(Convenience translation into English from the Original previously issued in Portuguese)

Consolidated Financial Statements under IFRS for the years ended December 31, 2012 and 2011 and the Independent Auditor's Report

Banco Pine S.A.

PricewaterhouseCoopers Independent Auditors

PINE

Independent auditor's report

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

We have audited the accompanying consolidated financial statements of Banco Pine S.A. and its subsidiaries (the "Institution"), which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Pine S.A. and its subsidiaries as at December 31, 2012, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

São Paulo, February 26, 2013

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Edison Arisa Pereira
Contador CRC 1SP127241/O-0

BANCO PINE S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2012 AND AT DECEMBER 31, 2011
(In thousands of reais)

	Note	31/12/2012	31/12/2011
ASSETS			
Financial assets		**9,700,135**	**10,616,040**
Cash and cash equivalents	**5**	**432,076**	**345,740**
Financial assets at fair value		**4,268,898**	**5,119,069**
Financial assets held for trading		**3,776,085**	**4,541,995**
Debt instruments	7	3,438,752	4,242,983
Derivative financial instruments	8	337,333	299,012
Available-for-sale financial assets		**492,813**	**555,754**
Debt instruments	7	418,623	530,031
Equity instruments	7	74,190	25,723
Hedging derivatives	**8**	**-**	**21,320**
Financial assets at amortized cost		**4,999,161**	**5,151,231**
Loans and receivables		**4,999,161**	**5,151,231**
Loans and advances to financial institutions	6	100,299	270,313
Loans and advances to customers	9	4,898,862	4,880,918
Other assets		**506,802**	**438,957**
Non-current assets held for sale	10	**176,279**	**58,017**
Other		**330,523**	**380,940**
Deposits in guarantee	11	199,189	182,909
Recoverable income tax		36,478	49,823
Other assets	12	94,856	148,208
Deferred tax assets		**72,021**	**88,238**
Deferred income tax and social contribution	39.c.d	72,021	88,238
Fixed assets	13	**28,968**	**7,471**
Property and equipment in use		28,968	7,471
Intangible assets	14	**2,053**	**2,475**
Intangible assets		2,053	2,475
TOTAL ASSETS		**10,309,979**	**11,153,181**

BANCO PINE S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2012 AND AT DECEMBER 31, 2011
(In thousands of reais)

	Note	31/12/2012	31/12/2011
LIABILITIES			
Financial liabilities		**8,894,589**	**9,956,870**
Financial liabilities held for trading		**100,393**	**99,468**
Derivative financial instruments	8	100,393	99,468
Financial liabilities at amortized cost		**8,794,196**	**9,843,472**
Deposits from financial institutions	15	121,000	105,885
Deposits from customers	16	3,595,159	3,688,280
Funds obtained in the open market	17	1,832,661	3,190,416
Securities issued abroad	18	891,632	341,217
Borrowings and onlendings	19	1,985,137	2,101,157
Sale or transfer of financial assets	20	334	65,395
Subordinated debt	21	312,202	297,731
Other financial liabilities	22	56,071	53,391
Hedging derivatives	**8**	**-**	**13,930**
Provisions	**23**	**93,382**	**107,115**
Provisions for contingent liabilities, commitments and other provisions		50,791	77,541
Provisions for tax risks		42,591	29,574
Tax liabilities	24	**10,409**	**5,568**
Other liabilities		**62,237**	**57,714**
Correspondent banks		37	6,366
Other liabilities	25	62,200	51,348
TOTAL LIABILITIES		**9,060,617**	**10,127,267**
EQUITY	26	**1,249,362**	**1,025,914**
Capital - Local		842,654	723,551
Capital – Foreign		93,029	72,494
Capital reserves		11,685	14,032
Revenue reserves		285,136	190,590
Dividends proposed		18,559	26,726
(-) Treasury shares		(12,750)	-
Carrying value adjustments	27	11,049	(1,479)
TOTAL LIABILITIES AND EQUITY		**10,309,979**	**11,153,181**

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

BANCO PINE S.A. AND SUBSIDIARIES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In thousands of reais, except share data)

	Note	2012	2011
Interest and similar income	28	740,487	754,557
Interest and similar expense	29	(517,816)	(576,610)
NET INTEREST INCOME		**222,671**	**177,947**
Gains from (losses for) financial assets and liabilities (net)		**248,835**	**252,974**
Financial assets and liabilities held for trading	30.a)	**238,959**	**268,790**
Derivatives		50,794	129,459
Debt instruments		188,165	141,423
Equity instruments		-	(2,092)
Exchange variations (net)		**9,876**	**(15,816)**
Fee and commission income	31	95,453	45,578
Fee and commission expense	32	(7,072)	(5,526)
TOTAL INCOME		**559,887**	**470,973**
Administrative expenses		**(218,704)**	**(259,456)**
Personnel expenses	35	(124,365)	(132,535)
Tax expenses		(16,996)	(36,408)
Other administrative expenses	36	(77,343)	(90,513)
Other operating income (expenses)	34	(65,162)	134,910
Depreciation and amortization		(4,590)	(3,998)
Provisions (net)	37	24,769	(20,516)
Impairment of financial assets	9.f)	**(54,583)**	**(59,943)**
Loans and receivables		(52,660)	(59,943)
Debt instruments		(1,923)	-
Result from sales of non-recurring assets	38	15,651	3,647
OPERATING INCOME BEFORE TAXES		**257,268**	**265,617**
Income tax and social contribution	39	(62,722)	(81,426)
CONSOLIDATED NET INCOME		**194,546**	**184,191**
Attributable to controlling stockholders		194,546	184,191
EARNINGS PER SHARE (R$)			
Basic and diluted earnings per share (R$)			
Common shares		1.83	2.19
Preferred shares		1.83	2.19
Net income attributable/diluted (R$)			
Common shares		106,724	99,606
Preferred shares		89,826	84,585
Weighted average of shares issued - basic			
Common shares		58,444,889	45,443,872
Preferred shares		49,191,371	38,590,394

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

BANCO PINE S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AT DECEMBER 31, 2012 AND 2011
(In thousands of reais, except share data)

	Note	2012	2011
Consolidated net income for the period		**194,546**	**184,191**
Available-for-sale financial assets	**27**	**8,493**	**(1,551)**
Fair value variation		14,163	(2,813)
Income tax		(5,660)	1,149
Other		(10)	113
Cash flow hedges	**27**	**4,035**	**6,096**
Fair value variation		6,726	10,499
Income tax		(2,691)	(4,403)
Comprehensive net income		**207,074**	**188,736**

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

BANCO PINE S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In thousands of reais)

	Capital	Capital increase	Capital reserve	Revenue reserve	Treasury shares	Proposed additional dividend	Retained earnings	Carrying value adjustments	Total equity
At December 31, 2010	**422,606**	**-**	**223,342**	**225,685**	**(10,319)**	**-**	**-**	**(6,024)**	**855,290**
Consolidated net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**184,191**	**-**	184,191
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,545**	4,545
Available-for-sale financial assets	-	-	-	-	-	-	-	(2,813)	(2,813)
Cash flow hedges	-	-	-	-	-	-	-	10,499	10,499
Deferred income tax	-	-	-	-	-	-	-	(3,254)	(3,254)
Other comprehensive income	-	-	-	-	-	-	-	113	113
Other changes in equity	**-**	**373,439**	**(209,310)**	**(35,095)**	**10,319**	**26,726**	**(184,191)**	**-**	(18,112)
Capital increase (Note 26)	-	373,439	(200,000)	(129,690)	-	-	-	-	43,749
Premium on sale of treasury shares	-	-	713	-	-	-	-	-	713
Sale of treasury shares	-	-	-	-	700	-	-	-	700
Cancellation of treasury shares	-	-	(9,619)	-	9,619	-	-	-	-
Reclassification of reserves	-	-	(404)	404	-	-	-	-	-
Legal reserve	-	-	-	8,076	-	-	(8,076)	-	-
Statutory reserve	-	-	-	86,115	-	-	(86,115)	-	-
Approval/payment of proposed additional dividend	-	-	-	-	-	26,726	(26,726)	-	-
Dividends (Note 26)	-	-	-	-	-	-	(63,274)	-	(63,274)
At December 31, 2012	**422,606**	**373,439**	**14,032**	**190,590**	**-**	**26,726**	**-**	**(1,479)**	**1,025,914**
At December 31, 2011	**422,606**	**373,439**	**14,032**	**190,590**	**-**	**26,726**	**-**	**(1,479)**	**1,025,914**
Consolidated net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**194,546**	**-**	194,546
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,528**	12,528
Available-for-sale financial assets	-	-	-	-	-	-	-	14,163	14,163
Cash flow hedges	-	-	-	-	-	-	-	6,726	6,726
Deferred income tax	-	-	-	-	-	-	-	(8,351)	(8,351)
Other comprehensive income								(10)	(10)
Other changes in equity	**513,077**	**(373,439)**	**(2,347)**	**94,546**	**(12,750)**	**(8,167)**	**(194,546)**	**-**	**16,374**
Capital increase (Note 26)	513,077	(373,439)	-	-	-	-	-	-	139,638
Acquisition of treasury shares	-	-	-	-	(12,750)	-	-	-	(12,750)
Recognition of share-based payment (Resolution. nº 3.921 (Note 44.a)	-	-	(2,347)	-	-	-	-	-	(2,347)
Legal reserve	-	-	-	9,373	-	-	(9,373)	-	-
Statutory reserve	-	-	-	85,173	-	-	(87,177)	-	-
Approval/payment of proposed additional dividend	-	-	-	-	-	(8,167)	(39,755)	-	(47,922)
Dividends (Note 26)	-	-	-	-	-	-	(60,245)	-	(60,245)
At December 31, 2012	**935,683**	**-**	**11,685**	**285,136**	**(12,750)**	**18,559**	**-**	**11,049**	**1,249,362**

BANCO PINE S.A. E CONTROLADAS
CONSOLIDATED STATEMENTS OF CASH FLOWS (INDIRECT METHOD) FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of reais)

	Note	2012	2011
OPERATING ACTIVITIES			
Adjusted net income		**293,258**	**317,323**
Consolidated net income for the period		194,546	184,191
Effect of changes in exchange rates on cash and cash equivalents		10,378	13,148
Depreciation and amortization		4,590	3,998
Deferred taxes		25,541	43,170
Impairment of loans and receivables		54,583	59,943
Provisions for/Reversal of contingencies (net)		2,927	12,782
Net gains on sale of tangible assets, non-operating assets and investments		693	91
Changes in operating assets and liabilities		**(207,249)**	**(143,015)**
(Increase) Decrease in loans and advances to financial institutions		170,014	(223,246)
(Increase) Decrease in debt instruments		867,172	(1,241,919)
(Increase) Decrease in equity instruments		12,528	9,127
(Increase) Decrease in derivatives(net)		(30,006)	(94,431)
(Increase) Decrease in loans and advances to customers		(72,527)	(59,568)
(Increase) Decrease in deferred income tax and social contribution		(9,324)	3,256
(Increase) Decrease in non-current assets held for sale		(118,262)	(22,613)
(Increase) Decrease in recoverable income tax		13,345	(46,176)
(Increase) Decrease in deposits in guarantee		(16,280)	(26,304)
(Increase) Decrease in other assets		53,193	(84,258)
Increase (Decrease) in securities issued abroad		550,415	222,212
Increase (Decrease) in share loans		-	(398)
Increase (Decrease) in deposits		(78,006)	75,062
Increase (Decrease) in funds obtained in the open market		(1,357,755)	831,576
Increase (Decrease) in borrowings and onlendings		(116,020)	725,223
Increase (Decrease) in correspondent banks		(6,329)	(4,284)
Increase (Decrease) in sale or transfer of financial assets		(65,061)	(114,853)
Increase (Decrease) in other financial liabilities		2,680	50,865
Increase (Decrease) in provisions		(16,660)	(137,441)
Increase (Decrease) in tax liabilities		4,841	(64)
Increase (Decrease) in other liabilities		4,793	(4,781)
Net cash provided by (used in) operating activities		**86,009**	**174,308**
INVESTING ACTIVITIES			
Acquisition of property and equipment in use		(25,553)	(1,143)
Acquisition of intangible assets		(646)	(371)
Net cash provided by (used in) investing activities		**(26,199)**	**(1,514)**
FINANCING ACTIVITIES			
Capital increase		139,638	43,749
Increase (Decrease) in subordinated debt		14,471	85,352
Premium on subscription of shares		(2,347)	-
Acquisition/Sale of treasury shares (net)		(12,750)	1,413
Dividends/Interest on own capital		(102,108)	(63,009)
Net cash used in financing activities		**36,904**	**67,505**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**96,714**	**240,299**
Cash and cash equivalents at the beginning of the period	5	345,740	118,589
Effect of changes in exchange rates on cash and cash equivalents		(10,378)	(13,148)
Cash and cash equivalents at the end of the period	5	**432,076**	**345,740**
Additional information			
Interest received		537,953	528,838
Interest paid		294,588	193,789

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

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 a subsidiary institution, member 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 the institutions as is most practicable and reasonable in the circumstances.

2. FINANCIAL INFORMATION PRESENTATION

a. Statement of Compliance

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

The parent company financial information was 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 47 presents the reconciliation of equity to net income.

The financial information under IFRS includes 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 CVM, the Consolidated financial statements as December 31, 2012, was authorized for issue on February 04, 2013 by the Institution's Board of Directors, among other matters.

b. Significant standards, amendments and interpretations issued by IASB but not yet in force

The following new standards, amendments and interpretations were issued by the IASB, but are not in force for the year ended December 31, 2012. 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:

• IAS 1 - "Presentation of financial statements". The main change is the segregation of "other components", now presented in the Statements of Comprehensive Income in two separate groups: those that will be recognized in the Income Statement and those that will be maintained in equity. These changes will be applied as from January 1st, 2013. The main impact of its adoption will be the presentation and disclosure requirements.A63

• IAS 19 - "Employee Benefits" was changed in June 2011. The main changes will be 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). The full impact of these changes on the Group is under analysis by management. The standard is applicable from January 1, 2013.

• IAS 32 - "Financial Instruments" This change was issued to clarify the offsetting requirements for financial instruments in the Balance Sheet. The change is applicable for years beginning January 1, 2014. The possible impacts arising from its adoption are under analysis.

• IFRS 7 - "Financial Instruments" In December 2011, a new change to this pronouncement was issued requiring additional disclosures on the offsetting process. These requirements are applicable for the years beginning on or after January 1, 2013. The possible impacts arising from the adoption of these changes are under analysis.

• 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 fair value resulting from an entity's own credit risk is recorded in other comprehensive income rather than in the Income Statement, 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.

IFRS 10 - "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the parent company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control. The full impact of IFRS 10 is under analysis by the Group. The standard is applicable as from January 1, 2013.

• IFRS 11 Joint Arrangements", published in May 2011. The standard provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer permitted. The standard will be applicable as from January 1, 2013.

• 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. The full impact of IFRS 12 is under analysis by the Group. The standard is applicable as from January 1, 2013.

• IFRS 13 - "Fair Value Measurement" issued in May 2011 seeks to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across the IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The full impact of IFRS 13 is under analysis by the Group. The standard is applicable as from January 1, 2013.

Banco Pine considers that the adoption of the standards and interpretations described above will have no significant effect on consolidated financial statements as a whole, except for IFRS 9 and IAS 19, and is analyzing the impacts resulting from the adoption of these standards. There are no other IFRS standards or IFRIC interpretations that are not yet effective and which could have a significant impact on the Institution.

(In thousands of reais, except share data)

3. Significant Accounting Practices

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

The standards and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after January 1, 2011.

a. Basis of consolidation

The consolidated financial information includes the operations of Banco Pine S.A., including its Grand Cayman and Pine Securities branches, its subsidiaries, and those of the special purpose entity, 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 policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the group.

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

		Capital Participation (%)	
	Business Industry	2012	2011
Overseas Branches			
Grand Cayman Agency	Foreign Branches	100.0000	100.0000
Pine Securities USA LLC (5)	overseas subsidiary	100.0000	100.0000
Subsidiaries			
Pine Investimentos Distribuidora de Títulos e Valores Mobiliários Ltda.	Securities dealer	99.9998	99.9998
Pine Comercializadora de Energia Elétrica Ltda. (2)	Consulting	100.0000	100.0000
Pine Corretora de Seguros Ltda. (1)	Insurance broker	99.9998	99.9998
Pine Assessoria e Consultoria Ltda. (1)	Consulting	99.9998	99.9998
Pine Assessoria em Comercialização de Energia (3)	Consulting	10.0000	-
Pine Planejamento e Serviços Ltda (4)	Consulting	99.9900	-
Special Purpose Entity (SPE)			
Pine Crédito Privado Fundo de Investimento em Direitos Creditórios Financeiros	Receivables investment fund (FIDC)	-	-
Investment funds - sole shareholder			
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 Credito Privado	Multimarket investment fund	-	-
Fundo de Investimento Pine Referenciado DI Crédito Privado	Fundo de investimento DI	-	-

(1) Pine Assessoria e Consultoria Ltda. and Pine Corretora de Seguros Ltda. were constituted on December 12, 2011.

(2) On February 16, 2012, approval was given to transform the corporation into a limited liability partnership and its name was changed from BP Empreendimentos e Participações S.A. to Pine Comercializadora de Energia Elétrica Ltda.

(3) Pine Assessoria em Comercialização de Energia Ltda. was constituted on April 24, 2012. Capital is R$10, comprising 10,000 quotas of R$1 each, fully subscribed and paid up in Brazilian currency and distributed as follows between the partners: Pine Comercializadora de Energia Elétrica - 90% and the Institution - 10%.

(4) Pine Planejamento e Serviços Ltda. was constituted on June 26, 2012. Capital is R$10, comprising 10,000 quotas of R$1 each, fully subscribed and paid up in Brazilian currency and distributed as follows between the partners: 0.01% - Pine Comercializadora de Energia Elétrica, 99.99% - the Institution.

(5) In October, 2012, Pine Securities USA LLC Limited Liability's Company Agreement was established.

Subsidiaries

Companies over which the Institution exercises control, defined as 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. The financial statements of subsidiaries are consolidated in the Institution's financial statements. 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).

Since the control over the receivables assigned to the fund remains with the Bank (receipt, transfer and collection), and the Institution holds the subordinated shares of the Fund, management decided to consolidate the FIDC, as provided for by CVM Official Circular 01/2007, and SIC12 - Consolidation – Special Purpose Entities.

In accordance with Article 5 of CVM Instruction 408/04, we present below the information on Pine Crédito Privado, considered in preparing the consolidated financial information:

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

Pine Crédito Privado Fundo de Investimento em Direitos Creditórios Financeiros (FIDC), administered by Citibank Distribuidora de Títulos e Valores Mobiliários S/A. was formed as a private condominium entity on December 7, 2010. The start date of the distribution was March 28, 2011. The Fund offered 207,000 senior shares with a unit value of R$1. The closing date of the distribution was April 6, 2011. The Fund will terminate its activities within 180 days of the redemption in full of the senior shares outstanding (54 months after the distribution date of the Fund).

The purpose of the Fund is to increase shareholder value, through the acquisition of financial segment receivables, comprising exclusively corporate loans (working capital) originated and assigned by Pine, that meet the eligibility criteria, subject to all indices of composition and diversification of the portfolio established in the Regulation. The Fund also invests its resources in other assets.

ii) Participation in the equity and results of the FIDC

In accordance with Article 24, section XV, of CVM Instruction 356, amended by CVM Instruction 393, and Chapter 21 of the Fund Regulation, the ratio of the value of senior shares to the Fund's net assets shall be 69%. Accordingly, 31% of the Fund's net assets must consist of subordinated shares. This ratio will be calculated daily and shall be made accessible monthly to the Fund's shareholders.

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

Verification of the compliance of the credit rights with the securitization conditions is, according to the transfer agreement, the sole responsibility of the Assignor (Banco Pine), without prejudice to the right of the assignee (the Fund), directly or through third parties, to perform this verification also.

Non-compliance with any obligation originating from the credit rights by the debtors and other assets of the Fund's portfolio is allocated to the subordinated shares up to the equivalent of their total value . Once this sum is exceeded, the default of receivables held by the Fund is allocated to the senior shares. The subordinated shares do not have a profitability target, but should benefit from any excess returns generated by the receivables portfolio.

In the event that the percentage of subordinated shares falls below 31% of the net assets of the Fund, the Bank will have 5 days to arrange the restoration of this minimum ratio, through the subscription of new subordinated shares, and if this does not occur, the Administrator should declare an Evaluation Event as established in the Regulation. In the event that the subordinated shares come to represent more than 31% of the net assets of the Fund, the administrator may make a partial repurchase of subordinated shares in an amount necessary to re-balance this factor.

iv) The amount and nature of the receivables, liabilities, revenues and expenses between the company and the FIDC, assets transferred by the company and rights to use assets of the FIDC.

No loans were assigned to the FIDC as at December 31, 2012 (R$ 303,651 at December 31, 2011).

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 information has 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 preparation of financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect how the accounting practices are applied to the amounts of the assets, liabilities, revenues and expenses presented. Actual results could differ from those estimates.

These estimates and assumptions are reviewed on a periodic basis. Reviews related to the accounting estimates are recognized in the period in which estimates are reviewed and in any affected future periods.

(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 observed data in similar instruments or through templates. When observable market data are 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) that necessarily requires management's judgment.

The Bank determines that investments "available for sale" are impaired when there is a significant and extended 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 Bank evaluates among other factors, the price volatility of the instruments. Additionally, the objective evidence of the impairment may be the deterioration in the financial health of the company, the performance of the industry and of the sector, the variation of technology; or the operational and financial cash flow.

(ii) Impairment of loans and advance payments

A review is performed of the necessity for impairment of loans and the advance payments portfolio monthly. The Bank uses judgments to verify the existence of evidence of impairment. This evidence include observable data indicating that there were adverse changes in the payment status of debtors classified in the same category, beyond the economic conditions that may affect the book value of assets. When verified the need to recognize the impairment loss, it should be recognized in the financial statements

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

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

(iii) Deferred taxes

Deferred tax assets are recognized due to temporary differences that are likely and for which the Bank and its subsidiaries will have taxable income in the future in relation to the deferred tax assets that can be used.

Tax credits and tax loss carryforwards are recognized when it is probable that there will be sufficient future taxable income to use these credits.

(iv) Contingent liabilities

The Bank periodically reviews its contingencies. These contingencies are evaluated based on Management's best estimates, considering the opinion of legal counsel when there is a probability that financial resources are required to settle the obligation and the amount of the obligations can be reasonably estimated.

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

The values of the contingencies are quantified using templates and criteria which allow their adequate measurement, despite uncertainty deadlines and values, as detailed in Note 3.ac and Note 23

d. Accrual basis

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

e. Capital management

The 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 information is presented in reais (R$), which is the Institution's functional currency and that of its overseas branches.

Transactions and balances in foreign currency

Foreign currency transactions are those originally denominated in 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 operations are remeasured.

Exchange gains and losses related to cash and cash equivalents, loans and advances, other assets, securities issued abroad, deposits from clients, 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 operate with a functional currency in a hyperinflationary economy, the results and financial position of Group entities whose functional currency is different from that of 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.

Upon consolidation, exchange differences arising from the translation of net investments in foreign entities are recorded 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 income (expense)

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, when 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 are recorded under "Interest and similar income" 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 risk.

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".

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 carryfowards 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 revised 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 or 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 at 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 benefits of ownership of the financial asset are substantially transferred. Any interest over 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 of 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 and advances overdue for more than 60 days, irrespective of their rating, is recognized as revenue when received. Revenue from assignments of loans, with or without recourse, is recognized on the date on which the assignments are made.

(In thousands of reais, except share data)

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; otherwise, if it is negative, derivatives are recognized as liabilities. The changes in the fair value of derivatives since the transaction date are recognized under “Gains (losses) on financial assets and liabilities” in the Consolidated Income Statement.

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., as 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 inputs

The table below provides a summary of the fair values of financial assets and liabilities for the period and year ended, respectively, December 31, 2012 and 2011, classified based on the various measurement methods adopted by the Institution for fair value determination purposes:

			2012			2011
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets held for trading	3,080,766	695,319	3,776,085	3,961,815	580,180	4,541,995
Available-for-sale financial assets	285,663	207,150	492,813	540,736	15,018	555,754
Financial liabilities held for trading	46,004	54,389	100,393	5,963	93,505	99,468
Hedging derivatives (Assets)	-	-	-	-	21,320	21,320
Hedging derivatives (Liabilities)	-	-	-	-	13,930	13,930

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. This model generally uses 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 its 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 where the variables used only include observable market input, mainly interest rates.

At December 31, 2012 and 2011, there were no transfers between levels 1 and 2. The Institution has no financial instruments designated as Level 3.

b) Financial instruments not measured at fair value

According to IFRS 7 and CPC 40 – Financial Instruments –Disclosures, we present a comparison between book value of financial assets and liabilities measured and their corresponding fair values at period end

		2012		2011
	Fair value	Book value	Fair value	Book value
Financial assets				
Cash and cash equivalents (i)	432,076	432,076	345,740	345,740
Debt instruments (i)	3,857,375	3,857,375	4,773,014	4,773,014
Equity instruments (i)	74,190	74,190	25,723	25,723
Derivative financial instruments (i)	337,333	337,333	320,332	320,332
Loans and advances to financial institutions (i)	100,299	100,299	270,313	270,313
Loans and advances to customers (ii)	4,906,402	4,898,862	4,844,094	4,880,918
Total financial assets	**9,707,675**	**9,700,135**	**10,579,216**	**10,616,040**
Financial liabilities				
Derivative financial instruments(i)	100,393	100,393	113,398	113,398
Deposits from financial institutions (iii)	121,000	121,000	105,885	105,885
Deposits from customers (iv)	3,395,225	3,595,159	3,726,158	3,688,280
Funds obtained in the open market (iii)	1,832,661	1,832,661	3,190,416	3,190,416
Securities issued abroad (iv)	908,488	891,632	318,562	341,217
Borrowings and onlendings (iv)	1,972,096	1,985,137	2,095,596	2,101,157
Sale or transfer of financial assets (iii)	334	334	65,395	65,395
Other financial liabilities	56,071	56,071	53,391	53,391
Subordinated debt (iv)	332,168	312,202	299,317	297,731
Total financial liabilities	**8,718,436**	**8,894,589**	**9,968,118**	**9,956,870**

We present below the methods and assumptions used to estimate fair value:

i) Fair value of cash and cash equivalents, debt instruments, equity instruments, derivatives financial instruments and loans and advances to financial institutions is substantially close to book value.

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 the fair value.

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

iv) The estimated fair value of deposits from customers and other borrowings with no quotation in an active market are based on discounted cash flows using interest rates for new debts with similar maturities. The fair value of deposits without specified maturity, which includes deposits with no interest rate, is substantially close to their book value.

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 occurred after the asset’s initial recognition, and that this loss represents an impact on the asset’s future cash flows which 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 been incurred, but which has not yet been identified. Assets which are not individually significant are assessed collectively in order to detect impairment, by grouping together financial assets (recorded at amortized cost) which exhibit 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 a series of assets, such as, adverse changes in the payment history of borrowers or issuers with the Institution, or economic conditions that correlate with default with the Institution. In addition, for investments in equity instruments, a significant or prolonged loss in its fair value to below the initial cost represents objective evidence of impairment.

Losses from the impairment of assets recorded at amortized cost are measured considering the risk classification, especially, all clients with a given risk classification lower than or equal level "D". Under the terms of National Monetary Council's (NMC) 2.682 Resolution, as well as for the breach of obligations overdue by 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 reduction in the value of a previously recognized impairment loss, it is reversed against the period’s result.

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 loss for impairment in available-for-sale financial assets, it is reversed against the result for the period. However, any subsequent recoveries in the fair value of a financial instrument available for sale, 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 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. Asset or liability 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 both December 31, 2012 and 2011, 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. At December 31, 2012, there were no operations classified as a cash flow hedge.

If the derivative matures or is sold, canceled or realized, it no longer complies with the criteria of cash flow hedge accounting, or if its designation is revoked, it will cease to be recorded as a fair value hedge and the amount recognized in equity remains recorded up 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 sales 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.

u. Tangible assets

Property and equipment 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 in order 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. 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 the 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) and 3. Project’s Post-Implementation Stage (expense):

Software acquired by the Institution is recorded at cost, with deductions made for cumulative amortization and for losses on account of impairment.

The expense for developing software in-house 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 results using the straight-line method over the software’s estimated useful life, beginning on the date at which it becomes

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

Software	5 years

iii. Other intangible assets

Other intangible assets with a useful life that are acquired by the Institution are 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. Other liabilities

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

z. Impairment of non-financial assets

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.

aa. 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 and subordinated debt 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.

ab. 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 where it is likely that an outflow of resources will be required to settle the obligation.

ac. Contingent assets and liabilities and legal obligations

Contingent assets and liabilities and legal obligations (tax and social security) are recognized 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 deemed probable. The establishment 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 likelihood of loss is probable. The provisions required for these lawsuits may be subject to changes in the future on account of the changes regarding the progress of each case;

· Contingent liabilities: this is a possible obligation resulting from past events and which will be only confirmed upon the occurrence or not of one or more uncertain future events beyond the Institution's control or an unrecognized present obligation since an outflow of funds is not probable. Such contingencies are reported if deemed as possible by the legal counsel.

. Legal obligations (tax and social security): these comprise 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.

ad. 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 and other circumstances, are periodically revised 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 "Reserves – Reserves for contingent liabilities, commitments and other provisions" in the Consolidated Balance Sheet. No provisions were recorded for these operations at December 31, 2012 and 2011.

ae. 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 minimum required is only accrued on the date at which the dividend distribution is approved by the stockholders.

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

af. 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.

ag. Treasury shares

Preferred and common shares repurchased are recorded in Equity as Treasury Shares in treasury by 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 the shareholders' equity. Cancellation of treasury shares is recorded as a reduction in treasury shares account against reserves in equity, in the average price of treasury shares on the cancellation date.

ah. 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 are determined by adjusting the profit or loss attributable to holders of 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.

As at December 31, 2012, the Institution has no instruments with potential for dilution.

ai. 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 of the entity for the operating decisions on the allocation of funds to the segment and evaluation of its performance.

. about which optional financial information is made available.

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

The Institution comprises the following reportable operating segments:

Corporate

The corporate segment has a wide range of products, including various modalities of loans and onlendings (working capital, BNDES onlendings and trade finance, among others) in both local and foreign currency, financial and strategic advisory services, treasury products for customers and investments.

The Institution has a broad relationship network with companies in various sectors, such as sugar/ethanol, infrastructure, electric and renewable energy and civil contraction, among others.

Retail

Banco Pine discontinued its paycheck-deductible loan granting activities at the end of 2007, substantially reducing the volume of its portfolio each quarter.

The Institution is still incurring expenses related to the paycheck-deductible loan business, and this will continue until the final maturity of the paycheck-deductible loan operations assigned with co-obligation. The main expenses relate to pre-payment, provision for loan losses and loan protection insurance.

The Income Statement and other significant figures are as follows:

BANCO PINE S.A. AND SUBSIDIARIES
NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012 AND 2011
(In thousands of reais, except share data)

			2012
	Corporate	Retail	Total
Interest and similar income	727,867	12,620	740,487
Interest and similar expense	(514,710)	(3,106)	(517,816)
NET INTEREST INCOME	**213,157**	**9,514**	**222,671**
Gains from (losses for) financial assets and liabilities (net)	**248,835**	**-**	**248,835**
Financial assets and liabilities held for trading	**238,959**	**-**	**238,959**
Derivatives	50,794	-	50,794
Debt instruments	188,165	-	188,165
Exchange rate variations (net)	**9,876**	-	**9,876**
Fee and commission income	95,453	-	95,453
Fee and commission expense	(4,681)	(2,391)	(7,072)
TOTAL INCOME	**552,764**	**7,123**	**559,887**
Administrative expenses	**(205,228)**	**(13,476)**	**(218,704)**
Personnel expenses	(115,982)	(8,383)	(124,365)
Tax expenses	(16,996)	-	(16,996)
Other administrative expenses	(72,250)	(5,093)	(77,343)
Other operating income (expenses)	(65,230)	68	(65,162)
Depreciation and amortization	(4,292)	(298)	(4,590)
Provisions (net)	25,000	(231)	24,769
Impairment of financial assets (net)	**(65,338)**	**10,755**	**(54,583)**
Loans and receivables	(63,415)	10,755	(52,660)
Debt instruments	(1,923)		(1,923)
Result from sales of non-recurring assets	15,651	-	15,651
OPERATING INCOME BEFORE TAXES	**253,327**	**3,941**	**257,268**
Income tax	(62,128)	(594)	(60,718)
CONSOLIDATED NET INCOME FOR THE PERIOD	**191,199**	**3,347**	**196,550**
Other:			
Total assets	10,175,377	134,602	10,311,983
Loans and advances to customers	4,864,111	34,751	4,898,862
Total liabilities	8,077,222	983,395	9,060,617
Deposits from customers	3,595,159	-	3,595,159

			2011
	Corporate	Retail	Total
Interest and similar income	733,651	20,906	754,557
Interest and similar expense	(572,673)	(3,937)	(576,610)
NET INTEREST INCOME	**160,978**	**16,969**	**177,947**
Gains from (losses for) financial assets and liabilities (net)	**252,974**	**-**	**252,974**
Financial assets and liabilities held for trading	**268,790**	**-**	**268,790**
Derivatives	129,459	-	129,459
Debt instruments	141,423	-	141,423
Equity instruments	(2,092)	-	(2,092)
Exchange rate variations (net)	**(15,816)**	-	**(15,816)**
Fee and commission income	45,578	-	45,578
Fee and commission expense	(3,550)	(1,976)	(5,526)
TOTAL INCOME	**455,980**	**14,993**	**470,973**
Administrative expenses	**(241,379)**	**(18,077)**	**(259,456)**
Personnel expenses	(121,863)	(10,672)	(132,535)
Tax expenses	(36,408)	-	(36,408)
Other administrative expenses	(83,108)	(7,405)	(90,513)
Other operating income (expenses)	122,430	12,480	134,910
Depreciation and amortization	(3,659)	(339)	(3,998)
Provisions (net)	(13,033)	(7,483)	(20,516)
Impairment of financial assets (net)	**(46,861)**	**(13,082)**	**(59,943)**
Loans and receivables	(46,861)	(13,082)	(59,943)
Result from sales of non-recurring assets	3,647	-	3,647
OPERATING INCOME (LOSS) BEFORE TAXES	**277,125**	**(11,508)**	**265,617**
Income tax	(84,267)	2,841	(81,426)
CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	**192,858**	**(8,667)**	**184,191**
Other:			
Total assets	11,023,599	129,582	11,153,181
Loans and advances to customers	4,783,450	97,468	4,880,918
Total liabilities	10,054,812	72,455	10,127,267
Deposits from customers	3,688,280	-	3,688,280

5. CASH AND CASH EQUIVALENTS

	2012	2011
Cash	127,788	114,016
Loans and advances to financial institutions [1]	304,288	231,724
Total cash and cash equivalents	**432,076**	**345,740**

[1] These are transactions with maturities at the original investment date equal to or less than 90 days.

(In thousands of reais, except share data)

6. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

Loans and advances to financial institutions, at December 31, 2012 and 2011, were comprised as follows:

	2012	2011
Classification:		
Loans and receivables	100,299	270,313
Total	**100,299**	**270,313**
Type:		
Investment in interbank deposits	100,299	270,313
Total	**100,299**	**270,313**

7. DEBT INSTRUMENTS AND EQUITY INSTRUMENTS

Debt instruments, at December 31, 2012 and 2011, were comprised as follows:

	2012			2011		
	Fair value	At interest rate curve	MTM adjustment	Fair value	At interest rate curve	MTM adjustment
Classification:						
Financial assets held for trading	3,438,752	3,404,143	34,609	4,242,983	4,227,841	15,142
Available-for-sale financial assets	492,813	481,129	11,684	555,754	558,232	(2,478)
Total	**3,931,565**	**3,885,272**	**46,293**	**4,798,737**	**4,786,073**	**12,664**

	2012						
	Amounts marked to market						
Security/Maturity	No stated maturity	Up to 30 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	Total	At interest rate curve
Available-for-sale financial assets							
Own portfolio:							
Federal Treasury Notes (NTN)	-	-	-	-	150,403	150,403	150,694
Promissory Note	-	-	61,070	-	-	61,070	61,362
Eurobond	-	-	-	-	2,123	2,123	2,109
Investment fund shares	74,190	-	-	-	-	74,190	74,190
Debentures	-	-	-	-	188,051	188,051	175,524
Certificates of real estate receivables (CRI)	-	-	-	-	16,976	16,976	17,250
Subtotal	**74,190**	**-**	**61,070**	**-**	**357,553**	**492,813**	**481,129**
Total available-for-sale financial assets	**74,190**	**-**	**61,070**	**-**	**357,553**	**492,813**	**481,129**
Financial assets held for trading [1]:							
Own portfolio:							
National Treasury Bills (LTN)	-	599,836	30,067	12,813	194,053	836,769	831,261
Federal Treasury Notes (NTN)	-	209,704	-	-	144,427	354,131	345,710
Debentures [2]	-	-	4,018	91,190	226,373	321,581	321,400
CCB	-	-	-	7,705	-	7,705	7,705
Promissory notes	-	-	101,124	-	-	101,124	101,124
Subtotal	**-**	**809,540**	**135,209**	**111,708**	**564,853**	**1,621,310**	**1,607,200**
Subject to repurchase agreements							
National Treasury Bills (LTN)	-	1,680,794	-	-	-	1,680,794	1,663,090
Debentures	-	65,528	-	-	-	65,528	63,016
Subtotal	**-**	**1,746,322**	**-**	**-**	**-**	**1,746,322**	**1,726,106**
Subject to repurchase agreements							
National Treasury Bills (LTN)	-	71,120	-	-	-	71,120	70,837
Subtotal	**-**	**71,120**	**-**	**-**	**-**	**71,120**	**70,837**
Total financial assets held for trading	**-**	**2,626,982**	**135,209**	**111,708**	**564,853**	**3,438,752**	**3,404,143**
Total	**74,190**	**2,626,982**	**196,279**	**111,708**	**922,406**	**3,931,565**	**3,885,272**

(In thousands of reais, except share data)

						2011
	Amounts Market to Market					
Security/Maturity	No stated maturity	Up to 30 days	From 181 to 360 days	More than 360 days	Total	At interest rate curve
Available-for-sale financial assets						
Own portfolio:						
LTN	-	-	3,334	-	3,334	3,307
NTN				222,489	222,489	223,462
Investment fund shares	25,723	-	-	-	25,723	25,723
CRI	-	-	-	15,018	15,018	15,018
Subtotal	**25,723**	**-**	**3,334**	**237,507**	**266,564**	**267,510**
Subject to guarantees:						
NTN	-	289,190	-	-	289,190	290,722
Subtotal	**-**	**289,190**	**-**	**-**	**289,190**	**290,722**
Total available-for-sale financial assets	**25,723**	**289,190**	**3,334**	**237,507**	**555,754**	**558,232**
Financial assets held for trading [1]:						
Own portfolio:						
LFT	-	-	-	36,652	36,652	36,652
LTN	-	-	85,158	106,566	191,724	191,404
NTN	-	629,027	-	27,135	656,162	656,136
CCB	-	-	-	4,922	4,922	4,922
Debentures	-	-	-	251,034	251,034	251,034
Subtotal	**-**	**629,027**	**85,158**	**426,309**	**1,140,494**	**1,140,148**
Subject to repurchase commitments:	-	2,575,197	-	-	2,575,197	2,563,730
LTN	-	310,534	-	-	310,534	308,953
NTN	-	30,812	-	-	30,812	30,812
Debentures	**-**	**2,916,543**	**-**	**-**	**2,916,543**	**2,903,495**
Subtotal						
Brazilian Central Bank deposits:	-	-	45,392	-	45,392	44,968
LTN	**-**	**-**	**45,392**	**-**	**45,392**	**44,968**
Subtotal						
Subject to guarantees	-	-	140,036	-	140,036	138,726
LTN	-	-	-	518	518	504
NTN	**-**	**-**	**140,036**	**518**	**140,554**	**139,230**
Subtotal						
Total financial assets held for trading	**-**	**3,545,570**	**270,586**	**426,827**	**4,242,983**	**4,227,841**
Total	**25,723**	**3,834,760**	**273,920**	**664,334**	**4,798,737**	**4,786,073**

[1] Securities classified as "trading" are stated based on their maturity dates.

[2] At December 31, 2012, a provision for devaluation of securities was recorded in the amount of R$1,554.

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

a) Utilization policy

The growing level of corporate 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 and liquidity analysis 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, sensitivity and liquidity analysis 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 their 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 negotiated abroad comprise futures, forward transactions, options and swaps mainly registered at the Chicago, New York and London exchanges. We stress that although certain trades abroad are carried out over-the-counter (OTC), the related risks are low in relation to the Institution's total transactions.

The main market risk factors monitored by 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.

(In thousands of reais, except share data)

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.

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

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading				
Swaps	**216,102**	**37,625**	**197,066**	**45,984**
Market risk	**216,102**	**37,625**	**197,066**	**45,984**
Interest rate risk	115,778	22,302	181,589	22,622
Foreign currency risk	95,927	15,323	2,135	22,695
Commodities	47	-	7,428	379
Variable income	4,350	-	5,914	288
Currency forwards	**85,122**	**21,647**	**89,876**	**41,722**
Interest rate risk	8,034	8,847	81,774	25,648
Foreign currency risk	73,294	12,767	8,102	16,074
Commodities	3,794	33	-	-
Options	**36,109**	**41,121**	**12,070**	**11,762**
Foreign currency risk	10,052	15,858	6,470	5,799
Commodities	26,057	25,263	5,600	5,963
Total derivatives held for trading	**337,333**	**100,393**	**299,012**	**99,468**
Hedging derivatives				
Swaps	**-**	**-**	**21,320**	**13,930**
Hedging derivatives	**-**	**-**	**21,320**	**13,930**
Interest rate risk	-	-	21,320	13,930
Total hedging derivatives	**-**	**-**	**21,320**	**13,930**
Total derivatives	**337,333**	**100,393**	**320,332**	**113,398**

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

				2012
	Notional value	Market value	At interest rate curve	Gain (loss)
Derivatives held for trading				
Swaps				
Market risk				
Asset position:	**2,794,342**	**3,207,127**	**3,020,976**	**186,151**
Interest rate risk	2,067,246	2,312,680	2,202,483	110,197
Foreign currency risk	644,261	805,350	731,310	74,040
Commodities	19,028	19,011	18,970	41
Variable income	63,807	70,086	68,213	1,873
Liability position:	**2,794,342**	**3,028,650**	**2,915,600**	**113,050**
Interest rate risk	1,919,358	2,110,067	2,018,062	92,005
Foreign currency risk	874,984	918,583	897,538	21,045
Net amount		**178,477**	**105,376**	**73,101**
Forward contracts				
Asset position:	**2,579,250**	**2,634,263**	**2,648,976**	**(14,713)**
Interest rate risk	554,932	554,085	558,167	(4,082)
Foreign currency risk	1,874,582	1,927,728	1,938,929	(11,201)
Commodities	149,736	152,450	151,880	570
Liability position:	**2,579,250**	**2,570,788**	**2,593,764**	**(22,976)**
Interest rate risk	1,375,129	1,388,212	1,406,871	(18,659)
Foreign currency risk	998,478	997,204	1,002,419	(5,215)
Commodities	205,643	185,372	184,474	898
Net amount		**63,475**	**55,212**	**8,263**
Options				
Premium on unexercised options:	**1,200,312**	**36,109**	**36,260**	**(151)**
Foreign currency risk	661,386	10,052	14,977	(4,924)
Commodities	538,926	26,057	21,284	4,773
Premium on written options:	**1,842,841**	**41,121**	**48,072**	**(6,951)**
Foreign currency risk	1,160,633	15,859	19,084	(3,226)
Commodities	682,208	25,263	28,988	(3,725)
Net amount		**(5,012)**	**(11,812)**	**6,800**

(In thousands of reais, except share data)

Futures				
		-	**-**	**(3,295)**
Purchase	**1,985,824**			
Interest rate risk	1,063,206	**-**	**-**	(167)
Foreign currency risk	840,567	**-**	**-**	(3,128)
Commodities	82,051	**-**	**-**	-
Sale	**2,563,454**	**-**	**-**	**5,997**
Interest rate risk	2,424,256	**-**	**-**	5,832
Foreign currency risk	48,362	**-**	**-**	171
Commodities	90,836	**-**	**-**	(6)
Net amount		**-**	**-**	**2,702**
Total receivable (payable) and gain (loss) from derivatives held for trading		**236,940**	**148,776**	**90,866**
Total receivable (payable) and gain (loss) from derivatives		**236,940**	**148,776**	**90,866**

				2011
Derivatives held for trading	**Notional value**	**Market value**	**At interest rate curve**	**Gain (loss)**
Derivatives held for trading				
Swaps				
Market risk				
Asset position:	**3,361,674**	**3,668,486**	**3,558,486**	**110,000**
Interest rate risk	2,551,354	2,718,439	2,650,710	67,729
Foreign currency risk	692,150	810,262	769,158	41,104
Commodities	68,936	82,088	82,088	-
Variable income	49,234	57,697	56,530	1,167
Liability position:	**3,361,674**	**3,517,404**	**3,514,720**	**2,684**
Interest rate risk	2,253,571	2,344,982	2,346,322	(1,340)
Foreign currency risk	1,107,084	1,171,308	1,167,284	4,024
Commodities	1,019	1,114	1,114	-
Net amount		**151,082**	**43,766**	**112,684**
Forward contracts				
Asset position:	**1,911,012**	**2,017,793**	**2,072,136**	**(54,343)**
Interest rate risk	1,623,686	1,708,350	1,753,913	(45,563)
Foreign currency risk	287,326	309,443	318,223	(8,780)
Liability position:	**1,911,012**	**1,969,639**	**1,996,274**	**(26,635)**
Foreign currency risk	1,644,086	1,664,603	1,704,045	(39,442)
Commodities	266,926	305,036	292,229	12,807
Net amount		**48,154**	**75,862**	**(80,978)**
Options				
Premium on unexercised options:	**116,737**	**12,070**	**8,192**	**3,878**
Foreign currency risk	68,087	6,471	2,198	4,273
Commodities	48,650	5,599	5,994	(395)
Premium on written options:	**301,316**	**11,762**	**15,815**	**(4,053)**
Commodities	199,087	5,799	3,117	2,682
Variable income	102,229	5,963	12,698	(6,735)
Total		**308**	**(7,623)**	**7,931**
Futures				
Purchase	**1,064,871**	**-**	**-**	**(10,300)**
Interest rate risk	883,792	-	-	(741)
Foreign currency risk	35,974	-	-	(9,559)
Commodities	145,105	-	-	**-**
Sale	**4,115,825**	-	-	**13,184**
Interest rate risk	3,154,424	-	-	1,776
Foreign currency risk	871,105	-	-	11,400
Commodities	90,296	-	-	8
Net amount		-	-	**2,884**
Net amount		**199,544**	**112,005**	**42,521**
Total receivable (payable) and gain (loss) from derivatives held for trading				
Hedging derivatives				
Swaps	**378,378**	**513,066**	**455,213**	**57,853**
Cash flow hedge	176,755	203,048	200,945	2,103
Asset position:	201,623	310,018	254,268	55,750
Foreign currency risk				
Cash flow	**378,378**	**505,676**	**448,102**	**57,574**
Liability position:	378,378	505,676	448,102	57,574
Interest rate risk		**7,390**	**7,111**	**115,427**
Net amount				
Total receivable (payable) and gain (loss) from hedging derivatives		**7,390**	**7,111**	**115,427**
Total receivable (payable) and gain (loss) from derivatives		**206,934**	**119,116**	**157,948**

(In thousands of reais, except share data)

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	2012 Total
Asset position:							
Swaps	416,506	61,832	37,590	371,916	244,977	2,074,306	3,207,127
Currency forwards	528,921	542,766	251,175	628,976	424,161	258,264	2,634,263
Options	4,427	10,252	-	15,600	5,830	-	36,109
Futures	253,621	863,967	-	63,513	271,637	533,086	1,985,824
Liability position:							
Swaps	398,096	59,832	36,677	359,265	233,501	1,941,279	3,028,650
Currency forwards	525,369	533,868	243,298	597,121	413,609	257,523	2,570,788
Options	4,954	13,745	206	14,706	7,510	-	41,121
Futures	89,151	100,009	2,361	352,469	949,454	1,070,010	2,563,454

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	2011 Total
Asset position:							
Swaps	70,507	348,539	14,245	805,415	290,667	2,652,179	4,181,552
Currency forwards	160,686	309,844	308,763	524,459	562,406	151,635	2,017,793
Options	-	28	4,141	6,375	1,526	-	12,070
Futures	364,469	362,163	84,804	119,907	-	133,528	1,064,871
Liability position:							
Swaps	72,109	360,569	13,612	796,381	270,994	2,509,415	4,023,080
Currency forwards	162,099	310,283	301,848	496,136	546,694	152,579	1,969,639
Options	9	237	4,295	5,695	1,526	-	11,762
Futures	985,334	23,437	24,087	89,189	1,850,687	1,143,091	4,115,825

f) Hedge accounting

At March 31, 2012, there were derivative financial instruments used as a cash flow hedge, consisting of swaps, the fair value of which totaled R$436,278. The hedged items were subordinated debt and securities issued abroad, the balances of which, adjusted to market value, totaled R$359,530. The adjustments to market value were recorded in a specific equity account. In the second quarter of 2012, the Institution decided to discontinue this hedge accounting and, as established in CPC 38 (IAS 39), the cumulative gain or loss resulting from the hedging instrument which had been recognized in other comprehensive income while the hedge was in effect was retained separately recognized in equity and deferred until the maturity of the object of the hedge. The gain retained in equity at December 31, 2012 is R$3,674 , net of tax effects.

9. LOANS AND ADVANCES TO CUSTOMERS, GUARANTEES PROVIDED AND SECURITIES WITH CREDIT RISK

a) Composition

	2012	2011
Loans and receivables	4,898,862	4,880,918
Loans and receivables at amortized cost	5,012,596	5,010,114
Provision for impairment	(113,734)	(129,196)
Loans and advances to customers, net	**4,898,862**	**4,880,918**
Securities with credit risk		
Securities with credit risk held for trading	497,492	281,846
Available-for-sale securities with credit risk	268,220	42,676
Securities with credit risk at amortized cost	30,767	3,313
Provision for impairment	(1,554)	-
Securities with credit risk, net	**794,925**	**327,835**
Guarantees provided and responsibilities	**2,123,110**	**1,701,585**
Total expanded portfolio, net	**7,816,897**	**6,910,338**
Total expanded portfolio	**7,932,185**	**7,039,534**

(In thousands of reais, except share data)

b) Types of loan

	2012	2011
Working capital	2,319,158	2,626,169
Resolution 3844 (formerly Resolution 2770)	-	9,616
Overdraft account	12,086	23,265
BNDES/FINAME onlending	852,643	873,177
Paycheck deductible loans	36,399	98,605
Foreign currency financing	280,156	217,859
Export financing	798,784	503,819
Discounted trade bills and others	-	65,653
Direct consumer financing (CDC) - vehicles	229	1,766
Buyer financing (Compror)	18,407	9,236
Debtors for purchase of assets	114,120	31,185
Credit Receivables	89,075	-
Advances on foreign exchange contracts and income receivable	491,539	549,764
Credit portfolio	**5,012,596**	**5,010,114**
Loans for imports	8,814	14,220
Guarantees provided	2,114,296	1,687,365
Guarantees provided and responsibilities	**2,123,110**	**1,701,585**
Credits receivable[1]	30,767	3,313
Corporate bonds [2]	765,712	324,522
Securities with credit risk	**796,479**	**327,835**
Total expanded portfolio	**7,932,185**	**7,039,534**

[1] Recorded in "Other receivables" (Note 12).

[2] Mostly debentures, promissory notes and receivables certificates in the funds' portfolio and in Banco Pine's portfolio (Note7).

c) By business activity:

	2012	2011
Sugar and ethanol	1,140,962	1,274,878
Civil construction	925,388	681,986
Electric and renewable energy	1,039,048	549,941
Agriculture	689,671	518,686
Building and engineering - Infrastructure	523,777	595,831
Transportation and logistics	395,830	387,220
Foreign trade	332,186	372,916
Specialized services	365,897	293,264
Metal products	350,883	165,452
Vehicles and parts	242,934	205,342
Foodstuffs	246,208	230,529
Beverages and tobacco	94,262	175,782
Telecommunications	156,508	219,175
Chemical and petrochemical	158,890	168,111
Financial institution	155,766	223,104
Construction material and decor	148,696	88,725
Mining	192,512	34,460
Meat processing	130,581	236,907
Paper and pulp	111,674	63,415
Information technology	62,537	28,675
Individuals	53,481	126,623
Pharmaceuticals and cosmetics	23,757	80,605
Textiles and clothing	45,039	75,375
Retail trade	51,299	33,693
Plastic and rubber	42,721	13,216
Medical services	39,224	16,383
Communications and printing	20,668	27,182
Electronics	15,604	52,581
Mechanics	19,912	33,670
Steel products	95,467	-
Wholesale trade	11,415	20,705
Water and sanitation	42,901	13,313
Leather and footwear	6,487	13,335
Teaching institution	-	18,454
Total expanded portfolio	**7,932,185**	**7,039,534**

(In thousands of reais, except share data)

d) By sector

	2012	2011
Agricultural	107,391	59,907
Housing	27,811	15,390
Manufacturing	1,382,815	1,477,057
Commerce	188,500	163,125
Financial intermediation	99,188	31,930
Other services	5,925,167	5,192,339
Individuals	201,313	99,786
Total expanded portfolio	**7,932,185**	**7,039,534**

e) Non-recoverable assets – Impairment

	2012	2011
Loans and receivables - Loans and advances to customers		
Operations with evidence of impairment – Individually significant		
Gross balance	247,962	166,210
Provision for impairment	(94,072)	(81,667)
Carrying amount	**153,890**	**84,543**
Operations with impairment analysis - Other		
Gross balance	4,735,716	4,765,682
Provision for impairment(1)	(16,171)	(44,940)
Carrying amount	**4,719,545**	**4,720,742**
Operations with collective impairment analysis - Retail		
Gross balance	28,918	78,222
Provision for impairment(2)	(3,491)	(2,589)
Carrying amount	**25,427**	**75,633**
Securities with credit risk		
Operations with evidence of impairment - individually significant		
Gross balance	796,479	327,835
Provision for impairment	(1,554)	-
Carrying amount	**794,925**	**327,835**
Total expanded portfolio, net	**5,693,787**	**5,208,753**
Total (gross)	**5,809,075**	**5,337,949**

Interest accrued and unpaid from transactions evidencing impairment were reversed from the portfolio in the amount of R$8.089 (December 31, 2011 - R$19,558).

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:

	2012	2011
Opening balance	**129,196**	**101,131**
Additions/reversals, net	54,583	59,943
Assets written-off	(70,356)	(34,394)
Allowance for loan losses (PDD) - Funds	1,602	-
Exchange variation	263	2,516
Closing balance	**115,288**	**129,196**

g) Loan assignments

For the year ended 31 December, 2012, loans were assigned without coobligation in the amount of R$94,436 to parties not related to the Institution (December 31, 2011 -R$441,622, of which R$303,651 was assigned to Pine Crédito Privado Fundo de Investimento em Direitos Creditórios Financeiros with no gain or loss). These assignments generated a loss in relation to their face value of R$74,156 (December 31, 2011 - R$ 63,716), without discounting the allowance for loan losses in the amount of R$70,353 (December 31, 2011 – R$38,248). The results of the assignments are recorded in the "Other operating income/expenses" account. Additionally, contracts previously written off with a loss of R$ 63,841 were transferred. These disposals generated a gain of R$ 1,062, recorded in "Loan Operations" .

h) Credit recovery

For the period ended December 31, 2012, credits previously written off as loss were recovered in the amount of R$4.009 (period ended December 31, 2011 - R$12.618) recorded in the "Loan Operations" account.

i) Renegotiation of contracts

At December 31, 2012, renegotiated contracts totaled R$130,152 (December 31, 2011 – R$17,935). The original ratings attributed to these contracts were maintained.

10. NON-CURRENT ASSETS HELD FOR SALE

	2012	2011
Non-operating assets	176,279	58,017
Total	**176,279**	**58,017**

(In thousands of reais, except share data)

11. DEPOSITS IN GUARANTEE

At December 31, 2012, these comprise judicial deposits related to tax matters, mainly PIS and COFINS in the amount of R$199,189 (December 31, 2011 - R$182,909).

12. OTHER ASSETS

	2012	2011
Reserves at the Brazilian Central Bank	1,426	12,677
Advances	5,209	4,066
Credits receivables	30,767	3,313
Commission on sureties and guarantees	46,295	36,246
Transactions in progress [1]	(1,977)	82,539
Other receivables	13,136	9,367
Total	**94,856**	**148,208**

[1] Refers to the settlement of the purchase and sale of foreign exchange contracts.

13. 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:

	2012		
	Cost	Accumulated depreciation	Net balance
Facilities	10,690	(8,932)	1,758
Furniture and equipment in use	2,962	(1,459)	1,503
Communication systems	1,428	(739)	689
Data processing systems	921	(849)	72
Security systems	31	(19)	12
Transportation systems	26,267	(1,333)	24,934
At December 31, 2012	**42,299**	**(13,331)**	**28,968**

	2011		
	Cost	Accumulated depreciation	Net balance
Facilities	10,446	(7,221)	3,225
Furniture and equipment in use	3,599	(1,763)	1,836
Communication systems	1,868	(923)	945
Data processing systems	1,074	(972)	102
Security systems	147	(119)	28
Transportation systems	1,812	(477)	1,335
At December 31, 2011	**18,946**	**(11,475)**	**7,471**

The changes in “Property and equipment in use” in the consolidated Balance Sheets were as follows:

	2012	2011
Cost:		
Opening balance	**18,946**	**18,016**
Additions	26,210	1,247
Amount written off	(2,857)	(317)
Closing balance	**42,299**	**18,946**
Accumulated depreciation		
Opening balance	**(11,475)**	**(8,787)**
Amount written off	1,667	101
Depreciation	(3,523)	(2,789)
Closing balance	**(13,331)**	**(11,475)**
Property and equipment in use, net	**28,968**	**7,471**

14. INTANGIBLE ASSETS

	2012			2011		
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount
Licenses for use of software	9,915	(7,862)	2,053	9,537	(7,062)	2,475
Total	**9,915**	**(7,862)**	**2,053**	**9,537**	**(7,062)**	**2,475**

(In thousands of reais, except share data)

The changes in “Intangible Assets” in the consolidated Balance Sheets were as follows:

	2012	2011
Cost:		
Opening balance	**9,537**	**9,166**
Additions	717	371
Amount written off	(339)	-
Closing balance	**9,915**	**9,537**
Accumulated depreciation		
Opening balance	**(7,062)**	**(5,874)**
Amount written off	268	-
Depreciation	(1,068)	(1,188)
Closing balance	**(7,862)**	**(7,062)**
Intangible, net	**2,053**	**2,475**

15. DEPOSITS FROM FINANCIAL INSTITUTIONS

	2012	2011
Classification:		
Financial liabilities at amortized cost	121,000	105,885
Total	**121,000**	**105,885**

By maturity

	2012	2011
Up to 30 days	32,749	24,059
From 31 to 60 days	40,128	36,553
From 61 to 90 days	10,282	8,542
From 91 to 180 days	1,506	25,034
From 181 to 360 days	24,266	3,639
More than 360 days	12,069	8,058
Total	**121,000**	**105,885**

16. DEPOSITS FROM CUSTOMERS

	2012	2011
Classification:		
Financial liabilities at amortized cost	3,595,159	3,688,280
Total	**3,595,159**	**3,688,280**
Type:		
Demand deposits	30,054	111,826
Time deposits	3,167,942	3,265,818
Agribusiness letters of credit	385,198	307,055
Real estate letters of credit	11,965	3,581
Total	**3,595,159**	**3,688,280**

By maturity

	2012	2011
No stated maturity	30,054	111,826
Up to 30 days	444,780	542,453
From 31 to 60 days	317,543	176,038
From 61 to 90 days	491,191	311,313
From 91 to 180 days	487,686	454,125
From 181 to 360 days	387,564	420,534
More than 360 days	1,436,341	1,671,991
Total	**3,595,159**	**3,688,280**

17. FUNDS OBTAINED IN THE OPEN MARKET

	2012	2011
LTN	1,674,484	2,565,657
NTN	-	593,961
Debentures	158,177	30,798
Total	**1,832,661**	**3,190,416**

18. SECURITIES

Local

	2012	2011
Financial bills	574,265	23,002
Total	**574,265**	**23,002**

(In thousands of reais, except share data)

Foreign - Fixed rate notes

"Tranche" - US$	Currency	Interest rate	Final maturity	2012	2011
4,091	US$	2,0% a.a + Libor	Jun/2014	8,320	12,612
8,000	US$	1,85% a.a + Libor	Nov/2014	16,347	22,505
9,394	US$	2,0% a.a + Libor	Oct/2013	19,023	34,914
1,044	US$	8,7% a.a + Libor	Jan/2017	2,226	2,042
39,333	US$	3,0% a.a + Libor	Jan/2014	81,427	199,685
25,000	US$	4,2% a.a + Libor	Apr/2022	51,157	46,457
73,000	CLP	6,0% a.a + Var.UF	Dec/2017	138,867	-
Total				**317,367**	**318,215**

19. BORROWINGS AND ONLENDINGS

						2012
	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
Local borrowings - other institutions	-	-	-	128,426	-	128,426
Local onlendings – official institutions [(1)]	70,958	251,418	330,475	132,022	107,435	892,308
Foreign onlendings	-	10,236	-	-	-	10,236
Foreign borrowings	389,617	503,245	-	-	61,305	954,167
Total	**460,575**	**764,899**	**330,475**	**260,448**	**168,740**	**1,985,137**

						2011
	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
Local borrowings - other institutions	-	2,012	-	228,292	-	230,304
Local onlendings – official institutions	75,854	223,746	327,930	137,586	102,145	867,261
Foreign onlendings	985	139	9,379	56,253	-	66,756
Foreign borrowings	481,430	451,448	-	3,958	-	936,836
Total	**558,269**	**677,345**	**337,309**	**426,089**	**102,145**	**2,101,157**

[(1)] At December 31, 2012, mostly FIDC senior shares in the amount of R$118,735 (December 31, 2011 - R$228,292).

20. SALE OR TRANSFER OF FINANCIAL ASSETS

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Credit assignments - loans	334	334	2,066	2,181
Credit assignments - retail	-	-	56,373	63,214
Total	**334**	**334**	**58,439**	**65,395**

At December 31, 2012, there were no assignments to FIDC Pine Crédito Privado, consolidated entity. At December 31, 2011, there were assignments to FIDC Pine Crédito Privado valuated in R$ 303,651 and for these operations, retained risks and rewards were limited to the amount of subordinated shares held by Banco Pine, in the amount of R$ 105,214.

21. SUBORDINATED DEBT

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

	Issue	Maturity	Amount	Interest rate	2012	2011
Fixed rate notes	Public	1/6/2017	US$125.000	8.75% p.a	262,635	239,634
Fixed rate notes	Private	12/29/2016	US$15.000	9.33% p.a	-	27,956
Financial bills	Private	8/21/2017	R$45.152	119.4% of CDI	49,567	30,141
Total					**312,202**	**297,731**

22. OTHER FINANCIAL LIABILITIES

	2012	2011
Deferred income - commission of guarantee	56,071	53,391
Total	**56,071**	**53,391**

23. PROVISIONS

a) Provisions for contingent liabilities, tax risks, commitments and other provisions:

	2012	2011
Labor contingencies	4,665	7,124
Civil contingencies	18,298	16,025
Tax contingencies	42,591	29,574
Provision for guarantees	-	15,178
Provision for credit instruments	27,828	39,214
Provision for personnel expenses	**93,382**	**107,115**

(In thousands of reais, except share data)

b) Contingent assets and liabilities and legal obligations

i) Provision for tax risks

These are legal and administrative processes related to tax and social security obligations. The main processes are as follows:

PIS: R$32,538 (December 31, 2011 – R$27,201): the Institution and Pine Investimentos filed legal proceedings designed to suspend the provisions of Article 3, paragraph 1, of Law 9718/1998, which changed the calculation basis of PIS and COFINS so that they are levied on all corporate revenues. Prior to this rule, suspended in inumerous recent decisions by the Federal Supreme Court, only revenues derived from services rendered and the sale of merchandise were liable to this tax. The injunction filed by Banco Pine received a partially favorable judgement and the appeal lodged by the Federal Government was dismissed. Currenlty awaiting judgment of the admissibility of the Special and Extraordinary Appeals filed by the Federal Government.

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.

Based on the decision of May 21, 2010 which rejected the two extraordinary appeals lodged by the Federal Government, an interlocutory appeal for writ of certiorari on extraordinary appeal was filed. Upon referral to the Federal Supreme Court, the Chief Justice ordered the remand of the case records to the Court of origin, on the grounds of Article 543-B of the Code of Civil Procedures, considering the analysis of the General Repercussion already issued through Special Appeal RE 585235. As a result of this decision, on May 18, 2011, the interlocutory appeal was dismissed and the Federal Government filed petitions seeking clarification of the decision, claiming that a material error had occurred in respect of the aforementioned RE and indicating that RE 609096 was correct. 096. The petitions for clarification were dismissed. Further, as a result of this sentence, a special appeal was lodged for the same purpose. The Deputy Chief Judge of the Regional Federal Court of the 3rd Region received the special appeal as a request for reconsideration and upheld the appealed sentence. Notified of this decision, the Federal Government lodged no further appeal. The final and unappealable sentence was handed down on October 21, 2011 and ratified on November 8, 2011.

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 the second half of 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 December 31, 2012, totals R$34,919 (December 31, 2011- R$33,565). 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 below:

	2012			2011		
	Provision	Judicial deposits	Net	Provision	Judicial deposits	Net
PIS	32,538	32,452	86	27,201	27,071	130
Cofins	-	161,197	(161,197)	-	151,573	(151,573)
Total	**32,538**	**193,649**	**(161,111)**	**27,201**	**178,644**	**(151,443)**

ii) Contingencies classified as probable are regularly recorded as a provision and at December 31, 2012 and 2011 total:

	2012			2011		
	Provision	Judicial deposits	Net	Provision	Judicial deposits	Net
Tax contingencies	10,053	2,347	7,706	2,373	1,917	456
Labor contingencies	4,665	536	4,129	7,124	746	6,378
Civil contingencies	18,298	2,657	15,641	16,025	1,602	14,423
Total	**33,016**	**5,540**	**27,476**	**25,522**	**4,265**	**21,257**

iii) Changes in liability provisions

	2012			2011		
	Tax	Labor	Civil	Tax	Labor	Civil
Opening balance	**29,574**	**7,124**	**16,025**	**167,015**	**5,788**	**5,238**
Amount recorded (reversed)	11,116	(2,980)	1,294	(150,648)	1,132	10,426
Adjustments	1,901	521	979	13,207	204	361
Closing balance	**42,591**	**4,665**	**18,298**	**29,574**	**7,124**	**16,025**

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

Labor: At December 31, 2012 and 2011, the Institution had no labor claims classified as possible.

Civil: At December 31, 2012, the Institution had no civil claims classified as possible (R$6,663 - December 31, 2011).

24. TAX LIABILITIES

	2012	2011
Income tax payable	6,621	3,513
Social contribution payable	3,788	2,055
Total	**10,409**	**5,568**

(In thousands of reais, except share data)

25. OTHER LIABILITIES

	2012	2011
Taxes and contributions payable	8,087	6,727
Dividends and bonuses payable	9,018	11,160
Lawyers' fees	9,374	11,841
Payment orders in foreign currency	26,324	13,643
Other	9,397	7,977
Total	**62,200**	**51,348**

26. EQUITY

a) Capital

Subscribed and paid-up capital totals R$935,683 and comprises 108,631,100 (December 31, 2011 - 84,034,266) nominative shares, of which 58,444,889 (December 31,2011 – 45,443,872) are common shares and 50,186,211 (December 31, 2011 – 38,590,394) are preferred shares with no par value. The Institution is authorized to increase its capital, without the necessity of any amendment to the bylaws, 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 September 25, 2012 and approved by the Central Bank on November 12, 2012, the capital increased in the amount of R$139,635 through the issue of 3,220,203 shares, (2,100,839 to shareholder DEG – Deutsche Investitions und Entwicklungsgesellschaft mbH ("DEG") and 1,119,364 to other shareholders), nominative preferred shares and 6,558,123 nominative common shares to the controlling shareholder, from R$796,048 to R$935,683, divided into 108,631,100 nominative shares, of which 58,444,889 are common shares and 50,186,211 are preferred shares, with no par value.

At the Extraordinary General Meeting held on December 22, 2011 and approved by Central Bank on February 9, 2012, it was decided: a) a capital increase from R$466,358 to R$ 666,358, with no new issue of shares, through the incorporation of a portion of the balance of the Premium on Subscription of Shares reserve, in the amount of R$ 200,000; b) a further capital increase to R$ 796,048, with the issue of 12,274,766 nominative new shares, of which 6,442,894 were common shares and 5,831,872 were preferred shares, which will be distributed to the stockholders as a bonus, based on a ratio of 14.17769510243 new bonus shares for each lot of 100 shares held. Subsequent to the issue of the new stock, the total number of shares increased from 86,578,008 nominative shares to 98,852,774 nominative shares, of which 51,886,766 are common shares and 46,966,008 are preferred shares.

As deliberated at a meeting of the Board of Directors held on September 8, 2011 and October 25, 2011 and approved by the Central Bank on January 6, 2012, an increase in share capital in the value of R$ 43,752 was approved with the issuance of 2,543,742 preferred shares, 2,543,604 in favour of the shareholder DEG – Deutsche Investitions – und Entwicklungsgesellschaft Mbg ("DEG"),and 138 in favour of others shareholders.

b) Capital reserve

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 bylaws may constitute other reserves, provided that their purpose, the percentage of net income to be appropriated thereto and the maximum amount to be maintained in each such reserve is specified. The appropriation of funds to these reserves should not be approved to the detriment of the mandatory dividend. The Institution recorded a statutory reserve of 100% of its net income, in the amount of R$85,173, after the appropriation of 5% to the legal reserve of R$9,373, the deduction of the payment of interest on own capital of R$60,245 and dividends in the amount of R$39,755, to maintain the Institution's operating margin compatible with its asset transactions.

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 9249/95, of December 26, 1995, interest on own capital was accrued, calculated based on the variation in TJLP for the period. This interest on own capital decreased the expense for income tax and social contribution for the period ended December 31, 2012 by R$24,098 (R$17,961 -December 31, 2011) .

We present below the approved dividends and interest on own capital for the net income of period:

Description	Release Date	Payment Date	Gross amount per share	Total gross amount	Net of withholding tax amount per share	Net of witholding tax amount
Interest on own capital	12/26/2012	1/11/2013	0.1501	16,154	0.1276	13,731
Interest on own capital	9/24/2012	10/11/2012	0.1430	14,083	0.1216	11,971
Interest on own capital	6/22/2012	7/12/2012	0.1529	15,113	0.1300	12,846
Interest on own capital	3/27/2012	4/12/2012	0.1507	14,895	0.1281	12,661
Dividends	12/26/2012	1/11/2013	0.1286	13,846	-	-
Dividends	9/24/2012	10/11/2012	0.1617	15,917	-	-
Dividends	6/22/2012	7/12/2012	0.1011	9,887	-	-
Dividends	3/27/2012	4/12/2012	0.0011	105	-	-

In accordance with ICPC 08, the proposed additional dividend in excess of the minimum dividend, in the amount of R$18,559 (R$26,726 in December 31, 2011) is classified in a specific equity account.

(In thousands of reais, except share data)

e) Treasury shares

At a meeting of the Board of Directors on September 16, 2011,the acquisition of self-issued shares of Pine was authorized for up to 2,154,011 preference shares to be held in treasury for subsequent sale, as well as payment of variable remuneration for the statutory directors of the Bank in agreement with the terms of Resolution 3.921/11, without reducing equity. 713,395 shares were repurchased in the amount of R$ 9.588 at an average cost of R$ 13.44. The authorisation prevailed until August 31, 2012.

At a meeting of the Board of Directors on December 6, 2012, the acquisition of self-issued shares of Pine was authorized for up 1,219,659 preference shares, to be held in treasury for subsequent sale, as well as payment of variable remuneration for the statutory directors of the Bank in accordance with the terms of Resolution 3.921/11, without reducing equity. This plan has already repurchased 600,000 shares in the amount of R$ 7.679 with an average cost of R$ 12.80. Authorization for issue can be granted until December 5, 2013.

During the second semester Pine transferred 318,555 preferred shares of its own issuance, which were held in treasury, for the Board of Directors as variable remuneration in accordance with Resolution 3.9211/11 in the amount of R$ 4,517 with an average cost of R$ 14.18.

At 31 December, 2012 the bank had 994,840 preferred shares on treasury of its own issuance in the amount of R$ 12,750. The market value of these shares corresponded to R$ 14,923. At 31 December, 2011 there were no treasury shares.

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 presented in the statement of changes in equity and income and expenses recognized until they are extinguished or realized, when they are definitively recognized in the Consolidated Income Statement. The amounts generated by subsidiaries are shown 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.

	2012	2011
Available-for-sale financial assets	**11,684**	**(2,478)**
Debt instruments	11,684	(2,478)
Cash flow hedges	**3,974**	**(102)**
Hedging instrument	6,624	(381)
Income tax	(2,650)	279
Other	**59**	**69**
Income tax	**(4,668)**	**1,032**
Total	**11,049**	**(1,479)**

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.

At December 31, 2012, the bank sold securities classified as available-for-sale. This operation resulted in a profit of R$33,142 (R$ 13,560 at December 31, 2011) which was transferred to income.

28. INTEREST AND SIMILAR INCOME

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

	2012	2011
Loans and advances to financial institutions	16,650	8,992
Available-for-sale debt instruments	125,056	103,898
Loans and advances to customers	598,781	641,667
Total	**740,487**	**754,557**

29. INTEREST AND SIMILAR EXPENSE

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

	2012	2011
Deposits from financial institutions	14,424	23,290
Deposits from customers	354,338	375,376
Funds obtained in the open market	4,501	1,577
Borrowings and onlendings	90,177	93,350
Securities Liabilities	6,222	11,429
Subordinated debts	26,181	55,183
Other interest	21,973	16,405
Total	**517,816**	**576,610**

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

Gains from (losses from) 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

	2012	2011
Financial assets held for trading	238,959	268,790
Total	**238,959**	**268,790**

(In thousands of reais, except share data)

b) Financial assets held for trading - Derivatives

	12/31/2012	12/31/2011
Futures	(155,581)	47,261
Options	67,731	18,303
Swaps	128,533	83,896
Forward contracts	10,111	(20,001)
Total	**50,794**	**129,459**

31. FEE AND COMMISSION INCOME

The "Fee and commission income" account consists of fees and commissions paid to the Institution that have accumulated during the period, except for those that comprise the effective interest rate on financial instruments.

	2012	2011
Commission on guarantees	28,865	17,637
Structuring fee	56,461	11,871
Customer account charges	6,622	4,741
Other	3,505	11,329
Total	**95,453**	**45,578**

32. FEE AND COMMISSION EXPENSES

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

We present below the breakdown of this account balance:

	2012	2011
Commissions	2,790	1,415
Banking services	861	1,098
Teleprocessing	2,390	1,976
Other	1,031	1,037
Total	**7,072**	**5,526**

33. FOREIGN EXCHANGE VARIATION (NET)

Foreign exchange variation mainly includes the gains and losses on 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.

34. OTHER OPERATING INCOME(EXPENSES)

	2012	2011
Reversal of provision for COFINS legal process (1)	-	33,565
Recovery of expense for COFINS legal process (1)	-	162,322
Recovery of expenses	947	4,088
Charges on credits granted (2)	(74,387)	(65,103)
Income of rentals	2,954	-
Other	5,324	38
Total	**(65,162)**	**134,910**

(1) At December 31,2011, the amount is related to the COFINS legal process described in the note 24.b i).

(2) R$74.156 refers to losses with loans assigned without coobligation, as mencioned at note 9.g.

35. PERSONNEL EXPENSES

	2012	2011
Salaries	59,668	47,176
Benefits, training	8,607	6,930
Social charges	20,504	16,991
Profit sharing	35,586	61,438
Total	**124,365**	**132,535**

(In thousands of reais, except share data)

36. OTHER ADMINISTRATIVE EXPENSES

	2012	2011
Water, electricity and gas	439	395
Rents	8,412	7,440
Leased assets	2,585	3,062
Communications	3,603	3,155
Charitable contributions	104	83
Maintenance and repair of assets	2,227	1,360
Materials	157	448
Data processing	8,280	7,563
Promotion and public relations	2,413	1,539
Publicity and advertising	2,182	1,500
Publications	986	736
Insurance	397	773
Financial system services	4,266	3,545
Third-party services	7,686	5,654
Surveillance and security services	3,274	2,095
Specialized technical services	12,280	33,697
Transportation	1,616	1,388
Travel	3,438	2,468
Fines imposed by BACEN	1	10
Court decisions	9,307	8,638
Other administrative expenses	3,690	4,964
Total	**77,343**	**90,513**

37. NET PROVISIONS

	2012	2011
Indexation - asset	12,393	14,466
Indexation - liability	(456)	(17,068)
Reversion/Provision for civil and labor proceedings	(3,312)	5,799
Reversion/Provision for tax processes	(218)	(11,197)
Reversal of provision for guarantees	15,178	(15,178)
Other	1,184	2,662
Total	**24,769**	**(20,516)**

38. RESULT OF SALE OF ASSETS

At December 31, 2012 the amount of R $ 15,651 (R $ 3,647 at December 31, 2011) corresponds mainly to the sale of assets received in lieu of payment for the settlement of loans.

39. INCOME TAX AND SOCIAL CONTRIBUTION

a) Reconciliation of expenses for income tax and social contribution on net income:

	2012	2011
Income before taxes, net of profit sharing	257,268	265,617
Interest on own capital	(60,245)	(52,827)
Income before taxes on income	**197,023**	**212,790**
Rate (25% income tax and 15% social contribution)	40%	40%
Expected expense for IRPJ and CSLL, based on current tax rate	(78,808)	(85,116)
Other adjustments	16,086	3,690
Income tax and social contribution	**(62,722)**	**(81,426)**
Of which:		
Current tax	(37,181)	(38,256)
Deferred tax	(25,541)	(43,170)
Expense recorded	**(62,722)**	**(81,426)**

b) Tax calculation at the effective rates

	2012	2011
Income before taxes on income	257,268	265,617
Income tax and social contribution	62,722	81,426
Effective rate	**24.38%**	**30.66%**

c) Deferred taxes recognized in income

	2012	2011
Impairment	73,517	65,846
Losses for loan operations not yet deducted	23,099	20,036
Provision for tax risks and contingent liabilities	21,879	20,595
Provision for profit sharing	8,306	13,260
Provision for other assets	3,983	3,983
Other IFRS adjustments	(11,949)	4,121
Mark-to-market adjustment of derivative financial instruments	(28,149)	(39,238)
Other adjustments	(11,347)	(1,396)
Total	**79,339**	**87,207**

(In thousands of reais, except share data)

d) Taxes recognized in equity

	2012	2011
Valuation of (fixed income) available-for-sale securities	(4,668)	991
Valuation of cash flow hedges	(2,650)	40
Total	**(7,318)**	**1,031**

e) Changes in deferred taxes

	2012	2011
Opening balance	**88,238**	**134,664**
Debit (credit) to income	(23,537)	(43,170)
Debit (credit) to equity	9,324	(3,256)
Closing balance	**74,025**	**88,238**

f) Estimated realization

	2012	2011
Up to 1 year	155,949	158,440
From 1 to 2 years	14,872	18,622
From 2 to 3 years	9,518	6,401
From 3 to 4 years	6,550	3,043
From 4 to 5 years	2,832	2,771
From 5 to 10 years	22,327	21,456
Subtototal Assets - Tax credits	**212,048**	**210,733**
Up to 1 year	104,765	91,988
From 1 to 2 years	5,936	3,050
From 2 to 3 years	10,013	7,958
From 3 to 4 years	7,115	7,260
From 4 to 5 years	9,101	7,308
From 5 to 10 years	3,097	4,931
Subtototal Liabilities - Tax Credits	**140,027**	**122,495**
Total	**72,021**	**88,238**

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 December 31, 2012, the amount of this contribution was R$342 (December 31, 2011 - R$279).

41. PROFIT SHARING PROGRAM

Banco Pine has a profit sharing program (PPLR) ratified by the Bank Employees' Trade Union, as defined by 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 areas. These expenses were recorded in the “Personnel expenses” account.

42. OPERATING LIMITS

a) Basel ratio

At December 31, 2012, the Institution's Basel ratio was 16,19% (December 31, 2011 – 18,48%), calculated based on the consolidated financial information, as required by BACEN.

	2012	2011
Reference equity (PR)	**1,477,645**	**1,313,674**
Tier I	**1,220,446**	**1,016,629**
Equity in BRGAAP	1,219,946	1,015,081
Mark-to-market adjustments	500	1,548
Tier II	**257,199**	**297,045**
Subordinated debt	257,699	298,593
Mark-to-market adjustments	(500)	(1,548)
Required reference equity (PRE)	**1,004,123**	**781,922**
Credit risk	899,670	760,492
Market risk	95,559	11,749
Operational risk	8,894	9,681
Excess PR	**473,522**	**531,752**
Basel ratio - %	**16.19%**	**18.48%**

Banco Pine, pursuant to Circular 3477/09, publishes quarterly information related to the management of risk and required reference equity (PRE). The report containing further details, structure and methodologies is available on the following website link: www.pine.com.br/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 December 31, 2012, the equity to fixed assets ratio was 10.21% (December 31, 2011 – 6.99%).

(In thousands of reais, except share data)

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 December 31, 2012 and 2011:

	2012	2011
Guarantees provided to financial institutions	9,664	59,571
Guarantees provided to individuals and corporations	2,104,632	1,627,794
Letters of credit	8,814	14,220
Total	**2,123,110**	**1,701,585**

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) An 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) An 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 by 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 following from December 31, of each year, a Compensation Committee Report, as required by CMN Resolution 3921/10.

At December 31, 2012, variable remuneration was determined in the amount of R$5,872, in accordance with the criteria defined in the new plan.

Salaries and Compensation of the Board of Directors and Management	2012	2011
Fixed compensation	7,841	5,549
Variable compensation	17,669	13,357
Short-term Benefits	2,997	952
Total	**28,507**	**19,858**

Short-term benefits granted to Management mainly comprise compensation 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 health care and free or subsidized goods or services).

Employment termination agreement

The employment agreements are valid for an indefinite period. The officer is not entitled to any financial compensation when the employment relationship is terminated voluntarily or due to the non-fulfillment of obligations. If the employment agreement is terminated by the Institution, the officer may receive indemnification. During the quarter ended December 31, 2012, compensation in the amount of R$1,246 was paid to officers who left the Institution. No compensation was paid for the period ended December 31, 2011.

(In thousands of reais, except share data)

b) Related parties

	Assets (liabilities)		Income (expenses)	
	2012	2011	2012	2011
Marketable securities	**59,731**	**105,214**	**16,557**	**10,614**
Pine Crédito Privado - FIDC	59,731	105,214	16,557	10,614
Demand deposits	**144**	**649**	**-**	**-**
Pine Investimentos	55	546	-	-
Pine Comercializadora de Energia Elétrica	-	40	-	-
Pine Corretora	8	1	-	-
Pine Assessoria	5	1	-	-
Pine Assesoria em Comercialização de Energia	3	-	-	-
Pine Planejamento Ltda	9		-	-
Directors and immediate family[1]	64	61	-	-
Interbank deposits	**9,152**	**20,504**	**(1,224)**	**(2,643)**
Pine Investimentos	9,152	20,504	(1,224)	(2,643)
Time deposits	**161,590**	**108,528**	**(10,209)**	**(5,145)**
Pine Investimentos	26,546	14,145	(1,602)	(637)
Pine Comercializadora de Energia Elétrica	80,541	81,293	(7,065)	(3,588)
Pine Corretora	220	750	(45)	-
Pine Assessoria	35,421	2,001	(1,403)	(1)
Pine Planejamento Ltda	4,782	-	(36)	-
Directors and immediate family[1]	14,080	10,339	(58)	(919)

[1] The amounts relating to directors and immediate family are not consolidated.

c) Capital ownership

The following table presents the direct investment in common and preferred shares, at December 31, 2012 and 2011, of stockholders with more than five percent of the total shares and of members of the Board of Directors and Executive Board.

						2012
Stockholders	Common shares	Common shares(%)	Preferred shares	Preferred shares %	Total shares	Total shares(%)
Individuals	58,444,889	100.00	15,595,863	31.08	74,040,752	68.16
Board of Directors	-	-	3,281,010	6.54	3,281,010	3.02
Executives	-	-	2,635,774	5.25	2,635,774	2.39
Total	**58,444,889**	**100.00**	**21,512,647**	**42.87**	**79,957,536**	**73.57**

						2011
Stockholders	Common shares	Common shares(%)	Preferred shares	Preferred shares %	Total shares	Total shares(%)
Individuals	45,443,872	100.00	14,370,556	37.23	59,814,428	71.18
Board of Directors	-	-	2,150,452	5.57	2,150,452	2.56
Executives	-	-	602,994	1.56	602,994	0.72
Total	**45,443,872**	**100**	**17,124,002**	**44.36**	**62,567,874**	**74.46**

45. OTHER INFORMATION

a) Insurance

The Institution's insurance strategy is based mainly on 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 December 31, 2012 is 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 11 vehicles	2,286
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	339,560

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 made up of a board of directors, a council and a committee that assess the following risks:

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

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 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 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 for determining possible impairment of an asset, the Bank considers a risk classification,especially, all clients with a given risk classification lower or equal to level "D", under the terms of the National Monetary Council's (NMC) 2.682 Resolution, as well as for the breach of obligations overdue 90 (ninety) days, as shown hereinafter.

Impairment calculation for operations evidenced

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

i. Operations without warranties.

For exposures evidence Impairment not associated with guarantees, percentage of the Potential Credit Risk should be applied to the amount of exposure.

ii. Operations with warranties.

The guarantees of exposures that evidence Impairment will be used as mitigators, not being necessary to apply the percentage of Potential Credit Risk. The amount of the impairment will be the difference between the exposure value and the present value of the security associated with this exposure. The present value of the guarantee is calculated based on the average cost of funds of the Bank for a 3 (three) year period.

Criteria for creating impairment for unidentifiable risks

The institution, for the purpose of containing any credit losses that have not been yet identified within their criteria for evidence of impairment, adopts, conservatively, the evaluation of its historic loss for its application to the percentage of expected loss on unidentifiable risks.

Credit risk management

Duties:

• Formulate Credit Policies with all 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.

• Revise 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 revisions 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 the granting of credit. It establishes rules for:

• 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.

(In thousands of reais, except share data)

The criteria were developed, tested and applied by the Vice-President of Credit Risk Department for all of the Institution's active customers in 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 Bank 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.

Maximum credit risk exposure

	2012	2011
Cash equivalents	304,288	231,724
Debt instruments	3,438,752	4,242,983
Derivatives	337,333	299,012
Loans and receivables	5,112,895	5,280,427
Hedging instruments	-	21,320
Guarantees provided	2,123,110	1,701,585

Quality of credit

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

				2012
Internal classification (Rating 2682)	Expired contracts with impairment	Unexpired contracts with impairment	Total loans	Impairment
AA - C (Collective)	25,185	4,710,531	4,735,716	16,171
D - H (Individual analysis)	73,420	174,542	247,962	94,072
Retail	4,047	24,871	28,918	3,491
Securities with credit risk	-	796,479	796,479	1,554
Total	**102,652**	**5,706,423**	**5,809,075**	**115,288**

				2011
Internal classification (Rating 2682)	Expired contracts with impairment	Unexpired contracts with impairment	Total loans	Impairment
AA - C (Collective)	10,686	4,735,067	4,745,753	44,940
D - H (Individual analysis)	50,964	134,804	185,768	81,667
Retail	5,042	73,551	78,593	2,589
Securities with credit risk	-	327,835	327,835	-
Total	**66,692**	**5,271,257**	**5,337,949**	**129,196**

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

Mission of the Chief Risk Office (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 permit 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

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) and 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 call upon, exceptionally as participants, the executives of the identified risks origination.

Credit risk controls and management

In a broad concept, 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, support decisions and commercial strategies and to provide information that enables the Executive Committee to monitor compliance with the Institution's Strategic Planning.

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 abovementioned items.

In addition to the management tools provided chiefly to the Commercial Department, this instrument enables the consolidation of information fundamental 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.

Concerning preventive actions, it seeks to adopt measures for risks that, in some manners, present indications of possible default, be they insufficient guarantees, reduced liquidity of notes under collection, uncovered overdrafts or 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 incompatible with the type of operation, order for write-off for 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 could place in doubt the certainty of the receipt of the funds loaned.

(In thousands of reais, except share data)

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 indication of a possibility of default that is detected by insufficient guarantees, reduced liquidity of securities in collection, transactions incompatible with the type of operation, order for write-off of notes in the portfolio, among others.

For purposes of this analysis, the Risk and Controls Oversight Board will observe said changes through monitoring of the Institution's active customers and identifying any changes in the risk of any customer, 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 collateral 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 purposes of objective evidence of impairment, based on the evaluation of overdue payments and 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 mitigators 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, "agreements" cannot be confused with "renegotiations", since the latter is when our customers 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 similar 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.

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 guarantee held against financial assets.

	Loans and advances to customers	
	2012	2011
Operations with impairment		
Receivables	622	115,810
Pledge / sale of products, inventories and equipment	107,751	14,120
Mortgage / sale of real estate	3,230	24,491
Subtotal	**111,603**	**154,421**
Operation without impairment		
Receivables	933,952	903,117
Pledge / sale of products, inventories and equipment	1,421,962	1,460,628
Financial investments	39,939	107,988
Mortgage / sale of real estate	755,850	556,836
Guarantees	57,316	61,996
Subtotal	**3,209,019**	**3,090,565**
Total	**3,320,622**	**3,244,986**

(In thousands of reais, except share data)

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 adopts a conservative approach and uses 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 prior 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 on 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 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:

					2012
	Note	Up to 90 days	From 91 to 360 days	More than 360 days	Total
ASSETS					
Financial Assets		**5,300,398**	**2,110,531**	**2,289,206**	**9,700,135**
Cash and cash equivalents	**5**	**432,076**	**-**	**-**	**432,076**
Financial assets held for trading		**3,402,150**	**216,834**	**157,101**	**3,776,085**
Debt instruments	7	3,329,922	108,830	-	**3,438,752**
Derivatives	8	72,228	108,004	157,101	**337,333**
Available-for-sale financial assets		**74,190**	**-**	**418,623**	**492,813**
Debt instruments	7	-	-	418,623	418,623
Equity instruments		74,190	-	-	74,190
Loans and receivables		**1,391,982**	**1,893,697**	**1,713,482**	**4,999,161**
Loans and advances to credit institutions	6	-	79,948	20,351	**100,299**
Loans and advances to customers	9	1,391,982	1,813,749	1,693,131	**4,898,862**
Other assets		**173,039**	**90,186**	**315,598**	**578,823**
Non-current assets held for sale	10	**144,874**	**31,405**	**-**	**176,279**
Other		**28,165**	**58,781**	**315,598**	**402,544**
Deposits in guarantee	11	-	-	199,189	**199,189**
Recoverable income tax		855	-	35,623	**36,478**
Other assets	12	13,840	21,066	59,950	**94,856**
Deferred income tax and social contribution	39	13,470	37,715	20,836	**72,021**
TOTAL ASSETS [1]					**10,278,958**
LIABILITIES					
Financial liabilities		**3,848,029**	**1,733,578**	**3,312,982**	**8,894,589**
Derivatives	8	34,804	42,256	23,333	**100,393**
Deposits from financial institutions	15	83,159	25,772	12,069	**121,000**
Deposits from customers	16	1,283,568	875,250	1,436,341	**3,595,159**
Funds obtained in the open market	17	1,832,661	-	-	**1,832,661**
Securities issued abroad	18	74,279	35,636	781,717	**891,632**
Borrowings and onlendings	19	470,811	754,664	759,662	**1,985,137**
Sale or transfer of financial assets	20	334	-	-	**334**
Other financial liabilities	22	56,071	-	-	**56,071**
Subordinated debt	21	12,342	-	299,860	**312,202**
Provisions	**23**	**7,063**	**20,765**	**65,554**	**93,382**
Reserves for contingent liabilities, commitments and other provisions		7,063	20,765	22,963	**50,791**
Provision for tax risks		-	-	42,591	**42,591**
Tax liabilities	24	-	10,409	-	**10,409**
Other liabilities		**52,863**	**-**	**9,374**	**62,237**
Other liabilities	25	52,826	-	9,374	**62,200**
Correspondent banks		37	-	-	**37**
TOTAL LIABILITIES					**9,060,617**

[1] Does not include the total Property and equipment or intangible assets.

(In thousands of reais, except share data)

					2011
	Note	Up to 90 days	From 91 to 360 days	More than 360 days	Total
ASSETS					
Financial Assets		**6,379,638**	**1,783,101**	**2,453,301**	**10,616,040**
Cash and cash equivalents	**5**	**345,740**	**-**	**-**	**345,740**
Financial assets held for trading		**4,034,430**	**203,527**	**304,038**	**4,541,995**
Debt instruments	7	4,009,684	85,158	148,141	**4,242,983**
Derivatives	8	24,746	118,369	155,897	**299,012**
Available-for-sale financial assets		**289,190**	**3,334**	**263,230**	**555,754**
Debt instruments	7	289,190	3,334	263,230	555,754
Loans and receivables		**1,710,278**	**1,576,240**	**1,864,713**	**5,151,231**
Loans and advances to credit institutions	6	6,352	258,708	5,253	**270,313**
Loans and advances to customers	9	1,703,926	1,317,532	1,859,460	**4,880,918**
Hedging derivatives		**-**	**-**	**21,320**	**21,320**
Other assets		**137,162**	**117,524**	**272,509**	**527,195**
Non-current assets held for sale	10	**11,300**	**46,717**	**-**	**58,017**
Other		**125,862**	**70,807**	**272,509**	**469,178**
Deposits in guarantee	11	-	-	182,909	**182,909**
Recoverable income tax		7,341	5,009	37,473	**49,823**
Other assets	12	88,046	33,816	26,346	**148,208**
Deferred income tax and social contribution	39	30,475	31,982	25,781	**88,238**
TOTAL ASSETS [(1)]					**11,121,915**
LIABILITIES					
Financial liabilities		**5,191,117**	**1,711,968**	**3,053,785**	**9,956,870**
Derivatives	8	31,157	42,870	25,441	**99,468**
Securities issued abroad	18	70,142	111,425	159,650	**341,217**
Deposits from financial institutions	15	69,154	28,673	8,058	**105,885**
Deposits from customers	16	1,141,629	851,655	1,694,996	**3,688,280**
Funds obtained in the open market	17	3,190,416	-	-	**3,190,416**
Borrowings and onlendings	19	558,269	677,345	865,543	**2,101,157**
Sale or transfer of financial assets	20	65,395	-	-	**65,395**
Other financial liabilities	22	53,391	-	-	**53,391**
Subordinated debt	21	11,564	-	286,167	**297,731**
Hedging derivatives		-	-	**13,930**	**13,930**
Provisions	**23**	**6,064**	**33,150**	**67,901**	**107,115**
Reserves for contingent liabilities, commitments and other provisions		6,064	33,150	38,327	**77,541**
Provision for tax risks		-	-	29,574	**29,574**
Tax liabilities	24	-	5,568	-	**5,568**
Other liabilities		**45,871**	**2**	**11,841**	**57,714**
Other liabilities	25	39,505	2	11,841	**51,348**
Correspondent banks		6,366	-	-	**6,366**
TOTAL LIABILITIES					**10,127,267**

[(1)] Does not include the total Property and equipment 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 as a result if out of the Institution's control:

Market risks can be classified under different types, 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 Risk department, which calculates the Value at Risk (VaR) and generates the Duration Gap of 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.

(In thousands of reais, except share data)

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 in 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).

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 more risks will be readjusted by the Treasury in order to reduce risks 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 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, benefit from changes in price 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 as at December 31, 2012 and 2011, considering the 99% reliability criteria and one-day holding period:

	Average	Maximum	Minimum
December 31, 2012	809	2,066	200
December 31, 2011	1,713	2,753	932

(In thousands of reais, except share data)

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 including financial instruments, which expose the Institution to risks arising from foreign exchange and interest rate variations or any other sources at December 31, 2012:

				Sensitivity analysis
				2012
			Scenarios ***	
Risk Factor	Exposure	Probable(I)	Possible (II)	Remote (III)
Fixed interest rate (PRE)	Fixed interest rate variations	(541)	(28,484)	(56,969)
General Market Price index (IGPM)	IGPM coupon variations	90	(756)	(1,511)
Price index (IPCA)	IPCA coupon variations	(272)	2,767	5,534
Long-term interest rate (TJLP)	TJLP variations	671	913	1,826
US dollar coupon rate	Exchange coupon variation	(553)	234	469
Other currency coupon rate	Exchange coupon variation	1	(9)	(19)
Offshore rates (Libor + other Offshore)	Offshore rates variation	(265)	(2,419)	(4,837)
Currencies	Change in exchange variation	8	(333)	(667)
Total (uncorrelated sum)*		**(3,159)**	**(39,381)**	**(78,762)**
Total (correlated sum)**		**(861)**	**(28,087)**	**(56,174)**

*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 scenarios of all of the risk factors considering the correlation between them.

Scenarios

Scenario I - Probable

Scenario comprising the variation in market factors between December 31, 2012 and January 7, 2013 (variation in the fixed rate from 7.14% to 7.12% in a 1-year curve and from 8.44% to 8.49% in a 4-year curve, variation in the US dollar from 2.044 to 2.031, and variation in the IPCA coupon from 0.82% to 0.94% in a 1 year curve).

Scenario II - Possible

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)	7.14%	25%	8.92%
Price index (IGPM)	1.60%	25%	2.00%
Price index (IPCA)	0.82%	25%	1.02%
TJLP rate	1.47%	-25%	1.10%
US dollar coupon rate	1.34%	-25%	1.01%
Other currency coupon rate	0.91%	25%	1.14%
LIBOR - USD	0.83%	-25%	0.62%
Currencies	2.0435	25%	2.5544

Scenario III - Remote (*)

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)	7.14%	50%	10.71%
Price index (IGPM)	1.60%	50%	2.40%
Price index (IPCA)	0.82%	50%	1.23%
TJLP rate	1.47%	-50%	0.73%
US dollar coupon rate	1.34%	-50%	0.67%
Other currency coupon rate	0.91%	50%	1.37%
LIBOR - USD	0.83%	-50%	0.41%
Currencies	2.0435	50%	3.0653

				Sensitivity analysis
				2011
Risk Factor	Exposure	Probable(I)	Possible (II)	Remote (III)
Fixed interest rate (PRE)	Fixed interest rate variations	(4,678)	(54,357)	(102,987)
General Market Price index (IGPM)	IGPM coupon variations	135	(477)	(930)
Price index (IPCA)	IPCA coupon variations	412	(3,239)	(6,294)
Long-term interest rate (TJLP)	TJLP variations	(3,143)	(6,489)	(13,356)
Reference rate (TR)	TR variations	(87)	(3,610)	(7,390)
US dollar coupon rate	Exchange coupon variation	451	(623)	(1,239)
Other currency coupon rate	Exchange coupon variation	28	(38)	(75)
LIBOR - USD	Variation in LIBOR	(462)	(274)	(550)
LIBOR Other currencies	Variation in LIBOR	(1)	(17)	(34)
Currencies	Change in exchange variation	-	-	(1)
Total (uncorrelated sum)*		**(7,345)**	**(69,123)**	**(132,854)**
Total (correlated sum)*		**(9,402)**	**(48,104)**	**(90,736)**

*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 scenarios of all of the risk factors considering the correlation between them.

(In thousands of reais, except share data)

Scenarios	
Scenario I - Probable	Scenario comprising the variation in market factors between December 30, 2011 and January 18, 2012 (variation in the fixed rate from 10.04% to 10.02% in a 1-year curve and from 10.98% to 11.11% in a 5-year curve and variation in the US dollar from 1.8758 to 1.7791).
Scenario II - Possible	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:

Risk Factor	Market rate (1 year)	Shock	New market rate (1 year)
Fixed interest rate (PRE)	10.04%	25%	12.55%
General Market Price index (IGPM)	5.52%	25%	6.90%
Price index (IPCA)	4.28%	25%	5.35%
Long-term interest rate (TJLP)	2.61%	-25%	1.96%
Reference rate (TR)	9.53%	-25%	7.15%
US dollar coupon rate	2.95%	25%	3.68%
Other currency coupon rate	3.38%	25%	4.23%
LIBOR - USD	1.10%	-25%	0.83%
LIBOR Other currencies	1.31%	-25%	0.98%
Currencies	1.8758	-25%	1.4069
Equity (IBOVESPA)	56,754	25%	70,943

Scenario III - Remote	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:

Risk Factor	Market rate (1 year)	Shock	New market rate (1 year)
Fixed interest rate (PRE)	10.04%	50%	15.06%
General Market Price index (IGPM)	5.52%	50%	8.28%
Price index (IPCA)	4.28%	50%	6.42%
Long-term interest rate (TJLP)	2.61%	-50%	1.30%
Reference rate (TR)	9.53%	-50%	4.76%
US dollar coupon rate	2.95%	50%	4.42%
Other currency coupon rate	3.38%	50%	5.07%
LIBOR - USD	1.10%	-50%	0.55%
LIBOR Other currencies	1.31%	-50%	0.65%
Currencies	1.8758	-50%	0.9379
Equity (Ibovespa)	56,754	50%	85,131

* For Scenarios II and III, the results of the high or low stress scenario was considered to obtain the most significant portfolio losses.

viii) Balance Sheet by currency

			2012			2011
	US dollar	Euro	Other	US dollar	Euro	Other
ASSETS						
Cash and cash equivalents	130,143	3,034	13	69,223	40,901	18
Loans and advances to credit institutions	-	-	-	24,434	-	-
Loans and advances to customers	1,025,834	-	-	1,108,807	2,871	-
Other assets	2,122	-	-	9,067	-	-
Total	**1,158,099**	**3,034**	**13**	**1,211,531**	**43,772**	**18**
LIABILITIES						
Deposits from customers	1,348	86	-	78,266	24,561	-
Securities issued abroad	179,368	-	147,014	278,368	-	-
Borrowings and onlendings	958,944	-	-	1,061,636	832	-
Correspondent banks	22,431	-	-	1,691	-	-
Subordinated debt	267,641	-	-	267,590	-	-
Other liabilities	-	-	-	-		
Total	**1,429,732**	**86**	**147,014**	**1,687,551**	**25,393**	**-**
Derivatives	**274,957**	**(3,006)**	**142,402**	**510,585**	**(11,910)**	**-**
GAP	**3,324**	**(58)**	**(4,599)**	**34,565**	**6,469**	**18**

(In thousands of reais, except share data)

ix) Balance Sheet by interest rate

						2012
	Fixed rate(PRE)	IPCA	LIBOR	Exchange coupon	TJLP	Other
ASSETS						
Debt instruments	3,274,874	539,657	-	-	-	44,398
Loans and advances to credit institutions	100,299	-	-	-	-	-
Loans and advances to customers	2,929,455	-	695,527	146,072	852,643	649
Other assets	89,385	-	-	-	-	-
Total	**6,394,013**	**539,657**	**695,527**	**146,072**	**852,643**	**45,047**
LIABILITIES						
Deposits from customers	3,211,598	514,490	107	-	-	15,876
Deposits from financial institutions	121,299	-	-	-	-	-
Funds obtained in the open market	1,832,661	-	-	-	-	-
Securities issued abroad	638,956	19,360	188,177	-	-	138,867
Borrowings and onlendings	128,426	-	950,871	-	892,308	-
Sale or transfer of financial assets	334	-	-	-	-	-
Subordinated debt	56,640	7,788	265,071	-	-	-
Total	**5,989,914**	**541,638**	**1,404,226**	**-**	**892,308**	**154,743**
Derivatives	**(1,040,451)**	**(290,062)**	**-**	**340,998**	**(41,908)**	**2,044**
GAP	**(636,352)**	**(292,043)**	**(708,699)**	**487,070**	**(81,573)**	**(107,652)**

						2011
	Fixed rate(PRE)	IPCA	LIBOR	Exchange coupon	TJLP	Other
ASSETS						
Debt instruments	4,278,345	453,469	-	-	-	-
Loans and advances to credit institutions	273,201	-	-	-	-	-
Loans and advances to customers	2,838,803	182,649	838,787	113,592	873,177	-
Total	**7,390,349**	**636,118**	**838,787**	**113,592**	**873,177**	**-**
LIABILITIES						
Deposits from customers	3,060,296	532,654	36,484	-	-	13,053
Deposits from financial institutions	106,182	-	-	-	-	-
Securities issued abroad	62,605	8,583	323,086	-	-	-
Borrowings and onlendings	230,304	-	840,517	109,909	867,261	-
Sale or transfer of financial assets	65,395	-	-	-	-	-
Subordinated debt	-	-	29,192	311,774	-	-
Total	**3,524,782**	**541,237**	**1,229,279**	**421,683**	**867,261**	**13,053**
Derivatives	**(2,829,405)**	**(69,047)**	**-**	**450,033**	**(77,505)**	**(150,107)**
GAP	**1,036,162**	**25,834**	**(390,492)**	**141,942**	**(71,589)**	**(163,160)**

e) Operating Risk Management

Definition

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 agreements signed by the Bank, as well as penalties due to noncompliance with laws and indemnities for damages to third parties arising from activities performed. To mitigate this risk, the Bank adopts a structure to ensure continuous updating and mapping of risks and controls as well as to capture information related to any operational failure.

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 reference equity(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.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	2012	2011
Consolidated equity under BRGAAP		**1,219,946**	**1,015,081**
Impairment loss on loans and receivables - Impairment	a	66,433	34,282
Deferral of bank fees and commissions under the effective interest rate method	b	(17,407)	(9,061)
Transactions for the sale or transfer of financial assets	c	-	(6,956)
Write-off of investment evaluated at cost	d	-	(209)
Income tax and social contribution on IFRS adjustments	e	(17,606)	(7,223)
Equity under IFRS		**1,251,366**	**1,025,914**

(In thousands of reais, except share data)

	Note	2012	2011
Consolidated net income under BRGAAP		**187,453**	**161,514**
Impairment loss on loans and receivables - Impairment	a	32,151	22,481
Deferral of bank fees and commissions under the effective interest rate method	b	(8,344)	4,069
Transactions for the sale or transfer of financial assets	c	6,956	11,244
Write-off of investment stated at cost	d	209	-
Hedge Accounting	f	(3,974)	-
Transfer of category in securities	g	(7,517)	-
Income tax and social contribution on IFRS adjustments	e	(12,388)	(15,117)
Net income under IFRS		**194,546**	**184,191**

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 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 as 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 liabilities related to the co-obligation in 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.

f) Hedge Accounting

Pursuant to IAS 39, on discontinuance of hedge accounting for cash flows, the cumulative gain or loss resulting from the hedging instrument that remains recognized as comprehensive income from the period when the hedge was in force shall remain separately recognized in "Equity" until the hedged item is settled.

g) Transfer of category in securities

IAS 39 prohibits the reclassification of financial instruments between categories, thus, financial assets available for sale can not be reclassified to other categories, nor from other categories to it.

48. SUBSEQUENTS EVENTS

On February 4, 2012 at a meeting of the Board of Directors an increase of capital was approved for a minimum of R$ 26,954,999.40 and maximum of R$ 86,124,004.60, through the issue of a minimum of 1,887,605 and maximum of 6,031,093 new preferred shares, all nominative without par value. The issue price will be R$14.28.

A Proparco – Société de Promotion et de Participation Pour La Cooperation Economique S.A. (“Proparco”) has a strong commitment to subscribe 1,887,605 preference shares of the Bank, to the value of R$ 26,954,999.40, as a consequence of the preferred subscription rights of the controlling shareholders of the Bank.

Rights will be given to all ordinary shareholders that hold a shareholder position in the Bank on February 4, 2013, for a period of 30 days, to exercise their pre - emptive rights, from February 5, 2013 to March 6, 2013. The shareholders holding these preference shares can subscribe for the preferred shares arising from the increase in proportion to their equity holding.

After the subscription of shares and the integralization of the capital increase a new meeting of the Board of Directors will be announced, to approve partial or complete capital increases, within the limit of authorized capital. After approval by the Board of Directors, the capital increase will be subject to authorization by the Brazilian Central Bank.

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