholders for the period from January 1 to December 31, 2020, to be included in the dividends for this year. The payment date will be determined at the Company's Annual Shareholders' Meeting, to be held until April 30, 2021.

The minimum and additional proposed dividends (to be approved at the Annual Shareholders' Meeting to be held on March 31, 2020 and paid by April 30, 2020) were calculated as follows:

	December 2020	December 2019
Net income for the year - Parent Company (A)	1,688,191	1,379,083
(-) Legal reserve – 5%	(84,410)	(68,954)
IFRS adjustments	(591)	2,366
Primary earnings for determination of the dividend	<u>1,603,190</u>	<u>1,312,495</u>
Compulsory minimum dividends - 25% (*)	<u>400,798</u>	<u>328,124</u>
Supplementary interest on own capital, net	-	43,673
Additional dividends proposed	443,298	317,745
Total supplementary dividends/interest on own capital	<u>443,298</u>	<u>361,418</u>
Total dividends (B)	<u>844,096</u>	<u>689,542</u>
Total per share (R\$)	2.61996	2.13426
Total distribution (B/A)	50.0%	50.0%

(*) Comprised, in December 2020, of net interest on own capital already credited in the books and included in the minimum dividends accrued. The amount of R\$ 454,798 recorded in the Statement of changes in shareholders' equity includes the mandatory minimum dividends, R\$ 400,798 and R\$ 54,000 related to withholding income tax (at the rate of 15% for shareholders resident in Brazil, and at a different rate for shareholders resident abroad).

(e) SHARE-BASED REMUNERATION (i)

The Company has a plan for payment of share-based remuneration in eligible shares to the statutory officers of the Company and/or the Subsidiaries, as part of its annual variable remuneration.

The purpose of the plan is to promote long-term alignment between the interests of administrators and shareholders of the Company and its Subsidiaries; the commitment, on the part of the administrators, to obtain sustainable results for the Company and its Subsidiaries; and creating value for shareholders.

In view of this plan, the annual variable remuneration owed to Company directors will now be paid (in part) in shares, under the terms of the plan and the granting contract, according to the following implementation schedule:

- i) 2018-base Fiscal Year (variable remuneration approved in 2019): 7.50% (seven and a half percent) of the variable remuneration of the directors will be paid in Shares;
- ii) 2019-base Fiscal Year (variable remuneration approved in 2020): 15.00% (fifteen percent) of the variable remuneration of the directors will be paid in Shares;
- iii) 2020-base Fiscal Year (variable remuneration approved in 2021): 22.50% (twenty-two and a half percent) of the variable remuneration of the directors will be paid in Shares; and

- iv) 2021-base Fiscal Year (variable remuneration approved in 2022) and subsequent fiscal years: 30.00% (thirty percent) of the variable remuneration of the directors will be paid in Shares.

The plan does not change the current parameters for calculating and paying variable remuneration to the directors, but only modifies the payment method, which, in part, ceases to be immediate and in cash, and will henceforth be in shares issued by Company, which will only be transferred / granted to the directors after the vesting period (3 years) subsequent to the base-year for determining the variable remuneration, or the termination of the director, provided that all the conditions set forth in the plan and in the respective granting contract are met. This plan is settled through the delivery of PSSA shares held in treasury.

Changes in share-based remuneration plan are as follows:

	Consolidated	
	December 2020	December 2019
Balance at December 31, 2019	1,931	-
Vesting deferral for the period	6,306	2,297
Shares canceled, granted, or loss of right	(923)	(366)
Balance at December 31, 2020	7,314	1,931
Weighted average value of rights per share (R\$)	61.59	52.15
	Quantity	
	December 2020	December 2019
Opening balance	37,734	-
Vesting deferral for the period	90,110	44,046
Shares canceled, granted, or loss of right	(16,850)	(6,312)
Closing balance	110,994	37,734

27. INSURANCE PREMIUMS ISSUED AND NET CONSIDERATIONS – CONSOLIDATED

The premiums earned comprise insurance premiums issued, net of cancellations, refunds and assignments of premiums to similar products and net consideration of health insurance plans. The amounts of the main groups of insurance lines are composed as follows:

	December 2020			December 2019		
	Premiums issued	Premiums ceded (reinsurance)	Premiums issued, net	Premiums issued	Premiums ceded (reinsurance)	Premiums issued, net
Automobile	9,716,048	-	9,716,048	9,836,234	-	9,836,234
Health care	1,888,766	-	1,888,766	1,676,348	-	1,676,348
Property	1,630,227	(63,560)	1,566,667	1,556,143	(59,287)	1,496,856
People	928,520	(16,445)	912,075	904,324	(13,467)	890,857
Financial risks	666,454	(8,236)	658,218	444,836	(5,768)	439,068
Uruguay	358,829	(1,239)	357,590	322,138	(1,850)	320,288
VGBL	288,166	(65)	288,101	338,158	(1)	338,157
Transportation	183,452	(1,037)	182,415	102,243	-	102,243
DPVAT	-	-	-	185,875	-	185,875
Other	144,489	(68,950)	75,539	104,068	(34,167)	69,901
	15,804,951	(159,532)	15,645,419	15,470,367	(114,540)	15,355,827

28. REVENUES FROM LOAN OPERATIONS - CONSOLIDATED

	December 2020	December 2019
Credit card	864,333	776,192
“Interchange” (*)	404,630	383,604
Financing	268,733	203,200
Loans	70,574	81,790
Other	30,650	27,865
	1,638,920	1,472,651

(*) Refers to the remuneration received from the credit card brands on the transactions processed.

29. REVENUES FROM RENDERING OF SERVICES - CONSOLIDATED

	December 2020	December 2019
Porto Consórcio	383,981	324,079
Porto Atendimento	225,276	202,158
Porto Locadora	106,857	78,503
Portopar and Porto Investimentos	96,373	82,460
Crediporto	53,959	36,328
Medical services and centers	60,648	59,820
Porto Saúde Ocupacional	53,996	61,830
Porto Serviços e Comércio	45,967	33,092
Protection and monitoring	27,008	67,409
Other	80,340	83,535
	1,134,405	1,029,215

30. OTHER OPERATING REVENUES - CONSOLIDATED

	December 2020	December 2019
Sale of properties and investments (i)	67,501	25,929
Insurance (ii)	38,589	70,890
Other revenues from credit card	25,568	45,043
Pension	18,609	19,014
Consortium	13,750	13,357
Other	22,946	10,875
	186,963	185,108

(i) Refers mainly to the sale of the monitored alarms portfolio of "PMO".

(ii) Refer, mainly, to revenues from fees (honoraria) of the DPVAT Agreement for attending to insured parties of the Consortium.

31. CHANGES IN TECHNICAL RESERVES - CONSOLIDATED

	December 2020		December 2019	
	Gross reinsurance	Net of reinsurance	Gross reinsurance	Net of reinsurance
Mathematical Provision	290,260	290,260	339,259	339,259
Provision for unearned premiums	351,116	382,263	97,346	106,998
Other provisions	(2,381)	(2,381)	2,888	2,888
Changes in technical reserves - Insurance	638,995	670,142	439,493	449,145
Provision of pension plan	115,700	115,700	189,863	189,863
Changes in technical reserves - pension	115,700	115,700	189,863	189,863
	754,695	785,842	629,356	639,008

32. RETAINED CLAIMS – CONSOLIDATED

The retained claims (expenses on claims) comprise the indemnities notified and IBNR change. The following table shows the gross retained salvage claims and compensations.

	December 2020			December 2019		
	Gross reinsurance	Recovery of reinsurance	Net of reinsurance	Gross reinsurance	Recovery of reinsurance	Net of reinsurance
Automobile	5,363,616	-	5,363,616	6,572,928	(2)	6,572,926
Health care	1,361,099	-	1,361,099	1,264,423	-	1,264,423
Property	618,973	(84,903)	534,070	495,047	(34,722)	460,325
People	361,708	(26,692)	335,016	272,809	(10,497)	262,312
Financial risks	289,666	(3,313)	286,353	176,626	(55)	176,571
Porto Uruguai	154,191	-	154,191	172,489	-	172,489
DPVAT	-	-	-	79,570	-	79,570
Other	72,138	(22,296)	49,842	79,231	(9,705)	69,526
	8,221,391	(137,204)	8,084,187	9,113,123	(54,981)	9,058,142

33. ACQUISITION COSTS – INSURANCE (*) - Consolidated

	December 2020	December 2019
Automobile	2,278,820	2,236,506
Property	469,774	446,161
People	302,241	270,579
Health care	165,407	127,434
Financial risks	109,650	113,777
Porto Seguro Uruguai	100,069	93,205
Other	49,526	59,562
	3,475,487	3,347,224

(*) Includes amortization of deferred acquisition costs (Note 13) and non-deferred marketing expenses.

34. ADMINISTRATIVE EXPENSES – CONSOLIDATED (i)

	December 2020	December 2019
Personnel and post-employment benefits	1,600,745	1,578,216
Localization and operation	431,072	492,883
Outsourced services	618,618	538,371
Profit sharing	273,194	253,198
Advertising	93,291	103,688
Donations and contributions	50,456	36,324
Meu Porto Seguro Program (ii)	51,370	-
Other	40,123	80,466
	3,158,869	3,083,146

(i) The Parent Company's administrative expenses refer mainly to profit sharing, fees, and charges. See Note 16.3.

(ii) Amounts related to program Meu Porto Seguro (My Porto Seguro) stands out. Said initiative offers over 10,000 temporary job and training opportunities in Brazil, for people who lost their jobs during the pandemic, who were already unemployed or in search of their first job throughout Brazil. The Program started in the second semester of 2020, with over 9 thousand professionals hired so far.

35. TAX EXPENSES – CONSOLIDATED (*)

	December 2020	December 2019
COFINS	458,455	407,770
PIS	77,218	69,190
Service tax	38,207	33,295
Other	61,840	58,624
	635,720	568,879

(*) Tax expenses of the Parent Company refer substantially to PIS/COFINS on interest on own capital received.

36. OTHER OPERATING EXPENSES - CONSOLIDATED

	December 2020	December 2019
Funding	538,367	478,510
Provision for credit risks	489,629	402,492
Assistance services	154,092	170,287
Collection and Management of policies and contracts	65,439	101,614
Social charges upon insurance operations	37,860	38,164
Allowance for doubtful accounts- insurance	16,162	(915)
Amortization of intangible assets and business combination	12,648	12,722
Other	186,831	130,343
	1,501,028	1,333,217

37. FINANCIAL REVENUES - CONSOLIDATED (*)

	December December 2020	December 2019
Valuation and interest from financial instruments at fair value through profit or loss	909,663	758,921
Interest of financial instruments – other categories	451,766	307,745
Income from PGBL/VGBL operations	270,709	301,388
Insurance operations	176,393	252,503
Inflation adjustments of judicial deposits	31,665	44,349
Other	59,648	74,403
	1,899,844	1,739,309

(*) The balances of the Parent Company refer mainly to the appreciation of securities at fair value.

38. FINANCIAL EXPENSES - CONSOLIDATED (*)

	December 2020	December 2019
Devaluation of financial instruments at fair value through profit or loss	376,917	52,043
Inflation adjustment - pension liabilities	244,486	66,021
Inflation adjustment - PGBL and VGBL	117,682	286,829
Inflation adjustment - insurance liabilities Inflation adjustment of provision	103,047	160,849
for long-term taxes	13,743	59,345
Other	122,897	75,120
	978,772	700,207

(*) The balances of the Parent Company refer mainly to the devaluation of trading securities.

39. EMPLOYEE BENEFITS - CONSOLIDATED**39.1 SUPPLEMENTARY PENSION PLAN**

The Company sponsors two supplementary pension plans for its employees, one in the form of a variable contribution plan and the other in the form of defined contribution plan. Both follow the criteria of CPC 33 - Employee benefits through Portoprev - Porto Seguro Previdência Complementar, a not-for-profit, closed-end private pension entity.

Under these plan's regulations, the main funds are represented by contributions from the plan's sponsors and participants, and the return on the investment of these resources. Contributions made by participants vary from 1% to 8% of each participant's salary, and the sponsor's contribution corresponds to 100% of the participant's contribution.

In December 2020 and 2019, the plans had 5.6 thousand active participants. The Company's expenses with contributions to the plan amounted to R\$ 19,180 in December 2020 (R\$ 17,379 in December 2019)

39.2 POST-EMPLOYMENT BENEFITS

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

	December December 2020	December 2019
Present value of the actuarial obligation in the beginning of the year	63,907	61,211
Cost of benefits	3,685	4,044
Cost of interest	4,196	5,654
Benefits paid	(2,465)	(4,101)
Actuarial gain on obligation	(11,393)	(2,901)
Other	13	-
Closing balance of liabilities	57,943	63,907

The actuarial assumptions are reviewed on an annual basis. On December 31, 2020, the main assumptions used were:

Average obligation discount rate (p.a.)	3.30%
Salary growth rate (p.a.)	1.0%
Economic inflation (p.a.)	4.0%
Medical inflation (p.a.)	4.0%
Rate change on FGTS balances (p.a.) - nominal	4.5%

39.3 OTHER BENEFITS – CONSOLIDATED

	December December 2020	December 2019
Food and meal vouchers	173,791	171,411
Health and dental care	154,207	141,268
Transportation voucher	20,533	32,258
Day-care assistance	6,557	7,441
Instruction	4,824	5,525
	359,912	357,903

40. EARNINGS PER SHARE - PARENT COMPANY

The Company's basic earnings per share is calculated by dividing the taxable income to the shareholders at the weighted average of the number of shares issued during the period, excluding any treasury shares repurchased during the disclosure period and classified as treasury shares as a reducing component in shareholders' equity.

Porto Seguro does not have financial instruments convertible into treasury shares or transactions that generate a dilutive or antidilutive effect (as defined by IAS 33 - Earnings per Share) on the earnings per share for the period. Accordingly, the basic earnings per share that were calculated for the period are equal to the diluted earnings per share. Earnings per share are shown as follow:

	<u>December 2020</u>	<u>December 2019</u>
Earnings attributable to Company's shareholders	1,688,191	1,379,083
Weighted average of the number of shares during the period	322,179	323,083
Basic and diluted earnings per share - R\$	5.23992	4.26851

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Porto Seguro S.A.

Opinion

We have audited the accompanying parent company financial statements of Porto Seguro S.A. (the "Company"), which comprise the balance sheet as at December 31, 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Porto Seguro S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

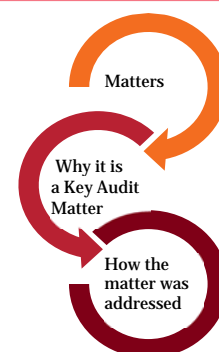
In our opinion, the parent company and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Porto Seguro S.A. and of Porto Seguro S.A. and its subsidiaries as at December 31, 2020, and the parent company's financial performance and cash flows for the year then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the parent company and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





Porto Seguro S.A.

We planned and performed our audit for 2020 taking into consideration that the operations of the Company and of the Company and its subsidiaries had not changed significantly in relation to the previous year. In this respect, the Key Audit Matters, as well as our audit approach, have remained substantially in line with those in the prior year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
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Provision for credit risks (impairment) of loans and financing (Notes 2.9.1., 4.1, 9 and 9.1)

As at December 31, 2020, the gross consolidated balance of transactions comprising loans, financing and credit card operations was R\$ 8,810,815 thousand.

The Company, through its subsidiary, calculated a provision for credit risks by establishing methodologies that captured, in addition to incurred losses, the losses expected over the contractual term of the assets in compliance with IFRS 9/CPC 48, totaling R\$ 642,071 thousand.

The provision for credit risks (impairment) continues to be an area of focus in our audit, as it involves management's judgment in the classification of credits in the stages set out in IFRS 9/CPC 48 and in determining the required provision through the application of a methodology and processes that use a number of assumptions, including the counterparty's financial position, the expected future cash flows, the estimated amounts to be recovered, and the enforcement of guarantees.

Our procedures included, among others, updating our understanding of the relevant internal controls developed by the subsidiary's management with regard to the model and assumptions adopted by management in determining the recoverable amount of the credit portfolio, the process for classifying risk levels, the monitoring of guarantees received, and the completeness and integrity of the credit portfolio database used as the basis for calculating the provision for credit risks (impairment).

We tested, with the support of our specialists, compliance with the requirements of the standard, as well as, on sampling bases: (i) the assumptions used to calculate the probability of default attributed in the calculation of the provision, using as the basis the expected loss for groups with characteristics of credit risk; (ii) the reasonableness and consistency of the assumptions adopted by the management, (iii) the recalculation of the provision using management's assumptions; and (iv) an analysis of the disclosures made by management in the consolidated financial statements in compliance with the requirements of IFRS 9/CPC 48.

We considered the assumptions and criteria used by management to determine the provision for credit risks (impairment) of loans and financing as reasonable, in all material respects, within the context of the consolidated financial statements taken as a whole.

Measurement of technical reserves for insurance contracts (PSL, IBNR, IBNeR) and Private Pension Plans (PCC) (Notes 2.17, 4.4, 20, 20.1 and 20.2)

The Company, through its subsidiaries, recorded certain technical reserves, among which we highlight the following: (i) reserve for 'incurred

Our audit procedures included, among others, an understanding of the design of key controls related to the reconciliation of the accounting



Porto Seguro S.A.

Why it is a Key Audit Matter

but not reported' (IBNR) claims, totaling R\$ 482,535 thousand, (ii) reserve for 'incurred but not sufficiently reported' (IBNeR) claims, which when added to the reserve for unsettled claims (PSL) totaled R\$ 1,703,813 thousand, and (iii) the Complementary Coverage Reserve (PCC), in the amount of R\$ 63,311 thousand.

The determination of the amounts of these technical reserves for insurance and private pension contracts requires management's judgment in the preparation of methodologies to determine the losses incurred and the premiums issued, as well as in the definition of the assumptions for their calculations.

We continue to consider this an area of focus in our audit due to the level of subjectivity involved in the assumptions and the materiality of these reserves to the consolidated financial statements.

How the matter was addressed in the audit

balances to the operating reports, and the assessment and approval of the assumptions and calculations of the Company's technical reserves.

We also considered the controls over approval of actuarial technical notes by the responsible technical staff, and where those actuarial technical staff had the appropriate qualifications and experience.

With the support of our specialists, we tested the methodologies and financial and actuarial assumptions used by management to determine the technical reserves, mainly the IBNR, IBNeR, PSL and PCC, in relation to the historical experience of the Company through its subsidiaries and/or the practices used by the market. We re-performed the calculation, on a test basis, of the amounts of these technical reserves as at December 31, 2020.

Additionally, we tested the completeness and integrity of the databases for the issuance of insurance policies and claims used to measure these reserves, through computer-based audit techniques.

We also tested the sensitivity analyses prepared by management for possible impacts arising from changes in the discount rates used in the calculation of the Complementary Coverage Reserve (PCC), the claims ratio and administrative expenses. These sensitivity analyses are described in Note 4.4 to the financial statements.

We consider the methodologies and assumptions used to determine these technical reserves, as well as the integrity of the databases, controls over approval of actuarial technical notes, and the calculations and sensitivity analyses as reasonable within the context of the financial statements as a whole. Additionally, the disclosures made are consistent with the information obtained.



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Why it is a Key Audit Matter**How the matter was addressed in the audit**

Information Technology environment

Porto Seguro S.A. and its subsidiaries depend on a technological structure to record and process their transactions and, consequently, to prepare their consolidated financial statements.

To enable the carrying out of their business, several application systems are used to register and process information in a complex technological environment. This requires significant investments in tools, processes and internal controls for the appropriate maintenance and development of systems and security.

The assessment of the effectiveness of controls is crucial in the audit process to define the approach to be taken to obtain the required assurance. This was considered an area of audit focus, since there is a risk that technological processes may occasionally result in the incorrect recording and processing of critical information used in the preparation of the financial statements of the Company and its subsidiaries.

As part of our audit procedures, with the support of our specialists, we updated our understanding of the Information Technology environment. This comprised an assessment, through a combination of tests on key controls, of the design, implementation and operating effectiveness of information security. In obtaining our understanding, the procedures also covered the development and maintenance of the systems and the operation of the technological environment of the application systems significant to the preparation of the financial statements of the Company and its subsidiaries.

The audit procedures applied to the Information Technology internal control environment generated results that were used in determining the nature, timing and extent of the other audit procedures. We consider that the processes and controls of this environment provided a sufficient basis for the determination of the result of our audit of the financial statements of the Company and its subsidiaries.

Other matters**Statements of Value Added**

The parent company and consolidated Statements of Value Added for the year ended December 31, 2020, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and if its form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.



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Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the parent company and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), 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.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit 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 internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 3, 2021

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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



TAX COUNCIL OPINION

“The Tax Council of Porto Seguro S.A., in compliance with the legal and statutory provisions, examined the Management Report and the Financial Statements of the Company and its subsidiaries (Consolidated) for the year ended December 31, 2020, as well as the proposal of the Company’s Executive Board for the allocation of the income for the year. Based on the documents analyzed, in the report issued by the independent audit firm, submitted on February 1, 2021 and to be delivered (signed) on February 3, 2021, which does not contain any qualifications, the information and clarifications received at meetings held for the year with the Company’s directors, external auditors and the Audit Committee states that said documents, as well as the proposal for the allocation of income for the year, including the declarations of interest on own capital, approved by the Board of Directors of Company, ad referendum of the General Meeting, can be analyzed and voted by the Annual General Meeting of the Company.”

São Paulo, February 01, 2020.

Edson Frizzarim

Andréa Noceto Degli Oddi

Alfredo Sérgio Lazzareschi Neto

SUMMARY OF THE AUDIT COMMITTEE REPORT

2nd Semester of 2020

The Audit Committee (Committee) was created by the Board of Directors of Porto Seguro S.A. (Porto Seguro) at a meeting held on December 16, 2005. It is a statutory body, which reports directly to the Board of Directors. It is made up of three members, among them one professional with proven knowledge in the accounting and audit areas of the markets in which the Company and its subsidiaries operate. The election of members considers the independence criteria included in the applicable legislation and regulations. It is a single Audit Committee overseeing, within the limits of its responsibilities, the Company and all companies controlled by it.

The Audit Committee is mainly responsible for: (i) supervising the performance, independence and quality of work of the Internal Audit; (ii) supervising the performance, independence, objectivity and quality of work of the independent auditors; (iii) ensuring the quality and effectiveness of internal control systems and risk management; (iv) ensuring compliance with the legal and regulatory requirements, considering the particularities of each company, in addition to internal regulations and policies; (v) ensuring the quality and integrity of the financial statements of Porto Seguro and its subsidiaries, and recommending its approval to the Board of Directors; and (vi) ensuring the correction and improvement of policies, practices and procedures identified within the scope of its activities.

In carrying out its duties, the Audit Committee meets with the administrators responsible for the several business and control areas, as well as with the controllership area, internal auditors and independent auditors. Its conclusions are based on information received from Management, Independent Auditors, Internal Audit and those in charge of risk management, internal controls and compliance. This report summarizes the main activities performed by the Audit Committee during the second half of 2020 to the present date.

In the period between July 29, 2020 and February 3, 2021, inclusive, the committee held nine meetings to fulfill its role and the summary of its activities in that period is presented below.

Monitoring of Internal Control and Risk Management systems: The Audit Committee monitored the work of Porto Seguro's Internal Control area during the second half of 2020, listening to the managers of the various business areas and monitoring the development of Action Plans for addressing the matters raised by the Internal Audit, as well as those identified by the external auditors. Likewise, the Committee followed the risk panel, internal controls, cyber security and AML/CFT.

Monitoring of External Audit activities: PricewaterhouseCoopers Auditores Independentes (PwC) audits the individual and consolidated financial statements of Porto Seguro, being responsible for the planning and execution of its work, according to the standards of the profession. The Committee held quarterly meetings with the external auditors, when they presented their work. The Committee considers that PwC maintained its independence and worked with objectivity and that its work was carried out with the expected quality, recommending its maintenance for the year 2021.

Monitoring of Internal Audit activities: The Committee monitored the work carried out by the Internal Audit and assessed the aspects related to the structure, resources, responsibilities and independence, in addition to examining the main reports prepared by the area in that period. The Committee approved the Annual Internal Audit Activity Plan for 2021, detailing the area's commitments for the period. Finally, the Committee carried out an evaluation of the internal audit activity, concluding that it fulfills its role and duties with quality, adequately covering the risks faced by Porto Seguro.

Monitoring of annual financial statements: The Controllershship are presented the performance analysis and the individual and consolidated Financial Statements of Porto Seguro for the year ended December 31, 2020. At the same time, the Committee met with the Independent Auditor and had access to the individual and consolidated Financial Statements for the year ended December 31, 2020. Considering the limitations resulting from the scope of its activities, the Committee understands that the individual and consolidated Financial Statements for the year ended December 31, 2020, including those of the companies supervised by SUSEP, are ready to be analyzed by the Board of Directors.

Conclusion

Therefore, based on the conclusions on the activities developed for the period and considering the limitations resulting from the scope of its activities, the Committee recommends that the Board of Directors review and approve the individual and consolidated Financial Statements of Porto Seguro S.A. for the year ended December 31, 2020, including the companies supervised by SUSEP.

São Paulo, February 03, 2021.

Fernando Kasinski Lottenberg
Coordinator

Cynthia Nesanovis Catlett

Guy Almeida Andrade



Opinions and Declarations / Director's Declaration on the Financial Statements

The Directors responsible for the preparation of the financial statements, in accordance with the considerations of article 29, § 1º, subsection II, and Article 25, § 1º, subsection V e VI, of Instruction CVM nº 480/2009, declare that:

a) reviewed, discussed and agreed with the opinions expressed in the independent auditor's report on the Company's financial statements for the fiscal year ended December 31, 2020;

b) reviewed, discussed and agreed with the Company's financial statements for the fiscal year ended December 31, 2020.

São Paulo, February 03, 2021.

ROBERTO DE SOUZA SANTOS

Diretor Presidente

CELSO DAMADI

Diretor Vice-Presidente – Financeiro, Controladoria e Investimentos e Diretor de Relações com Investidores

LENE ARAÚJO DE LIMA

Diretor Vice-Presidente – Corporativo e Institucional

MARCELO BARROSO PICAÑO

Diretor Vice-Presidente – Seguros

JOSÉ RIVALDO LEITE DA SILVA

Diretor Vice-Presidente – Comercial e Marketing

MARCOS ROBERTO LOUÇÃO

Diretor Vice-Presidente – Negócios Financeiros e Serviços

Opinions and Declarations / Director's Declaration on the Auditor's Report Independent

The Directors responsible for the preparation of the financial statements, in accordance with the considerations of article 29, § 1º, subsection II, and Article 25, § 1º, subsection V e VI, of Instruction CVM nº 480/2009, declare that:

- a) reviewed, discussed and agreed with the opinions expressed in the independent auditor's report on the Company's financial statements for the fiscal year ended December 31, 2020;
- b) reviewed, discussed and agreed with the Company's financial statements for the fiscal year ended December 31, 2020.

São Paulo, February 03, 2021.

ROBERTO DE SOUZA SANTOS

Diretor Presidente

CELSO DAMADI

Diretor Vice-Presidente – Financeiro, Controladoria e Investimentos e Diretor de Relações com Investidores

LENE ARAÚJO DE LIMA

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