

Consolidate Financial Statements under IFRS for the Quarters Ended on June 30,  
2014 and December 31, 2013 and Independent Auditor's Report.

**Banco Pine S.A.**

PricewaterhouseCoopers Auditores Independientes



**PINE**

(A free translation of the original in Portuguese)

## **Report on review of interim financial statements**

To the Board of Directors and Shareholders  
Banco Pine S.A

### **Introduction**

We have reviewed the accompanying consolidated interim balance sheet of Banco Pine S.A and its subsidiaries as at June 30, 2014 and the related consolidated statements of income and comprehensive income for the quarter and six-month period then ended, and the consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these parent company interim financial statements in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting, of the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these interim financial statements based on our review.

### **Scope of review**

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

Banco Pine S.A

**Conclusion on the consolidated  
interim financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements referred to above do not present fairly, in all material respects, the financial position of Banco Pine S.A and its subsidiaries as at June 30, 2014, and their financial performance for the quarter and six-month period then ended and their cash flows for the six-month period then ended in accordance with the IAS 34.

São Paulo, September 5, 2014

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Edison Arisa Pereira  
Contador CRC 1SP127241/O-0

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**BANCO PINE S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$)

	Note	30/6/2014	31/12/2013
<b>ASSETS</b>			
<b>Financial assets</b>		<b>9.821.691</b>	<b>9.516.866</b>
<b>Cash and cash equivalents</b>	<b>5</b>	<b>1.198.844</b>	<b>738.652</b>
<b>Financial assets at fair value</b>		<b>2.175.325</b>	<b>2.515.196</b>
<b>Financial assets held for trading</b>		<b>1.587.779</b>	<b>1.817.199</b>
Debt instruments	7	1.031.897	1.300.274
Equity instruments	7	4.270	1.567
Derivative financial instruments	8	551.612	515.358
<b>Available-for-sale financial assets</b>		<b>587.546</b>	<b>697.997</b>
Debt instruments	7	587.546	697.997
Equity instruments	7	-	-
<b>Financial assets at amortized cost</b>		<b>6.447.522</b>	<b>6.263.018</b>
<b>Loans and receivables</b>		<b>6.447.522</b>	<b>6.263.018</b>
Loans and advances to financial institutions	6	40.292	57.685
Loans and advances to customers	9	6.407.230	6.205.333
<b>Other assets</b>		<b>586.456</b>	<b>678.553</b>
<b>Non-current assets held for sale</b>	10	<b>112.279</b>	<b>162.764</b>
<b>Other</b>		<b>474.177</b>	<b>515.789</b>
Deposits in guarantee	11	214.576	207.809
Recoverable income tax		59.260	58.417
Other assets	12	200.341	249.563
<b>Deferred tax assets</b>		<b>112.229</b>	<b>84.139</b>
Deferred income tax and social contribution	39. d)	112.229	84.139
<b>Investments</b>	13	<b>97.306</b>	<b>76.509</b>
<b>Property and equipment</b>	14	<b>19.935</b>	<b>25.619</b>
Property and equipment in use		19.935	25.619
<b>Intangible assets</b>	15	<b>1.304</b>	<b>1.663</b>
Intangible assets		1.304	1.663
<b>TOTAL ASSETS</b>		<b>10.638.921</b>	<b>10.383.349</b>

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

(A free translation of the original in Portuguese)



**BANCO PINE S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$)

	Note	30/6/2014	31/12/2013
<b>LIABILITIES AND EQUITY</b>			
<b>Financial liabilities</b>		<b>9.211.304</b>	<b>8.978.914</b>
<b>Financial liabilities held for trading</b>		<b>248.304</b>	<b>190.833</b>
Derivative financial instruments	8	248.304	190.833
<b>Financial liabilities at amortized cost</b>		<b>8.963.000</b>	<b>8.788.081</b>
Deposits from financial institutions	16	79.729	89.718
Deposits from customers	17	3.980.985	3.785.522
Funds obtained in the open market	18	469.751	508.792
Securities issued abroad	19	692.049	1.014.860
Borrowings and onlendings	20	3.332.382	2.964.320
Subordinated debt	21	338.832	356.370
Other financial liabilities	22	69.272	68.499
<b>Provisions</b>	<b>23</b>	<b>31.059</b>	<b>32.458</b>
Reserves for contingent liabilities, commitments and other provisions		30.682	31.735
Provisions for tax risks		377	723
<b>Tax liabilities</b>	<b>24</b>	<b>36.482</b>	<b>4.353</b>
<b>Other liabilities</b>		<b>94.017</b>	<b>89.651</b>
Correspondent banks		3	25
Other liabilities	25	94.014	89.626
<b>TOTAL LIABILITIES</b>		<b>9.372.862</b>	<b>9.105.376</b>
<b>EQUITY</b>	<b>26</b>	<b>1.266.059</b>	<b>1.277.973</b>
Capital - Local		981.692	979.805
Capital - Foreign		130.567	132.454
Capital reserves		-	14.032
Revenue reserves		191.383	188.617
(-) Treasury shares		(21.348)	(22.083)
Carrying value adjustments	27	(16.235)	(14.852)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10.638.921</b>	<b>10.383.349</b>

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

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**BANCO PINE S.A. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIODS ENDED JUNE 30, 2014 AND 2013**

(In thousands of reais - R\$, except net income per share)

	Note	30/6/2014		30/6/2013	
		2nd Quarter	Accumulated	2nd Quarter	Accumulated
Interest income and similar	28	224.209	443.347	179.923	321.099
Interest expense and similar	29	(378.310)	(558.583)	(132.103)	(248.474)
<b>NET INTEREST INCOME</b>		<b>(154.101)</b>	<b>(115.236)</b>	<b>47.820</b>	<b>72.625</b>
<b>Gains from (losses for) financial assets and liabilities (net)</b>		<b>242.390</b>	<b>297.146</b>	<b>22.685</b>	<b>113.773</b>
<b>Financial assets and liabilities held for trading</b>	30.a)	<b>43.546</b>	<b>85.291</b>	<b>26.749</b>	<b>113.777</b>
Derivatives	30.b)	24.488	36.388	39.864	103.921
Debt instruments	30.c)	16.538	39.190	(13.115)	9.856
Equity Instruments - net income		2.520	9.713	-	-
<b>Exchange variations (net)</b>	33	<b>198.844</b>	<b>211.855</b>	<b>(4.064)</b>	<b>(4)</b>
Fee and commission income	31	20.236	32.546	22.637	32.686
Fee and commission expense	32	(1.963)	(4.063)	(1.426)	(3.061)
<b>TOTAL INCOME</b>		<b>106.562</b>	<b>210.393</b>	<b>91.716</b>	<b>216.023</b>
Administrative expenses		<b>(51.050)</b>	<b>(112.721)</b>	<b>(49.957)</b>	<b>(102.944)</b>
Personnel expenses	35	(32.002)	(68.684)	(28.616)	(58.533)
Tax expenses		(2.361)	(5.417)	(3.930)	(7.471)
Other administrative expenses	36	(16.687)	(38.620)	(17.411)	(36.940)
Other operating income (expenses)	34	1.954	2.196	3.557	4.738
Depreciation and amortization		(867)	(2.223)	(1.523)	(3.048)
Provisions (net)	37	6.978	12.795	9.888	11.880
<b>Impairment of financial assets</b>	9.f)	<b>(19.444)</b>	<b>(39.143)</b>	<b>(31.563)</b>	<b>(40.165)</b>
Loans and receivables		(19.444)	(39.143)	(31.563)	(41.719)
Debt instruments		-	-	-	1.554
Result from sale of assets	38	3.617	9.121	1.229	2.478
<b>OPERATING INCOME BEFORE TAXES</b>		<b>47.750</b>	<b>80.418</b>	<b>23.347</b>	<b>88.962</b>
Income tax and social contribution	39	(11.807)	(18.185)	10.789	(8.625)
<b>CONSOLIDATED NET INCOME</b>		<b>35.943</b>	<b>62.233</b>	<b>34.136</b>	<b>80.337</b>
Attributable to controlling stockholders		35.943	62.233	34.136	80.337
<b>EARNINGS PER SHARE (R\$)</b>					
<b>Basic and diluted earnings per share (R\$)</b>					
Common shares		0,30	0,51	0,31	0,72
Preferred shares		0,30	0,51	0,31	0,72
<b>Net income attributable/diluted (R\$)</b>					
Common shares		19.334	33.475	17.999	42.360
Preferred shares		16.609	28.758	16.137	37.977
<b>Weighted average of shares issued - basic</b>					
Common shares		65.178.483	65.178.483	58.444.889	58.444.889
Preferred shares		55.993.541	55.993.541	52.397.424	52.397.424

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

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**BANCO PINE S.A. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE, 2014 AND 2013**

(In thousands of reais - R\$, except net income per share)

	<b>Note</b>	<b>30/6/2014</b>		<b>30/6/2013</b>	
		<b>2nd Quarter</b>	<b>Accumulated</b>	<b>2nd Quarter</b>	<b>Accumulated</b>
<b>Consolidated net income for the period</b>		<b>35.943</b>	<b>62.233</b>	<b>34.136</b>	<b>80.337</b>
<b>Available-for-sale financial assets</b>	<b>27</b>	<b>4.408</b>	<b>(15.298)</b>	<b>(6.937)</b>	<b>(14.905)</b>
Fair value variation		5.010	(16.892)	(11.562)	(24.940)
Income tax		(2.004)	6.757	4.625	9.976
Other		1.402	(5.163)	-	59
<b>Cash flow hedges</b>	<b>27</b>	<b>(3.075)</b>	<b>(937)</b>	<b>(307)</b>	<b>3.364</b>
Fair value variation		(5.125)	(1.561)	(511)	5.607
Income tax		2.050	624	204	(2.243)
Comprehensive net income		<b>37.276</b>	<b>45.998</b>	<b>26.892</b>	<b>68.796</b>

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**BANCO PINE S.A. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED JUNE 30, 2014 AND 2013**

(In thousands of reais - R\$)

	Capital	Capital increase	Capital reserve	Capital reserve	Treasury shares	Proposed additional dividend	Retained earnings	Carrying value adjustments	Total equity
<b>At December 31, 2012</b>	<b>935.683</b>	-	<b>11.685</b>	<b>303.695</b>	<b>(12.750)</b>	-	-	<b>11.049</b>	<b>1.249.362</b>
<b>Consolidated net income for the period</b>	-	-	-	-	-	-	<b>80.337</b>	-	80.337
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	<b>(22.590)</b>	(22.590)
Available-for-sale financial assets	-	-	-	-	-	-	-	(36.624)	(36.624)
Cash flow hedges	-	-	-	-	-	-	-	(1.017)	(1.017)
Deferred income tax	-	-	-	-	-	-	-	15.051	15.051
<b>Other changes in equity</b>	<b>31.576</b>	-	<b>(1.470)</b>	<b>22.597</b>	<b>(3.523)</b>	-	<b>(80.337)</b>	-	<b>(31.157)</b>
Capital increase (Note 26)	31.576	-	-	-	-	-	-	-	31.576
Acquisition of treasury shares	-	-	-	-	(3.523)	-	-	-	(3.523)
Recognition of share-based payment - Resolution no. 3.921 (Note 44.a)	-	-	(1.470)	-	-	-	-	-	(1.470)
Legal reserve	-	-	-	4.211	-	-	(4.211)	-	-
Statutory reserve	-	-	-	16.126	-	-	(16.126)	-	-
Dividend payment	-	-	-	(18.559)	-	-	-	-	(18.559)
Proposed dividend	-	-	-	20.819	-	-	-	-	20.819
Dividends (Note 26)	-	-	-	-	-	-	(60.000)	-	(60.000)
<b>At June 30, 2013</b>	<b>967.259</b>	-	<b>10.215</b>	<b>326.292</b>	<b>(16.273)</b>	-	-	<b>(11.541)</b>	<b>1.275.952</b>
<b>At December 31, 2013</b>	<b>1.112.259</b>	-	<b>14.032</b>	<b>188.617</b>	<b>(22.083)</b>	-	-	<b>(14.852)</b>	<b>1.277.973</b>
<b>Consolidated net income for the period</b>	-	-	-	-	-	-	<b>62.233</b>	-	62.233
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	<b>(1.383)</b>	(1.383)
Available-for-sale financial assets	-	-	-	-	-	-	-	4.767	4.767
Cash flow hedges	-	-	-	-	-	-	-	(6.134)	(6.134)
Deferred income tax	-	-	-	-	-	-	-	547	547
Other comprehensive income	-	-	-	-	-	-	-	(563)	(563)
<b>Other changes in equity</b>	-	-	<b>(14.032)</b>	<b>2.766</b>	<b>735</b>	-	<b>(62.233)</b>	-	<b>(72.764)</b>
Capital increase (Note 26)	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	(21.348)	-	-	-	(21.348)
Cancellation of treasury shares	-	-	(14.032)	(9.874)	22.083	-	-	-	(1.823)
Recognition of share-based payment - Resolution no. 3.921 (Note 44.a)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	3.523	-	-	(3.523)	-	-
Statutory reserve	-	-	-	18.710	-	-	(18.710)	-	-
Interest on equity	-	-	-	-	-	-	(33.263)	-	(33.263)
Proposed dividend	-	-	-	(9.593)	-	-	-	-	(9.593)
Dividends (Note 26)	-	-	-	-	-	-	(6.737)	-	(6.737)
<b>At June 30, 2014</b>	<b>1.112.259</b>	-	-	<b>191.383</b>	<b>(21.348)</b>	-	-	<b>(16.235)</b>	<b>1.266.059</b>

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



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**BANCO PINE S.A. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (INDIRECT METHOD) FOR THE PERIODS ENDED JUNE 30, 2014 AND 2013**

(In thousands of reais - R\$)

	Note	30/06/2014	30/06/2013
<b>OPERATING ACTIVITIES</b>			
<b>Adjusted net income</b>		<b>86.465</b>	<b>93.050</b>
Consolidated net income for the period		62.233	80.337
Effect of changes in exchange rates on cash and cash equivalents		10.804	(13.645)
Depreciation and amortization		2.223	3.048
Deferred taxes		(16.631)	(7.833)
Impairment of loans and receivables		39.143	41.719
Provisions for / Reversal of contingencies (net)		6	129
Net gains on sale of tangible assets, non-operating assets and investments		541	(10)
Market to market of property investment		(11.854)	(10.695)
<b>Changes in operating assets and liabilities</b>		<b>476.424</b>	<b>12.012</b>
(Increase) Decrease in loans and advances to financial institutions		17.393	(198.009)
(Increase) Decrease in debt instruments		378.828	1.417.363
(Increase) Decrease in equity instruments		(4.086)	(29.431)
(Increase) Decrease in derivatives(net)		21.216	44.296
(Increase) Decrease in loans and advances to customers		(241.039)	(452.935)
(Increase) Decrease in deferred income tax and social contribution		(11.459)	(7.582)
(Increase) Decrease in non-current assets held for sale		50.485	3.728
(Increase) Decrease in recoverable income tax		(843)	(9.001)
(Increase) Decrease in deposits in guarantee		(6.767)	(5.535)
(Increase) decrease in other assets		49.222	(149.901)
Increase (Decrease) in securities issued abroad		(322.811)	(10.302)
Increase (decrease) in deposits		185.473	(135.018)
Increase (decrease) in funds obtained in the open market		(39.041)	(587.352)
Increase (Decrease) in borrowings and onlendings		368.062	115.027
Increase (Decrease) in correspondent banks		(22)	33
Increase (Decrease) in sale or transfer of financial assets		-	(250)
Increase (Decrease) in other financial liabilities		773	4.425
Increase (Decrease) in provisions		(1.405)	(17.009)
Increase (Decrease) in tax liabilities		32.130	(8.330)
Increase (Decrease) in other liabilities		315	37.795
<b>Net cash provided by (used in) operating activities</b>		<b>562.889</b>	<b>105.062</b>
<b>INVESTING ACTIVITIES</b>			
(Acquisition) / Sale of property and equipment in use		3.265	(653)
(Acquisition) / Sale of intangible assets		14	(18)
Acquisition of property of investment		(8.943)	(55.000)
<b>Net cash provided by (used in) investing activities</b>		<b>(5.664)</b>	<b>(55.671)</b>
<b>FINANCING ACTIVITIES</b>			
Capital increase		-	31.576
Increase (Decrease) in subordinated debt		(17.538)	24.834
Premium on subscription of shares		-	(1.470)
Sale / Acquisition of treasury shares		(23.171)	(3.523)
Dividends / interest to stockholders		(45.520)	(55.686)
<b>Net cash provided by (used in) financing activities</b>		<b>(86.229)</b>	<b>(4.269)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>470.996</b>	<b>45.122</b>
Cash and cash equivalents at the beginning of the period	5	<b>738.652</b>	432.076
Effect of changes in exchange rates on cash and cash equivalents		(10.804)	13.645
Cash and cash equivalents at the end of the period	5	1.198.844	490.843
<b>Additional information</b>			
Interest received		<b>207.907</b>	<b>92.692</b>
Interest paid		139.067	79.996

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

**BANCO PINE S.A. AND SUBSIDIARIES**

**NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

**1. OPERATIONS**

Banco Pine S.A. (the "Institution" or "Banco Pine") is a corporation headquartered at Avenida das Nações Unidas, 8501, 29th floor – Pinheiros, São Paulo, SP, listed on the São Paulo Stock, Commodities and Futures Exchange (BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros), and authorized to operate commercial, credit and financing and foreign exchange portfolios.

The Institution's operations are conducted in the context of a group of institutions which act jointly, and certain transactions involve the co-participation or intermediation of other member companies of the Pine Financial Group. The benefits from the intercompany services and the costs for the operating and administrative structures are absorbed, either jointly or individually, by these companies as is most practicable and reasonable in the circumstances.

**2. FINANCIAL STATEMENT PRESENTATION**

**a. Statement of Compliance**

The Institution's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as from January 1, 2009, the initial adoption date.

The parent company financial statements were prepared locally in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), with Brazilian corporation law and the regulations established by the Brazilian Securities Commission (CVM), hereinafter referred to as "BRGAAP", and is presented separately from these statements. Note 48 presents the reconciliation of equity to net income.

These Consolidated Financial Statements have been prepared in accordance with IAS 34 - Interim Financial Report with the option of presenting the Consolidated Financial Statements Complete instead of the Condensed Consolidated Financial Statements.

The financial statements under IFRS include the standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and their respective antecedent bodies, in compliance with all rules, whose application was mandatory without exceptions.

In compliance with Resolution 505/06, of the Brazilian Securities Commission (CVM), the Consolidated Financial Statements, as at August 7, 2014, were authorized for issue on June 30, 2014, by the Institution's Board of Directors, among other matters.

**b. Significant standards, amendments, changes and interpretations issued by IASB applicable for the period ended June 30, 2014:**

- IAS 19 - "Employee Benefits". The main changes are as follows: (i) elimination of the corridor approach (ii) recognition of actuarial gains and losses in other comprehensive income as they occur, (iii) immediate recognition of past service costs in income, and (iv) replacement of the interest cost and expected return on plan assets with a net interest amount, calculated by applying the discount rate to the net defined benefit asset (liability). This change had no significant impact on the Consolidated Financial Statements.

- IFRS 7 - "Financial Instruments". In December 2011, further amendments were published about the pronouncement requiring additional disclosures about the process of offsetting was issued. This change did not generate significant impacts on the Consolidated Financial Statements;

- IFRS 10 - "Consolidated Financial Statements" - The pronouncement changes the current principle by identifying the concept of control as a determinant factor for a consolidated entity. The adoption of this pronouncement did not generate significant impacts on the Consolidated Financial Statements.

- IFRS 11 - "Joint Arrangements". The standard provides a more realistic approach to joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: (i) joint operations - which occurs when an operator has rights to the assets and obligations and hence accounts for its share of the assets, liabilities, revenues and expenses, and (ii) joint ventures - occurs when an operator has rights to the net assets of the arrangement and accounts for the investment using the equity method. The proportionate consolidation method is not allowed for joint control. This change generated significant impacts on the Consolidated Financial Statements;

- IFRS 12 - "Disclosure of Interests in Other Entities" addresses the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This change had no significant impact on the Consolidated Financial Statements.

- IFRS 13 - "Fair Value Measurement", issued in May 2011. The objective of IFRS 13 is to improve consistency and reduce complexity of fair value measurement, providing a more precise definition and a single source of fair value measurement and disclosure requirements for IFRS;

**c. Significant standards, amendments, changes and interpretations issued by IASB but not yet in force:**

The following new standards, amendments and interpretations were issued by IASB, but are not in force for the period ended June 30, 2014. The early adoption of these standards, although encouraged by IASB, has not yet been authorized, in Brazil, by the Brazilian Accounting Pronouncements Committee (CPC) and CVM:

- Amendment to IAS 32 - Financial Instruments: Presentation - This amendment was issued to clarify the requirements for offsetting financial instruments on the balance sheet. Effective from January 1, 2014 with retrospective application. No significant impacts of this change on the consolidated financial statements have been identified.

- IFRS 9 - "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into either of two categories: those measured at fair value and those measured at amortized cost. The assets are classified at the time of initial recognition and their classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is used for financial liabilities, the portion of the change in the fair value resulting from an entity's own credit risk is recognized in other comprehensive income rather than in the statement of income, unless this creates an accounting mismatch. The full impact of IFRS 9 is under analysis by the Group. The standard is applicable as from January 1, 2015.

**3. SIGNIFICANT ACCOUNTING PRACTICES**

The accounting practices detailed below were applied for the reporting period covered by these Financial Statements and have been applied on a consistent basis by Institution's companies.

**a. Basis of consolidation**

The consolidated financial statements include the operations of Banco Pine S.A., including the Grand Cayman branch and Pine Securities, its subsidiaries, and those of the special purpose entities, as well as the investment funds in which the Institution is the sole shareholder.

Transactions, balances and unrealized gains on transactions between group companies are eliminated. The unrealized losses are also eliminated unless the transaction provides evidence of a loss (impairment) of the transferred asset. The accounting practices of subsidiaries are changed, when necessary, to ensure that they are consistent with the policies adopted by the Group.



**BANCO PINE S.A. AND SUBSIDIARIES**  
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(In thousands of reais - R\$, except net income per share)

We present below the entities included in the consolidated financial statements:

	Business industry	Percentage holding (%)	
		30/6/2014	31/12/2013
<b>Overseas Branches and Subsidiaries</b>			
Grand Cayman Branch	Overseas branch	100,000	100,000
<b>Subsidiaries</b>			
Pine Securities USA LLC <sup>(2)</sup>	Broker Dealer	100,000	100,000
Pine Investimentos Distribuidora de Títulos e Valores Mobiliários Ltda.	Securities dealer	99,998	99,998
Pine Comercializadora de Energia Elétrica Ltda <sup>(4) (5)</sup>	Consulting	100,000	100,000
Pine Corretora de seguros Ltda.	Insurance broker	99,998	99,998
Pine Assessoria e Consultoria Ltda.	Consulting	99,998	99,998
Pine Assessoria em Comercialização de Energia <sup>(1) (5)</sup>	Consulting	10,000	10,000
Pine Planejamento e Serviços Ltda <sup>(2)</sup>	Consulting	99,990	99,990
<b>Special purpose entities</b>			
Pine Crédito Privado Fundo de Investimento em Direitos Creditórios Financeiros	Receivables investment fund (FIDC)	-	-
IRE VII Desenvolvimento Imobiliário S.A. <sup>(1) (7)</sup>	Development of real state enterprise	-	-
Fundo de Investimento em Direitos Creditórios - FIDC Pine Agro <sup>(8)</sup>	Receivables investment fund (FIDC)	-	-
<b>Investment funds - sole shareholder</b>			
Pine High Yield Fundo de Investimento Multimercado Crédito Privado	Multimarket investment fund	-	-
Pine CM Fundo de Investimento Multimercado Crédito Privado	Multimarket investment fund	-	-
Pine RB Capital Fundo de Investimento Multimercado Crédito Privado	Multimarket investment fund	-	-
Fundo de Investimento Pine Referenciado DI Crédito Privado	Investment fund – DI (interbank deposit rate)	-	-
FIP Rio Corporate - Fundo de Investimentos em Participações <sup>(6)</sup>	Private equity fund	-	-

<sup>(4)</sup> As contractually provided for on December 26, 2013, the Pine Comercializadora de Energia reduced its capital from R\$ 77,400 to R\$ 1,000.

<sup>(5)</sup> Pine Comercializadora de Energia Elétrica Ltda. holds 90% of Pine Assessoria em Comercialização de Energia.

<sup>(8)</sup> FIDC Pine Agro was constituted on September 17, 2013 and the Institution paid in 171,428,571 shares.

**Subsidiaries**

Companies over which the Institution exercises control, defined by the ability to govern their financial and operating policies in order to obtain the benefits of their activities, are classified as subsidiaries. The Institution's subsidiaries are fully consolidated from the effective date of control up to the date that the control ceases. As a result, all intercompany balances and transactions are eliminated upon consolidation.

**Special purpose entity - Pine Crédito Privado Fundo de Investimento em Direitos Creditórios Financeiros (Pine Crédito Privado FIDC).**

**a) Pine Crédito Privado**

In fact the control over receivables assigned to this receivables investment fund still lies with the Institution (receipt, transfer and collection) and, in essence, the Institution is responsible for providing the guarantees to the FIDC's investors as regards expected receivables and yield, management decided to consolidate the FIDC, as provided for in IFRS 10

In accordance with IFRS 10, we present below the information on Pine Crédito Privado, considered in preparing the consolidated financial statements:

**i) Name, nature, purpose and activities of the FIDC.**

Pine Crédito Privado Fundo de Investimento em Direitos Creditórios Financeiros, managed by Citibank Distribuidora de Títulos e Valores Mobiliários S/A., was constituted as a closed fund on December 7, 2010. Distribution commenced on March 28, 2011. The Fund offered 207,000 senior shares at the unit value of R\$1. The distribution period ended on April 6, 2011. The Fund will terminate its activities in up to 180 days from the date on which the Senior Shares outstanding are redeemed in full (54 months subsequent to the Fund's distribution date).

The purpose of the Fund is to increase shareholder value, exclusively through the acquisition of financial segment Credit Rights, on business loans (working capital), originated and assigned by Pine, which meet the Qualifying Criteria, as well as the portfolio composition and diversification indices established in the Regulation. As an additional activity, the Fund will also make investments in Other Assets.

**ii) Investment in the equity and results of the FIDC**

In accordance with Article 24, section XV, of CVM Instruction 356, as amended by CVM Instruction 393, and Chapter 21 of the Fund Regulation, 69% of the Fund's equity will comprise senior shares and 31% will comprise subordinated shares. This ratio will be determined daily and shall be made available for consultation monthly by the Fund's shareholders.

**iii) Nature of the Institution's involvement with the FIDC and type of exposure to loss, if any, arising from this involvement.**

Verification of whether the credit rights meet the assignment terms, pursuant to the assignment agreement, is the sole responsibility of the assignor (Banco Pine), without limiting the assignee's (Fund) right, either directly or through third parties, to also conduct such verification.

Non-compliance with any obligation originating from the credit rights and other active components of the Fund's portfolio, is attributed to the subordinated shares up to the limit corresponding to the sum of their total value. Once this total has been exceeded, the default of credit rights held by the Fund is attributed to the senior shares. The subordinated shares do not have a profitability target, however, they may benefit from any surplus yield generated by the credit right portfolio.

In the event the percentage of subordinated shares falls below 31% of the Fund's equity, the Institution shall have five business days to recoup this minimum ratio, through the subscription of new subordinated shares, and if this does not occur, the management entity shall call an Evaluation Event under the terms of the Fund regulations. In the event the subordinated shares comprise more than 31% of the Fund's Equity, the management entity may partially amortize the subordinated shares in the amount necessary to rebalance this ratio.

**iv) Amount and nature of the receivables, payables, income and expenses between the Institution and the FIDC, assets transferred by the Institution and rights of use over the FIDC assets.**

No loans were assigned to the FIDC for the period ended June 31, 2014 and December 31, 2013.

**b) IRE VII Desenvolvimento Imobiliário S/A**

Since it has control over the SPE's activities, the Institution's management decided to consolidate IRE VII Desenvolvimento Imobiliário S/A, in accordance with the provisions of CVM Instruction 408/04.

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**i) Name, nature, purpose and activities of the SPE.**

IRE VIII Desenvolvimento Imobiliário S/A was constituted as a corporation on December 9, 2010. Its main activities include the management, purchase, sale and rental of properties owned by itself or by third parties; real estate development and investment in other companies as a partner or shareholder.

**ii) Investment in the equity and results of the SPE**

On May 16, 2013, through FIP Rio Corporate, the Institution acquired 100% of the shares of IRE VII Desenvolvimento Imobiliário Ltda.

**c) FIDC Pine Agro**

Due the fact that the Bank retains the risks and benefits of credits assigned to the Fund by acquiring 100% of the subordinated shares, the Bank's management decided to consolidate the FIDC Pine Agro, in accordance with CVM Circular No. 01 / 07.

**i) Name, nature, purpose and activities of the FIDC Agro.**

The Credit Receivables Fund - FIDC Pine Agro, administered by Oliveira Trust Distributor Securities SA was set up in the form a private condominium on September 16, 2013. Its equity will consist of two classes of shares, senior shares and subordinated shares, in accordance with Article 12 of CVM Instruction 356 / 01. The first offer of senior shares of the fund will be held in accordance with Instruction 476 / 09, and will be used by Qualified Investors only, acquiring a minimum amount of R\$ 1,000 (one million Reais). The Fund has an undetermined life.

Santander Brazil SA has been entrusted by the Fund to be responsible for the provision of services to the Fund, controllership of Fund, qualified custody of assets in the portfolio, custody of evidentiary documents and bookkeeping of quotas.

The objective of the Fund is to provide long term income to Shareholders by investing the Fund's resources in the acquisition of credit rights from originating (i) loan transactions originated and issued by the transferor, either exclusively or syndicated, to their customers in the sectors of activity, and (ii) debentures issued by clients, active in sectors of activity, the title of the transferor, who may rely on warranties, guarantees among them, that meet the conditions of assignment and eligibility criteria, subject to all composition indices and portfolio diversification established in the Funds Prospectus.

The Fund may purchase receivables originated and granted by the transferor in the following business segments: (i) sugar and alcohol, (ii) agriculture (primary production), (iii) retailers and distributors in the food industry, (iv) animal protein; (v) grains (vi) beverages (vii) renewable energy (viii) trading, (ix) agricultural raw materials, (x) pulp and paper, (xi) value-added products.

**ii) Participation in the equity and results of the FIDC.**

In accordance with Article 24, item XV, of CVM No. 356, as amended by CVM Instruction n. 393, and Chapter 21 of the Rules of the Fund, the relationship between the value of the senior shares and shareholders' equity of the Fund is 70%. This means that the Fund should have 30 % of its assets represented by subordinated quotas. This ratio will be calculated daily and made available to the shareholders of the Fund monthly.

**iii) Nature of involvement with the FIDC and type of exposure to losses, if any, arising from this involvement.**

The verification framework for the conditions of receivables of assignment is in the form of the transfer agreement, the sole responsibility of the Custodian, subject to the right of the assignee (the Fund), directly or through third parties, also to perform such verification.

Non-compliance with any pecuniary obligation related to credit rights by the drawees and other assets arising from the components of the Fund's portfolio is allocated to the subordinated shares up to a limit equivalent to the sum of their total. Once this sum is exceeded, default credit rights of the Fund are allocated to senior shares. Subordinated shares do not have a profitability goal, but should benefit from any excess returns generated by the portfolio of receivables.

In the event of failure of a percentage of subordinated shares representing less than 30 % of the net assets of the Fund, the Bank, upon request of the Administrator, shall subscribe for new subordinated quotas within a maximum of 5 calendar days, in order to achieve a gearing ratio equivalent to the ratio warranty. If the non-compliance is not remedied within the specified period of time, the Administrator shall call upon the General Meeting of Shareholders in order to resolves (i) the early liquidation of the fund or (ii) extraordinary amortization event.

**iv) Amount and nature of receivables, liabilities, income and expenses between the company and the FIDC, assets transferred by the company and rights to use assets from FIDC.**

In the period ended June 30, 2014, the FIDC Pine Agro had assigned operations totalling R\$220.098.

**Investment funds - Sole shareholder**

The investment funds in which Banco Pine is the sole shareholder were consolidated, since the Institution holds the majority of the risks and rewards of their operations.

**b. Basis of valuation**

The financial statements have been prepared under the historical cost convention, except for the financial instruments held for trading, available-for-sale financial instruments, derivative financial instruments and financial instruments recognized and designated as hedged items in transactions which meet the qualifying criteria for fair value hedge accounting.

**c. Use of estimates and judgments**

The Institution and its subsidiaries prepare the estimates based on assumptions which affect the amounts disclosed of the assets and liabilities for the following year. All of the estimates and assumptions required in conformity with IFRS are estimates which, according to management, are adequate considering the Institution's activities. Estimates and judgments are reviewed continually, based on past experience and other factors, including future expectations. Actual results could differ from those estimates.

The critical accounting estimates are as follows:

**(i) Fair value measurement of certain financial instruments**

The fair value of financial instruments with no active market, or whose prices are not available, is calculated using available valuation techniques. In these cases, fair values are estimated using observable data in similar instruments or through templates. When observable market data is not available, they are estimated based on assumptions deemed appropriate. When pricing techniques are used, these are validated and periodically reviewed in order to maintain their reliability.

In some situations it is necessary to include credit risk in the measurement of fair value. For this, we use statistical techniques (correlation and volatility) which necessarily requires management's judgment.

The Institution determines that investments "available-for-sale" are impaired when there is a significant and prolonged decrease in the fair value of the asset below its cost.

The determination of what is considered "significant" or "prolonged" requires judgment. To reach this judgment, the Institution evaluates among other factors, the price volatility of the instruments. Additionally, the objective evidence of the impairment may be the deterioration in the company's financial health, industry and sector performance, changes in technology and in the operational and financial cash flows.

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**(ii) Impairment of loans and advance payments**

The portfolio of loans and advance payments is tested for impairment monthly. The Institution uses judgments to verify the existence of evidence of impairment. This evidence includes observable data indicating that there were adverse changes in the payment status of debtors classified in the same category, as well as in economic conditions that could affect the book value of the assets. When the need to recognize an impairment loss is identified it must be recorded in the financial statements.

Management makes judgments based on the historical losses for assets with similar credit risk and objective evidence of impairment.

The methodology and assumptions used for calculating impairment are constantly reviewed.

**(iii) Deferred taxes**

Deferred tax assets are recognized as a result of temporary differences when it is likely that the Institution and its subsidiaries will have future taxable income against which the deferred tax assets can be used.

The deferred tax assets and tax loss carryforwards are recognized when it is probable that there will be sufficient future taxable income to use them.

**(iv) Contingent liabilities**

The Institution periodically reviews its contingencies. These contingencies are evaluated based on Management's best estimates, taking into account the opinion of its legal counsel, when there is a probability that financial resources will be required to settle the obligations and the amount of the obligations may be reasonably estimated.

Contingencies classified as Probable Losses are recognized in the Balance Sheet under "Provisions".

The contingencies are measured using models and criteria which ensure that they are measured appropriately, despite uncertain deadlines and amounts, as detailed in Notes 3.ac and 23.

**d. Accrual basis**

The Institution prepares its financial statements on the accrual basis of accounting.

**e. Capital management**

Regulatory capital management is based on an analysis of BACEN capital ratios.

**f. Foreign currency**

*Functional currency and reporting currency*

Each company in the Group establishes its own functional currency in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The Financial Statements are presented in reais (R\$), which is the Institution's functional currency and that of its foreign branch.

*Transactions and balances in foreign currency*

Foreign currency transactions are those originally denominated or settled in a foreign currency. These transactions are translated into the functional currency using the exchange rates effective on the transaction date or the valuation date, upon which the items are remeasured.

Exchange gains and losses related to cash and cash equivalents, loans and advances, other assets, securities issued abroad, deposits from customers, borrowings and onlendings, correspondent banks and subordinated debt are presented in the Income Statement as income (expense) interest.

*Translation from functional currency to reporting currency for overseas units*

Considering that none of the units of the Group operates with a functional currency in a hyperinflationary economy, the results and financial position of Group entities whose functional currency is different from their reporting currency are translated as follows:

- . Assets and liabilities are translated based on the closing exchange rate on the Balance Sheet date;
- . Revenues and expenses are translated at the average rates for the determination period.

On consolidation, exchange differences arising from the translation of net investment in foreign entities are included in "other comprehensive income".

In the case of a sale of all or part of an overseas unit, exchange differences are recognized in income as part of the gain (loss) on sale.

**g. Interest**

Interest income and expenses are recognized in the Income Statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments and receipts over the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. The effective interest rate is established at the time of the initial recognition of the financial asset or liability, considering all the contractual terms, but does not consider future credit losses.

The interest arising from the application of the effective rate is recorded under "Interest income and similar" in the Income Statement.

The calculation of the effective interest rate includes all fees and commissions, transaction costs, discounts and premiums which are paid or received and that are an integral part of the effective interest rate. The transaction costs include the incremental costs which are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expenses presented in the Income Statement include the following:

- Interest from financial assets and liabilities recorded at amortized cost, based on the effective interest rate;
- Interest from available-for-sale investment assets, based on the effective interest rate;
- The effective portion of qualified and designated hedge derivatives in a cash flow-hedge relationship, at the same time at which the hedged item is recorded in interest income/expenses;
- Changes in the fair value of qualified derivatives (including hedge ineffectiveness) and of the respective hedged items, when the interest rate risk is the risk protected.

Interest income and expenses from all financial assets and liabilities held for trading are deemed to be the result of the Institution's trading operations and are presented in an aggregate form together with all the changes in the fair value of assets and liabilities held for trading in "Income from financial assets and liabilities held for trading".

**h. Cash and cash equivalents**

Cash and cash equivalents comprise cash in local and foreign currencies, short-term financial investments and time deposits, with maturities at the original investment date equal to or less than 90 days and which present an immaterial risk of change in fair value. These are used by the Institution to manage its short-term commitments.

**i. Fees and commissions**

Income and expenses related to fees and commissions that are an integral part of the effective interest rate of a financial asset or liability are included in the calculation of the effective interest rate, and are recorded in "Fee and commission income".

Other revenues and expenses in terms of fees and commissions are recognized, as and when the related services are provided, in the Income Statement in "Fee and commission income".

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Other expenses for fees and commissions mainly comprise amounts which are recognized in results as the services are received.

**j. Results of financial instruments held for trading**

Income from financial instruments held for trading consists of the net gains and losses related to assets and liabilities held for trading, and includes all realized and unrealized changes in fair value, as well as interest, dividends and foreign exchange differences on these financial instruments, and are recorded in "Debt instruments" and "Derivatives" in the Income Statement.

**k. Results of other financial instruments recorded at fair value**

Income from other financial instruments recorded at fair value refers to non-qualified derivatives maintained for risk management purposes and financial assets and liabilities recorded at fair value, and includes all realized and unrealized changes in fair value, as well as interest, dividends and exchange differences on these financial instruments.

**l. Dividends**

Dividend income is recognized when the right to receive payment is established. Dividends are booked as a component of the Income from financial instruments held for trading or income from other financial instruments recorded at fair value in accordance with the classification of the equity instrument, and are recorded in "Equity instruments".

**m. Income tax**

Current income tax is the expectation of payment of taxes on the taxable income for the year, using current rates as of the balance sheet date, and any adjustment to tax payable in relation to prior years.

Deferred income tax arises on the temporary differences between the accounting balances of assets and liabilities and the fiscal balances for tax computation purposes. Tax credits related to tax loss carryforwards should only be recognized when there is an expectation that they will be realized with the generation of estimated taxable profits. Tax credits are measured at the rates that are expected to be applied to the temporary differences when these are reversed, based on current laws as of the balance sheet date.

Deferred tax assets are recognized to the extent that it is likely that future taxable profits will be generated enabling the credits to be utilized, and should be reviewed at each balance sheet date, being decreased as and when it is no longer likely that these tax benefits will be utilized.

Income tax expense includes taxes on current and deferred income, and is recognized in the Income Statement, recorded in "Income tax and social contribution" except in those cases which refer to items that are recognized directly in equity.

**n. Financial instruments (asset and liability)**

**i. Definitions**

"Financial instrument" is any contract that gives rise to a financial asset of the Institution and a financial liability or equity instrument of another entity.

"Equity instrument" means any contract representing a residual interest in the assets of an issuer after deducting all of its liabilities.

"Financial derivative" means the instrument whose value changes in response to the change in an observable market variable (e.g., interest rate, foreign exchange rate, financial instrument price and market index).

Investments in subsidiaries, jointly-controlled entities and associates are not treated as financial instruments for accounting purposes.

**ii. Recognition**

Initially, the Institution recognizes loans and advances, deposits, securities issued and subordinated liabilities at the date on which they are originated. All other financial assets and liabilities, including those designated at fair value through profit or loss, are initially recognized on the trade date on which the Institution becomes party to the instrument's contractual provisions.

Financial assets and liabilities are initially recognized at their fair value, plus (for instruments not subsequently valued at fair value through profit or loss) the transaction costs that are directly attributable to their acquisition or issue.

**iii. Classification**

Financial instruments are classified in one of the categories presented in the accounting practices 3(o), (p), (q) and (r).

**iv. Derecognition**

Financial assets are written off when the contractual rights over their cash flows expire, or when the rights to receive the contractual cash flows are transferred by means of a transaction in which all the risks and rewards of ownership of the financial asset are substantially transferred. Any interest in transferred financial assets created or retained by the Institution, is recognized as a separate asset or liability.

The Institution writes-off financial liabilities when their contractual obligations are extinguished, canceled or expired.

The Institution carries out transactions, whereby recognized financial assets are transferred, but all or the majority of the risks and rewards are retained by the Institution and are not written-off in the Balance Sheet. Transfers of assets with retention of all or the majority of the risks and rewards include, for instance, loan assignments with co-obligation and sales of securities with repurchase agreements.

In the case of transactions where the Institution does not retain or substantially transfer all the risks and rewards of ownership of a financial asset, the asset is written off when the Institution ceases to exercise control over it. In the case of transfers where the Institution retains control over the asset, it continues to recognize the asset in proportion to its involvement, which is determined by the duration for which it is exposed to the changes in the value of the transferred asset.

In certain transactions the Institution maintains the obligation to provide services in connection with the financial assets transferred. In this case the assets transferred are written off in full provided that they meet the write-off criteria. The rights and obligations retained in transfer transactions are recognized separately as assets and liabilities as is appropriate.

The Institution writes-off loans and advances to customers and credit institutions when these are overdue for more than 360 days.

**v. Grouping of financial assets and liabilities**

Financial assets and liabilities may be grouped and the net amount may be presented in the Balance Sheet when, and only when, the Institution has the legal right to offset the amounts, and has the intention to settle them at their net amount or to simultaneously realize the assets and settle the liabilities.

**vi. Regular acquisition of financial assets**

Regular acquisitions of financial assets are recognized on the transaction date. Assets are reversed when the rights to receive cash flows expire or when the Institution has substantially transferred all risks and rewards of ownership.

**vii. Measurement at amortized cost**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is valued when it is initially recognized, less amortizations of the principal, plus or minus the cumulative amortization utilizing the effective interest rate method for any differences between the initial amount recognized and the redemption amount at maturity, subtracting any reductions for impairment or impossibility of collection.

Income from loans past due for more than 60 days, regardless of their risk level, is only recognized as revenue when effectively received. Income on loan assignments, with or without coobligation, is recognized in results on the date on which the assignments are made.

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The "effective interest rate" is the discount rate which corresponds exactly to the initial amount of the financial instrument with respect to estimated total cash flows, of all types, over its remaining useful life.

**viii. Measurement at fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the balance sheet date.

When available, the Institution determines the fair value of financial instruments based on quoted prices in the active market for that instrument. A market is recognized as active if the quoted prices are readily and regularly available and represent market transactions that are authentic and regular and which take place fairly on an arm's length basis.

All derivatives are recognized in the Balance Sheet at fair value from the transaction date. When the fair value is positive, derivatives are recognized as assets; when negative, derivatives are recognized as liabilities. The changes in the fair value of derivatives from the transaction date are recognized under "Gains (losses) on financial assets and liabilities" in the consolidated statement of income.

**ix. Valuation techniques****a) Financial instruments measured at fair value**

The financial instruments that are measured at fair value after the initial recognition should be grouped in Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 fair value measurements are obtained based on prices quoted (unadjusted) in active markets for identical assets and liabilities.

Level 2 fair value measurements are obtained based on variables other than the quoted prices included in Level 1, which are directly observable for an asset or a liability (i.e., prices) or indirectly observable (i.e., based on prices).

Level 3 fair value measurements are obtained based on valuation techniques that include variables for an asset or a liability, but which are not based on observable market data (unobservable inputs).

The table below provides a summary of the fair values of financial assets and liabilities for the periods ended June 30, 2014 and December 31, 2013, classified based on the various measurement methods adopted by the Institution for fair value determination purposes:

	30/6/2014			31/12/2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets held for trading	954.528	633.251	1.587.779	1.071.147	746.052	1.817.199
Available-for-sale financial assets	437.590	149.956	587.546	557.273	140.724	697.997
Financial liabilities held for trading	143.298	105.006	248.304	58.197	132.636	190.833

Financial instruments at fair value, determined based on public price quotations in active markets (Level 1), include public debt securities, private debt securities and shares of publicly held companies.

When observable price quotations are not available, Management, based on own internal models, makes its best market price estimate. In the majority of cases, these models use observable market inputs as an important reference (Level 2). Various techniques are used to make these estimates, including the extrapolation of observable market input and extrapolation techniques. The best evidence of the fair value of a financial instrument upon initial recognition is the transaction price, unless the fair value of the instrument can be obtained based on other market transactions carried out with the same instrument or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market input, especially interest rates.

At June 30, 2014 and December 31, 2013, there were no transfers between levels 1 and 2. The Institution has no financial instruments classified as Level 3.

**b) Financial instruments not measured at fair value**

In accordance with IFRS 7 and CPC 40 – Financial Instruments – Disclosures, we present a comparison between the book values of financial assets and liabilities and their corresponding fair values at the end of the period.

	30/6/2014		31/12/2013	
	Fair value	Book value	Fair value	Book value
<b>Financial assets</b>				
Cash and cash equivalents <sup>(i)</sup>	1.198.844	1.198.844	738.652	738.652
Loans and advances to financial institutions <sup>(i)</sup>	40.292	40.292	57.685	57.685
Loans and advances to customers <sup>(i)</sup>	6.419.409	6.407.230	6.475.177	6.205.333
<b>Total financial assets</b>	<b>7.658.545</b>	<b>7.646.366</b>	<b>7.271.514</b>	<b>7.001.670</b>
<b>Financial liabilities</b>				
Deposits from financial institutions <sup>(ii)</sup>	79.729	79.729	89.718	89.718
Deposits from customers <sup>(iv)</sup>	3.942.285	3.980.985	3.683.150	3.785.522
Funds obtained in the open market <sup>(ii)</sup>	469.751	469.751	508.792	508.792
Securities issued abroad <sup>(iv)</sup>	692.001	692.049	1.017.184	1.014.860
Borrowings and onlending <sup>(iv)</sup>	3.326.266	3.332.382	2.954.185	2.964.320
Other financial liabilities	69.272	69.272	68.499	68.499
Subordinated debt <sup>(iv)</sup>	343.875	338.832	359.298	356.370
<b>Total financial liabilities</b>	<b>8.923.179</b>	<b>8.963.000</b>	<b>8.680.826</b>	<b>8.788.081</b>

The methods and assumptions used to estimate fair value are defined below:

i) Fair values of cash and cash equivalents, debt instruments, equity instruments, derivative financial instruments and loans and advances to financial institutions reflect their book values.

ii) Loans and advances to customers are measured net of the provision for impairment. The fair value of these operations represents the discounted value of the future cash flows expected to be received. The expected cash flows are discounted at current market rates to determine their fair value.

iii) The estimated fair values of deposits from financial institutions, funds obtained in the open market, sale or transfer of financial assets and other financial liabilities reflect their book values.

iv) The estimated fair value of deposits from customers and other borrowings with no quotation in an active market is based on discounted cash flows using interest rates for new debts with similar maturities. The fair values of deposits with no specified maturity, which includes deposits with no interest rate, are substantially close to their book values.



**BANCO PINE S.A. AND SUBSIDIARIES**

**NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

**x. Purchase and sale commitments**

Purchases (sales) of financial instruments based on a required resale (repurchase) agreement at a fixed price are recognized in the consolidated balance sheet as financing granted (received), based on the nature of the debtor (creditor), under the heading "Debt instruments".

**xi. Impairment identification and measurement**

On each balance sheet date, the Institution makes an assessment as to whether there is objective evidence that the financial assets not recorded at fair value through profit or loss are impaired. Financial assets are considered to be impaired when objective evidence shows that a loss has occurred after the asset's initial recognition, and that this loss represents an impact on the asset's future cash flows that can be reliably estimated.

The Institution considers evidence of impairment both for specific assets as well as at the collective level. All the financial assets that are individually significant are assessed in order to detect specific losses. All the significant assets which the assessment fails to indicate as being specifically deteriorated are evaluated collectively to detect any impairment that has occurred, but which has not yet been identified. Assets that are not individually significant are collectively assessed to detect impairment by grouping together the financial assets (recorded at amortized cost) with similar risk characteristics.

Objective evidence that the financial assets (including equity instruments) show impairment may include default by the borrower, restructuring of financing, or advances, by the Institution on terms that it would not accept in another situation, indications that the borrower or issuer will become bankrupt, the absence of an active market for a security, or other observable data in relation to various assets, such as, adverse changes in the payment history of borrowers or issuers with the Institution, or economic conditions that are correlated with defaults. In addition, for investments in equity instruments, a significant or prolonged loss in the fair value to below initial cost is objective evidence of impairment.

Impairment losses on assets recorded at amortized cost are measured considering the risk classification, especially, for all customers with a given risk rating which is lower than or equal to "D", under the terms of Resolution 2682 of the National Monetary Council (CMN), as well as the default in payments past due for more than 90 days. The losses are recognized in results in the "Losses on impairment of financial assets" account. Interest from assets continues to be recognized as long as there is an expectation that it will be received. When a subsequent event causes a decrease in the value of a previously recognized impairment loss, it is reversed against the result for the period.

Losses for impairment on available for sale financial assets are recognized, transferring the difference between the amortized acquisition cost and the current fair value, from equity to the result for the period. When a subsequent event reduces the value of a previously recognized impairment loss in available-for-sale financial assets, it is reversed against the result for the period. However, any subsequent recoveries in the fair value available for sale financial instrument, which was previously adjusted for a loss due to impairment, are recognized directly in equity. Changes in the provisions for impairment attributable to the time value are reflected as a component of interest income.

**o. Financial assets and liabilities held for trading**

Assets and liabilities held for trading are initially recognized and measured at fair value, with the transaction costs recorded directly in results for the period. All changes in fair value are recognized as a portion of the net revenue from trading in the Income Statement for the period. Assets and liabilities held for trading are not reclassified after their initial recognition.

Derivatives, except for those designated as hedging instruments (hedge accounting), are classified into this sub-category.

**p. Available for sale**

Available-for-sale financial assets are non-derivatives which are classified in this category when they are initially recognized or which are not classified in other financial asset categories.

Interest income is recognized in results using the effective interest rate method. Dividend revenue is recognized in results when the Institution acquires the right to receive the dividends. Positive or negative foreign exchange rate variations on investments in financial assets classified as available for sale are recognized in results.

Other changes in the fair value are recognized directly in equity until the investment is sold or a loss on account of impairment is confirmed, at which time the balance of the reserve in equity is transferred to results.

**q. Held to maturity**

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturity that the Institution has the intention and the ability to hold to maturity.

Financial assets held to maturity are recorded at amortized cost using the effective interest rate method. Any sale or reclassification of a significant amount of investments held to maturity which are not close to their maturity will result in the reclassification of all "held-to-maturity" financial assets to "available-for-sale", and will prevent the Institution from classifying the financial assets as "held-to-maturity" in the current fiscal year as well as for the following two years.

At June 30, 2014 and December 31, 2013, there were no operations classified as held to maturity.

**r. Loans and receivables**

Loan operations and advances are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market, and which the Institution has no intention of selling either immediately or in the short term.

Loan operations and advances are initially measured at fair value plus the transaction costs that are directly attributable to the operation, and are subsequently valued at amortized cost using the effective interest rate method.

**s. Derivatives held for risk management**

Derivatives held for risk management include all asset and liability derivatives that are classified as held for trading. These derivatives are measured at fair value.

All hedge ineffectiveness is recognized in results; recorded in "Other operating income (expenses)".

**Cash flow hedge**

When a derivative is designated as a hedge of changes in cash flows attributable to a specific risk, associated with a recognized asset or liability that may affect the Income Statement, the effective proportion of changes in fair value of the derivative is recognized immediately in equity. The amount recognized in equity is subtracted and transferred to results in the same period as the hedged item. Any ineffective portion of changes in fair value of the derivative is recognized immediately in results.

If the derivative matures or is sold, canceled or realized and no longer complies with the criteria of cash flow hedge accounting, or its designation is revoked, it will cease to be recorded as a fair value hedge and the amount recognized in equity remains recorded until such time as the anticipated transaction has an impact on the result. If it is no longer probable that the anticipated transaction will occur, the cash flow hedge ceases to be recorded and the balance recorded in equity is subtracted and transferred immediately to the result for the period.

**t. Non-current assets held for sale**

Non-current assets held for sale include the carrying amount of properties or other non-current assets received by the consolidated entities for purposes of full or partial settlement of the payment obligations of their debtors through auctions which generally take place within one year. Non-current assets held for sale are generally measured at the lower of the fair value less the cost of sale and the carrying amount on the date they were classified under this category. Non-current assets held for sale are not depreciated, provided that they remain classified in this category.



**BANCO PINE S.A. AND SUBSIDIARIES**

**NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

**u. Tangible assets**

Fixed asset items correspond to those assets and rights related to physical assets used for the maintenance of activities or exercised for this purpose, including those resulting from operations that transfer the risks, rewards and control of the entity's assets.

**i. Recognition and measurement**

Tangible assets are valued at cost, less cumulative depreciation and losses on account of impairment.

The cost includes the expenses directly attributable to the asset's acquisition. The costs of tangible assets constructed by the company include the cost of materials and direct labor, any other directly attributable costs necessary to ensure that the asset is operational for its intended function, the removal costs of the items and the recovery of the place where the assets are located. Software acquired that is integrated into the operation of a tangible asset is recorded as an integral part of that tangible asset.

When the main components of a tangible asset have different useful lives, they are recorded as items that are separate from the tangible asset.

**ii. Depreciation**

Depreciation is recognized under the straight-line method based on the estimated useful life of each portion of a tangible asset.

The estimated useful lives of tangible assets for current and prior years are as follows:

Vehicles	5 years
Software systems	5 years
Aircraft	10 years
Other items	10 years

**v. Intangible assets**

Intangible assets correspond to the rights acquired to non-physical assets which are used for maintaining the Institution's business or exercised for this purpose. The intangible assets with identifiable useful lives are generally amortized on the straight-line method over the estimated period of economic benefit.

**i. Use of software licenses**

According to IFRS (IAS 38), expenses for software acquired and developed are classified in three distinct stages: 1. Project's Preliminary Stage (expense); 2. Project's Implementation Stage (capitalization) 3. Project's Post-Implementation Stage (expense).

Software acquired by the Institution is recorded at cost, less cumulative amortization and losses on account of impairment.

The expense for developing in-house software is recognized as an asset when the Institution is able to demonstrate its intention and its ability to complete development, measuring its cost and software utilization in a way that gives rise to future economic benefits. The capitalized costs of software developed in-house include all costs that are directly attributable to development and are amortized over the software's estimated useful life. Software developed in-house is recorded at its capitalized cost, with deductions made for cumulative amortization and for losses on account of impairment.

Subsequent software expenses are only capitalized when they increase the future economic benefits of the specific asset to which they relate. All other expenses are recorded directly in the result as and when they are incurred.

**ii. Amortization**

Amortization is recognized in the result using the straight-line method over the software's estimated useful life, beginning on the date at which it becomes available for

The estimated useful lives of tangible assets for current and prior years are as follows:

Software	5 years
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**iii. Other intangible assets**

Other intangible assets with a useful life that are acquired by the Institution recorded at cost, with deductions made for cumulative amortization and for losses on account of impairment.

Amortizations are recognized in results using the straight-line method over the estimated useful life of the assets.

**x. Other assets**

This includes the balance of all advances and any other assets which are not considered financial assets.

**y. Investment property**

In accordance to CPC 28 (IAS 40), the values recorded in investment property (land or building - or part of a building - or both) held to earn rentals or for capital appreciation or for both.

To determine the value of the investment the entity may adopt the fair value method or the cost method. The Bank uses for all its investment property to fair value method.

**z. Other liabilities**

Other liabilities include the balance of all expenses recorded as a provision and deferred revenue from advances as well as the amount of any other obligations not regarded as financial liabilities.

**aa. Impairment de ativos não-financeiros**

According to IFRS (IAS 36), the impairment of non-financial assets is based on the recoverable amount of an asset or of a cash generating unit which is the greater of the net sales value of an asset and its value in use. In general terms, impairment for IFRS purposes is tested based on the "recoverable amount", which is the greater of the fair value less the selling cost or the value in use which comprises the cash flow that is expected from the continued use of the asset, discounted to present value.

**ab. Deposits, securities issued, subordinated debt and funds obtained in the open market**

Deposits, securities issued and subordinated debt are the sources used by the Institution to fund its operations.

Deposits, securities issued, subordinated debt and borrowings and onlendings are initially measured at fair value plus the incremental transaction costs that are directly attributable to their issue, and are subsequently valued at their amortized cost utilizing the effective interest rate method, except in those cases where the Institution designated the liabilities at fair value through profit or loss.

When the Institution sells a financial asset and simultaneously signs a repurchase agreement in relation to the asset (or a similar asset) at a fixed price or at a future date ("sale with repurchase agreement" or "share loan"), the contract is recorded as a deposit received under a repurchase agreement and the underlying asset continues to be recognized in the Institution's financial statements.

**ac. Provisions**

A provision is recorded if, as a result of a past event, the Institution has a present obligation, which can be reliably estimated, and when it is likely that an outflow of economic benefits will be required to settle the obligation.

**BANCO PINE S.A. AND SUBSIDIARIES**  
**NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

**ad. Contingent assets and liabilities and legal obligations**

Contingent assets and liabilities and legal obligations (tax and social security) are recognized, measured and disclosed in accordance with IAS 37, as follows:

- Contingent assets: are not recorded in the financial statements, except when there is evidence which assures a high degree of confidence that they will be realized, generally through a final and unappealable court decision.
- Provisions: the probability of any unfavorable judgments or results in relation to these lawsuits is determined, as well as the likely interval until the loss becomes definite and when an outflow of resources to settle this loss is probable. The calculation of the provision needed for these contingencies is made after analyzing each lawsuit and based on the opinions of the Institution's legal advisors. Contingency provisions are recorded for those lawsuits where it is considered that the possibility of loss is probable. The provisions required for these lawsuits are subject to changes in the future depending on the progress of each case;
- Provisions: the probability of any unfavorable judgments or results in relation to these lawsuits is determined, as well as the likely interval until the loss becomes definite and when an outflow of resources to settle this loss is probable. The calculation of the provision needed for these contingencies is made after analyzing each lawsuit and based on the opinions of the Institution's legal advisors. Contingency provisions are recorded for those lawsuits where it is considered that the possibility of loss is probable. The provisions required for these lawsuits are subject to changes in the future depending on the progress of each case;
- Legal obligations (tax and social security): these are administrative proceedings or lawsuits related to tax and social security obligations, the legality or constitutionality of which is being contested, whose amounts, regardless of the related probability of success, are recorded at the full amount in dispute and adjusted in accordance with the legislation in force.

**ae. Financial guarantees**

Financial guarantees are defined as contracts by means of which an entity undertakes to make specific payments on behalf of a third party when said third-party fails to do so, regardless of the various legal forms that these may take, such as guarantees, irrevocable documentary credits issued or confirmed by the entity, etc.

The Institution recognizes the present value of fees, commissions and interest receivable from the financial guarantees provided under "Other financial liabilities".

Financial guarantees, regardless of the guarantor, the instrument or other circumstances, are periodically reviewed in order to determine the credit risk to which they are exposed and, depending upon the case, in order to consider whether or not it is necessary to record a provision. The credit risk is determined by applying similar criteria to those established for quantifying losses as a result of the non-recovery of loans and advances valued at amortized cost.

The provisions recorded for these operations are recognized under the item "Provisions – Reserves for contingent liabilities, commitments and other provisions" in the Consolidated Balance Sheet. No provisions were recorded for these operations at June 30, 2014 and December 31, 2013.

**af. Distribution of dividends and interest on own capital**

The distribution of dividends and interest on own capital to the Institution's stockholders is recorded as a liability in the period-end financial statements, in accordance with the bylaws. Any amount above the required minimum distribution is only accrued on the date at which the dividend distribution is approved by the stockholders.

The tax benefit for interest on own capital is recognized in the Statement of Income.

**ag. Capital stock and reserves**

Incremental costs directly attributable to the issue of capital instruments are deducted from the initial valuation of the respective capital instruments issued.

**ah. Treasury shares**

Repurchased preferred and common shares are recorded in Equity as Treasury shares at the average purchase price.

The shares that are sold subsequently, for example, those sold to the beneficiaries of the Stock Options Plan, are recorded as a reduction of treasury stock, measured at the average price of the shares held in treasury at that date.

The difference between the sale price and average price of treasury shares is recorded in a specific account in equity. The cancellation of shares held in treasury is recorded as a reduction in treasury shares against the Reserves account in equity, at the average price of the treasury shares on the cancellation date.

**ai. Earnings per share**

The Institution presents information in terms of basic and diluted earnings per share for its common and preferred shares, separated by class. Basic earnings per share are calculated by dividing the profit or loss attributable to the shareholders of the Institution's common and preferred shares by the weighted average number of common and preferred shares in free float during the period. Diluted earnings per common and preferred share are determined by adjusting the profit or loss attributable to the holders of the common and preferred shares and the weighted average number of common and preferred shares in free float for the effects of all common and preferred shares with potential dilution.

At June 30, 2014, the Institution has no instruments with potential for dilution.

**aj. Consolidated statement of cash flows**

The terms used in the Consolidated Statement of Cash Flows have the following meanings:

Cash flows: inflows and outflows of cash and cash equivalents.

Operating activities: the main revenue-generating activities of financial institutions and other activities, other than financing or investing activities.

Investing activities: acquisition and sale of long-term receivables and tangible assets.

Financing activities: activities resulting in changes in the amount and composition of equity and liabilities not related to operating activities.

**4. OPERATING SEGMENTS**

Pursuant to IFRS 8, an operating segment is a component of an entity:

- that engages in activities which will generate revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity).
- whose operating income (loss) is regularly reviewed by the person in charge in the entity for making the operating decisions related to the allocation of funds to the segment and the evaluation of its performance.
- about which optional financial information is made available.

The Institution operates in Brazil and abroad through the Cayman branch and Pine Securities, with Brazilian customers and, therefore, is not geographically segmented.

The Institution has not identified reportable segments.

**BANCO PINE S.A. AND SUBSIDIARIES**  
**NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

**5. CASH AND CASH EQUIVALENTS**

	30/6/2014	31/12/2013
Cash	93.405	157.170
Loans and advances to financial institutions <sup>(1)</sup>	1.105.439	581.482
<b>Total cash and cash equivalents</b>	<b>1.198.844</b>	<b>738.652</b>

<sup>(1)</sup> These are transactions with maturities at the original date of investment equal to or less than 90 days.**6. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS**

Loans and advances to financial institutions, at June 30, 2014 and December 31, 2013, are comprised as follows:

	30/6/2014	31/12/2013
<b>Classification:</b>		
Loans and receivables	40.292	57.685
<b>Total</b>	<b>40.292</b>	<b>57.685</b>
<b>Type:</b>		
Interbank deposits	40.292	57.685
<b>Total</b>	<b>40.292</b>	<b>57.685</b>

**7. DEBT AND EQUITY INSTRUMENTS**

Debt and Equity instruments at June 30, 2014 and December 31, 2013, were comprised as follows:

	30/06/2014			31/12/2013		
	Fair value	At interest rate curve	MTM adjustment	Fair value	At interest rate curve	MTM adjustment
<b>Classification:</b>						
Financial assets held for trading	1.036.167	1.206.986	(170.819)	1.301.841	1.303.958	(2.117)
Available-for-sale financial assets	587.546	424.058	163.488	697.997	718.315	(20.318)
<b>Total</b>	<b>1.623.713</b>	<b>1.631.044</b>	<b>(7.331)</b>	<b>1.999.838</b>	<b>2.022.273</b>	<b>(22.435)</b>

	30/06/2014					
	Amounts marked to market					At interest rate curve
Security/Maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total
<b>Available-for-sale financial assets</b>						
<b>Own portfolio:</b>						
National Treasury Bills (LTN)	-	-	-	-	-	-
Federal Treasury Notes (NTN)	22.970	-	-	-	-	22.970
Debentures	-	40.493	36.277	33.503	-	110.273
Promissory Note	39.683	-	-	-	-	39.683
<b>Subtotal</b>	<b>62.653</b>	<b>40.493</b>	<b>36.277</b>	<b>33.503</b>	<b>-</b>	<b>172.926</b>
<b>Subject to guarantee:</b>						
NTN	51.851	49.880	152.280	50.693	-	304.704
<b>Subtotal</b>	<b>51.851</b>	<b>49.880</b>	<b>152.280</b>	<b>50.693</b>	<b>-</b>	<b>304.704</b>
<b>Subject to repurchase:</b>						
Debentures	-	5.264	16.279	88.373	-	109.916
<b>Subtotal</b>	<b>-</b>	<b>5.264</b>	<b>16.279</b>	<b>88.373</b>	<b>-</b>	<b>109.916</b>
<b>Total Available-for-sale financial assets</b>	<b>114.504</b>	<b>95.637</b>	<b>204.836</b>	<b>172.569</b>	<b>-</b>	<b>587.546</b>
<b>Financial assets held for trading:</b>						
<b>Own portfolio:</b>						
LFT	-	13.001	-	134.016	72.765	219.782
National Treasury Bills (LTN)	-	27.138	4.571	-	-	31.709
Federal Treasury Notes (NTN)	-	10.998	41.084	52.695	20.219	124.996
Debentures	3.700	-	172.715	15.469	-	191.884
Investment fund shares	4.270	-	-	-	-	4.270
Eurobonds	-	-	-	-	-	-
<b>Subtotal</b>	<b>7.970</b>	<b>51.137</b>	<b>218.370</b>	<b>202.180</b>	<b>92.984</b>	<b>572.641</b>
<b>Subject to repurchase</b>						
<b>commitments:</b>						
National Treasury Bills (LTN)	-	190.339	70.325	-	-	260.664
Federal Treasury Notes (NTN)	82.303	-	-	-	-	82.303
Debentures	1.425	-	19.643	16.279	-	37.347
Eurobonds	10.140	-	-	-	-	10.140
CDB	-	-	-	-	-	-
<b>Subtotal</b>	<b>93.868</b>	<b>190.339</b>	<b>89.968</b>	<b>16.279</b>	<b>-</b>	<b>390.454</b>
<b>Subject to guarantees:</b>						
National Treasury Bills (LTN)	-	14.294	15.123	-	-	29.417
Federal Treasury Notes (NTN)	-	21.448	22.207	-	-	43.655
<b>Subtotal</b>	<b>-</b>	<b>35.742</b>	<b>37.330</b>	<b>-</b>	<b>-</b>	<b>73.072</b>
<b>Total financial assets held for trading</b>	<b>101.838</b>	<b>277.218</b>	<b>345.668</b>	<b>218.459</b>	<b>92.984</b>	<b>1.036.167</b>
<b>Total</b>	<b>216.342</b>	<b>372.855</b>	<b>550.504</b>	<b>391.028</b>	<b>92.984</b>	<b>1.623.713</b>

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(In thousands of reais - R\$, except net income per share)

Security/Maturity	Amounts marked to market					31/12/2013	
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	At interest rate curve
<b>Available-for-sale financial assets</b>							
<b>Own portfolio:</b>							
National Treasury Bills (LTN)	89.966	-	-	-	-	89.966	89.981
Federal Treasury Notes (NTN)	-	73.077	85.138	48.089	-	206.304	216.974
Debentures	-	703	713	31.397	63.225	96.038	98.062
Promissory Note	-	44.686	-	-	-	44.686	44.459
<b>Subtotal</b>	<b>89.966</b>	<b>118.466</b>	<b>85.851</b>	<b>79.486</b>	<b>63.225</b>	<b>436.994</b>	<b>449.476</b>
<b>Subject to guarantees:</b>							
Federal Treasury Notes (NTN)	-	-	109.579	-	-	109.579	117.415
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>109.579</b>	<b>-</b>	<b>-</b>	<b>109.579</b>	<b>117.415</b>
<b>Subject to repurchase commitments:</b>							
Debentures	-	-	44.699	106.725	-	151.424	151.424
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>44.699</b>	<b>106.725</b>	<b>-</b>	<b>151.424</b>	<b>151.424</b>
<b>Total available-for-sale financial</b>	<b>89.966</b>	<b>118.466</b>	<b>240.129</b>	<b>186.211</b>	<b>63.225</b>	<b>697.997</b>	<b>718.315</b>
<b>Financial assets held for trading:</b>							
<b>Own portfolio:</b>							
Financial Treasury Notes (LFT)	-	-	30.070	8.715	147.552	186.337	186.337
National Treasury Bills (LTN)	349.869	30.940	4.930	-	-	385.739	385.916
Federal Treasury Notes (NTN)	8.125	46	33.707	37.788	8.305	87.971	89.758
Debentures	-	8.720	130.426	87.154	-	226.300	221.105
Investment fund shares	1.567	-	-	-	-	1.567	1.567
<b>Subtotal</b>	<b>359.561</b>	<b>39.706</b>	<b>199.133</b>	<b>133.657</b>	<b>155.857</b>	<b>887.914</b>	<b>884.683</b>
<b>Subject to repurchase commitments:</b>							
National Treasury Bills (LTN)	-	161.579	40.217	-	-	201.796	202.421
Federal Treasury Notes (NTN)	-	80.339	18.969	48.089	10.983	158.380	163.429
Debentures	-	1.481	10.301	11.199	-	22.981	22.584
Eurobonds	223	198	2.686	-	22.878	25.985	25.985
CDB	235	-	-	-	-	235	235
<b>Subtotal</b>	<b>458</b>	<b>243.597</b>	<b>72.173</b>	<b>59.288</b>	<b>33.861</b>	<b>409.377</b>	<b>414.654</b>
<b>Subject to guarantees:</b>							
National Treasury Bills (LTN)	-	1.074	-	-	-	1.074	1.079
Federal Treasury Notes (NTN)	-	-	3.476	-	-	3.476	3.542
<b>Subtotal</b>	<b>-</b>	<b>1.074</b>	<b>3.476</b>	<b>-</b>	<b>-</b>	<b>4.550</b>	<b>4.621</b>
<b>Total financial assets held for trading</b>	<b>360.019</b>	<b>284.377</b>	<b>274.782</b>	<b>192.945</b>	<b>189.718</b>	<b>1.301.841</b>	<b>1.303.958</b>
<b>Total</b>	<b>449.985</b>	<b>402.843</b>	<b>514.911</b>	<b>379.156</b>	<b>252.943</b>	<b>1.999.838</b>	<b>2.022.273</b>

**8. DERIVATIVES HELD FOR TRADING (ASSETS AND LIABILITIES)**

**a) Utilization policy**

The growing level of company sophistication in a global market prompted an increase in the demand for derivative financial instruments to manage balance sheet exposure to market risks, arising mainly from fluctuating interest and foreign exchange rates, the price of commodities and other asset prices. As a result, Banco Pine offers its customers alternatives for mitigating market risks through appropriate instruments, as well as to meet its own needs for managing these risks.

**b) Management**

The management of portfolio risks is controlled using techniques which include the following: VaR, sensitivity, liquidity risk and stress scenarios. Based on this information, the necessary derivative financial instruments are contracted by the treasury department, pursuant to Management's previously defined market and liquidity risk policy. Derivative transactions carried out by Banco Pine with customers are neutralized to eliminate market risks.

The sale of derivative financial instruments to customers is subject to prior credit limit approval. The credit limit approval process also considers potential stress scenarios.

Knowing the customer, their operating sector and their risk appetite profile, as well as being able to provide information on the risks involved in the transaction and in the terms and conditions negotiated, ensures that the relationship between the parties is transparent and permits the Institution to offer customers the products which are most appropriate to their specific needs.

The majority of the derivative contracts negotiated by the Institution with customers in Brazil comprise swaps, forward transactions, options and futures registered at BM&FBovespa or CETIP S.A. - Balcão Organizado de Ativos e Derivativos. The derivative contracts traded abroad comprise futures, forward transactions, options and swaps mainly registered at the Chicago, New York and London exchanges. We stress that certain trades abroad are carried out over-the-counter (OTC), however, the related risks are considered low in relation to the Institution's total transactions.

The main market risk factors monitored by Banco Pine include exchange rates, local interest rate volatility (fixed, reference rate (TR), General Price Index – Market (IGP-M) long-term interest rate (TJLP) and Extended Consumer Price Index (IPCA)), exchange coupon and commodities. The Institution adopts a conservative approach, minimizing its exposure to risk factors and to the mismatching of portfolio terms.

**c) Evaluation and measurement criteria, methods and assumptions used to determine fair value**

The Institution uses the market reference rates disclosed principally by BM&FBovespa, Intercontinental Exchange (ICE) and Bloomberg to determine the fair value of the derivative financial instruments. For derivatives whose prices are not directly disclosed by the exchanges, the fair values are obtained through pricing models that use market information, determined based on the prices disclosed for assets with the greatest liquidity. Based on these prices, the Institution extracts the interest curves and market volatilities which are used as entry data for the models. The OTC derivatives, forward contracts and securities with low liquidity are determined in this way.

## BANCO PINE S.A. AND SUBSIDIARIES

## NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013

(In thousands of reais - R\$, except net income per share)

## d) Position of derivative financial instruments held for trading and hedging:

Derivative financial instruments	30/6/2014			31/12/2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
<b>ASSETS</b>						
Swap – difference receivable	63.882	136.846	200.728	82.034	270.129	352.163
Forward contracts- receivable	288.966	13.644	302.600	72.953	17.853	90.806
Premiums on unexercised options	45.479	2.571	48.050	72.389	-	72.389
Transferred risk	-	234	234	-	-	-
<b>Total receivable</b>	<b>398.317</b>	<b>153.295</b>	<b>551.612</b>	<b>227.376</b>	<b>287.982</b>	<b>515.358</b>
<b>LIABILITIES</b>						
Swap – difference payable	(14.007)	(52.135)	(66.142)	(32.138)	(25.464)	(57.602)
Forward contracts - payable	(139.842)	(6.626)	(146.468)	(68.043)	(4.219)	(72.262)
Premiums on written options	(34.763)	(931)	(35.694)	(60.172)	(797)	(60.969)
<b>Total payable</b>	<b>(188.612)</b>	<b>(59.692)</b>	<b>(248.304)</b>	<b>(160.353)</b>	<b>(30.480)</b>	<b>(190.833)</b>
<b>Net amount</b>	<b>209.705</b>	<b>93.603</b>	<b>303.308</b>	<b>67.023</b>	<b>257.502</b>	<b>324.525</b>

## e) Notional values and fair values of derivatives held for trading and hedging:

	30/6/2014			
	Notional value	Amount receivable	Amount payable	Result
<b>"Swap"</b>				
<b>Market risk</b>				
<b>Asset position:</b>	<b>5.948.957</b>	<b>200.728</b>	-	
Interest	4.642.767	138.004	-	
Currency	1.297.867	62.724	-	
Variable income	8.323	-	-	
<b>Liability position:</b>	<b>5.948.957</b>	-	<b>(47.244)</b>	
Interest	2.346.257	-	(45.143)	
Currency	3.602.700	-	(2.101)	
<b>Net amount</b>		<b>200.728</b>	<b>(47.244)</b>	<b>(36.000)</b>
<b>Cash flow hedges</b>				
<b>Asset position:</b>	<b>259.675</b>	-	-	
Currency	259.675	-	-	
<b>Liability position:</b>	<b>259.675</b>	-	<b>(18.898)</b>	
Interest	259.675	-	(18.898)	
<b>Net amount</b>		-	<b>(18.898)</b>	<b>(5.362)</b>
<b>Forward contracts</b>				
<b>Asset position:</b>	<b>8.993.918</b>	<b>302.600</b>	-	
Interest	5.962.315	261.080	-	
Currency	2.651.924	25.558	-	
Commodities	379.679	15.962	-	
<b>Liability position:</b>	<b>8.993.918</b>	-	<b>(146.468)</b>	
Interest	2.357.733	-	(120.910)	
Currency	6.513.380	-	(24.620)	
Commodities	122.805	-	(938)	
<b>Net amount</b>		<b>302.600</b>	<b>(146.468)</b>	<b>290.562</b>
<b>Options</b>				
<b>Premium on unexercised options:</b>	<b>1.826.686</b>	<b>48.050</b>	-	
Foreign currency risk	1.408.231	24.952	-	
Commodities	418.455	23.098	-	
<b>Premiums on written options:</b>	<b>1.261.281</b>	-	<b>(35.694)</b>	
Foreign currency risk	820.872	-	(13.379)	
Commodities	440.409	-	(22.315)	
<b>Net amount</b>		<b>48.050</b>	<b>(35.694)</b>	<b>43.929</b>
<b>Credit Derivatives</b>				
<b>Asset position:</b>	<b>11.012</b>	<b>234</b>	-	
Currency	11.012	234	-	
<b>Liability position:</b>	<b>11.012</b>	-	-	
Currency	11.012	-	-	
<b>Net amount</b>		<b>234</b>	-	
<b>Total receivable (payable) and gain (loss) from derivatives</b>		<b>551.612</b>	<b>(248.304)</b>	<b>293.129</b>

	31/12/2013			
	Notional value	Amount receivable	Amount payable	Result
<b>"Swap"</b>				
<b>Market risk</b>				
<b>Asset position:</b>	<b>5.581.191</b>	<b>352.163</b>	-	
Interest	3.408.528	179.337	-	
Currency	2.130.411	172.770	-	
Variable income	42.252	56	-	
<b>Liability position:</b>	<b>5.581.191</b>	-	<b>(57.602)</b>	
Interest	3.533.561	-	(28.160)	
Currency	2.047.630	-	(29.442)	
<b>Net amount</b>		<b>352.163</b>	<b>(57.602)</b>	<b>230.856</b>
<b>Forward contracts</b>				
<b>Asset position:</b>	<b>6.595.674</b>	<b>90.806</b>	-	
Interest	4.161.379	9.789	-	
Currency	2.341.952	80.384	-	
Commodities	92.343	633	-	
<b>Liability position:</b>	<b>6.595.674</b>	-	<b>(72.262)</b>	
Interest	1.930.135	-	(6.960)	
Currency	4.623.121	-	(65.244)	
Commodities	42.418	-	(58)	
<b>Net amount</b>		<b>90.806</b>	<b>(72.262)</b>	<b>(39.919)</b>
<b>Options</b>				
<b>Premium on unexercised options:</b>	<b>1.408.454</b>	<b>72.389</b>	-	
Currency	766.684	23.108	-	
Commodities	641.770	49.281	-	
<b>Premiums on written options:</b>	<b>1.623.553</b>	-	<b>(60.969)</b>	
Currency	980.528	-	(32.363)	
Commodities	643.025	-	(28.606)	
<b>Net amount</b>		<b>72.389</b>	<b>(60.969)</b>	<b>48.163</b>
<b>Total receivable (payable) and gain (loss) from derivatives</b>		<b>515.358</b>	<b>(190.833)</b>	<b>239.100</b>

## BANCO PINE S.A. AND SUBSIDIARIES

## NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013

(In thousands of reais - R\$, except net income per share)

## f) Derivative financial instruments – futures contracts

	30/6/2014			
	Notional value		Daily adjustment receivable (payable)	Result
	Purchase	Sale		
Interbank market	2.046.626	2.238.007	(394)	
Currency	3.033.201	27.243	6.456	
Commodities	167.313	373.066	(22)	
Future exchange coupon:	532.682	3.211.829	(9.532)	
Exchange rate swap	-	3.369.926	17.965	
<b>Total</b>	<b>5.779.822</b>	<b>9.220.071</b>	<b>14.473</b>	<b>(282.141)</b>

	31/12/2013			
	Notional value		Daily adjustment receivable (payable)	Result
	Purchase	Sale		
Interbank market	2.479.543	2.316.329	285	
Currency	1.840.127	817.256	14.091	
Commodities	114.363	148.149	-	
Future exchange coupon:	2.584.409	3.709.727	(22.419)	
Exchange rate swap	-	3.207.174	9.418	
<b>Total</b>	<b>7.018.442</b>	<b>10.196.635</b>	<b>1.375</b>	<b>(42.887)</b>

## g) Derivative financial instruments by maturity

Notional value	Market value					30/6/2014
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total
Swaps	1.813.592	755.196	2.293.292	230.429	1.116.123	6.208.632
Forward contracts	7.062.900	1.668.674	261.581	763	-	8.993.918
Options	1.711.148	1.299.440	70.525	6.854	-	3.087.967
Futures	9.970.476	3.540.449	1.193.275	149.383	146.310	14.999.893
Derivative	-	11.012	-	-	-	11.012

						31/12/2013
Market value						
Notional value	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total
Swaps	1.458.593	2.014.047	909.187	402.264	797.100	5.581.191
Forward contracts	4.306.823	1.998.371	289.443	1.037	-	6.595.674
Options	1.888.484	1.136.623	6.900	-	-	3.032.007
Futures	6.672.138	9.180.127	972.227	204.473	186.112	17.215.077
Total	14.326.038	14.329.168	2.177.757	607.774	983.212	32.423.949

## h) Derivative financial instruments by trading market

At June 30, 2014 and December 31, 2013, the swaps, forward contracts and options, whose notional amounts are recorded in a memorandum account are comprised as follows:

Custodian	30/6/2014				
	"Swaps"	Forwards	Options	Futures	Credit Derivative
<b>Exchange</b>	<b>143.982</b>	<b>252.084</b>	<b>2.245.772</b>	<b>14.999.893</b>	<b>-</b>
BM&FBOVESPA	110.300	-	1.598.278	14.463.128	-
Exchanges abroad	33.682	252.084	647.494	536.765	-
<b>OTC</b>	<b>6.064.650</b>	<b>8.741.834</b>	<b>842.195</b>	<b>-</b>	<b>11.012</b>
Financial institutions	928.935	137.321	-	-	11.012
Companies	5.135.715	8.604.513	842.195	-	-
<b>Total</b>	<b>6.208.632</b>	<b>8.993.918</b>	<b>3.087.967</b>	<b>14.999.893</b>	<b>11.012</b>

Custodian	31/12/2013			
	"Swaps"	Forwards	Options	Futures
<b>Exchange</b>	<b>173.603</b>	<b>206.613</b>	<b>1.929.544</b>	<b>17.187.338</b>
BM&FBOVESPA	110.300	-	1.405.588	16.954.565
Exchanges abroad	63.303	206.613	523.957	232.773
<b>OTC</b>	<b>5.407.588</b>	<b>6.389.061</b>	<b>1.102.463</b>	<b>27.739</b>
Financial institutions	1.609.369	230.105	-	27.739
Companies	3.798.219	6.158.956	1.102.463	-
<b>Total</b>	<b>5.581.191</b>	<b>6.595.674</b>	<b>3.032.007</b>	<b>17.215.077</b>

## i) Cash Flow Hedges

On March 28, 2014 USD 115 million was acquired segregated into two parcels, through the Inter American Development Bank- IDB, converted at the exchange rate of R\$ 2.26/USD on that date, resulting in the loan amount of R\$ 260 million. This loan has a grace period for the principal, having its settlement on February 15 and August 15, 2019, respectively. The bank opted to protect its exposure to the risks arising from this transaction through a cash flow hedge. The effectiveness of the hedge portfolio is in accordance with IAS 39 and the structure of hedge accounting has been established:

Strategy	30/6/2014		
	Hedge Instrument		Hedge Objective
	Nominal Value	MTM adjustment	Amount
Hedge Accounting	259.675	(5.362)	255.317
<b>Total</b>	<b>259.675</b>	<b>(5.362)</b>	<b>255.317</b>

**BANCO PINE S.A. AND SUBSIDIARIES****NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

**9. LOANS AND ADVANCES TO CUSTOMERS, GUARANTEES PROVIDED AND SECURITIES WITH CREDIT RISK****a) Composition**

	30/6/2014	31/12/2013
<b>Loans and receivables</b>	<b>6.407.230</b>	<b>6.205.333</b>
Loans and receivables at amortized cost	6.529.980	6.341.987
Provision for impairment	(122.750)	(136.654)
<b>Loans and advances to customers, net</b>	<b>6.407.230</b>	<b>6.205.333</b>
<b>Securities with credit risk</b>		
Securities with credit risk held for trading	239.371	275.266
Available-for-sale securities with credit risk	259.872	292.148
Securities with credit risk at amortized cost	30.238	30.240
Provision for impairment	-	-
<b>Securities with credit risk, net</b>	<b>529.481</b>	<b>597.654</b>
<b>Guarantees provided and responsibilities</b>	<b>2.945.301</b>	<b>2.960.409</b>
<b>Total expanded portfolio, net of impairment</b>	<b>9.882.012</b>	<b>9.763.396</b>
<b>Total expanded portfolio</b>	<b>10.004.762</b>	<b>9.900.050</b>

**b) Types of loan**

	30/6/2014	31/12/2013
Working capital	3.217.896	3.229.935
Resolution nº 3.844 (Old Resolution nº 2.770)	37.736	40.142
Overdraft account	10.245	9.930
BNDES/FINAME lending	1.054.117	1.068.369
Consigned Credit	5.312	9.926
Foreign currency financing	561.346	393.554
Export financing	825.189	944.241
Debtors for purchase of assets	200.555	133.713
Notes and credits receivable	66.286	114.243
Advances on foreign exchange contracts and income receivable	550.905	397.934
Sureties and trades <sup>(1)</sup>	393	-
<b>Total</b>	<b>6.529.980</b>	<b>6.341.987</b>
Loans for imports	4.123	51.212
Guarantees provided	2.941.178	2.909.197
<b>Guarantees provided and responsibilities</b>	<b>2.945.301</b>	<b>2.960.409</b>
Notes and credits receivable <sup>(1)</sup>	30.238	30.240
Private debt instruments <sup>(2)</sup>	499.243	567.414
<b>Securities with credit risk</b>	<b>529.481</b>	<b>597.654</b>
<b>Total expanded portfolio</b>	<b>10.004.762</b>	<b>9.900.050</b>

<sup>(1)</sup> Recorded in "Other assets" (Note 12).<sup>(2)</sup> Mostly debentures, promissory notes and receivables certificates in the Institution's debt instrument portfolio (Note 7).**c) By business activity:**

	30/6/2014	31/12/2013
Civil construction	1.323.919	1.357.699
Sugar and ethanol	1.216.546	1.395.441
Electric and renewable energy	1.169.235	891.931
Agriculture	1.037.206	884.798
Building and engineering - Infrastructure	788.272	853.056
Transportation and logistics	506.314	484.293
Vehicles and parts	435.214	485.935
Specialized services	401.561	457.250
Metal products	374.557	437.040
Telecommunications	348.651	358.236
Chemical and petrochemical	334.200	298.612
Foreign trade	313.093	273.740
Retail trade	301.796	236.893
Beverages and tobacco	242.486	208.102
Meat processing	191.069	192.990
Foodstuff	189.307	191.164
Construction material and decor	180.097	164.348
Steel products	117.297	128.015
Financial institution	76.841	107.629
Paper and pulp	70.437	95.142
Leisure and tourism	54.311	93.445
Information technology	45.739	47.185
Plastic and rubber	45.667	44.177
Mechanics	44.568	41.576
Water and sanitation	38.734	40.455
Textiles and clothing	32.214	39.407
Wholesale trade	28.238	26.332
Medical services	28.056	18.086
Leather and footwear	17.761	17.986
Pharmaceuticals and cosmetics	16.303	15.331
Electroelectronics	15.896	10.565
Individuals	8.756	3.191
Communications and printing	6.273	-
Mining	4.148	-
<b>Total expanded portfolio</b>	<b>10.004.762</b>	<b>9.900.050</b>

**BANCO PINE S.A. AND SUBSIDIARIES**  
**NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

**d) By sector**

	30/6/2014	31/12/2013
Agricultural	46.420	73.210
Housing	-	662
Manufacturing	2.097.810	2.010.856
Commercial	780.880	805.981
Financial intermediation	106.462	126.774
Other services	6.434.401	6.475.924
Individuals	538.789	406.643
<b>Total expanded portfolio</b>	<b>10.004.762</b>	<b>9.900.050</b>

**e) Non-recoverable assets – Impairment**

	30/6/2014	31/12/2013
<b>Loans and advances to customers</b>		
<b>Operations with evidence of impairment – individually significant</b>		
Gross balance	378.981	358.677
Provision for impairment	(91.675)	(106.141)
<b>Carrying amount</b>	<b>287.306</b>	<b>252.536</b>
<b>Operations with impairment analysis - Other</b>		
Gross balance	6.146.851	5.975.648
Provision for impairment	(30.488)	(29.619)
<b>Carrying amount</b>	<b>6.116.363</b>	<b>5.946.029</b>
<b>Operations with collective impairment analysis - Retail</b>		
Gross balance	4.148	7.662
Provision for impairment	(587)	(894)
<b>Carrying amount</b>	<b>3.561</b>	<b>6.768</b>
<b>Securities with credit risk</b>		
<b>Operations with evidence of impairment – individually significant</b>		
Gross balance	529.481	597.654
Provision for impairment	-	-
<b>Carrying amount</b>	<b>529.481</b>	<b>597.654</b>
<b>Total net of impairment</b>	<b>6.936.711</b>	<b>6.802.987</b>
<b>Total (gross)</b>	<b>7.059.461</b>	<b>6.939.641</b>

Interest accrued and unpaid from transactions evidencing impairment were reversed from the portfolio in the amount of R\$7,986 (December 31, 2013 - R\$7,373).

**f) The details of the variations in the balance of financial assets classified as “Loans and receivables – Loans and advances to customers” and considered as non-recoverable due to credit risk are as follows:**

	30/6/2014	31/12/2013
<b>Opening balance</b>	<b>136.654</b>	<b>115.288</b>
Additions/reversals, net	46.427	40.165
Assets written-off	(52.746)	(26.777)
Allowance - FIDC	(7.284)	-
Exchange variation	(301)	241
<b>Closing balance</b>	<b>122.750</b>	<b>128.917</b>

**g) Credit Recovery**

For the period ended June 30, 2014, credits previously written off as a loss were recovered in an amount of R\$2,837 at the second quarter and R\$4,848 at the semester (at June 30, 2013, R\$3,461 in the quarter and R\$6,540 in the semester)

**h) Renegotiation of contracts**

At June 30, 2014, renegotiated contracts totalled R\$151,511 (December 31, 2013 - R\$163,543). The original ratings attributed to these contracts were maintained.

**i) Loan assignments**

In the period ended June 30, 2014, no loans were assigned without coobligation (June 30, 2013 - R\$7,957). At June 30, 2013 these assignments generated a loss in relation to their face value of R\$6,805, without discounting the allowance for loan losses in the amount of R\$6,758. The results of the assignments are recorded in the “Other operating income/expenses” account. Additionally, contracts previously written off as a loss of R\$26,242 were assigned. For the period ended June 30, 2013, these assignments generated a gain of R\$2,910 recorded in “Loan Operations”.

For the period ended June 30, 2014 were assigned operations for Pine Agro FIDC in the amount of R\$220,198 (December 31, 2013 - R\$181,081), in accordance with note 3.c (iv).

**10. NON-CURRENT ASSETS HELD FOR SALE**

	30/6/2014	31/12/2013
Non-operating assets	112.279	162.764
<b>Total</b>	<b>112.279</b>	<b>162.764</b>

**11. DEPOSITS IN GUARANTEE**

At June 30, 2014, these comprise judicial deposits related to tax matters, mainly PIS and COFINS in the amount of R\$214,576 (December 31, 2013 - R\$207,809).



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**12. OTHER ASSETS**

	30/6/2014	31/12/2013
Reserves at the Brazilian Central Bank	601	621
Advances	9.716	7.458
Notes and credits receivable	30.237	30.240
Commission on sureties and guarantees	61.090	56.762
Transactions in progress <sup>(1)</sup>	80.772	138.031
Other receivables	17.925	16.451
<b>Total</b>	<b>200.341</b>	<b>249.563</b>

<sup>(1)</sup> At December 31, 2013, refers to the settlement of the purchase and sale of foreign exchange contracts.**13. INVESTMENT PROPERTY****a) Description of investment property**

FIP RIO Corporate owns shares of IRE VII Real Estate Development SA, whose main asset is the real estate development of Corporate Riachuelo 130, located at Rua Riachuelo, 130, Lapa, Rio de Janeiro - RJ. It is a commercial tower with approximately 11,700 m2 of area.

At June 30, 2014, Banco Pine has an amount of R\$97,306 (R\$76,509 on December 31, 2013) corresponding to the investment in a property for real estate development, recorded in IRE VII Desenvolvimento Imobiliário S/A.

**b) the methods and significant assumptions applied in determining the fair value of investment property**

To determine the value of the investment we use the method of discounted cash flow (DCF), which is to bring the present value of the estimated future cash flows, applying it to a discount rate that is appropriate to the project.

The economic value of the project was evaluated through the hiring of independent, specialized values and approved by the FIP RIO Corporate Administrator, pursuant to CVM. 438, of July 12, 2006.

**14. PROPERTY AND EQUIPMENT IN USE**

We present below the details, by category, of the property and equipment in use reported in the consolidated balance sheets:

	30/6/2014		
	Cost	Accumulated depreciation	Net balance
Facilities	10.575	(10.236)	339
Furniture and equipment in use	3.196	(1.841)	1.355
Communications system	1.452	(903)	549
Data processing systems	1.161	(1.017)	144
Security systems	32	(21)	11
Aircraft	16.293	(698)	15.595
Transportation systems	2.731	(789)	1.942
<b>At June 30, 2014</b>	<b>35.440</b>	<b>(15.505)</b>	<b>19.935</b>

	31/12/2013		
	Cost	Accumulated depreciation	Net balance
Facilities	10.596	(10.177)	419
Furniture and equipment in use	3.210	(1.701)	1.509
Communications system	1.439	(848)	591
Data processing systems	1.176	(971)	205
Security systems	32	(21)	11
Aircraft	24.083	(3.211)	20.872
Transportation systems	2.675	(663)	2.012
<b>At December 31, 2013</b>	<b>43.211</b>	<b>(17.592)</b>	<b>25.619</b>

The changes in "Property and equipment in use" in the Consolidated Balance Sheets were as follows:

	30/6/2014	31/12/2013
<b>Cost:</b>		
Opening balance	43.211	42.299
Additions	16.728	1.636
Amount written off	(24.499)	(724)
<b>Closing balance</b>	<b>35.440</b>	<b>43.211</b>
<b>Accumulated depreciation</b>		
Opening balance	(17.592)	(13.331)
Amount written off	3.964	(803)
Depreciation	(1.877)	(3.458)
<b>Closing balance</b>	<b>(15.505)</b>	<b>(17.592)</b>
<b>Property and equipment in use, net</b>	<b>19.935</b>	<b>25.619</b>

**15. INTANGIBLE ASSETS**

	30/6/2014			31/12/2013		
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount
Software licenses	10.273	(8.969)	1.304	10.288	(8.625)	1.663
<b>Total</b>	<b>10.273</b>	<b>(8.969)</b>	<b>1.304</b>	<b>10.288</b>	<b>(8.625)</b>	<b>1.663</b>

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(In thousands of reais - R\$, except net income per share)

The changes in "Intangible Assets" in the Consolidated Balance Sheets were as follows:

	30/6/2014	31/12/2013
<b>Cost:</b>		
Opening balance	10.288	9.915
Additions	-	373
Amount written off	(15)	-
Closing balance	10.273	10.288
<b>Accumulated depreciation</b>		
Opening balance	(8.625)	(7.862)
Amount written off	15	-
Depreciation	(359)	(763)
Closing balance	(8.969)	(8.625)
<b>Intangible assets net</b>	<b>1.304</b>	<b>1.663</b>

**16. DEPOSITS FROM FINANCIAL INSTITUTIONS**

	30/6/2014	31/12/2013
Classification:		
Financial liabilities at amortized cost	79.729	89.718
<b>Total</b>	<b>79.729</b>	<b>89.718</b>

**By maturity**

	30/6/2014	31/12/2013
Up to 30 days	71.995	10.151
From 31 to 60 days	6.327	24.480
From 61 to 90 days	77	20.722
From 91 to 180 days	691	3.124
From 181 to 360 days	357	15.188
More than 360 days	282	16.053
<b>Total</b>	<b>79.729</b>	<b>89.718</b>

**17. DEPOSITS FROM CUSTOMERS**

	30/6/2014	31/12/2013
Classification:		
Financial liabilities at amortized cost	3.980.985	3.785.522
<b>Total</b>	<b>3.980.985</b>	<b>3.785.522</b>
Type:		
Demand deposits	40.778	23.260
Time deposits	3.009.444	3.043.223
Agribusiness letters of credit	604.870	438.342
Real estate letters of credit	325.893	280.697
<b>Total</b>	<b>3.980.985</b>	<b>3.785.522</b>

**By maturity**

	30/6/2014	31/12/2013
No stated maturity	40.778	23.260
Up to 30 days	456.004	665.432
From 31 to 60 days	488.550	313.436
From 61 to 90 days	316.925	292.835
From 91 to 180 days	897.947	752.976
From 181 to 360 days	811.176	604.436
More than 360 days	969.605	1.133.147
<b>Total</b>	<b>3.980.985</b>	<b>3.785.522</b>

**18. FUNDS OBTAINED IN THE OPEN MARKET**

	30/6/2014	31/12/2013
<b>Carteira Própria</b>		
National Treasury Bills (LTN)	229.032	201.413
Federal Treasury Notes (NTN)	82.274	118.007
Other securities abroad	7.396	14.109
<b>Subtotal</b>	<b>318.702</b>	<b>333.529</b>
<b>Unrestricted portfolio</b>		
Debentures	141.922	175.263
<b>Subtotal</b>	<b>141.922</b>	<b>175.263</b>
<b>Freely-traded portfolio</b>		
Other securities abroad	9.127	-
<b>Subtotal</b>	<b>9.127</b>	<b>-</b>
<b>Total funds obtained in the open market</b>	<b>469.751</b>	<b>508.792</b>

**19. SECURITIES****Local**

	30/6/2014	31/12/2013
Financial bills	451.907	738.367
<b>Total</b>	<b>451.907</b>	<b>738.367</b>

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**Overseas - Fixed Rates Notes**

"Tranche" original - US\$	Currency	Interest rate	Final maturity	30/6/2014	31/12/2013
4.091	US\$	2,0% a.a + Libor	Jun/2014	-	3.182
2.000	US\$	1,85% a.a + Libor	Nov/2014	4.416	9.371
1.044	US\$	8,7% a.a + Libor	Jan/2017	2.397	2.551
39.333	US\$	3,0% a.a + Libor	Jan/2014	-	7.130
23.529	US\$	4,2% a.a + Libor	Abr/2022	52.277	105.250
20.000	US\$	4,20% a.a + Libor	dez/2023	44.164	-
73.000	CLP	6,0% a.a + Var.UF	Dez/2017	136.888	149.009
<b>Total</b>				<b>240.142</b>	<b>276.493</b>

**20. BORROWINGS AND ONLENDINGS**

	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	30/6/2014 Total
Local borrowings - other institutions <sup>(1)</sup>	-	-	25.978	435.110	-	461.088
Local onlendings - official institutions	62.706	384.963	392.470	122.126	124.045	1.086.310
Foreign onlendings	2.322	2.662	133.458	132.114	33.029	303.585
Foreign borrowings	555.605	639.469	220.250	-	66.075	1.481.399
<b>Total</b>	<b>620.633</b>	<b>1.027.094</b>	<b>772.156</b>	<b>689.350</b>	<b>223.149</b>	<b>3.332.382</b>

	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	31/12/2013 Total
Local borrowings - other institutions <sup>(1)</sup>	995	-	49.466	416.786	-	467.247
Local onlendings - official institutions	61.788	279.262	571.229	112.536	116.293	1.141.108
Foreign onlendings	-	2.895	2.805	-	-	5.700
Foreign borrowings	425.331	620.396	234.260	-	70.278	1.350.265
<b>Total</b>	<b>488.114</b>	<b>902.553</b>	<b>857.760</b>	<b>529.322</b>	<b>186.571</b>	<b>2.964.320</b>

(1) At June 30, 2014, R\$ 451,522 (R\$ 456,863 on December 31, 2013) refers to the value of FDIC shares, comprised of R\$ 27,214 (R\$ 43,087 on December 31, 2013) of FIDC Pine Crédito Privado and senior shares of FIDC Agro in the amount of R\$ 424,338 (R\$ 413,776 on December 31, 2013).

**21. SUBORDINATED DEBT**

We present below the details of the balance of "Subordinated debts":

	Currency	Maturity	Amount	Interest rate	30/6/2014	31/12/2013
Fixed rate notes	Public	6/1/2017	US\$125.000	8,75% per year	283.444	303.059
Financial bills	Private	6/12/2021	R\$45.152	141,45% of CDI	55.388	53.311
<b>Total</b>					<b>338.832</b>	<b>356.370</b>

**22. OTHER FINANCIAL LIABILITIES**

	30/6/2014	31/12/2013
Deferred income - commission on guarantees	69.272	68.499
<b>Total</b>	<b>69.272</b>	<b>68.499</b>

**23. PROVISIONS****a) Provisions for contingent liabilities, tax risks, commitments and other provisions:**

	30/6/2014	31/12/2013
Labor contingencies	1.994	1.925
Civil contingencies	8.230	9.997
Tax contingencies	377	723
Provision for personnel expenditure	18.809	19.068
Others Provisions	1.272	745
<b>Total</b>	<b>30.682</b>	<b>32.458</b>

**b) Contingent assets and liabilities and legal obligations****i) Adherence to installment programs and settlement of tax debts (REFIS/Amnesty Law nº 12.865/2013)**

On June 30, 2014, considering the terms and benefits provided by the Federal Government tax amnesty program, through Law No. 12.865/13, the Bank's management together with its legal advisors reassessed the convenience of adhering to the program and consequently, it was decided to desist from certain proceedings and immediately settle the related outstanding contingencies.

The balance of the proceedings totaled R\$948 and the negative income generated was R\$140 which was net of taxes of negative R\$ 279, and are comprised primarily of the PIS process for the year 1996 for Pine Bank, which is fully provisioned. This process was paid in full by judicial deposit in the amount of R\$173 and for the processes PIS for the year 1997 an amount of R\$10, IRPJ (income tax) for the year 1996 an amount of R\$10 and CSLL (social contribution) for the years 1997/98 amounting to R\$571. For Pine Investimentos DTVM, there was no accrual. These proceedings were partially paid by judicial deposit in the amount of R\$138.

**ii) Provision for tax risks**

These are to judicial and administrative proceedings related to tax and social security obligations. The main processes are:

**Pis:** The Bank and Pine Investimentos filed an injunction in order to suspend the provision of Article 3, paragraph 1, of Law 9.718/98, which changed the calculation basis of PIS and COFINS to be levied on all revenues of corporations. Prior to that standard, already cleared in several recent decisions of the Supreme Court, were taxed only on revenues from services and sale of goods. The writ of mandamus filed by Banco Pine was partially favorable decision and the appeal was dismissed by the Union. The final and unappealable decision of action occurred on 09/17/2013.

Supported by the opinion of its legal advisors and other supporters of the cause, the challenge in the Supreme Court has ceased and there is no further resource available to be brought by the National Treasury, the Bank reversed its corresponding provision for the liability for the period from May 2005 to October 2011. This considers that the legal obligation is no longer considered probable, which therefore represents a recognition of Net Income totalling R\$35,764 in the Consolidated on 2013, which was recognized in the "Other operational income" and "Legal Expense" lines.

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In this context, the Bank will file a credit clearance claim with the Brazilian Federal Revenue agency (RFB), for the value of PIS overpaid during the period from May 1999 to April 2005, which totalled R\$ 3566 in the Consolidated, which when indexed by the SELIC up to and including June 30, 2014, amounted to R\$ 8,620 in the Consolidated. In view of the final decision and the basis of that administrative procedure by the RFB, the related tax credit was recognized and recorded in "Other receivables - Tax recoverable", with the correspondent income recognised in the "Other operating income" line.

**COFINS:** In November 2005, the Federal Supreme Court (STF) judged as unconstitutional Article 3, paragraph 1, of Law 9718/98, which introduced the new calculation base for COFINS determination purposes from February 1999, broadening the concept of revenue. Accordingly, the calculation base of COFINS was decreased and gave rise to the unquestionable right to recover the amount of overpaid tax. The injunction filed against the Federal Government by the Institution claiming the right to offset the refund of the incorrectly paid amount of COFINS against other current taxes was successful.

Supported by the opinion of its legal advisors and responsible attorneys, according to whom the case is settled at the STF with no possibility of any further appeal by the National Treasury, the Institution reversed the corresponding provision for contingencies, for the period from May 2005 to October 2011, considering that it no longer consists of a legal obligation and no loss is probable, and recognized a net revenue in the total amount of R\$151,357, for 2011, recorded in the "Other operating income" account and in the "Tax expenses" account.

In this respect, the Institution will file a request for proof of claim at the Brazilian Federal Revenue Department (RFB) regarding COFINS which was overpaid during the period from June 2000 to April 2005, in the historical amount of R\$ 15,872, which adjusted for inflation based on the variation in the SELIC rate up to June 30, 2014, totals R\$39,010 (December 31, 2013 - R\$38,188). Based on the final and unappealable decision and the administrative procedure at the RFB, a corresponding tax credit was recorded in "Other receivables - Tax recoverable", as a counter entry to the "Other operating income" account.

The amounts of the legal obligations and respective judicial deposits are presented as follows:

	30/6/2014			31/12/2013		
	Provision	Judicial deposits	Net	Provision	Judicial deposits	Net
Social integration program (PIS)	-	34.361	(34.361)	-	33.218	(33.218)
Social contribution on revenues(COFINS)	-	175.379	(175.379)	-	169.862	(169.862)
<b>Total</b>	<b>-</b>	<b>209.740</b>	<b>(209.740)</b>	<b>-</b>	<b>203.080</b>	<b>(203.080)</b>

iii) Contingencies classified as probable are regularly recorded as a provision and at June 30, 2014 and December 31, 2013 total the following:

	30/6/2014			31/12/2013		
	Provision	Judicial deposits	Net	Provision	Judicial deposits	Net
Tax contingencies	377	1.798	(1.421)	723	1.769	(1.046)
Labor contingencies	1.994	827	1.167	1.925	575	1.350
Civil contingencies	8.239	2.211	6.028	9.997	2.385	7.612
<b>Total</b>	<b>10.610</b>	<b>4.836</b>	<b>5.774</b>	<b>12.645</b>	<b>4.729</b>	<b>7.916</b>

**iv) Changes in liability provisions**

	30/6/2014				31/12/2013			
	TAX/Legal Obligation	Labor	Civil	Total	TAX/Legal Obligation	Labor	Civil	Total
Opening balance	723	1.925	9.997	12.645	42.591	4.665	18.298	65.554
Amount recorded (reversed)	(352)	(20)	(2.110)	(2.482)	(43.557)	(2.939)	(9.059)	(55.555)
Adjustments	6	89	352	447	1.689	199	758	2.646
<b>Closing balance</b>	<b>377</b>	<b>1.994</b>	<b>8.239</b>	<b>10.610</b>	<b>723</b>	<b>1.925</b>	<b>9.997</b>	<b>12.645</b>

v) We present below the main suits and proceedings for which the likelihood of loss was deemed possible:

Labor: at June 30, 2014 and December 31, 2013, the Institution had no labor claims classified as possible.

Civil: at June 30, 2014 and December 31, 2013, the Institution had no civil claims classified as possible.

**24. TAX LIABILITIES**

	30/6/2014	31/12/2013
Income tax payable	22.577	2.918
Social contribution payable	13.905	1.435
<b>Total</b>	<b>36.482</b>	<b>4.353</b>

**25. OTHER LIABILITIES**

	30/6/2014	31/12/2013
Taxes and contributions payable	6.769	9.757
Dividends and bonuses payable	5.906	6.432
Lawyers' fees	6.137	6.394
Payment orders in foreign currency	22.525	15.072
Securities trading and brokerage	22.244	39.922
Transactions in progress <sup>1</sup>	12.464	-
Other	17.969	12.049
<b>Total</b>	<b>94.014</b>	<b>89.626</b>

<sup>1</sup> At June 30, 2014 refers to foreign exchange transactions pending settlement.

**26. EQUITY****a) Capital**

Pursuant to the by-laws, subscribed and paid-up capital totals R\$ 1,112,259 and comprises 121,172,024 (December 31, 2013 - 123,612,756) registered shares, of which 65,178,483(December 31, 2013 - 65,178,483) are common shares and 55,999,541 (December 31, 2013 - 58,434,273) are preferred shares with no par value. The Institution is authorized to increase its capital, without the necessity of any amendment to the by-laws, by up to a further 100,000,000 common or preferred shares, all of which shall be nominative, book-entry and with no par value, by decision of the Board of Directors.

As deliberated at a meeting of the Board of Directors held on October 15, 2013 and ratified by the Central Bank on December 23, 2013, capital was increased from R\$ 967,259 to R\$ 1,112,259, through the incorporation of part of the balance of the legal reserve in the amount of R \$ 17,429, and part of the balance of the statutory reserves in the amount of R\$ 125,571 amounting to R\$ 145,000, through the issuance of 12,770,443 new nominative shares, of which 6,733,594 common shares and 6,036,849 preferred, passing total number from 110,842,313 to 123,612,756 nominative shares, being 65,178,483 common and 58,434,273 preferred shares.

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As deliberated at a meeting of the Board of Directors held on February 4, 2013 and ratified by the Central Bank on April 19, 2013, capital was increased in the amount of R\$31,576, through the issuance of 2,211,213 nominative preferred shares, with 1,887,605 shares issued to PROPARCO - Société de Promotion et de Participation pour la Coopération Economique - and 323,608 shares to other shareholders, from R\$935,683 to R\$967,259, comprising 110,842,313 nominative shares, of which 58,444,889 are common shares and 52,397,424 are preferred shares, with no par value. The amount of this capital increase is recorded in equity in the "Capital increase" account.

**b) Capital reserves**

The capital reserve, pursuant to the provisions of Law 11638/07, may only be used to (i) absorb losses which are in excess of retained earnings and the revenue reserves; (ii) increase capital; (iii) cancel treasury shares; and (iv) pay dividends on preferred shares provided that they are entitled to this benefit.

**c) Revenue reserve**

The Institution's revenue reserve comprises the legal and statutory reserves. The balance of the revenue reserves may not exceed the Institution's capital, and any excess must be capitalized or distributed as dividends. The Institution has no other revenue reserves.

Legal reserve – Pursuant to Law 11638/07 and the bylaws, the Institution must appropriate 5% of its net income for each year to the legal reserve. The legal reserve shall not exceed 20% of the Institution's paid-up capital. However, the Institution may choose not to appropriate a portion of its net income to the legal reserve for the year in which the balance of this reserve plus the capital reserves, exceeds 30% of its capital.

Statutory reserve – Pursuant to Law 11638/07, the by-laws may establish reserves, provided that determine its purpose, the percentage of net profits to be allocated to these reserves and the maximum amount to be maintained in each statutory reserve. The allocation of funds for such reservations can not be approved subject to the mandatory dividend. The Bank has a statutory reserve of 100% of net income, the amount of R\$34,518, after deducting 5% legal reserve of R\$3,523, the deduction of interest payments on capital of R\$33,263 and dividends of R\$6,737, in order to maintain compatible with the development of lending operations of the Bank operating margin.

**d) Dividends and interest on own capital**

Stockholders are entitled to a minimum dividend of 25% of annual net income, adjusted pursuant to Brazilian corporate legislation, subject to the approval of the General Meeting of Stockholders.

In accordance with the provisions of Law 9,249/95, interest on own capital was accrued and declared, calculated based on the variation in the long-term interest rate (TJLP) for the period. This interest on own capital decreased the expense for income tax and social contribution for the period ended June 30, 2014 by R\$13,305 (June 30, 2013 - R\$12,278).

We present below the dividends and interest on own capital related to income for the three-month period:

Details	Release date	Payment Date	Amount per share (gross)	Total amount (gross)	Amount per share (Net of IFR)	Total amount (net)
Interest on own capital	30/6/2014	17/7/2014	0,1414	16.733	0,1202	14.223
Interest on own capital	1/4/2014	14/4/2014	0,1366	16.530	0,1161	14.051
Dividends	30/6/2014	17/7/2014	0,0276	3.267	-	-
Dividends	1/4/2014	14/4/2014	0,0287	3.470	-	-

In accordance with ICPC 08, of the Brazilian Accounting Pronouncement Committee, the proposed additional dividend in excess of the minimum dividend, in the amount of R\$ 11,584 (June 30, 2013 – R\$20,819) is classified in a specific equity account.

**e) Treasury shares**

At the Board of Directors' Meeting held on March 27, 2014, the cancellation of 2,440,732 preferred shares held in treasury was approved, without a capital reduction, thus reducing the goodwill reserves in the subscription of shares and statutory reserve. These shares were acquired through the share buyback program approved by the Board of Directors, in accordance with CVM Instruction No. 10 at 02.14.1980, as amended by CVM Instruction No. 268, at 11.13.1997 and 390 at 07.08.2003

At the Board of Directors' Meeting held on March 27, 2014, the authorization to acquire up to 852,883 of the Banco Pine's own preferred shares was approved, to be held in treasury and subsequently disposed of, as well as payment of variable remuneration for statutory directors of the Banco Pine pursuant to Resolution No. 3.921/10, without a capital reduction. There have already been 124,256 shares repurchased under this plan, in the amount of R\$ 1,053 at an average cost of R\$ 8.43. This authorization will be valid until September 27, 2014.

On June 30, 2014 the Banco Pine had 2,799,421 held in treasury (1,918,045 at December 31, 2013) preferred shares issued by the Banco Pine in the amount of R\$ 21,348 (R\$ 22,083 at December 31, 2013). The market value of these shares was R\$ 21,052 (R\$ 20,197 at December 31, 2013).

**27. CARRYING VALUE ADJUSTMENTS**

The balances of the "Carrying value adjustments" account include the amounts, net of the corresponding tax effect, of the adjustments to assets and liabilities recognized temporarily in equity which are presented in the statement of changes in equity, and the income and expenses recognized until they are extinguished or realized, when they are definitively recognized in the Consolidated Income Statement. The amounts generated by the subsidiaries are presented on a line by line basis, under the appropriate headings depending on their nature.

The consolidated statement of comprehensive income includes the changes in the "carrying value adjustments" account.

	30/6/2014	31/12/2013
<b>Available-for-sale financial assets</b>	<b>(16.892)</b>	<b>(21.659)</b>
Debt instruments	(16.892)	(21.659)
<b>Cash flow hedges</b>	<b>(937)</b>	<b>2.744</b>
Hedging instrument	(1.561)	4.573
Income tax on hedges	624	(1.829)
<b>Other</b>	<b>(5.163)</b>	<b>(4.600)</b>
Income tax	6.757	8.663
<b>Total</b>	<b>(16.235)</b>	<b>(14.852)</b>

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When securities classified as available-for-sale are sold, or become impaired, the cumulative fair value adjustments, previously recognized in equity, are presented in results.

During the period ended December 31, 2013, the Institution sold securities classified as available for sale. This transaction generated a loss of R\$238 which was transferred to results. In June 30, 2014 the bank has not recorded injury.

**28. INTEREST INCOME AND SIMILAR**

Interest income and similar in the Consolidated Income Statement consists of interest that has accumulated during the period on all of the financial assets, calculated based on the effective interest rate method, regardless of the fair value measurement.

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Loans and advances to financial institutions	179.443	350.750	1.667	3.179
Available-for-sale debt instruments	1.123	2.251	47.554	67.501
Loans and advances to customers	43.643	90.346	130.702	250.419
<b>Total</b>	<b>224.209</b>	<b>443.347</b>	<b>179.923</b>	<b>321.099</b>

**29. INTEREST EXPENSE AND SIMILAR**

Interest expense and similar in the Consolidated Income Statement consist of interest that has accumulated during the period on all of the financial liabilities, calculated based on the effective interest rate method, regardless of the fair value measurement.

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Deposits from financial institutions	1.926	4.401	2.165	3.909
Deposits from customers	124.985	253.002	87.114	169.199
Funds obtained in the open market	(572)	(572)	6.449	6.512
Borrowings and onlendings	219.643	249.900	16.070	32.043
Securities issued abroad	7.462	15.104	8.685	14.049
Subordinated debts	20.240	27.674	7.503	13.732
Other interest	4.626	9.074	4.117	9.030
<b>Total</b>	<b>378.310</b>	<b>558.583</b>	<b>132.103</b>	<b>248.474</b>

**30. NET GAINS FROM (LOSSES FOR) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (NET) MEASURED AT FAIR VALUE**

Gains from (losses for) financial assets and financial liabilities consist of the carrying value adjustments of financial instruments, except for those accrued as a result of the application of the effective interest rate method and the gains or losses resulting from the sale or purchase of financial instruments.

**a) Classification**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Financial assets and liabilities held for trading	43.546	85.291	26.749	113.777
<b>Total</b>	<b>43.546</b>	<b>85.291</b>	<b>26.749</b>	<b>113.777</b>

**b) Financial assets held for trading - Derivatives**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Futures	(142.626)	(282.141)	11.436	32.383
Options	6.786	43.929	35.542	(8.087)
Swaps	(21.169)	(16.196)	45.822	107.522
Forward contracts	181.263	290.562	(52.936)	(27.897)
Credit derivatives	234	234	-	-
<b>Total</b>	<b>24.488</b>	<b>36.388</b>	<b>39.864</b>	<b>103.921</b>

**c) Financial assets held for trading – Debt instruments**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Debt instruments	16.538	39.190	(13.115)	9.856
<b>Total</b>	<b>16.538</b>	<b>39.190</b>	<b>(13.115)</b>	<b>9.856</b>

**31. FEE AND COMMISSION INCOME**

The "Fee and commission income" account consists of all fees and commissions accumulated in favor of the Institution and its subsidiaries during the period, except for those that are part of the effective interest rate on financial instruments.

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Commission on guarantees	11.570	21.669	10.155	18.160
Structuring fee	8.090	9.966	11.785	13.123
Customer account charges	117	273	528	1.081
Other	459	638	169	322
<b>Total</b>	<b>20.236</b>	<b>32.546</b>	<b>22.637</b>	<b>32.686</b>

**32. FEE AND COMMISSION EXPENSES**

The "Fee and commission expenses" account consists of all fees and commissions paid or payable by the Institution during the period, except for those which are part of the effective interest rate on financial instruments.

We present below the breakdown of this account balance:

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Commissions	720	1.626	454	970
Banking services	411	812	233	458
Teleprocessing	545	1.126	523	1.204
Other	287	499	216	429
<b>Total</b>	<b>1.963</b>	<b>4.063</b>	<b>1.426</b>	<b>3.061</b>

**33. FOREIGN EXCHANGE VARIATION (NET)**

Foreign exchange variation mainly includes the gains and losses currency trading, changes arising from the translation of monetary items from foreign to functional currency and the gains or losses disclosed for foreign-currency non-monetary assets at the sale transaction date. At June 30, 2014, the amount of the gain is R\$211,855 (December 31, 2013 – loss of R\$4).

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**34. OTHER OPERATING INCOME(EXPENSES)**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Recovery of expenses	185	781	329	759
Charges on credits assigned <sup>(1)</sup>	-	-	(1.295)	(6.811)
Rental income	854	2.186	1.208	2.194
Provision for FIDC	-	-	(4.929)	(4.929)
Other income (expense)	2.451	989	8.244	13.525
Other provisions	(1.536)	(1.760)	-	-
<b>Total</b>	<b>1.954</b>	<b>2.196</b>	<b>3.557</b>	<b>4.738</b>

**35. PERSONNEL EXPENSES**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Salaries	15.192	31.123	14.867	29.846
Benefits, training	2.326	4.606	2.209	4.483
Social charges	4.758	9.919	4.528	9.663
Profit sharing	9.726	23.036	7.012	14.541
<b>Total</b>	<b>32.002</b>	<b>68.684</b>	<b>28.616</b>	<b>58.533</b>

**36. OTHER ADMINISTRATIVE EXPENSES**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Water, electricity and gas	170	292	92	233
Rental	2.544	4.975	2.407	4.538
Leased assets	203	452	256	498
Communications	832	1.709	818	1.756
Maintenance and repair of assets	468	915	403	956
Materials	37	65	34	75
Data processing	2.143	4.601	1.917	4.233
Promotions and public relations	525	1.600	675	1.695
Insurance	78	118	58	67
Financial system services	1.867	3.430	1.296	2.477
Third-party services	909	1.851	906	2.006
Surveillance and security services	1.346	2.608	1.117	2.314
Specialized technical services	2.487	7.799	2.211	6.093
Transportation	217	626	354	725
Travel	838	1.279	871	1.402
Other administrative expenses	2.023	6.300	3.996	7.872
<b>Total</b>	<b>16.687</b>	<b>38.620</b>	<b>17.411</b>	<b>36.940</b>

**37. NET PROVISIONS**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Indication - asset	3.511	6.843	2.444	4.748
Reversal of / Provision for civil, labor and taxes proceedings	1.069	2.224	7.444	7.132
Other	2.398	3.728	-	-
<b>Total</b>	<b>6.978</b>	<b>12.795</b>	<b>9.888</b>	<b>11.880</b>

**38. RESULT OF SALE OF ASSETS**

In the period ended June 30, 2014, the amount of R\$9,121 (June 30, 2013 - R\$2,478) corresponds mainly to the sale of assets received as payment in kind for the settlement of loan operations.

**39. INCOME TAX AND SOCIAL CONTRIBUTION****a) Reconciliation of expenses for income tax and social contribution on net income:**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
Income before taxes, net of profit sharing	47.750	80.418	23.347	88.962
Interest on own capital	(16.733)	(33.263)	(15.719)	(30.696)
<b>Income before income taxes</b>	<b>31.017</b>	<b>47.155</b>	<b>7.628</b>	<b>58.266</b>
Rate (25% income tax and 15% social contribution)	40%	40%	40%	40%
Expected expense for IRPJ and CSLL, based on current tax rate	(12.407)	(18.862)	(3.051)	(23.306)
Income of the termination interest	721	3.006	-	-
Other adjustments	(121)	(2.329)	13.840	14.681
<b>Income tax and social contribution</b>	<b>(11.807)</b>	<b>(18.185)</b>	<b>10.789</b>	<b>(8.625)</b>

**b) Deferred taxes recognized in income**

	30/6/2014	30/6/2013
Impairment	49.592	79.224
Losses for loan operations not yet deducted	59.163	19.830
Provision for tax risks and contingent liabilities	4.243	19.691
Provision for equity abroad	3.901	4.400
Provision for other assets	-	3.983
Other IFRS adjustments	11.710	(9.364)
Mark-to-market adjustment of derivative financial instruments	(50.737)	(43.002)
Other adjustments	26.976	4.875
<b>Total</b>	<b>104.848</b>	<b>79.637</b>

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**c) Tax recognized in equity**

	30/6/2014	30/6/2013
Valuation of (fixed income) available-for-sale securities	7.841	9.976
Valuation of cash flow hedges	(2.144)	(2.243)
Other IFRS adjustments	1.684	66
<b>Total</b>	<b>7.381</b>	<b>7.799</b>

**d) Changes in deferred taxes**

	2nd Quarter/2014	1st Sem/2014	2nd Quarter/2013	1st Sem/2013
<b>Opening balance</b>	<b>80.887</b>	<b>84.139</b>	<b>68.204</b>	<b>72.021</b>
Debit (credit) to income	32.197	27.170	23.752	7.832
Debit (credit) to equity	(855)	920	(4.520)	7.583
<b>Closing balance</b>	<b>112.229</b>	<b>112.229</b>	<b>87.436</b>	<b>87.436</b>

**e) Estimated realization**

	30/6/2014
Up to 1 year	102.197
From 1 to 2 years	24.872
From 2 to 3 years	15.920
From 3 to 4 years	5.259
From 4 to 5 years	6.432
From 5 to 10 years	9.571
<b>Subtotal - Deferred tax assets</b>	<b>164.251</b>
Up to 1 year	30.953
From 1 to 2 years	7.504
From 2 to 3 years	4.339
From 3 to 4 years	251
From 4 to 5 years	358
From 5 to 10 years	8.617
<b>Subtotal - Deferred tax liabilities</b>	<b>52.022</b>
<b>Total</b>	<b>112.229</b>

**40.EMPLOYEE BENEFITS**

The Institution makes monthly contributions to a private pension company for VGBL and PGBL plans, at the option of the participant, in an amount equivalent to 1% of the employee's gross salary, provided that the employee also contributes at least 1% of his/her gross salary, to supplement their social security benefits, as part of a defined contribution plan, and this is the sole responsibility of the Institution as sponsor.

For the period ended June 30, 2014, the amount of this contribution was R\$192 (R\$188 in the period ended in June 30, 2013).

**41. PROFIT SHARING PROGRAM**

Banco Pine has a profit sharing program (PPLR) ratified by the Bank Employees' Trade Union, as defined in the Institution's bylaws.

The general assumptions of this program are: (a) business unit performance; (b) establishment of a fund for distribution organization wide; and (c) skills assessment and achievement of targets by the various support areas. These expenses were recorded in the "Personnel expenses" account.

**42. OPERATING LIMITS****a) Basel ratio**

Financial institutions are required to permanently maintain their Required Regulatory Capital (PRE) compatible with the risks of their activities. PRE is calculated considering, at least, the sum of the portions of credit, market and operational risk.

In March 2013, the Brazilian Central Bank (BACEN) issued the standards relating to the definition of capital and regulatory capital requirements, for the purpose of implementing the recommendations (Basel III) issued by the Basel Committee on Banking Supervision (BCBS) in Brazil. The main objectives are as follows: (i) improve the ability of financial institutions to absorb shocks occurring in the financial system or in other economic sectors; (ii) mitigate the risk of financial sector contagion spreading to the real economy; (iii) assist in maintaining financial stability; and (iv) foster sustainable economic growth. The application of the new Basel III rules will commence from October 1, 2013.

At June 30, 2014, the Institution's Basel ratio was 13,66% (14,14% December 31, 2013),calculated based on the Consolidated Financial Statements in BRGAAP, as required by BACEN:

Basel III <sup>(1)</sup>	30/6/2014	31/12/2013
<b>Regulatory Capital Level I</b>	<b>1.255.861</b>	<b>1.220.519</b>
<b>Principal Capital</b>	<b>1.255.861</b>	<b>1.220.519</b>
Equity	1.269.929	1.272.408
(-) Prudential Adjustments <sup>(2)</sup>	(14.068)	(51.889)
<b>Regulatory Capital Level II</b>	<b>151.759</b>	<b>221.841</b>
Subordinated debt	151.759	221.841
<b>Reference Equity - PR</b>	<b>1.407.620</b>	<b>1.442.360</b>
<b>Risk-Weighted Assets - RWA <sup>(3)</sup></b>	<b>10.303.345</b>	<b>10.203.251</b>
Credit risk	9.336.628	9.311.739
Market risk	779.147	731.173
Operational risk	187.570	160.339
<b>Basel Ratio - %</b>	<b>13,66%</b>	<b>14,14%</b>
<b>Capital Level I</b>	<b>12,19%</b>	<b>11,96%</b>
Principal Capital	12,19%	11,96%
<b>Capital Level II</b>	<b>1,47%</b>	<b>2,17%</b>

<sup>(1)</sup> From October 2013, the reference equity became determined based on Resolution No. 4.192/13 CMN which provides that the determination is based on "Consolidated Financial".

<sup>(2)</sup> Criteria used, from October 2013, according to Resolution No. 4.192/13 CMN;



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**b) Risk Management - Pillar 3**

In October 2013, BACEN published the Circular no. 3.678, which disposed about the risk management information exposure, the amount of weighted assets determination by the risk and the Reference Equity (PR) determination. The new circular take effects from June 30, 2014 on, when the Circular no. 3.477 turns revoked. The new publish requirements incorporate to Brazilian's regulation pillar 3 requirements, present on Basel II and, mainly, on Basel III.

The content of our new Risk Management Report - Pillar 3 will be available on the following website: [www.pine.com/ri](http://www.pine.com/ri).

**b) Equity to fixed-assets ratio**

In accordance with BACEN Resolution 2286/96, the equity to fixed assets ratio is limited to 50.0%. At June 30, 2014 the equity to fixed assets ratio was 2,23% (6,22% december 31, 2013).

**43. GUARANTEES PROVIDED**

The Institution offers a series of guarantees to help its customers improve their credit position and ability to compete. We present below all of the guarantees at June 30, 2014 and december 31, 2013:

	30/6/2014	31/12/2013
Guarantees provided to financial institutions	23.923	13.898
Guarantees provided to individuals and corporations	2.917.255	2.895.299
Letters of credit	4.123	51.212
<b>Total</b>	<b>2.945.301</b>	<b>2.960.409</b>

The Institution provides financial guarantees to its customers for third-party agreements. The Institution has the right to be reimbursed by these customers for any amount that it has to pay on account of these guarantees. These contracts are subject to the same credit assessments that are carried out for loans.

**44. RELATED PARTY TRANSACTIONS****a) Management compensation**

In the first half of 2012, the Institution approved the new Compensation Plan which addresses the standards and guidelines for the payment of fixed and variable compensation applicable to the members of the Board of Directors and statutory directors and, at the discretion of the specific committee, other executive officers with important positions and functions, in accordance with the provisions of Resolution 3921/10, of the National Monetary Council.

The new Plan has the following main objectives: (i) alignment of the Institution's executive compensation practices with its risk management policy; (ii) prevention of conduct that increases risk exposure to levels above those considered prudent in the short, medium and long-term strategies adopted by the Institution; (iii) creation of an instrument designed to attract and retain talent for the Institution's key positions; and (iv) adaptation of the compensation policy to meet the requirements of Resolution 3921/10.

The compensation defined in the Plan takes the following into consideration: (i) the Institution's current and potential risks; (ii) the Institution's overall result, in particular, recurring realized income (net book income for the period adjusted based on unrealized results and excluding the effects of controllable non-recurring events); (iii) capacity to generate cash flows; (iv) the economic environment in which the Institution operates and its related trends; (v) long-term sustainable financial bases and adjustments to future payments, based on the risks assumed, fluctuation in capital costs and liquidity projections; (vi) the individual performance of the Directors based on the target agreements entered into by each director as established in the PLR and filed at the Institution's head office; (vii) the performance of the business unit; and (viii) the relation between the Directors' individual performance, the business unit performance and the Institution's overall performance.

Variable compensation is calculated as follows:

a) up to 50% of the amount established for variable compensation is paid in-kind, at the same time as payment of Profit Sharing (PLR).

b) the amount corresponding to 10% of that established for variable compensation will be paid in preferred shares of the Institution at the same time as PLR payment.

c) the amount corresponding to the remaining 40% of variable compensation will be paid in preferred shares of the Institution and will be granted to the employee at the same time as the payment of the amount in kind. The right to dispose of these shares will be on a "Deferred" basis, increasing in line with the Director's level of responsibility.

The delivery of the shares related to deferred variable compensation attributable to the Directors will only occur if none of the following is verified during the applicable deferral period: (i) a significant decrease in realized recurring income; (ii) loss in the Institution or business unit, or (iii) verification of errors in accounting and/or administrative procedures which affect the results determined during the vesting period of the variable compensation.

The Institution's Compensation Committee, constituted at the General Meeting held on January 16, 2012, will be responsible for (i) presenting proposals to the board of directors regarding the various forms of fixed and variable compensation, as well as benefits and the special recruitment and termination programs; (ii) monitoring the implementation and operation of the Institution's directors' compensation policy; (iii) annually reviewing the Institution's directors' compensation policy, recommending adjustments or improvements to the board of directors; (iv) recommending to the board of directors the total amount of the directors' compensation to be submitted to the General Meeting, in accordance with Article 152 of Brazilian Corporation Law; (v) evaluating future internal and external scenarios and their possible impact on the Institution's directors' compensation policy; (vi) analyzing the Institution's directors' compensation policy in relation to market practices, to identify significant differences as compared to peer companies, proposing necessary adjustments; (vii) ensuring that the directors' compensation policy is permanently in line with the risk management policy, the Institution's current and expected financial position and the provisions of this resolution; and (viii) preparing annually, within a period of ninety days from December 31, of each year, a Compensation Committee Report, as required by CMN Resolution 3921/10.

For period ended June 30, 2014 there was determination regarding variable remuneration in the amount of R\$12.960 (R\$ 13.116 June 30, 2013), and expense for the year was R\$5,516 (R\$3,832 on June 30, 2013) according to the criteria defined in the new plan.

Salaries and Fees of the Board of Directors and Executive Board	30/6/2014	30/6/2013
Fixed compensation	5.768	4.364
Variable compensation	12.960	6.594
Short-term benefits	2.577	1.519
<b>Total</b>	<b>21.305</b>	<b>12.477</b>

Short-term benefits paid to directors mainly comprise salaries and social security contributions, paid leave and sick pay, profit sharing and bonuses (when payable within twelve months subsequent to the year-end) and non-monetary benefits (such as healthcare and free or subsidized goods or services).

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**Stock-based compensation**

Shares granted	Dated granted	Amount				30/6/2014	
		Exercise price - R\$	Granted	Exercised	Cancelled	Unexercised	Expiration
							% Exercised
PLAN I	25/8/2012	14,18	319	146	8	164	33,33%
							66,66%
							100,00%
PLAN II	25/2/2013	14,25	335	163	10	162	33,33%
							66,66%
							100,00%
PLAN III	23/8/2013	10,24	441	86	-	354	33,33%
							66,66%
							100,00%
PLAN IV	25/2/2014	8,14	581	116	-	464	33,33%
							66,66%
							100,00%
<b>Total</b>			<b>1.676</b>	<b>511</b>	<b>18</b>	<b>1.144</b>	

**Employment agreement termination**

The employment agreements are valid for an indefinite period. Officers are not entitled to any financial compensation when the employment relationship is terminated either voluntarily or due to the non-fulfillment of their obligations. If the employment agreement is terminated by the Institution, the officer may receive indemnification. In the quarter ended June 30, 2014 there were no payments to executives who left as compensation (R\$ 23 in June 30, 2013).

**b) Related parties**

	Assets (liabilities)		Income (expenses)	
	30/06/2014	31/12/2013	1st Sem/2014	1st Sem/2013
<b>Demand deposits</b>	<b>21</b>	<b>73</b>	<b>-</b>	<b>-</b>
Directors and immediate family <sup>(1)</sup>	21	73	-	-
<b>Time deposits</b>	<b>11.723</b>	<b>13.083</b>	<b>(37)</b>	<b>(958)</b>
Directors and immediate family <sup>(1)</sup>	11.723	13.083	(37)	(958)

<sup>(1)</sup> These amounts are not consolidated.**c) Capital ownership**

The following table presents the direct investment in common and preferred shares, at June 30, 2014 and December 31, 2013 of stockholders with more than five percent of total shares and of members of the Board of Directors and Executive Board.

Stockholders	30/6/2014				30/6/2014	
	Common shares	Common shares(%)	Preferred shares	Preferred shares (%)	Total shares	Total shares (%)
Individuals	65.178.483	100,00	17.210.589	29,45	82.389.072	66,65
Board of Directors	-	-	3.736.574	6,39	3.736.574	3,02
Executives	-	-	3.186.610	5,46	3.186.610	2,58
<b>Total</b>	<b>65.178.483</b>	<b>100,00</b>	<b>24.133.773</b>	<b>41,30</b>	<b>89.312.256</b>	<b>72,25</b>

  

Stockholders	31/12/2013				31/12/2013	
	Common shares	Common shares(%)	Preferred shares	Preferred shares (%)	Total shares	Total shares (%)
Individuals	58.444.889	100,00	15.410.863	29,41	73.855.752	66,63
Board of Directors	-	-	3.243.868	6,19	3.243.868	2,93
Executives	-	-	3.103.532	5,92	3.103.532	2,80
<b>Total</b>	<b>58.444.889</b>	<b>100,00</b>	<b>21.758.263,00</b>	<b>41,52</b>	<b>80.203.152</b>	<b>72,36</b>

**45. OTHER DISCLOSURES****a) Insurance**

The Institution's insurance strategy is based mainly on both risk concentration and materiality, and policies are contracted at amounts established by Management, considering the nature of its business and the advice of its insurance brokers. Insurance coverage at June 30, 2014 was as follows:

Items	Type of cover	Insured amount
Directors and Officers Liability (D&O)	Management civil liability	20.000
Vehicles	Fire, robbery and collision for 18 vehicles	2.603
Buildings, machines, furniture and fixtures	Any material damage to facilities, machinery and equipment	12.000
Banker's insurance	Cash	300
Aircraft insurance	Aircraft-part guarantees	624

**46. RISK MANAGEMENT****a) Introduction and overview**

Banco Pine is exposed to risks resulting from the use of financial instruments which are continuously measured and monitored and has an analysis structure comprising a board of directors, a council and a committee that are responsible for assessing the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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**Risk management framework**

The Board of Directors is responsible for identifying and controlling risks; however, there are other independent areas which are also responsible for managing and monitoring risks.

**b) Credit risk**

**Definition**

Credit risk is the exposure to loss in the case of the total or partial default of customers or counterparties in fulfilling their financial obligations with the Institution. Credit risk management seeks to support the definition of strategies, in addition to establishing limits, including an analysis of exposure and trends, as well as the effectiveness of the credit policy.

**Credit risk measurement**

*Loans to customers and financial institutions*

As a general rule, the measurable amount of the collateral is used to mitigate and decrease the percentage of Impairment to be applied, as well as when there is a significant amortization of the loan or when new significant facts justify a decrease in the percentage of Impairment.

Among the objective criteria used to establish the possible impairment of an asset, the Institution considers the risk classification, especially, for all customers with a given risk rating which is equal to or lower than "D", under the terms of CMN Resolution 2682, as well as the default in payments past due for more than 90 days, presented below.

**Calculation of impairment when evidenced**

At least one of the borrower's obligations with a financial institution is past due for more than ninety days.

i. Operations without guarantees:

The percentage of potential credit risk is applied to the amount of the exposure presenting evidence of impairment not related to guarantees.

ii. Operations with guarantees:

The guarantees of exposures evidencing impairment will be used as a mitigating factor and accordingly, the application of the potential credit risk percentage is unnecessary. The amount of the impairment will be the difference between the amount of the exposure and the present value of the guarantee associated with this exposure. The present value of the guarantee is calculated based on the Institution's average funding cost over a three-year period.

**Criteria for recording impairment in the case of unidentifiable risks**

For the purpose of preventing possible losses with receivables which have not yet been identified, according to its criteria for objective evidence of impairment, the Institution uses an evaluation of its historical losses as a basis for applying a generic percentage to the portfolio base.

**Credit risk management**

Duties:

- Formulate Credit Policies with all of the Institution's units, including collateral requirements, credit assessment, risk rating and presentation of reports, legal and documentary procedures, as well as compliance with regulatory and statutory requirements.
- Establish the structure for approval and renewal of Credit lines. Limits are established and approved by the Credit Committee.
- Review and assess credit risk. The Credit area evaluates all credit exposure which exceeds established limits, prior to the release of the credit lines to the customers by the related business unit. Renewals and reviews of credit lines are subject to the same review process.
- Limit concentration of exposure by counterparties, geographic regions and economic sectors, and by credit rating, market liquidity and country.
- Develop and maintain the Institution's risk classification to categorize exposure according to the degree of risk of financial loss and focus management on inherent risk. The risk classification system is used to calculate credit exposure. The current risk classification structure includes degrees of credit risk and availability of guarantees or other tools to mitigate credit risk.
- Offer advice, guidance and specialized techniques to promote credit risk management best practices throughout the Institution.

**Credit policy**

Contains the guidelines and recommendations adopted by Banco Pine to apply and monitor credit granting. The policy establishes rules for the following:

- Granting credit to Companies, Financial Institutions, Treasury Operations and Individuals, as well as monitoring performance according to normative features, presenting restrictions to certain practices and concentrating on establishing minimum requirements that steer the activity;
- Provide basic routines to all the areas involved in credit operations to ensure that the related professionals and executives have a complete understanding of the policy rules and the importance of strict compliance with the required standards.

As a general rule, this policy is flexible and suggestions for its improvement are encouraged, and should be submitted to the Vice-President of the Credit Risk Department and the Compliance Department, so that they can be properly analyzed and submitted to the Credit Committee.

Banco Pine's credit policy is based on the risk classification of each customer and the risk of the transaction, respectively "Customer Rating" and "Operation Rating".

The methodology used for classification is based on a model developed internally, containing technical criteria consistent with an objective assessment based on the company's financial information and its credit history, as well as considering subjective aspects inherent to the customer's operations which cannot be otherwise measured.

The criteria were developed, tested and applied by the Vice-President of Credit Risk Department for all of the Institution's active customers, when implementing the Credit Policy. After a thorough analysis and evaluation of the rating methodologies available on the market, Banco Pine acquired a license to use the Risk Analyst tool from Moody's Analytics. This methodology is used by the Institution as an additional parameter for rating customers.

Credit risk assessment for derivatives is based on an assessment of the fractional risk, i.e., the potential for future adjustments that the operations may generate in the Institution's favor. Fractional risk is calculated based on the market price and rate volatility of the derivatives in the portfolio.

The concept of credit approval will always be "Total Risk", including the operations themselves and the risks presented thereby.

All credit lines should be analyzed based on the customer's payment ability, as well as the guarantees they provide.

The sovereign risk of Brazilian government securities is considered free of credit risk.

Corporate bonds are analyzed in the same manner as the Institution's other lending operations.

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<b>Maximum credit risk exposure</b>		
	<b>30/6/2014</b>	<b>31/12/2013</b>
Cash equivalents	1.105.439	581.482
Debt instruments	1.031.897	1.300.274
Derivatives	551.612	515.358
Loans and receivables	6.570.272	6.399.672
Guarantees provided	2.945.301	2.960.409

**Quality of credit**

We present below the segregation of loans, considering the following: loans falling due and loans past due with or without impairment:

				<b>30/6/2014</b>
<b>Internal classification (Rating 2682)</b>			<b>Total loans</b>	<b>Impairment</b>
	<b>Expired contracts with impairment</b>	<b>Unexpired contracts with impairment</b>		
AA - C (Collective)	1.942	6.144.909	6.146.851	30.488
D - H (Individual analysis)	34.204	344.777	378.981	91.675
Retail	578	3.570	4.148	587
Securities with credit risk	-	529.481	529.481	-
<b>Total</b>	<b>36.724</b>	<b>7.022.737</b>	<b>7.059.461</b>	<b>122.750</b>

  

				<b>31/12/2013</b>
<b>Internal classification (Rating 2682)</b>			<b>Total loans</b>	<b>Impairment</b>
	<b>Expired contracts with impairment</b>	<b>Unexpired contracts with impairment</b>		
AA - C (Collective)	33.876	5.941.772	5.975.648	29.619
D - H (Individual analysis)	16.567	342.110	358.677	106.141
Retail	1.270	6.392	7.662	894
Securities with credit risk	-	597.654	597.654	-
<b>Total</b>	<b>51.713</b>	<b>6.887.928</b>	<b>6.939.641</b>	<b>136.654</b>

The risk concentration by sector of the portfolio of loans and advances to customers is presented in Note 9.

**Mission of the Chief Risk Officer (CRO)**

*Credit analysis and granting*

Assess the risks involved in transactions and the customers' ability to settle their obligations according to the contracted terms.

*Credit risk controls and management*

Perform preventive monitoring of active customers designed to anticipate default in the portfolio of operations involving credit risk, support decisions and commercial strategies and provide data that permits the Credit Committee and Executive Board to monitor compliance with Banco Pine's Strategic Planning.

*Market risk controls and management*

Analyze, measure and control Banco Pine's Market Risk and Liquidity Risk, calculate the Treasury Management Results and provide support for controlling the Institution's derivative credit risk, in both the managerial and regulatory environment.

**CRO Composition - Chief Risk Officer**

*Credit analysis oversight board*

Responsible for credit granting analysis and recommendation. Comprising 4 management areas, divided into regional business units. Represented by managers, coordinators and credit analysts, all of whom are economic sector specialists.

*Risk control oversight board*

Responsible for credit risk control and management. Comprising an executive superintendent, managers, coordinators and credit, liquidity and market risk analysts.

**Credit processing and approval**

The Credit Process commences with the preparation of a credit proposal and the respective visit report by the commercial area. This credit proposal will be analyzed by the Credit Analysis management (with the corresponding economic and financial analysis) by the commercial area and by the Credit Committee.

*The Credit Committee has the following responsibilities:*

- Define the credit policy and respective changes;
- Analyze, approve or refuse credit limits/loans;
- Monitor the ongoing utilization, designed to compare the approved parameters vs. actual utilization of the credit lines, avoiding excesses.

*Voting Credit Committee members:*

- Chairman of the Board of Directors and Board Members;
- CEO - Chief Executive Officer;
- COO - Chief Operations Officer;
- CAO - Chief Administrative Officer;
- CRO - Chief Risk Officer.

*Observations:*

- Unanimous approval;
- The Credit Origination Executive Officer and Executive Superintendent participate in the Credit Committee meetings as observers;
- The Credit Risk Superintendent participates in the Credit Committee meetings but without the right to vote.
- The Credit Committee may convoke, as participants, the origination department's executives.

**Credit risk controls and management**

In a broad concept, by analyzing all customers independent of the sectors in which they operate and focusing, in particular, on the internal control structure, Banco Pine's Executive Board and Credit Risk Department decided, together, to create a separate cell within their structure's hierarchy for credit control, called the Credit Controls Board, reporting directly to the Risk Control Oversight Board, whose chief mission is to preventively monitor active customers, to anticipate default in the portfolio of operations involving all types of credit risk, to support decisions and commercial strategies and to provide information that enables the Executive Committee to monitor compliance with the Institution's Strategic Planning.

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It should be noted that Banco Pine has an integrated operating risk consolidation system that includes credit limits, collateral positions, types, terms and limits contractually established with customers, decisions and recommendations of the Credit Committee, as well as the liability position of customers with the Institution and information related to the above mentioned items.

In addition to the management tools provided chiefly to the Commercial Department, this instrument enables the consolidation of information essential to monitoring the credit portfolio, creating an automatic link with the procedures adopted by the Processing Department and connected to operation processing.

As a result, when applied to the risk monitoring matrix determined for this stage of the process, the system can provide daily information on the closing positions and indicate any exceptions.

Also under the standardized model, any of the pre-defined combinations of these exceptions will result in the issue of alert reports and, depending on the severity, in blocking credit transactions and limits for customers.

**Special Asset Management (Credit recovery department)**

The Institution has a specific credit recovery area which is designed to support the areas involved in the collections process, and to identify and resolve potential risks to the Institution, seeking agile and effective solutions to minimize possible losses, to be a source of information regarding payments which are overdue or which for some reason are no longer certain, and to promote control over the risks which, pursuant to the policy established by the Institution, are managed by the Special Assets Area.

**Recovery stages**

This area operates in the prevention and recovery process which is divided into two stages: "Monitoring" and "Credit Recovery".

The Monitoring activities are designed to minimize the impact of risks both in loans falling due and loans past due in their entirety.

In this sense, it seeks to provide Senior Management with information regarding risks that involve overdue operations, as well as positioning the Commercial Area as regards the risks involved, so that ultimately decisions can be made in adequate time frames with the appropriate accuracy.

The "Special Asset Management – Credit Recovery" activities are designed to recommend the collection measures to be used in cases where the Institution's customers are in default and for which, from a commercial standpoint, there are no effective solutions for regularizing payment and which therefore require more effective collection methods.

In terms of a preventive action, it seeks to adopt measures for risks that, in some manner, present indications of possible default, be they insufficient guarantees, reduced liquidity of notes under collection, uncovered overdrafts or which have exceeded credit limits without due approval, operation successions or renewals, in particular, working capital when there has not been a sizeable reduction of the balance payable or transactions which are incompatible with the operation type, order for write-off of bonds in the portfolio, origination of direct credit funds from the customer, as well as when the customer is in poor financial health, and such information is obtained in the market, from newspapers or magazines and which could place in doubt the certainty of the receipt of the funds loaned.

For objective evidence of Impairment, we adopt the following practices:

i. Change in customer risk

Any economic/financial change related to a customer with whom the Institution maintains a relationship indicating an increase in the credit risk of that customer or economic group.

Risks that, under some aspect, present some indication of a possibility of default that is detected through insufficient guarantees, reduced liquidity of securities in collection, transactions incompatible with the type of operation, orders for write-off of notes in the portfolio, among others items.

For the purpose of this analysis, the Risk and Controls Oversight Board will observe said changes through the monitoring of the Institution's active customers and identifying any changes in the risk of any customer and assessing the necessity (or not) of impairment for that customer or group.

Impairment percentages to be practiced will consider guarantees provided in the operation and the financial analysis of the customer, among others, so as to justify any percentage that may be applied to any specific customer or economic group.

As a general rule, the measurable amounts of the guarantees provided will be used to mitigate and decrease the impairment percentage to be applied, as well as when there is a significant amortization of the loan or when new material facts justify decreasing the impairment percentage.

ii. Overdue operations

For the purpose of establishing of objective evidence of impairment, based on the evaluation of overdue payments and in order to consider material facts for assessment and application of impairment, in addition to other aspects, the Institution has established that all customers with payments past due for more than ninety days must be tested regarding the need or not to apply impairment.

The application of minimum percentages shall be subject to the assessment of each risk and may be increased or decreased, in particular, as a result of the assessment of risk mitigating factors such as guarantees, financial conditions of the customer or economic group, among others.

As a general rule, the measurable amounts of the collateral provided will be used to mitigate and decrease the impairment percentage (recoverable value of the assets) to be applied, as well as when there is a significant amortization of the loan or when new material facts justify decreasing the impairment percentage.

iii. "Renegotiated" operations

Firstly, the definition of a "Renegotiated" operation is necessary to establish the criteria for objective evidence of impairment for said operations:

According to the rules established by the Brazilian Central Bank, in principle, a renegotiation is considered a debt composition, extension, renewal, granting of a new loan for partial or full settlement of the prior operation, or any other type of agreement which entails a change in the maturity or payment terms originally contracted.

In relation to this preliminary definition and the stringency of certain regulations issued by the regulators of Financial Institutions, all concepts are generalized as "agreements".

Accordingly, within the nature of our commercial relationship with our customers, an "agreement" cannot be confused with a "renegotiation", since the latter occurs when our customer fails to meet their contractual obligations and we are obliged to formalize a pact to renegotiate the conditions of the operation and seek the solvency of the credit.

It is normal for financial institutions to change their current operations with contractual amendments stipulating term extensions and new rates, though not in the context of "Renegotiation", to retain their customers and business. It is often necessary to seek a solution to maintain the relationship, such as, for example, collateral offered with satisfactory performance, operations that involve guarantees and that require public instruments, registration and, as a consequence, additional costs in the event of offering a new limit or opening a new operation.

Accordingly, for the purpose of defining "Renegotiated" operations and in line with the rules issued by the regulatory body, the Institution classifies and registers in its legacy system as "Renegotiated" all operations that, based on their specific characteristics, indicate a probability of loss and as a result whose contract terms are renegotiated in the pursuit of solvency.

As a result, operations identified as "Renegotiated" will be treated similarly to other cases, that is, when such an operation is identified and for the purposes of defining the impairment percentage, guarantees provided in the operation and a financial analysis of the customer, among others, will be considered to justify any percentage to be applied for a given customer or economic group.

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As a general rule, the measurable amounts of the guarantees provided will be used to mitigate and decrease the impairment percentage to be applied, as well as when there is a significant amortization of the loan or when new material facts justify decreasing the impairment percentage.

The following table presents an estimate of the fair value of the guarantees and other types of security held against financial assets.

	Loans and advances to customers	
	30/6/2014	31/12/2013
<b>Operations with impairment</b>		
Receivables	98.292	118.206
Pledge / sale of products, inventories and equipment	123.573	94.122
Mortgage / sale of real estate	99.714	20.089
Guarantees	23.726	-
<b>Subtotal</b>	<b>345.305</b>	<b>232.417</b>
<b>Operations without impairment</b>		
Receivables	93.982	946.700
Pledge / sale of products, inventories and equipment	1.504.567	1.449.393
Financial investments	69.596	127.416
Mortgage / sale of real estate	1.733.487	1.749.423
Guarantees	-	25.379
<b>Subtotal</b>	<b>3.401.632</b>	<b>4.298.311</b>
<b>Total</b>	<b>3.746.937</b>	<b>4.530.728</b>

**Unidentifiable risks**

For the purpose of preventing possible losses with receivables which have not yet been identified, according to its criteria for objective evidence of impairment, the Institution uses an evaluation of its historical losses as a basis for applying a generic percentage to the portfolio base.

Accordingly, the Institution adopts an evaluation model for losses incurred for the previous three years, including the period under evaluation.

All new customers are analyzed, as well as losses incurred with those customers, calculating the percentage of these losses in the customer base, by historical amounts, not considering any changes in the credit volume over the commercial relationship maintained with these customers.

Once the loss percentage has been calculated for the period under analysis, this percentage is applied to customers who did not present evidence of impairment.

**c) Liquidity risk****Definition**

Liquidity risk is associated with possible difficulties that the Institution may face in meeting its obligations resulting from its financial liabilities.

**Liquidity risk management**

Liquidity risk management seeks to protect the Institution from possible market developments that generate liquidity issues. Accordingly, the Institution monitors its portfolios with regards to maturities, volumes and the liquidity of its assets.

Daily control is carried out through reports in which the following items are monitored:

- Maturity mismatches between payment and receipt flows Group wide.
- Projection of liquidity stress scenarios defined by the Asset-Liability Committee (ALCO).

This information is checked against the Institution's cash position each day and assessed each week by ALCO.

Liquidity is managed by the Market, Liquidity and P&L Risk Oversight Board, which reports to the Risk Control Oversight Board.

**Balance Sheet by maturity**

We present below the Balance Sheet by contractual maturity:

	Note	30/6/2014			
		Up to 90 days	From 91 to 360 days	More than 360 days	Total
<b>ASSETS</b>					
<b>Financial assets</b>		<b>4.128.498</b>	<b>2.754.006</b>	<b>2.939.187</b>	<b>9.821.691</b>
<b>Cash and cash equivalents</b>	<b>5</b>	<b>1.198.844</b>	<b>-</b>	<b>-</b>	<b>1.198.844</b>
<b>Financial assets held for trading</b>		<b>1.115.907</b>	<b>138.099</b>	<b>333.773</b>	<b>1.587.779</b>
Debt instruments	7	851.419	-	180.478	1.031.897
Equity instruments		4.270	-	-	4.270
Derivatives	8	260.218	138.099	153.295	551.612
<b>Available-for-sale financial assets</b>		<b>114.505</b>	<b>95.636</b>	<b>377.405</b>	<b>587.546</b>
Debt instruments	7	114.505	95.636	377.405	587.546
<b>Loans and receivables</b>		<b>1.699.242</b>	<b>2.520.271</b>	<b>2.228.009</b>	<b>6.447.522</b>
Loans and advances to credit institutions	6	15.664	12.884	11.744	40.292
Loans and advances to customers	9	1.683.578	2.507.387	2.216.265	6.407.230
<b>Other assets</b>		<b>332.529</b>	<b>26.842</b>	<b>339.314</b>	<b>698.685</b>
<b>Non-current assets held for sale</b>	<b>10</b>	<b>112.279</b>	<b>-</b>	<b>-</b>	<b>112.279</b>
<b>Other</b>		<b>220.250</b>	<b>26.842</b>	<b>339.314</b>	<b>586.406</b>
Deposits in guarantee	11	-	-	214.576	214.576
Recoverable income tax		-	-	59.260	59.260
Other assets	12	108.021	26.842	65.478	200.341
Deferred income tax and social contribution	39	112.229	-	-	112.229
<b>TOTAL ASSETS <sup>(1)</sup></b>					<b>10.520.376</b>
<b>LIABILITIES</b>					
<b>Financial liabilities</b>		<b>2.699.493</b>	<b>3.063.770</b>	<b>3.448.041</b>	<b>9.211.304</b>
Derivatives	8	131.580	57.032	59.692	248.304
Deposits from financial institutions	16	78.399	1.048	282	79.729
Deposits from customers	17	1.302.256	1.709.123	969.606	3.980.985
Funds obtained in the open market	18	453.409	-	16.342	469.751
Securities issued abroad	19	20.779	271.755	399.515	692.049
Borrowings and onlendings	20	632.375	1.024.829	1.675.178	3.332.382
Other financial liabilities	22	69.272	-	-	69.272
Subordinated debt	21	11.423	(17)	327.426	338.832
<b>Provisions</b>	<b>23</b>	<b>10.402</b>	<b>9.750</b>	<b>10.907</b>	<b>31.059</b>
Reserves for contingent liabilities, commitments and other provisions		10.402	9.750	10.530	30.682
Reserve for tax contingencies		-	-	377	377
<b>Tax liabilities</b>	<b>24</b>	<b>-</b>	<b>36.482</b>	<b>-</b>	<b>36.482</b>
<b>Other liabilities</b>		<b>80.843</b>	<b>6.552</b>	<b>6.622</b>	<b>94.017</b>
Other liabilities	25	80.840	6.552	6.622	94.014
Correspondent banks		3	-	-	3
<b>TOTAL LIABILITIES</b>					<b>9.372.862</b>

<sup>(1)</sup> Does not include total fixed assets or intangible assets

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					31/12/2013
	Note	Up to 90 days	From 91 to 360 days	More than 360 days	Total
<b>ASSETS</b>					
<b>Financial assets</b>		<b>3.650.381</b>	<b>2.543.787</b>	<b>3.322.698</b>	<b>9.516.866</b>
<b>Cash and cash equivalents</b>	<b>5</b>	<b>738.652</b>	<b>-</b>	<b>-</b>	<b>738.652</b>
<b>Financial assets held for trading</b>		<b>1.386.825</b>	<b>112.697</b>	<b>317.677</b>	<b>1.817.199</b>
Debt instruments	7	1.288.058	70	12.146	1.300.274
Equity Instruments		1.567	-	-	1.567
Derivatives	8	97.200	112.627	305.531	515.358
<b>Available-for-sale financial assets</b>		<b>89.966</b>	<b>117.763</b>	<b>490.268</b>	<b>697.997</b>
Debt instruments	7	89.966	117.763	490.268	697.997
<b>Loans and receivables</b>		<b>1.434.938</b>	<b>2.313.327</b>	<b>2.514.753</b>	<b>6.263.018</b>
Loans and advances to credit institutions	6	8.750	48.935	-	57.685
Loans and advances to customers	9	1.426.188	2.264.392	2.514.753	6.205.333
<b>Other assets</b>		<b>227.961</b>	<b>194.464</b>	<b>340.267</b>	<b>762.692</b>
<b>Non-current assets held for sale</b>	10	53.216	109.548	-	162.764
<b>Other</b>		<b>174.745</b>	<b>84.916</b>	<b>340.267</b>	<b>599.928</b>
Deposits in guarantee	11	-	-	207.809	207.809
Recoverable income tax		670	-	57.747	58.417
Other assets	12	150.694	36.373	62.496	249.563
Deferred income tax and social contribution	39	23.381	48.543	12.215	84.139
<b>TOTAL ASSETS <sup>(1)</sup></b>					<b>10.279.558</b>
<b>LIABILITIES</b>					
<b>Financial liabilities</b>		<b>2.529.122</b>	<b>2.944.678</b>	<b>3.505.114</b>	<b>8.978.914</b>
Derivatives	8	107.071	53.282	30.480	190.833
Deposits from financial institutions	16	55.353	18.312	16.053	89.718
Deposits from customers	17	1.294.963	1.357.412	1.133.147	3.785.522
Funds obtained in the open market	18	494.682	-	14.110	508.792
Securities issued abroad	19	7.245	613.172	394.443	1.014.860
Borrowings and onlendings	20	487.160	902.512	1.574.648	2.964.320
Other financial liabilities	22	68.499	-	-	68.499
Subordinated debt	21	14.149	(12)	342.233	356.370
<b>Provisions</b>	<b>23</b>	<b>7.568</b>	<b>11.500</b>	<b>13.390</b>	<b>32.458</b>
Reserves for contingent liabilities, commitments and other provisions		7.568	11.500	12.667	31.735
Reserve for tax contingencies		-	-	723	723
<b>Tax liabilities</b>	<b>24</b>	<b>(782)</b>	<b>5.135</b>	<b>-</b>	<b>4.353</b>
<b>Other liabilities</b>		<b>83.255</b>	<b>-</b>	<b>6.396</b>	<b>89.651</b>
Other liabilities	25	83.230	-	6.396	89.626
Correspondent banks		25	-	-	25
<b>TOTAL LIABILITIES</b>					<b>9.105.376</b>

<sup>(1)</sup> Does not include total fixed assets or intangible assets**d) Market risk****i) Definition**

Market risks are related to possible monetary losses due to fluctuations in variables that impact market prices and rates. Oscillations of financial variables such as the price of input material and end products, inflation, interest rates and foreign exchange rates have the potential for causing losses in almost all companies and, therefore, represent financial risk factors.

The Market Risk to which an institution is exposed is mainly due to three factors: a) exposure – amount exposed to risk; b) sensitivity – the impact of price fluctuations; and c) variation – the magnitude of price variations. We stress that, among these factors, exposure and sensitivity are controllable by the Institution as part of its appetite for risk, while variation is a market characteristic and, accordingly, out of the Institution's control.

Market risks can be classified under different types, such as interest rate risk, foreign exchange risk, commodities price risk and share price risk. Each type represents the risk of incurring losses due to oscillations in the respective variable.

**ii) Market risk management**

Market risk is managed in a centralized manner by an area that is independent in relation to the trading desk and is chiefly responsible for monitoring and analyzing market risk originating in positions assumed by the Institution vis-a-vis its appetite for risk as defined by ALCO and approved by the Board of Directors.

Market risk is managed daily by the Market, Liquidity and P&L Risk Oversight Department, which calculates the Value at Risk (VaR) and generates the Duration Gap of the Primitive Risk Factor mismatches of assets in the Institution's portfolio.

Amounts are compared daily to the VaR limits, exposure by Primitive Risk and Stop Loss Factors established by ALCO and approved by the Institution's Board of Directors.

For stress tests, scenarios considering bear and bull markets on the Commodities and Futures Exchange, as well as changes to the interest rate curves, are used. Scenarios generated by ALCO may also be used.

**iii) Methodologies***Fair value*

The purpose of marking to market (Fair Value) is to ensure that the pricing of assets and liabilities in the Institution's portfolio is as transparent as possible for shareholder protection.

*Value at risk (VaR)*

VaR measures the worst expected loss on a horizon given by normal market conditions in a given confidence level, that is, VaR provides a measure of market risk.

Market risk management uses VaR as a measure of the Group's potential losses. For the calculations, the parameters used are the horizon of one day and a 99% confidence interval. The calculation is based on closing market prices, taken from different sources (ANBIMA, BM&FBovespa, and the Brazilian Central Bank, among others).

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The VaR analysis is performed by market, vertex and risk factors associated with the interest curve, share prices, foreign exchange and commodities. If the VaR limit is surpassed, an evaluation of the operations will be performed and those that present a greater risk will be readjusted by Treasury in order to reduce risk and seek alignment with the maximum exposure limit. Market liquidity will be evaluated as these operations are readjusted.

**iv) Analyses***GAP Analysis*

The mismatch between the maturities of asset and liability operations creates a Duration Gap, originating from the difference between the weighted average maturities of both assets and liabilities. As a result, it is a graphic representation by risk factor of cash flows expressed at market value, allocated on maturity dates, used to assess risk exposure over a specific time horizon.

*Sensitivity analysis for risk factors*

This analysis is designed to evaluate the response of the market value variation of the portfolio to a minor variation in interest rate structures. The applied scenario is a shift of 1 basis point (DV01) in the interest rates included in the Institution's portfolios. This analysis is important as it takes into account the maturity (duration) of the assets in the Institution's portfolios.

*Stress tests*

Stress tests, which are performed daily, are disclosed with the Institution's risk figures for each exposure (pre-fixed-interest, US dollar, inflation and shares) considering the scenario disclosed by BM&FBOVESPA for each risk factor. Two increase and two decrease scenarios are considered.

**v) Risks***Interest rate risk*

Interest rate risk arises from the possibility that variations in interest rates will affect the future cash flows or the fair value of financial instruments.

*Currency risk*

Currency risk is the risk of variation in the value of a financial instrument due to changes in exchange rates. The Board has established limits for positions in foreign currencies. According to the Institution's policies, positions are monitored daily and hedging strategies are used to keep the positions within the pre-established limits.

*Share price risk*

Share price risk is the risk that the fair value of shares will decrease as a result of the variations in share indexes or individual shares.

*Commodities risk*

Commodities risk is due to the oscillation of prices in physical products (agricultural products, oil, metals, etc.).

**vi) Risk exposure***Portfolios held for trading*

This portfolio consists only of the Institution's trading operations, transacted with the intention of trading, resale, and obtaining benefit from the changes in prices or arbitrage. Operations for hedging this portfolio may also be included.

*Market risk exposure - Portfolios held for trading*

We present below a summary of the VaR position of the Institution's tradable portfolios for the periods ended June 30, 2014 and December 31, 2013 considering 99% confidence interval and one-day holding period:

	Average	Maximum	Minimum
June 30, 2014	824	1.640	397
December 31, 2013	669	1.193	337

**vii) Sensitivity analysis**

Pursuant to CVM Instruction 475, of December 17, 2008, we present below the possible effects on the results arising from the sensitivity scenarios for all transactions with financial instruments, which expose the Institution to risks arising from foreign exchange and interest rate variations or any other sources at June 30, 2014.

Risk Factor	Exposure	Sensitivity analysis		
		30/6/2014		
		Scenarios		
		Probable <sup>(i)</sup>	Possible <sup>(ii)</sup>	Remote <sup>(ii)</sup>
Fixed interest rate (PRE)	Fixed interest rate variations	164	(20)	(40)
General Market Price Index (IGPM)	IGPM coupon variations	240	(509)	(1.018)
Price index (IPCA)	IPCA coupon variations	252	(6.868)	(13.737)
Long-term interest rate (TJLP)	TJLP variations	16	1.289	2.577
US dollar coupon rate	Exchange coupon variation	6.750	(3.651)	(7.302)
Other currency coupon rates	Exchange coupon variation	38	87	175
Offshore rates (LIBOR + other Offshore)	Offshore rate variations	369	6.538	13.061
Currencies	Change in exchange variation	(15)	(407)	(814)
<b>Total (uncorrelated sum)*</b>		<b>(7.882)</b>	<b>(19.385)</b>	<b>(38.771)</b>
<b>Total (correlated sum)**</b>		<b>7.814</b>	<b>(3.541)</b>	<b>(7.098)</b>

\*Uncorrelated sum: sum of the results obtained in the worst stress scenarios for each risk factor.

\*\*Correlated sum: the worst result of the sum of the stress test scenarios of all of the risk factors considering the correlation between them.



**BANCO PINE S.A. AND SUBSIDIARIES****NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

Scenarios	
<b>Scenario I - Probable</b>	Scenario comprising the variation in market factors between June 30, 2014 and July 11, 2014 (variation in the fixed rate from 10,91% to 10,92% on a 1-year curve and from 11,68% to 11,61% in a 3-year curve, variation in the US dollar from 2,2025 to 2,2228 and in the exchange coupon from 0,65% to 1,27% on a 1 year curve)

**Scenario II – Possible <sup>(\*)</sup>** Scenario comprising a 25% shock to the market interest rate curve amounts (disclosed by BM&F), and to the closing prices (US dollar and equity), as in the following example:

Curve	Market rate (1 year)	Shock	New market rate (1 year)
Fixed interest rate (PRE)	10,91%	25%	13,63%
General Market Price index (IGPM)	5,47%	25%	6,84%
Price index (IPCA)	4,86%	25%	6,08%
Long-term interest rate (TJLP)	5,54%	25%	6,92%
US dollar coupon rate	0,65%	25%	0,81%
Other currency coupon rate	1,02%	25%	1,28%
LIBOR - USD	0,55%	25%	0,68%
LIBOR - USD Other currency	0,17%	25%	0,21%
Currencies	2,2025	25%	2,7531

**Scenario III – Remote <sup>(\*)</sup>** Scenario comprising a 50% shock to the market interest rate curve values (disclosed by BM&F), and in the closing prices (US dollar and equity), as in the following example:

Curve	Market rate (1 year)	Shock	New market rate (1 year)
Fixed interest rate (PRE)	10,91%	50%	16,36%
General Market Price index (IGPM)	5,47%	50%	8,21%
Price index (IPCA)	4,86%	50%	7,29%
Long-term interest rate (TJLP)	5,54%	50%	8,31%
US dollar coupon rate	0,65%	50%	0,97%
Other currency coupon rate	1,02%	50%	1,53%
LIBOR - USD	0,55%	50%	0,82%
LIBOR - USD Other currency	0,17%	50%	0,26%
Currencies	2,2025	50%	3,3038

\* For Scenarios II and III, was considered the result of the stress of high or low in order to obtain a result of higher losses for the portfolio.

**viii) Balance sheet by currency**

	30/6/2014			31/12/2013		
	US dollar	Euro	Other	US dollar	Euro	Other
<b>ASSETS</b>						
Cash and cash equivalents	383.985	10.975	603	500.214	3.480	116.581
Loans and advances to customers	1.278.283	-	-	1.101.044	-	-
Debt instruments	-	-	-	-	-	-
Other assets	-	-	-	27.243	-	-
<b>Total</b>	<b>1.662.268</b>	<b>10.975</b>	<b>603</b>	<b>1.628.501</b>	<b>3.480</b>	<b>116.581</b>
<b>LIABILITIES</b>						
Deposits from customers	2.364	-	-	2.180	-	-
Securities issued abroad	103.189	-	144.149	128.233	-	156.460
Borrowings and onlendings	1.548.103	2.788	111.117	1.110.499	-	117.113
Correspondent banks	22.310	-	-	15.071	-	-
Subordinated debt	288.619	-	-	306.978	-	-
Other liabilities	-	-	-	93.704	-	-
<b>Total</b>	<b>1.964.585</b>	<b>2.788</b>	<b>255.266</b>	<b>1.656.665</b>	<b>-</b>	<b>273.573</b>
<b>Derivatives</b>	<b>298.987</b>	<b>(7.443)</b>	<b>255.622</b>	<b>27.568</b>	<b>(3.623)</b>	<b>156.890</b>
<b>GAP Analysis</b>	<b>(3.330)</b>	<b>744</b>	<b>959</b>	<b>(596)</b>	<b>(143)</b>	<b>(102)</b>

**ix) Balance Sheet by interest rate**

	30/6/2014					
	Fixed rate (Pre)	IPCA	Libor	Exchange Coupon	TJLP	Other
<b>ASSETS</b>						
Cash and Equivalents	150.061	694.284	-	-	-	-
Debt instruments	342.187	929.001	10.139	-	-	35.888
Loans and advances to financial institutions	40.294	-	-	-	-	-
Loans and advances to customers	4.626.574	-	1.297.590	108.891	202.339	331.815
<b>Total</b>	<b>5.159.116</b>	<b>1.623.285</b>	<b>1.307.729</b>	<b>108.891</b>	<b>202.339</b>	<b>367.703</b>
<b>LIABILITIES</b>						
Deposits from customers	3.525.391	397.325	-	-	-	-
Deposits from financial institutions	79.729	-	-	-	-	17.491
Funds obtained in the open market	469.751	-	-	-	-	-
Securities issued abroad	437.036	15.441	2.397	-	-	241.110
Borrowings and onlendings	-	-	1.428.319	101.114	-	-
Subordinated debt	48.327	7.060	286.661	-	-	-
<b>Total</b>	<b>4.560.235</b>	<b>419.826</b>	<b>1.717.378</b>	<b>101.114</b>	<b>-</b>	<b>258.601</b>
<b>Derivatives</b>	<b>409.289</b>	<b>(160.377)</b>			<b>(31.975)</b>	<b>(264.089)</b>
<b>GAP Analysis</b>	<b>1.008.170</b>	<b>1.043.082</b>	<b>(409.649)</b>	<b>7.777</b>	<b>170.364</b>	<b>(154.987)</b>

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(In thousands of reais - R\$, except net income per share)

	31/12/2013					
	Fixed rate (Pre)	IPCA	Libor	Exchange Coupon	TJLP	Other
<b>ASSETS</b>						
Debt instruments	1.302.410	633.400	25.985	-	-	36.476
Loans and advances to financial institutions	57.685	-	-	-	-	-
Loans and advances to customers	4.420.217	275.636	947.386	187.245	224.628	286.875
Other assets	30.240	-	-	-	-	-
<b>Total</b>	<b>5.810.552</b>	<b>909.036</b>	<b>973.371</b>	<b>187.245</b>	<b>224.628</b>	<b>323.351</b>
<b>LIABILITIES</b>						
Deposits from customers	3.132.810	409.215	-	-	-	243.497
Deposits from financial institutions	89.718	-	-	-	-	-
Funds obtained in the open market	508.792	-	-	-	-	-
Securities issued abroad	704.539	19.427	127.484	-	-	163.410
Sale or transfer of financial assets	1.378.666	-	1.263.472	105.815	216.359	8
Subordinated debt	46.572	6.738	303.060	-	-	-
<b>Total</b>	<b>5.861.097</b>	<b>435.380</b>	<b>1.694.016</b>	<b>105.815</b>	<b>216.359</b>	<b>406.915</b>
<b>Derivatives</b>	<b>919.527</b>	<b>(313.709)</b>	<b>-</b>	<b>-</b>	<b>(292.351)</b>	<b>(8.904)</b>
<b>GAP Analysis</b>	<b>868.982</b>	<b>159.947</b>	<b>(720.645)</b>	<b>81.430</b>	<b>(284.082)</b>	<b>(92.468)</b>

**e) Operational Risk Management****Definição**

The possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people and systems, or from external events. Includes the legal risk associated with inadequacy or deficiency in the agreements entered into by the Institution, as well as penalties as a result of non-compliance with legislation and indemnities for damages to third parties arising from activities carried out. To mitigate this type of risk, the Institution adopts a structure to ensure continuous updating and mapping of risks and controls as well as to capture information related to any operational failure.

**BANCO PINE S.A. AND SUBSIDIARIES**  
**NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

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**Management and methodology**

The Operational Risk Management area, which reports to the Risk Control Oversight Board, is responsible for centralizing operational risk management and disseminating its methodology and the compliance focus points, acting in the Institution's various activities, helping to promote a culture of compliance and risk control across the Organization, designed to improve and enhance internal processes and reduce operating risks.

According to this methodology, periodic self-assessments of the area's activities and processes are performed, which include the identification of inherent risks, evaluation of the efficacy of the controls and recommendations for action plans to mitigate the identified risks and/or improve controls.

From June 2011, the Institution changed the methodology used to calculate the portion of required regulatory capital (PRE) related to operational risk (POPR) from the Basic Indicator Approach (BIA) to the Simplified Alternative Standardized Approach (ASA II), in accordance with BACEN Circular 3383/08.

**47. OTHER INFORMATION**

**a) Law no 12973**

On May 14, 2014, the Law no. 12973 was published, conversion of the Provisional Measure no. 627, which modifies the federal tax statute book about IRPJ, CSLL, PIS and COFINS. The referred Law no. 12973/14 dispose, among other subjects, about:

- The revoke of Transition's Tax Arrangements - RTT, instituted by the Law no. 11941, of May 27, 2009;

The legal entity domiciled in Brazil tax, with relation to the equity increase deriving from profits earned abroad by foreign-based controlled and affiliate companies and profits earned by private individual resident in Brazil by intermediate of a legal abroad controlled entity.

We estimate that the referred Law no 12193/14 has no relevant accounting effects on the financial statements of Banco Pine and controlled.

**48. RECONCILIATION OF EQUITY TO NET INCOME (BRGAAP and IFRS)**

In accordance with CVM Instruction 457 of July 13, 2007, we present below the reconciliation of equity and net income attributed to the parent company between BRGAAP and IFRS for the related periods:

	Note	30/6/2014	31/12/2013
<b>Consolidated equity under BRGAAP</b>			
Impairment loss on loans and receivables	a	28.115	41.615
Deferral of bank fees and commissions under the effective interest rate method	b	(29.275)	(32.340)
Hedge accounting	f	(3.174)	-
Income tax and social contribution on IFRS adjustments	e	464	(3.710)
<b>Equity under IFRS</b>		<b>1.266.059</b>	<b>1.277.973</b>

	Note	30/6/2014	30/06/2013
<b>Consolidated net income under BRGAAP</b>			
Impairment loss on loans and receivables	a	70.468	84.216
Deferral of bank fees and commissions under the effective interest rate method	b	(13.500)	(8.578)
Hedge accounting	f	3.065	(11.432)
Transfer of category in securities	g	463	610
Income tax and social contribution on IFRS adjustments	e	(2.437)	7.517
<b>Net income under IFRS</b>		<b>4.174</b>	<b>8.004</b>
		<b>62.233</b>	<b>80.337</b>

**a) Impairment of loans and receivables**

Under IFRS, based on the guidance in IAS 39 "Financial Instruments: Recognition and Measurement", the Institution estimates the allowance for loan losses based on its historical impairment and other circumstances known at the time of assessment. These criteria differ in certain aspects from the criteria under BRGAAP, which uses certain regulatory limits defined by the Brazilian Central Bank to calculate the allowance for loan losses.

**b) Deferral of bank charges and commissions under the effective interest rate method:**

Under IFRS, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", inherent bank charges, commissions and financial costs that are included in the effective interest rate of financial instruments calculated at a amortized cost are recognized in income during the period that the respective contracts are in effect. Under BRGAAP, these fees and expenses are recognized directly in income when received or paid.

**c) Transactions for the sale or transfer of financial assets:**

The Institution wrote off assets related to credit assignments with substantial retention of risks and rewards from January 1, 2004 and, in accordance with IFRS 1 requirements, the assets transferred with retention of risks and rewards were recomposed and recorded, and the liabilities related to the co-obligations in the credit assignments were recorded on the IFRS transition date, and subsequently. Revenues (expenses) recorded at the time of the credit assignments are recognized in income during the effective period of the respective agreements.

**d) Derecognition of investments stated at cost:**

On the date of transition, the Institution wrote off investments stated at cost, previously recorded in assets, as they did not meet the requirements for recognition of assets under IFRS.

**e) Income tax and social contribution on IFRS adjustments**

In accordance with IAS 12, deferred income tax and social contribution on taxable, or deductible, temporary differences must be recorded.

Adjustments to deferred income tax and social contribution, calculated on IFRS adjustments, were reflected in the reconciliation.

**BANCO PINE S.A. AND SUBSIDIARIES**

**NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2014 AND DECEMBER 31, 2013**

(In thousands of reais - R\$, except net income per share)

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**f) Hedge accounting**

Under IFRS, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the portion of the gain or loss on the hedge instrument qualified for hedge accounting of cash flow, which is determined as an effective hedge shall be recognized directly as other comprehensive income.

IAS 39 requires the discontinuation of the cash flows from hedge accounting, the cumulative gain or loss on the hedging instrument that remains recognized as comprehensive income from the period from when the hedge was in effect shall remain separately recognized in equity until settlement of the hedge reference.

**g) Transfer of category in securities**

IAS 39 prohibits the reclassification of financial instruments between categories, accordingly, the financial assets available for sale may not be reclassified to other categories or vice-versa.

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