PINE

Individual and Consolidated Financial Information under GAAP for the Six-Month Periods ended on June 30, 2019 and 2018, and Independent Auditors' Report

Banco Pine S.A.

1st Half of 2019

(A free translation of the original in Portuguese)

www.pwc.com.br

Banco Pine S.A.

Parent company and consolidated financial statements at June 30, 2019 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of Banco Pine S.A. ("Bank"), which comprise the balance sheet as at June 30, 2019 and the statements of operations, changes in equity and cash flows for the six-month period then ended, as well as the accompanying consolidated financial statements of Banco Pine S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at June 30, 2019 and the consolidated statements of operations and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Pine S.A. and of Banco Pine S.A. and its subsidiaries as at June 30, 2019 and the Bank's financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the six-month period then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

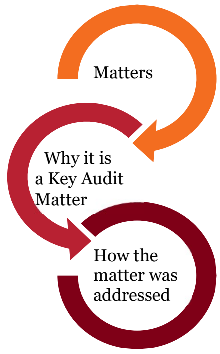
Basis for opinion

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

Banco Pine S.A.

Key audit matters

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



Our audit for the six-month period ended June 30, 2019 was planned and performed considering that the Bank and Consolidated operations have not changed significantly in comparison to the previous year. In this context, except for the inclusion of the Key Audit Matter related to Non-operating assets, the Key Audit Matters, as well as our audit approach, have remained substantially in line with those of the previous year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Fair value of debt securities issued by privately-held companies	
As disclosed in Notes 3(e) and 6(a), the Bank has investments in debt securities of privately-held companies classified as available for sale, and measured at fair value. These investments in debt securities are not traded in an active market. Accordingly, in assessing the fair value measurement, Management applied its judgement in determining the measurement model and assumptions adopted. The fair value of these investments was measured using the discounted cash flow method based on internal assumptions established by Management. We continue to consider that this area requires audit focus, since the use of different measurement models or assumptions could result in variations in the fair value that could significantly differ from those estimated.	Our procedures included, among others, updating our understanding and testing of significant controls identified in this process, such as the validation controls over the identification of the assumptions, and the application of these assumptions in the process of measurement of the fair value of debt securities. We analyzed the models for the measurement of fair value of these debt securities and the reasonableness of the assumptions adopted by Management, and also analyzed the consistency of these assumptions in relation to those adopted in previous years. We also performed a recalculation of the fair value of these debt securities based on Management's assumptions and fair value pricing tests of selected samples of the debt securities. We believe that the models and assumptions adopted by management in measuring the fair value of these securities are reasonable and consistent with the disclosures in the financial statements.

Banco Pine S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Measurement of the allowance for loan losses	
As disclosed in Notes 3(h) and 7(d), the Bank measured its allowance for loan losses using risk levels (ratings) for each transaction, pursuant to Resolution 2,682/99, of the National Monetary Council (CMN). The definition of risk (rating) for each transaction takes into consideration Management's judgement with regard to the definition of assumptions and current economic scenario, past experience, default levels, and specific risks related to the transactions, debtors and their respective guarantees. This is an area that remains of focus in our audit, since the use of this judgment in the calculation of the amount of the allowance for loan losses could result in significant variation in such allowance for loan losses.	Our procedures included, among others, updating our understanding and testing of relevant internal controls related to the process of classification of risk levels, monitoring of guarantees received, and the completeness and integrity of the credit portfolio database, which is the basis for the calculation of the allowance for loan losses. We also carried out tests of documentation, on a sampling basis, regarding the existence of the guarantees presented, as well as the reasonableness of the judgment and assumptions adopted by management to determine the ratings, and apply the calculation methodology based on the risk rating assigned. We considered that the models and assumptions adopted by Management in the calculation of the amount of the allowance for loan losses are reasonable and consistent with the disclosures in the financial statements.
Recoverable value of tax credits	
As disclosed in Notes 3(s) and 9(b), the Bank has assets related to tax credits on temporary differences, and income tax and social contribution loss carryforward. These credits were recorded based on a study of the recoverable value of the tax credits, prepared by Management, as required by the Brazilian Central Bank. In preparing such a study, judgments and assumptions of subjective nature, established by Management were used to forecast future taxable profit. We continue to consider that this area requires audit focus, taking into account that using different assumptions in the forecast of the future taxable profits could materially modify the expected periods for realization of deferred tax assets, thus affecting the accounting records.	Our main procedures considered the analysis of the reasonableness of the significant assumptions and the methodology used to estimate the future taxable profit presented in the study of the recoverable value of the tax credits, prepared by Management. We compared the significant assumptions and projections used with the budget prepared by Management, and, where applicable, with macroeconomic information disclosed by the market. Based on the results of our audit procedures, and taking into account the uncertainties inherent in determining the realization of the tax credits, we considered that the assumptions adopted by Management are reasonable and consistent with the disclosures in the financial statements.
Non-operating assets	
As disclosed in notes 3 (j) and 11, the Bank has non-	Our procedures considered, among others, the

Why it is a Key Audit Matter	How the matter was addressed in the audit
operating assets mainly composed by real estate received as payment in kind, recorded at the lower value between the carrying amount of debt and the fair value less cost to sell, on the date in which they were classified in this category, less a provision for impairment, when applicable. Management assess the existence of indications of impairment of these assets based on valuation reports prepared by external appraisers and assumptions established by Management. We consider this an area of focus in our audit taking into account that it involves Management's use of assumptions and judgments in measuring the recoverable value of these properties and their relevance in the context of the financial statements.	analysis of the reasonableness of the relevant assumptions and the methodology employed by Management in measuring the recoverable value of these assets. Additionally, we performed tests to observe the application of the calculation methodology developed by Management in measuring the recoverable value of these assets. We consider that the methodology and assumptions adopted by management in recording the recoverable value of these assets are reasonable in all material respects in the context of the financial statements.
Tax contingencies	
As disclosed in Notes 3(q) and 16, the Bank is a party to administrative and judicial tax proceedings, which are inherent to the normal course of its business. These proceedings are frequently assessed, and their accounting impacts are recognized according to their likelihood of loss. The determination of the likelihood of loss involves a high level of judgement by Management, which relies on the support of its internal and external legal advisors. In general, the settlement of these administrative and judicial tax proceedings takes a long time and involve not only discussions on merits, but also complex procedural aspects, depending on the applicable legislation. We continue to consider this an area of focus in our audit due to the procedural aspects, and the level of judgment involved in the definition of the likelihood of loss attributed to each proceeding..	Our procedures considered, among others, the support of our experts in reading and understanding the significant administrative and judicial proceedings. We also verified the documents supporting the main changes in the proceedings. We compared the account balances with the supporting analytical reports and confirmed with the legal advisors the procedural details, including their assessment of the likelihood of loss. We considered that the criteria adopted by management for determining the provision for tax contingencies, as well as the information disclosed in the notes to the financial statements, are appropriate.
Information technology environment	
Due to the diversity and volume of transactions, the Bank is dependent on its technology structure for the management and generation of information used in the processing of its transactions.	Our procedures considered the different levels of maturity of controls, and included, among others, the support of our systems experts, for updating our understanding and testing of the operational effectiveness of the information technology general

Why it is a Key Audit Matter	How the matter was addressed in the audit
Accordingly, inadequacy of technology structure and the respective controls could result in inaccurate processing of the Bank's transactions, or of information that is critical to decision making, as well as critical information used to prepare the financial statements. We considered that this continues to be an area of focus in our audit due to the complexity of the technological environment and the Bank's dependency on technology.	controls, which also includes information security and management of system changes. We tested the effectiveness of the main automated controls or those that depend on technology, related to processes relevant to the preparation of the financial statements, as well as the compensating controls, where applicable. We believe that the information technology environment and the controls implemented by management have provided a satisfactory basis to support the main business processes that generate information used to prepare the financial statements.

Other matters

Statements of value added

The parent company and consolidated Statements of value added for the six-month period ended June 30, 2019, prepared under the responsibility of the Bank's management and presented as supplementary information for purposes of the Brazilian Central Bank, were submitted to audit procedures performed in conjunction with the audit of the Bank's financial statements. The presentation of this statement is required by the Brazilian corporate legislation for listed companies. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

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

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

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

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

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

Management is responsible for the preparation and fair presentation of these parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, August 12, 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Luís Carlos Matias Ramos
Contador CRC 1SP171564/O-1

BANCO PINE S/A
Corporate Taxpayer's ID (CNPJ) 62.144.175/0001-20 – Publicly-held Company Company Registry (NIRE) 35300525515
SUMMARY OF THE AUDIT COMMITTEE REPORT
For 06.30.2019

The Audit Committee of Banco Pine S/A and its subsidiaries is a statutory body subordinated to the Board of Directors, implemented in compliance with the regulations of the Central Bank of Brazil (Bacen) and the Brazilian Securities and Exchange Commission (CVM), and its regulations at available at ir.pine.com, having as competence to ensure (i) the quality and integrity of the financial statements; (ii) compliance with legal and regulatory requirements; (iii) the performance, independence and objectivity of the independent auditing firms; (iv) the performance, independence and quality of the internal auditing work; and (v) the quality and effectiveness of internal control and risk management systems.

For the supervisory exercise, the Audit Committee base itself on the discussions that it maintains with the Management and the business and support areas; in the work of internal auditing and independent auditing; in the information of the structures responsible for risk management, internal control and compliance; as well as in their own analyzes resulting from direct observation.

The preparation of the Financial Statements of the Pine Conglomerate in accordance with the accounting practices adopted in Brazil, applicable to the Institutions authorized to operate by the Central Bank of Brazil, is based on procedures that seek to ensure the quality of the information and processes used.

The independent audit firm is responsible for examining the Financial Statements and issuing a report on their adequacy, in all material respects, in accordance with Brazilian accounting practices applicable to institutions whose operations are authorized by Bacen, as per the Brazilian Corporate Law and the rules set forth by the National Monetary Council (CMN) and the Bacen.

Internal audit's activities focus on the assessment of the efficiency and effectiveness of the internal control and risk management systems, as well as on the compliance of processes with Management's rules and procedures.

1. Activities of the Committee in the 1st Half of 2019

In the fulfillment of its attributions in relation to the first half of 2019 and in relation to the following activities, the Audit Committee:

a) Independent Audit: The Committee held meetings with PricewaterhouseCoopers (PwC) to assess the scope, planning and results of its work, which substantiate the auditor's opinion on the financial statements. The Committee also discussed the relevant accounting aspects that could impact the financial statements. The recommendations included in the internal control reports were presented to the Audit Committee, as well as the action plans developed by Management to implement them. No failure was noted in compliance with laws, regulations and internal regulations that could jeopardize the continuity of Pine Conglomerate's business.

b) Internal Audit: The Committee evaluated and approved the Internal Audit's mission, structure, budget and functioning, discussed and monitored the formation and execution of Internal Audit planning regarding the coverage of the main risks of the Pine Conglomerate and the results of the work carried out, reports issued, conclusions and recommendations, as well as the action plans developed by the Administration to implement them. No failure was noted in compliance with laws, regulations and internal regulations that could jeopardize the continuity of Pine Conglomerate's business.

c) Consolidated Financial Statements: The Committee reviewed the process and discussed with the Management and PwC the accounting criteria and practices applied for the preparation of the individual and consolidated Financial Statements, the accompanying notes and the independent auditor's report.

d) Risk Management: The Pine Conglomerate Risk Management is exercised in an integrated manner, comprising Credit Risk, Market Risk, Liquidity Risk and Operational Risk, regulated by the Central Bank of Brazil. The Committee monitored Pine Conglomerate's risk management and control aspects and the governance process to define risk appetite and control established limits.

e) Other activities of the Committee: The Committee held meetings with several areas of the Pine Conglomerate for the knowledge and appreciation of the internal control environment, with emphasis on legal compliance, risk management, money laundering and terrorist financing prevention, complaint and ombudsman channels, transactions with related parties, realization of tax credits, evaluating their quality and the commitment of the managers in the maintenance and improvement. The Committee presented systematic reports of its activities to the Board of Directors.

2. Conclusion

The Audit Committee, considering its responsibilities and the natural limitations resulting from the scope of its activities, has assessed that the internal control system is adequate to the size and complexity of the operations of the Pine Conglomerate and that they provide transparency and quality to Banco Pine's Financial Statements SA and its subsidiaries for the six-month period ended June 30, 2019, recommending their approval by the Board of Directors.

São Paulo, August 12, 2019.

Carlos Elder Maciel de Aquino - President

Lavinia Moraes de Almeida Nogueira Junqueira

Guy Almeida Andrade

BANCO PINE S.A.
Companhia Aberta
CNPJ 62.144.175/0001-20

STATEMENT OF THE MANAGEMENT ON FINANCIAL STATEMENTS

After the Company's Financial Statements analysis, related to the period ended on June 30, 2019, accompanied by the Management Report, the balance sheet, other parts of the Financial Statements, the Independent Auditors Report and the Audit Committee Report ("Financial Statements"), the members of the Executive Management, pursuant to the Article 25, Paragraph 1, section VI, of the CVM Instruction nº480, from February 7, 2009, declare that the Financial Statements were discussed, revised and agreed.

São Paulo, August 12, 2019.

Members of the Executive Management

Mauro Sanchez
Eduardo Magalhães Fonseca
Jefferson Dias Miceli
Carlos Eduardo Tyba
Eugenio Fabbri Neto
José Aparecido da Silva
Marcelo Camargo
Sergio Luis Patricio
Fabio Pinto Ribeiro Zingra de Araújo

BANCO PINE S.A.
Companhia Aberta
CNPJ 62.144.175/0001-20

STATEMENT OF THE MANAGEMENT ON THE INDEPENDENT AUDITORS REPORT

After the Company's Financial Statements analysis, related to the period ended on June 30, 2019, accompanied by the Management Report, the balance sheet, other parts of the Financial Statements, the Independent Auditors Report and the Audit Committee Report, the members of the Executive Management, pursuant to the Article 25, Paragraph 1, section V, of the CVM Instruction nº480, from February 7, 2009, DECLARE THAT the opinion expressed in the Independent Auditors Report was discussed, revised and agreed.

São Paulo, August 12, 2019.

Members of the Executive Management

Mauro Sanchez
Eduardo Magalhães Fonseca
Jefferson Dias Miceli
Carlos Eduardo Tyba
Eugenio Fabbri Neto
José Aparecido da Silva
Marcelo Camargo
Sergio Luis Patricio
Fabio Pinto Ribeiro Zingra de Araújo

Dear shareholders,

Pine's Management, in accordance with the law, presents the material facts and relevant events of the period thus far for your appreciation. This report includes the Individual and Consolidated Financial Statements for period ended June 30, 2019.

1. MESSAGE FROM MANAGEMENT

The first half of 2019 was marked by accelerated transformation of the Bank through the consolidated use of agile methodologies to roll out projects, redesign products and improve the customer experience. Since 2017, investments made at the Data Center, as well as in upgrading legacy systems to Web platforms and high-quality bus systems, have enabled the implementation of APIs for all technology interfaces.

We have implemented a comprehensive culture campaign across the organization, with the focus on Values and Behaviors that promote entrepreneurship, customer focus, empathy, innovation and ethical relations, in order to drive the digital transformation process. The Bank's new headquarters translate its culture of integration and acceleration, with functional spaces where the Agile Model Squads operate.

Products already digitized, focused on transactional accesses of companies, have started delivering significant results. The new channels, products and customer experience for Companies registered more than 62,000 transactional accesses since July 2018, leading to a higher level of self-service and digital autonomy for customers. Volume of transactions originated in the second quarter of 2019 reached the historical mark of R$904 million, which represents a significant 183% growth compared to the same period in 2018. This remarkable increase fueled the 36% growth in financial intermediation income in 2Q19 compared to the same period in 2018. Note that this significant growth in credit origination was accompanied by a slight decline in the aggregate value of assets, which shows the tremendous gain in efficiency and the consequent increase in average portfolio return. Our Corporate II segment, focused on companies with revenues of up to R$500 million, has been gaining scale and although it represents only 24% of our total portfolio, it already accounts for 44.6% of Banco Pine's financial intermediation income, growing revenues from the segment by almost 7.5 times from the same period in 2018.

The legacy of credit and real estate assets recovered by Banco Pine, resulting from lending operations when we operated only in the Large Companies segment, is being addressed through additional provisions and disposal of said assets. Our expanded portfolio in 2Q19 decreased by R$456 million in the C and D bands (-29%) in relation to 2Q18. The balances in bands E-H also decreased during the period, by R$25 million (-4%), demonstrating our resolution of the problems already identified and a new, healthy and diversified credit origination process during the period. Note that in the second quarter we also divested the interest held by Banco Pine in Eneva and accelerated the sale of lots in EntreVerdes Campinas. Finally, we wish to highlight that the recovery of the real estate sector, boosted by the reduction in the Selic interest rate, should accelerate the realization of non-core assets and, consequently, the release of capital for the new business model.

In line with our strategy, we remain confident of the digital transformation of Banco Pine with the focus on the small and midsized companies (SME) segment, which will enable us to "Finance Quickly and Serve Well Thousands of Companies." And also that the remedial measures to diversify risks, as well as the provisions and divestment of non-core assets, will give us greater impetus in achieving the Bank's goals of sustainable results over the coming quarters.

Management.

2. CORPORATE PROFILE

Pine (B3: PINE4) is a Brazilian Bank, publicly traded bank that has been outstanding for more than twenty years in financing and advising Middle and Large Companies. Its strategy is based on knowing its clients well and understanding their business and potential in order to build customized solutions and alternatives. This strategy requires product diversity, highly qualified human capital, and efficient and agile risk management, which are areas that the Bank is consistently evolving.

3. HIGHLIGHTS

The main highlights of the period are as follows:

- Consolidation of the Bank's strategy to increase its operations in the Corporate II segment, with expanded loan portfolio reaching R$ 971 million (16.0% growth over the previous quarter) and 239 clients.
- Increase of Pine's number of active clients by 14.5% versus the same period of 2018, totaling 496 groups.
- Continuous loan portfolio diversification, with an average ticket under R$ 9.0 million.
- Diversified funding strategy maintained, with approximately 85.6% of the portfolio represented by individuals' deposits, with an average ticket around R$ 80 thousand.
- Balance sheet with a very comfortable liquidity level of R$ 2.2 billion.
- BIS ratio of 12.1%, which is appropriate for the Bank's strategy.

4. FINANCIAL HIGHLIGHTS

Total assets amounted to R$ 10,228 million in June 30, 2019, and accounting net results of R$ -30 million in the end of the second quarter of 2019. Shareholders' Equity reached R$ 808 million.

	2Q19	1Q19	2Q18
Earnings and Profitability			
Accounting Net results (R$ million)	**(30)**	(41)	5
Annualized ROAE	**-13.8%**	-17.5%	2.3%
Annualized ROAAw[1]	**-2.4%**	-3.0%	0.4%
Managerial Financial margin	**-0.8%**	-0.8%	1.2%
Credit portfolio quality			
E-H Portfolio (Resolution 2682)	**15.1%**	16.1%	15.4%
E-H Coverage Index	**68.3%**	72.3%	86.8%
Non performing loans - 90 days	**1.3%**	0.7%	1.6%
Balance Sheet (R$ million)			
Total assets	**10,228**	9,454	8,587
Risk weighted assets	**5,009**	5,070	5,510
Res. 2.682 Loan Portfolio	**3,179**	3,311	3,335
Expanded Loan portfolio[2]	**4,092**	4,249	5,149
Income from Financial Intermediation	**104**	131	218
Funding	**6,823**	6,842	6,083
Deposits[3]	**6,326**	6,403	5,337
Shareholders' equity	**808**	830	924
BIS ratio	**12.1%**	12.3%	11.3%
Stock's Performance (PINE4)			
Profit/Loss per share (R$)	**-0.25**	-0.34	0.04
Book value per share[4] (R$)	**6.67**	6.85	7.73
Market Cap[4] (R$ million)	**292**	284	306

[1] Risk weighted assets. [2] Includes Standby LC, Bank Guarantees, Credit Securities to be Received and Private Securities (bonds, CRIs, and fund shares). [3] Includes Agribusiness and Real Estate Letters of Credit. [4] For comparison purposes, it considers 121,171,395 shares for 2Q19, 121,171,395 shares for 2Q19 and 119,604,235 shares for 2Q18.

5. FINANCIAL PERFORMANCE

Loan Portfolio

Total expanded loan portfolio reached R$ 4,092 million in June 30, 2019, an increase of 3.7% QoQ and 20.5% YoY. We finished the first semester with a total of R$ 328 million in provisions for loan losses, and with an "E-H" portfolio – Central Bank Resolution 2,682 - coverage of approximately 70%.

Sales Desk

FICC (Fixed Income, Commodities and Currencies) business provides risk management products and hedging solutions to help clients manage the risks on their balance sheets. The key markets in this business line are Fixed Income, Currencies, and Commodities. Pine offers to its clients the main derivative instruments, which include non-deliverable forwards (NDFs), options-based structures and swaps. The total notional value of the derivatives portfolio for clients reached approximately R$ 8.6 billion at the end of June 2019.

Funding

Total funding reached R$ 6,823 million in June 2019, a decrease of 0.3% QoQ and an increase of 12.2% YoY.

Capital Adequacy Ratio (BIS)

At the end of June 2019, the capital adequacy ratio (BIS) reached 12.1%. This capital indicator is adequate for the execution of our strategic plan.

6. RATINGS

	Banco Pine		Brazil
	Local	Global	Sovereign
FitchRatings	BBB-	B	BB-

7. PINE ONLINE

At the end of July 2017, the Bank launched its new investment platform, Pine Online, focused on attracting individuals through the distribution of fixed income products, such as LCAs, LCIs and CDBs. The digital platform has performed above planned expectations for registered users and invested volumes and now is one of the Bank's ten largest funding channels and with growth potential.

Pine Online has come to strengthen Pine, which now includes a larger scope of clients and also helps to reduce the costs of funding, giving us even more advantages compared to the market.

8. HUMAN RESOURCES

Pine’s employees are its main asset. Therefore, the objective of the Human Resources department is to attract, retain and develop the best professionals, while maintaining a high-performance work environment focused on results and based on meritocracy. At the end June 2019, Pine had 400 employees, including the outsourced ones.

9. CORPORATE GOVERNANCE

Pine has active corporate governance policies, given its permanent commitment to shareholders and other stakeholders. Besides integrating Level 2 of Corporate Governance of B3, some of Pine’s practices include:

- Two independent members on the Board of Directors;
- 100% tag-along rights for all shares, including preferred shares;
- Adoption of arbitration procedures for rapid settlement of disputes;
- Annual disclosure of earnings in two accounting standards: BR GAAP and IFRS; and
- Compensation and Audit committees, which report directly to the Board of Directors.

10. EXTERNAL AUDITORS

In compliance with CVM Instruction 381, of January 14, 2003, Pine reports that did not hire from the independent auditors any other services than those related to the audit works for the period from January to June, 2019. Pine adopts the procedure of limiting the services rendered by its independent auditors so as to ensure the auditor’s independence and objectivity pursuant to Brazilian and international standards.

11. INVESTOR RELATIONS

Pine makes information available to shareholders via its corporate website (ir.pine.com), electronic bulletins, and quarterly reports, as well as through its Investor Relations department (phone: +55-11-3372-5543, e-mail: ir@pine.com).

The Management

BANCO PINE S.A. AND SUBSIDIARIES
BALANCE SHEETS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018
(All amount in thousands of reais)

ASSETS	Note	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
CURRENT ASSETS		**4,747,940**	**4,030,766**	**4,866,432**	**4,071,937**
Available funds	4.	**49,058**	**105,435**	**50,607**	**131,529**
Short-term interbank investments	5.	**620,488**	**1,085,819**	**620,488**	**1,085,819**
Money market		583,387	1,085,819	583,387	1,085,819
Interbank deposits		37,101	-	37,101	-
Marketable securities and derivative financial instruments	6.	**1,223,612**	**520,686**	**1,223,612**	**535,120**
Own portfolio		1,031,758	204,136	1,031,758	218,570
Subject to repurchase commitments		104,615	93,086	104,615	93,086
Derivative financial instruments		87,239	179,831	87,239	179,831
Pledged in guarantee		-	43,633	-	43,633
Interbank accounts		**4,445**	**1,127**	**4,445**	**1,127**
Unsettled payments and receipts		2,624	3	2,624	3
Central Bank of Brazil		1,760	1,124	1,760	1,124
Correspondent banks		61	-	61	-
Loan operations	7.	**1,541,307**	**1,429,406**	**1,541,307**	**1,429,406**
Loan operations - private sector		1,786,553	1,692,815	1,786,553	1,692,815
(-) Allowance for loan losses	7. g)	(245,246)	(263,409)	(245,246)	(263,409)
Other receivables		**788,504**	**529,919**	**794,233**	**530,474**
Sureties and honored guarantees		-	25,600	-	25,600
Foreign exchange portfolio	8.	452,838	178,287	452,838	178,287
Income receivable		10,822	27,373	10,823	27,373
Negotiation and intermediation of securities		57,470	16,017	57,470	16,017
Sundry	9.	280,315	306,629	286,043	307,184
(-) Allowance for other doubtful receivables	7. g)	(12,941)	(23,987)	(12,941)	(23,987)
Other assets	11.	**520,526**	**358,374**	**631,740**	**358,462**
Non-operating assets		491,029	341,988	602,113	341,988
Prepaid expenses		29,497	16,386	29,627	16,474
LONG-TERM RECEIVABLES		**4,848,462**	**3,884,886**	**5,334,585**	**4,404,953**
Marketable securities and derivative financial instruments	6.	**3,132,456**	**2,177,501**	**3,134,866**	**2,177,501**
Own portfolio		890,986	520,990	893,396	520,990
Derivative financial instruments		1,480,327	1,014,509	1,480,327	1,014,509
Pledged in guarantee		761,143	642,002	761,143	642,002
Loan operations	7.	**880,390**	**980,838**	**880,390**	**980,838**
Loan operations - private sector		932,608	1,122,394	932,608	1,122,394
(-) Allowance for loan losses	7. g)	(52,218)	(141,556)	(52,218)	(141,556)
Other receivables		**820,692**	**721,873**	**1,304,405**	**1,241,868**
Foreign exchange portfolio	8.	39,166	37,362	39,166	37,362
Income receivable		9,775	35,248	10,141	36,159
Debtors for deposit in guarantee	16. b)	53,933	53,360	56,376	55,427
Sundry	9.	735,912	610,631	1,216,816	1,127,648
(-) Allowance for other doubtful receivables	7. g)	(18,094)	(14,728)	(18,094)	(14,728)
Other assets	11.	**14,924**	**4,674**	**14,924**	**4,746**
Prepaid expenses		14,924	4,674	14,924	4,746
LONG-TERM ASSETS		**730,444**	**693,250**	**27,425**	**109,856**
Investments	10.	**722,591**	**691,314**	**19,572**	**107,531**
Investments in foreign subsidiaries and associates	10. a)	-	41,425	-	-
Investments in local subsidiaries and associates	10. (a) (b)	722,218	649,889	-	107,531
Other investments		373	-	19,572	-
Property and equipment in use	12.	**7,851**	**1,900**	**7,851**	**1,900**
Installations, furniture and equipment in use		19,301	13,357	19,301	14,328
Other fixed assets in use		4,360	4,057	4,360	4,489
Accumulated depreciation		(15,810)	(15,514)	(15,810)	(16,917)
Intangible assets	12.	**2**	**36**	**2**	**425**
Expenditures with the acquisition and development of software		9,613	9,613	9,613	10,002
Accumulated amortization		(9,611)	(9,577)	(9,611)	(9,577)
TOTAL ASSETS		**10,326,846**	**8,608,902**	**10,228,442**	**8,586,746**

BALANCE SHEETS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(All amount in thousands of reais)

LIABILITIES	Note	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
CURRENT LIABILITIES		**3,279,655**	**3,767,414**	**3,173,603**	**3,717,625**
Deposits	13.	**2,005,977**	**1,901,264**	**1,892,950**	**1,850,324**
Demand deposits		92,400	51,423	90,885	51,104
Interbank deposits		75,697	70,835	75,697	70,835
Time deposits		1,837,880	1,779,006	1,726,368	1,728,385
Funds obtained in the open market	14.	**425,925**	**353,058**	**425,925**	**353,058**
Own portfolio		113,674	91,136	113,674	91,136
Third-parties' portfolio		312,251	261,922	312,251	261,922
Funds from acceptance and issue of securities		**307,058**	**947,370**	**307,058**	**947,370**
Real estate credit bills	18. a)	144,117	499,483	144,117	499,483
Agribusiness credit bills	18. a)	149,047	390,291	149,047	390,291
Funds from financial bills	18. a)	13,894	57,596	13,894	57,596
Interbank accounts		**565**	**209**	**565**	**209**
Unsettled receipts and payments		330	52	330	52
Correspondent banks		235	157	235	157
Interbranch accounts		**6,430**	**3,470**	**6,430**	**3,470**
Third-parties' funds in transit		6,430	3,470	6,430	3,470
Borrowings and onlendings	17.	**199,923**	**418,717**	**199,923**	**418,717**
Borrowings abroad		41,146	65,534	41,146	65,534
Local onlendings - official institutions		44,983	109,279	44,983	109,279
Foreign onlendings		113,794	243,904	113,794	243,904
Derivative financial instruments	6. b)	**34,199**	**118,366**	**34,199**	**118,366**
Derivative financial instruments		34,199	118,366	34,199	118,366
Other liabilities		**299,578**	**24,960**	**306,553**	**26,111**
Collection and payment of taxes and similar charges		624	608	624	608
Foreign exchange portfolio	8.	265,090	-	265,090	-
Tax and social security	15. a)	10,971	2,935	15,576	4,035
Negotiation and intermediation of securities		811	11,438	811	11,438
Subordinated debt	19.	-	354	-	354
Sundry	15. b)	**22,082**	**9,625**	**24,452**	**9,676**
Other		22,082	9,625	24,452	9,676
LONG-TERM LIABILITIES		**6,218,851**	**3,850,436**	**6,226,499**	**3,878,069**
Deposits	13.	**4,136,672**	**2,609,610**	**4,136,672**	**2,586,096**
Interbank deposits		9,804	-	9,804	-
Time deposits		4,126,868	2,609,610	4,126,868	2,586,096
Funds from acceptance and issue of securities		**12,813**	**30,772**	**12,813**	**30,772**
Real estate credit bills	18. a)	1,955	5,627	1,955	5,627
Agribusiness credit bills	18. a)	1,367	4,704	1,367	4,704
Funds from financial bills	18. a)	9,491	20,441	9,491	20,441
Borrowings and onlendings	17.	**34,304**	**114,585**	**34,304**	**114,585**
Local onlendings - official institutions		34,304	114,585	34,304	114,585
Derivative financial instruments	6. b)	**1,741,775**	**1,017,217**	**1,741,775**	**1,017,217**
Derivative financial instruments		1,741,775	1,017,217	1,741,775	1,017,217
Other liabilities		**293,287**	**78,252**	**300,935**	**129,399**
Tax and social security	15. a)	131,705	6,346	131,800	6,431
Subordinated debt	19.	125,815	43,754	125,815	43,754
Sundry	15. b)	**35,767**	**28,152**	**43,320**	**79,214**
Provision for contingent liabilities		15,443	14,289	15,708	14,289
Other		20,324	13,863	27,612	64,925
DEFERRED INCOME		**20,702**	**67,036**	**20,702**	**67,036**
EQUITY	20.	**807,638**	**924,016**	**807,638**	**924,016**
Capital		**1,112,259**	**1,112,259**	**1,112,259**	**1,112,259**
Local		983,392	983,392	983,392	983,392
Foreign		128,867	128,867	128,867	128,867
Carrying value adjustments		8,403	(12,723)	8,403	(12,723)
(-) Treasury shares		(7)	(15,572)	(7)	(15,572)
Accumulated deficit		(313,017)	(159,948)	(313,017)	(159,948)
TOTAL LIABILITIES AND EQUITY		**10,326,846**	**8,608,902**	**10,228,442**	**8,586,746**

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

STATEMENTS OF INCOME (OPERATIONS) FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(All amounts in thousands of reais, except earnings (loss) per share)

		Parent company		Consolidated	
	Note	2019	2018	2019	2018
INCOME FROM FINANCIAL OPERATIONS		**243,544**	**323,901**	**243,575**	**337,928**
Loan operations	21.a)	160,369	207,376	160,369	207,376
Marketable securities	21.b)	68,800	103,975	68,831	116,382
Derivative financial instruments	6.b)	9,517	(65,153)	9,517	(65,153)
Foreign exchange transactions		4,858	77,703	4,858	79,323
EXPENSES FROM FINANCIAL OPERATIONS		**(234,755)**	**(284,027)**	**(232,465)**	**(281,965)**
Money market	21.c)	(276,805)	(245,819)	(274,515)	(243,757)
Borrowings and onlendings	21.d)	(14,357)	(88,350)	(14,357)	(88,350)
Allowance for loan losses		56,407	50,142	56,407	50,142
GROSS PROFIT FROM FINANCIAL OPERATIONS		**8,789**	**39,874**	**11,110**	**55,963**
OPERATING INCOME (EXPENSES)		**(101,096)**	**(50,107)**	**(101,090)**	**(65,019)**
Revenue from services rendered	21.e)	13,417	28,948	17,002	31,342
Income from bank charges		1,414	2,399	1,414	2,399
Personnel expenses	21.f)	(39,225)	(48,092)	(39,257)	(48,150)
Other administrative expenses	21.g)	(46,899)	(37,844)	(50,660)	(40,326)
Tax expenses	21.h)	(10,092)	(3,589)	(18,127)	(4,362)
Equity in the results of investees	10.a)	(933)	14,091	(2,520)	-
Other operating income	21.i)	31,669	17,669	81,377	19,187
Other operating expenses	21.j)	(50,447)	(23,689)	(90,319)	(25,109)
OPERATING INCOME (LOSS)		**(92,307)**	**(10,233)**	**(89,980)**	**(9,056)**
NON-OPERATING INCOME	21.k)	**14,416**	**1,356**	**14,416**	**1,356**
INCOME (LOSS) BEFORE TAXES ON INCOME AND PROFIT SHARING		**(77,891)**	**(8,877)**	**(75,564)**	**(7,700)**
INCOME TAX AND SOCIAL CONTRIBUTION	22.	**11,500**	**23,716**	**9,178**	**22,544**
Provision for current income tax		(14,850)	-	(17,146)	(658)
Provision for current social contribution		(9,183)	-	(10,394)	(431)
Deferred income tax and social contribution		35,533	23,716	36,718	23,633
PROFIT SHARING	25.	**(4,249)**	**(4,376)**	**(4,254)**	**(4,381)**
NET PROFIT (LOSS) FOR THE PERIOD		**(70,640)**	**10,463**	**(70,640)**	**10,463**
NUMBER OF OUTSTANDING SHARES		121,171,395	119,604,235	121,171,395	119,604,235
EARNINGS (LOSS) PER SHARE - R$		(0.58298)	0.08748	(0.58298)	0.08748

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

(All amount in thousands of reais)

	Capital	Carrying value adjustments	Treasury shares	Accumulated deficit	Total
At December 31, 2017	**1,112,259**	**(14,521)**	**(18,876)**	**(170,411)**	**908,451**
Sale/acquisition of treasury shares	-	-	3,304	-	3,304
Marked-to-market available-for-sale securities	-	2,816	-	-	2,816
Marked-to-market cash flow hedge	-	(112)	-	-	(112)
Other carrying value adjustments	-	(906)	-	-	(906)
Profit for the six-month period	-	-	-	10,463	10,463
At June 30, 2018	**1,112,259**	**(12,723)**	**(15,572)**	**(159,948)**	**924,016**
At December 31, 2018	**1,112,259**	**(1,135)**	**(39)**	**(242,345)**	**868,740**
Sale/acquisition of treasury shares	-	-	32	(32)	-
Marked-to-market available-for-sale securities	-	7,693	-	-	7,693
Marked-to-market cash flow hedge	-	(3)	-	-	(3)
Other carrying value adjustments	-	1,848	-	-	1,848
Loss for the six-month period	-	-	-	(70,640)	(70,640)
At June 30, 2019	**1,112,259**	**8,403**	**(7)**	**(313,017)**	**807,638**

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

BANCO PINE S.A. AND SUBSIDIARIES
STATEMENTS OF VALUE ADDED FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018
(All amount in thousands of reais)

	Parent company		Consolidated	
	2019	2018	2019	2018
Revenue	**310,420**	**400,726**	**323,872**	**417,245**
Financial intermediation	243,544	323,901	243,575	337,928
Revenue from services rendered	13,417	28,948	17,002	31,342
Income from bank charges	1,414	2,399	1,414	2,399
Allowance for loan losses	56,407	50,142	56,407	50,142
Other	(4,362)	(4,664)	5,474	(4,566)
Expenses from financial operations	**291,162**	**334,169**	**288,872**	**332,107**
Inputs acquired from third parties	**39,058**	**32,521**	**42,819**	**35,047**
Materials, electric energy and other	539	311	539	311
Outsourced services	24,558	24,215	25,744	24,517
Other	13,961	7,995	16,536	10,219
Gross value added (used)	**(19,800)**	**34,036**	**(7,819)**	**50,091**
Depreciation and amortization	**379**	**378**	**379**	**334**
Net value added (used) produced by the entity	**(20,179)**	**33,658**	**(8,198)**	**49,757**
Value added received in transfer	**(933)**	**14,091**	**(2,520)**	**-**
Equity in the results of investees	(933)	14,091	(2,520)	-
Total value added (used) to distribute	**(21,112)**	**47,749**	**(10,718)**	**49,757**
Distribution of value added (used)	**(21,112)**	**47,749**	**(10,718)**	**49,757**
Employees' compensation	**43,474**	**52,468**	**43,511**	**52,531**
Salaries	25,487	31,749	25,505	31,783
Benefits, training	5,230	5,788	5,244	5,803
Payroll charges	8,508	10,555	8,508	10,564
Profit sharing	4,249	4,376	4,254	4,381
Government remuneration	**(1,408)**	**(20,127)**	**8,949**	**(18,182)**
Federal	8,866	1,890	11,973	2,224
State	-	-	1	248
Municipal	1,226	1,699	6,153	1,890
Income tax and social contribution	(11,500)	(23,716)	(9,178)	(22,544)
Remuneration on third parties' capital	**7,462**	**4,945**	**7,462**	**4,945**
Leased assets	7,462	4,945	7,462	4,945
Remuneration on own capital	**(70,640)**	**10,463**	**(70,640)**	**10,463**
Profit (loss) retained	(70,640)	10,463	(70,640)	10,463

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

BANCO PINE S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (INDIRECT METHOD) FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(All amount in thousands of reais)

	Note	Parent company		Consolidated	
		2019	2018	2019	2018
OPERATING ACTIVITIES					
Adjusted loss		**(159,600)**	**(89,909)**	**(161,718)**	**(79,334)**
Profit (loss) for the six-month period		(70,640)	10,463	(70,640)	10,463
Effects of changes in foreign exchange rates on cash and cash equivalents		1,346	(9,506)	1,346	(13,061)
Allowance for loan losses		(56,407)	(50,142)	(56,407)	(50,142)
Deferred taxes		(35,533)	(23,716)	(36,718)	(23,633)
Depreciation and amortization		379	378	379	334
Provision for contingencies		1,067	(1,352)	1,067	(1,352)
Provision for financial guarantees provided		(745)	(1,943)	(745)	(1,943)
Equity in the results of investees		933	(14,091)	-	-
Changes in assets and liabilities		**(961,459)**	**(211,218)**	**(993,315)**	**(240,152)**
Increase (decrease) in short-term interbank investments		(313,338)	(111,962)	(313,338)	(111,962)
(Increase) decrease in marketable securities		(1,116,218)	(136,358)	(1,043,542)	(125,171)
(Increase) decrease in loan operations		(174,574)	178,771	(174,574)	178,771
(Increase) decrease in other receivables		(410,591)	45,862	(366,515)	(15,837)
(Increase) decrease in other assets		(10,474)	(68,168)	(121,600)	(68,264)
(Increase) decrease in interbank and interbranch accounts		(939)	(3,474)	(939)	(3,474)
(Increase) decrease in derivative financial instruments		195,880	(87,566)	195,880	(87,566)
Increase (decrease) in deposits		702,462	544,325	661,173	535,816
Increase (decrease) in repurchase agreements		67,233	(44,945)	67,233	(44,945)
Increase (decrease) in funds from acceptance and issue of securities		(177,408)	(262,513)	(177,408)	(262,513)
Increase (decrease) in borrowings and onlendings		(79,755)	(217,640)	(79,755)	(217,640)
Increase (decrease) in other liabilities		371,236	(24,300)	375,043	5,883
Increase (decrease) in deferred income		(14,973)	(23,250)	(14,973)	(23,250)
Net cash (used in) provided by operating activities		**(1,121,059)**	**(301,127)**	**(1,155,033)**	**(319,486)**
INVESTING ACTIVITIES					
Purchase / sale of property and equipment in use		(6,624)	9	(6,624)	64
Purchase / sale of intangible assets		-	-	389	(55)
Capital increase in subsidiaries		(18,209)	(16,405)	-	-
(Acquisition) disposal of investments in associates, subsidiaries and others		-	(24,145)	-	-
Acquisition of other investments		(102)	-	(19,301)	-
Net cash (used in) provided by investing activities		**(24,935)**	**(40,541)**	**(25,536)**	**9**
FINANCING ACTIVITIES					
Acquisition/sale of treasury shares		-	3,304	-	3,304
Interest on capital and dividends paid		4,200	-	-	-
Increase (decrease) in subordinated debts		50,320	-	50,320	-
Net cash (used in) provided by financing activities		**54,520**	**3,304**	**50,320**	**3,304**
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(1,091,474)**	**(338,364)**	**(1,130,249)**	**(316,173)**
Cash and cash equivalents at the beginning of the six-month period	4.	1,413,014	1,157,640	1,453,338	1,157,988
Effects of changes in foreign exchange rates on cash and cash equivalents		(1,346)	9,506	(1,346)	13,061
Cash and cash equivalents at the end of the six-month period	4.	320,194	828,782	321,743	854,876

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

(In thousands of reais, except unit price per share)

1. OPERATIONS

Banco Pine S.A. ("Pine") is authorized to operate commercial, investment, credit, financing and foreign exchange portfolios.

Pine's operations are carried out in the context of a group of institutions that act jointly, and some transactions involve the co-participation or intermediation of subsidiaries that are members of the Pine Conglomerate. The benefits from these intercompany services and the costs of the operational and administrative structures are absorbed, either jointly or individually, by these institutions as practicable and reasonable as possible in the circumstances.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

Pine's Financial Statements, including its Grand Cayman Branch (Parent Company) and the consolidated financial information of Pine and Subsidiaries (Consolidated), are being presented.

The financial statements are presented in Brazilian reais (R$), which is Pine's functional currency and also that of its foreign branch. Unless otherwise indicated, the financial information expressed in Brazilian reais was rounded to the nearest thousand.

In compliance with CVM Resolution No. 505/06, we inform that, on August 8, 2019, the parent company and consolidated financial statements, of June 30, 2019, were approved by Pine's Board of Directors, among other matters.

The consolidated financial statements include the operations of Banco Pine S.A., including its foreign branch, its direct and indirect subsidiaries, and the specific purpose entities presented below:

		Total interest (%) in capital in	
	Activity	2019	2018
Foreign branch			
Grand Cayman Branch (1)	Foreign branch	100.0000	100.0000
Subsidiaries			
Pine Securities USA LLC (2)	Brokerage	-	100.0000
Pine Investimentos Distribuidora de Títulos e Valores Mobiliários Ltda	DTVM	99.9998	99.9998
Pine Assessoria e Consultoria Ltda	Consulting	99.9998	99.9998
Pine Planejamento e Serviços Ltda	Consulting	99.9900	99.9900
Pine Entre Verdes Empreendimento Imobiliário SPE Ltda	SPE	99.9999	99.9999
Pine Corretora de Seguros Ltda	Brokerage	99.9990	99.9990
Pine Campo Grande Empreendimento Imobiliário	SPE	99.9900	99.9900
Pine Ativos Imobiliários SPE Ltda	SPE	99.9999	-

(1) On January 11, 2019, the capital of the foreign branch - Grand Cayman Branch, was reduced by an amount equivalent to US$ 52,000.

(2) A Pine Securities USA LLC discontinued its activities on January 11, 2019.

3. SIGNIFICANT ACCOUNTING PRACTICES

Pine's financial statements are prepared and presented in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), as well as to other corporations, and also in compliance with the requirements of the Brazilian Securities Commission (CVM), where applicable, and it evidences all relevant information to the financial statements, and only this information, which is consistent with the information used by management in its activities.

In compliance with the process of convergence with the international financial accounting standards, some standards and their interpretations were issued by the Brazilian Accounting Pronouncements Committee (CPC), which will be applicable to financial institutions only when they are approved by the Central Bank of Brazil (BACEN). The accounting pronouncements that have already been approved are:

CMN Resolution No. 4.144/12 – Basic Conceptual Pronouncement (R1)
CMN Resolution No. 3.566/08 – CPC 01 (R1) - Impairment of Assets
CMN Resolution No. 4.524/16 – CPC 02 (R2) - The Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements
CMN Resolution No. 3.604/08 – CPC 03 (R2) - Statement of Cash Flows
CMN Resolution No. 4.534/16 – CPC 04 (R1) - Intangible Assets
CMN Resolution No. 3.750/09 – CPC 05 (R1) - Related Party Disclosures
CMN Resolution No. 3.989/11 – CPC 10 (R1) - Share-Based Payment
CMN Resolution No. 4.007/11 – CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors
CMN Resolution No. 3.973/11 – CPC 24 - Subsequent Events
CMN Resolution No. 3.823/09 – CPC 25 - Provisions, Contingent Liabilities and Contingent Assets
CMN Resolution No. 4.535/16 – CPC 27 - Property, Plant and Equipment
CMN Resolution No. 4.424/15 – CPC 33 (R1) - Employee Benefits

The significant accounting practices used are as follows:

a) Consolidation

Intercompany balances and income and costs of the transactions between Pine and its subsidiaries and special purpose entities were eliminated from the consolidated financial statements.

b) Determination of results

Income and expenses are recorded on the accrual basis of accounting, which establishes that they should be included in the determination of the results for the periods in which they occur, always simultaneously when they correlate, regardless of their receipt or payment.

Finance income and costs are allocated on a pro rata temporis basis based substantially on the compound interest method.

Transactions with floating rates or indexed to foreign currencies are adjusted through the balance sheet date.

c) Cash and cash equivalents

Cash and cash equivalents comprise available funds in local and foreign currencies, short-term interbank investments and time deposits with maturities on the original investment date within 90 days that present an immaterial risk of change in fair value. They are used by Pine to manage its short-term commitments.

d) Short-term interbank investments

Short-term interbank investments are presented at cost plus related earnings accrued through the balance sheet dates.

e) Marketable securities

In accordance with BACEN Circular Letter No. 3068/01, Pine's marketable securities are classified in the following categories: “trading securities", “available-for-sale securities” and “held-to-maturity securities”.

Trading securities are those acquired to be traded on a frequent and active bass. These securities are presented at cost plus related earnings accrued through the balance sheet dates and adjusted to market value and recorded in the corresponding income or expense account in profit or loss for the period.

The securities classified as available for sale are those which management has no intention to hold to maturity or which were not acquired to be traded on a frequent and active basis. These securities are recorded at cost plus related earnings accrued through the balance sheet dates and are adjusted to market value and recorded in th “Carrying value adjustments” account in equity, net of tax effects.

The securities classified as held to maturity are those which management acquires with the intention and financial ability to hold in its portfolio through maturity. These securities are recorded at cost plus the related earnings accrued. Premium and discount, where applicable, are allocated to profit or loss based on the terms of the individual securities.

Trading securities are presented in current assets, regardless of their maturities.

The fair value of the debt securities issued by closely-held companies that are not traded in active markets is measured using valuation techniques. Pine uses its judgment to select among a variety of methods and make assumptions that are based mainly on market conditions existing on the balance sheet date and the issuers’ creditworthiness. Pine uses the discounted cash flow analysis to calculate the fair value of these available-for-sale financial assets.

f) Derivative financial instruments:

In accordance with BACEN Circular No. 3082/02 and Circular Letter No. 3026/02, the derivative financial instruments comprising transactions with options, forward contracts, futures and swaps are recorded in compliance with the following criteria:

· Options: premiums paid or received are recorded in assets or liabilities, respectively, until the effective exercise of the option and recorded as a decrease or increase in the cost of the asset or right, due to the effective exercise of the option, or as income or expense in the case of non-exercise

· Futures: daily adjustment amounts are recorded in an asset or liability account and daily allocated as income or expenses;

· Swaps: differences receivable or payable are recorded in an asset or liability account, respectively, and allocated as income or expense on a pro rata die basis through the balance sheet date.

· Forward contracts: recorded at the contract final amount, less the difference between this amount and the spot price of the asset or right, recognizing income and expense over the term of the contract through the balance sheet date.

Derivative financial instruments are classified at the inception of the transaction, taking into consideration management’s intention to use them as hedging instruments or not. Derivative financial instruments used for protection against risk exposure or modifying the characteristics of financial assets and liabilities, and which are: (i) highly correlated as regards the changes in their market value in relation to the market value of the hedged item, at both the inception and over the term of the contract; and (ii) considered effective in mitigating the risk associated with the exposure in question, are classified as hedges according to their nature:

. Market risk hedge – the hedged financial assets and liabilities and the respective related derivative financial instruments are recorded at market value, with the corresponding appreciations or depreciations recognized in profit or loss for the period;

. Cash flow hedge – the hedged financial assets and liabilities and the respective related derivative financial instruments are recorded at market value, with the corresponding appreciations or depreciations, net of tax effects, recognized in a specific equity account called "Carrying value adjustments". The ineffective portion of the hedge is recorded directly in profit or loss for the period.

The derivative financial instruments that do not meet the hedge accounting criteria established by BACEN, particularly the derivatives used to manage overall risk exposure, are recorded at market value, with appreciations or depreciations recognized directly in profit or loss for the period.

g) Minimum requirements in the Financial Instrument Pricing Process (securities and derivative financial instruments)

Resolution No. 4277 of the National Monetary Council (CMN) of October 31, 2013 (which came into force on June 30, 2015) provides for the minimum requirements to be met in the pricing process of financial instruments measured at market value and the adoption of prudential adjustments by financial institutions. The financial instruments addressed in this Resolution include:

. Marketable securities classified in the “trading securities" and “available-for-sale securities” categories in accordance with BACEN Circular No. 3,068 of November 8, 2001;

. Derivative financial instruments addressed in BACEN Circular No. 3,082, of January 30, 2002; and

. Other financial instruments measured at market value, regardless of their classification in the trading portfolio, established by CMN Resolution No. 3,464, of June 26, 2007.

In compliance with this Resolution, Pine has put in place procedures to assess the need to adjust the value of the financial instruments listed above, observing the criteria of prudence, relevance and reliability. This assessment includes, among other factors, the credit risk spread in recording the market value of these instruments.

h) Loan operations and allowance for loan losses

Pine rates its credit portfolio from "AA" to "H", taking into consideration internal assumptions in line with CMN Resolution No. 2682/99. These assumptions represent judgments and take into consideration, principally, the economic environment, past experience and the specific risks related to transactions, borrowers and guarantors and default levels. Based on these criteria, the allowance for loan losses is considered to be sufficient by management. Nevertheless, since it is based on the judgments applied, the amount of the allowance for loan losses presented in Note 7.d may differ from the actual future loss incurred.

Income from loan operations that are past due for more than 60 days, regardless of their risk level, is only recognized as income on the date it is effectively received.

H-rated operations (allowance recorded at 100%) remain at this level for six months, and are subsequently written-off against the existing allowance and controlled over a five-year period in memorandum accounts and are no longer presented in the balance sheet.

Renegotiated loans are held, at least, at the same level at which they were originally rated at the time of the renegotiation.

Renegotiated loans that had already been written-off as losses and that were recorded in memorandum accounts, are H rated, and any gains arising from the renegotiation are only recognized as income when they are effectively received.

The allowance for loan losses meets the minimum requirement established by the Resolution referred to above, as presented in Note 7.

i) Write-off of financial assets

As determined by CMN Resolution No. 3,533/08, financial assets are written-off when the contractual rights to the cash flow of the financial asset expire or when the financial asset is sold or transferred.

The sale or transfer of a financial asset must be classified in one of the following categories:

. Transactions with substantial transfer of risks and rewards: the transferor transfers substantially all risks and rewards of the ownership of the financial assets involved in the transaction, such as: (i) unconditional sale of a financial asset; (ii) sale of a financial asset combined with an option to repurchase the asset at fair value at the time of repurchase; and (iii) sale of a financial asset combined with an option to buy or sell, the exercise of which is unlikely to occur;

. Transactions with substantial retention of risks and awards: the transferor substantially retains all risks and awards from the ownership of the financial asset that is the subject matter of the transaction, such as: (i) sale of the financial asset combined with a repurchase agreement for the same asset at a fixed price or selling price plus any earnings; (ii) marketable security loan agreements; (iii) sale of the financial asset together with a swap contract with total return rate that transfers the market risk exposure back to the transferor; (iv) sale of the financial asset combined with a purchase or sale option that is likely to be exercised; and (v) sale of receivables for which the seller or transferor guarantees that they will compensate the buyer or transferee for any credit losses that may occur, or whose sale had occurred together with the purchase of subordinated quotas of Fundo de Investimento em Direitos Creditórios (FIDC); and

. Transactions without transfer or substantial retention of risks and rewards: transactions in which the transferor neither transfers nor substantially retains all risks and rewards of ownership of the financial asset that is the subject matter of the transaction must be classified.

The allowance for loan losses complies with the guidelines established by CMN Resolution No. 2,682/99 of Bacen.

j) Other assets

These refer mainly to non-operating assets, composed mainly of real estate properties received as payment in kind. Non-operating assets are generally recorded at fair value less selling costs or carrying amount, whichever is the lowest, on the date on which they are classified in this category and are not depreciated.

k) Prepaid expenses

These are controlled by contract and accounted for in the "Prepaid expenses" account. The expenses are allocated to profit or loss for the period based on the corresponding contract term and recorded in the "Other administrative expenses" account.

l) Other current assets and long-term receivables

These are stated at cost including, where applicable, the related accrued earnings and monetary variations, less the corresponding provisions for loss or adjustments to the realizable value.

m) Permanent assets

These assets are stated at cost combined with the following aspects:

. Investments in subsidiaries are accounted for using the equity method;

· Investments in non-subsidiaries are accounted for using the cost method;

. Property and equipment items correspond to rights in tangible assets that are used to maintain activities, or rights that are exercised for this purpose, including those arising from transactions that transfer the risks, awards and control of the assets to the entity;

· Depreciation of property and equipment is calculated and recorded using the straight-line method at rates that take into consideration the economic useful lives of the assets;

. Intangible assets correspond to the rights acquired in non-physical assets that are used to maintain the entity or rights that are exercised for this purpose. Intangible assets with defined useful lives are generally amortized using the straight-line method over the estimated period of the economic benefit.

n) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable group of assets that generate cash flows that are largely independent from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period. The amounts of non-financial asset, except for deferred tax assets, are tested at least annually to determine whether there is any indication of an impairment loss.

o) Purchase and sale commitments

The purchase (sale) of financial assets based on a resale (repurchase) agreement at a fixed price is recognized in the balance sheet as financing granted (received) based on the nature of the debtor (creditor), within the "Short-term interbank investments" and "Money market" accounts.

p) Current and long-term liabilities

These are stated at known or estimated amounts including, where applicable, charges and monetary or foreign exchange variations incurred through the balance sheet dates.

q) Contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of contingent assets and liabilities and legal obligations (tax and social security) are based on the criteria defined in CMN Resolution No. 3,823/09, and Bacen Circular Letter No. 3429/10, which approved the Accounting Pronouncement CPC 25, as follows:

· Contingent assets: they are not recorded in the financial statements, except when there is evidence that provides guarantees that they will be realized against which no appeal can be filed.

· Contingent liabilities: these are determined according to the probability of an unfavorable decision or outcome for the related claims and probable interval of losses. The necessary provision for these contingencies is determined after an analysis of each claim and the opinion of the legal advisors. A provision for contingencies is recorded for those claims for which the probability of loss is deemed probable. The provisions required for these claims may be changed in the future due to changes related to the progress of each proceeding. For the proceedings for which the probability of loss is deemed possible no provision is recorded and only the relevant ones are disclosed. For the contingencies where the risk of loss is considered remote, no disclosure is required. The proceedings are assessed on a recurring basis and the probability of loss involves a high level of judgment of the historical loss, among others, including, when necessary, the support of legal advisors.

. Legal obligations (tax and social security): these are administrative proceedings or lawsuits related to tax and social security obligations, the legality or constitutionality of which is being contested, for which, regardless of the related assessment of the probability of success, the amounts in dispute are fully recorded in a provision and adjusted in accordance with the legislation in force;

When Pine obtains a favorable final and unappealable decision, the counterparty is entitled, provided that the specific legal requirements are met, to file a rescissory action within the period established by the legislation in force. Rescissory actions are considered new lawsuits and will be considered for the purpose of contingent liabilities if and when they are filed.

r) Deferred income

This refers to income received before the fulfillment of the obligation that gave rise to it, including non-refundable earnings, mainly related to collaterals and guarantees provided. This income is allocated to profit or loss in accordance with the terms of the corresponding contracts.

s) Provision for income tax and social contribution

The provisions for income tax and social contribution are recorded at the following current rates: income tax - 15%, plus a 10% surtax on taxable profit that exceeds R$ 240 (for the year), and social contribution - 15%.

On October 6, 2015, the Provisional Measure No. 675 was converted into Law No. 13,169, which increased the rate of Social Contribution on Revenue (CSLL) from 15% to 20% on the taxable profit generated for the period between September 1, 2015 and December 31, 2018 and decreased it to 15% as from January 2019 for financial institutions, private insurance companies, savings bond companies and those referred to in items I to VII, IX and X of paragraph 1 of Article 1 of Complementary Law No. 105 of January 10, 2001.

Deferred tax assets and liabilities are calculated mainly on temporary differences between accounting and tax results, income tax and social contribution loss carryforwards, and mark-to-market adjustments of securities and derivative financial instruments. Deferred tax assets and liabilities are recognized at the rates applicable to the period in which the asset and liability are expected to be realized or settled, respectively.

In accordance with the provision in the current regulation, tax assets are recorded when their recovery is deemed probable based on the generation of future taxable profit. Deferred tax assets are expected to be realized, as presented in Note 9.b, based on projections of results for the following ten years and on technical studies that include judgments and assumptions.

t) Profit sharing

Pine has its own profit sharing program restricted and ratified by the Profit Sharing Program of the Bank Workers' Union.

The general assumptions of this program consist of: (a) business unit performance; (b) establishment of a fund for distribution across the organization; and (c) assessment of skills and achievement of targets in the supporting departments. These expenses were recorded in the "Profit sharing" account" for the accrual period.

u) Earnings (loss) per share

This is calculated based on the number of outstanding shares of the capital paid up at the date of the financial statements.

(In thousands of reais, except unit price per share)

v) Financial guarantees provided

CMN Resolution No. 4,512 and Bacen Circular Letter No. 3,782 of July 28, 2016 and September 19, 2016, respectively, established accounting procedures to be applied regarding the recording of a provision to cover losses associated with financial guarantees provided under any form, within the appropriate liability account, with a contra-entry profit or loss for the period. Losses associated with the probability of future disbursements restricted by financial guarantees provided are assessed according to recognized credit risk management models and practices and based on consistent, verifiable information and criteria. The provision is sufficient to cover probable losses during the entire period of the guarantee provided and is periodically assessed.

x) Use of estimates

The preparation of the financial statements requires management to make estimates and adopt assumptions, to the best of its judgment, that affect the reported amounts of certain assets, liabilities, income and expenses and other transactions, such as the market value of assets and derivatives and the allowance for doubtful accounts; the determination of a period for the realization of the deferred tax assets; the recording and reversal of provisions for contingent liabilities, among others. Actual results may differ from these estimates.

4. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	2019	2018	2019	2018
Available funds (cash)	49,058	105,435	50,607	131,529
Short-term interbank investments (1)	271,136	723,347	271,136	723,347
Total cash and cash equivalents	**320,194**	**828,782**	**321,743**	**854,876**

(1) This refers to transactions with maturities at the effective investment date equal to or less than 90 days.

5. INTERBANK INVESTMENTS

Interbank investments on June 30, 2019 and 2018 are composed as follows:

	Parent company and Consolidated					
	2019			2018		
Security/Maturity	Up to 3 months	From 3 to 12 months	Total	Up to 3 months	From 3 to 12 months	Total
Investments in repurchase agreements						
National	502,381	-	502,381	834,809	-	834,809
National	-	-	-	5,000	-	5,000
Financial	81,006	-	81,006	246,010	-	246,010
Total investments in repurchase agreements	**583,387**	**-**	**583,387**	**1,085,819**	**-**	**1,085,819**
Investments in interbank deposits						
Deposit related to rural credit	37,101	-	37,101	-	-	-
Total investments in interbank deposits	**37,101**	**-**	**37,101**	**-**	**-**	**-**
Total interbank investments	**620,488**	**-**	**620,488**	**1,085,819**	**-**	**1,085,819**

(In thousands of reais, except unit price per share)

6. MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Marketable securities

The securities portfolio, on June 30, 2019 and 2018, was presented as follows:

							Parent company
							2019
	Amounts marked to market						
Security/Maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Curve value
Available-for-sale securities:							
Financial Treasury Bills (LFT)	-	-	-	289,041	915,470	1,204,511	1,204,349
National	-	-	42,888	82,802	-	125,690	121,035
National	-	-	34,615	201,974	41,366	277,955	264,708
Debentures (1)	-	19,980	10,571	33,498	102,143	166,192	165,249
Securitized real estate loans	-	-	-	-	2,375	2,375	1,104
Total available-for-sale securities	**-**	**19,980**	**88,074**	**607,315**	**1,061,354**	**1,776,723**	**1,756,445**
Trading securities (2):							
Financial	-	-	-	-	1,001,408	1,001,408	1,001,514
National	-	-	1,104	4	8,283	9,391	8,700
Shares of publicly-held companies	980	-	-	-	-	980	980
Total trading securities	**980**	**-**	**1,104**	**4**	**1,009,691**	**1,011,779**	**1,011,194**
Total securities	**980**	**19,980**	**89,178**	**607,319**	**2,071,045**	**2,788,502**	**2,767,639**

							Consolidated
							2019
	Amounts marked to market						
Security/Maturity	Up to 3 months	months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Curve value
Available-for-sale securities:							
Financial Treasury Bills (LFT)	-	-	-	289,041	915,470	1,204,511	1,204,349
National	-	-	42,888	82,802	-	125,690	121,035
National	-	-	34,615	201,974	41,366	277,955	264,708
Debentures (1)	-	19,980	10,571	33,498	102,143	166,192	165,249
Securitized real estate loans	-	-	-	-	2,375	2,375	1,104
Total available-for-sale securities	**-**	**19,980**	**88,074**	**607,315**	**1,061,354**	**1,776,723**	**1,756,445**
Trading securities (2):							
Financial	-	-	-	-	1,001,408	1,001,408	1,001,514
National	-	-	1,104	4	8,283	9,391	8,700
Shares of publicly-held companies	980	-	-	-	-	980	980
Bank Deposit Certificates	-	-	-	2,410	-	2,410	2,410
Total trading securities	**980**	**-**	**1,104**	**2,414**	**1,009,691**	**1,014,189**	**1,013,604**
Total securities	**980**	**19,980**	**89,178**	**609,729**	**2,071,045**	**2,790,912**	**2,770,049**

(In thousands of reais, except unit price per share)

							Parent company
							2018
	Amounts marked to market						
Security/Maturity	Up to 3 months	months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Curve value
Available-for-sale securities:							
Financial Treasury Bills (LFT)	-	11,159	-	165,540	106,228	282,927	282,766
National	-	96,809	639,552	35,692	-	772,053	781,366
National	-	-	-	115,810	-	115,810	117,677
Rural Product Note (CPR)	-	5,320	-	-	-	5,320	5,320
Debentures (1)	6,578	95,968	27,575	9,564	110,068	249,753	244,933
Promissory notes	1,966	7,537	5,553	-	-	15,056	22,668
Securitized real estate loans	-	-	-	-	2,294	2,294	1,844
Total available-for-sale securities	**8,544**	**216,793**	**672,680**	**326,606**	**218,590**	**1,443,213**	**1,456,574**
Trading securities (2):							
National	-	228	-	-	-	228	223
National	36,467	161	1,064	3	644	38,339	37,879
Debentures	-	-	3,523	-	-	3,523	3,523
Shares of publicly-held companies	18,544	-	-	-	-	18,544	18,544
Total trading securities	**55,011**	**389**	**4,587**	**3**	**644**	**60,634**	**60,169**
Total securities	**63,555**	**217,182**	**677,267**	**326,609**	**219,234**	**1,503,847**	**1,516,743**

							Consolidated
							2018
	Amounts marked to market						
Security/Maturity	Up to 3 months	months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Curve value
Available-for-sale securities:							
Financial Treasury Bills (LFT)	-	11,159	-	165,540	106,228	282,927	282,766
National	-	96,809	639,552	35,692	-	772,053	781,366
National	-	-	-	115,810	-	115,810	117,677
Rural Product Note (CPR)	-	5,320	-	-	-	5,320	5,320
Debentures (1)	6,578	95,968	27,575	9,564	110,068	249,753	244,933
Promissory notes	1,966	7,537	5,553	-	-	15,056	22,668
Securitized real estate loans	-	-	-	-	2,294	2,294	1,844
Total available-for-sale securities	**8,544**	**216,793**	**672,680**	**326,606**	**218,590**	**1,443,213**	**1,456,574**
Trading securities (2):							
National	-	228	-	-	-	228	223
National	36,467	161	1,064	3	644	38,339	37,879
Debentures	-	-	3,523	-	-	3,523	3,523
Shares of publicly-held companies	32,978	-	-	-	-	32,978	32,978
Total trading securities	**69,445**	**389**	**4,587**	**3**	**644**	**75,068**	**74,603**
Total securities	**77,989**	**217,182**	**677,267**	**326,609**	**219,234**	**1,518,281**	**1,531,177**

(1) In the period ended June 30, 2019, the conditions and expectations considered in the valuation of some available-for-sale securities did not materialize and, as a consequence, the amount of R$ 37,142, already presented as a reduction to fair value in Equity such as Carrying value adjustments, was recognized in profit (loss) in Income from operations with securities.

(2) Securities classified in the "for trading" category are stated for the term of the security.

On June 30, 2019 and 2018 there were no "held-to-maturity" securities.

According to Article 5 of Bacen Circular No. 3,068/08, the revaluation of the classification of securities may only be carried out upon the preparation of the balance sheets for six-month periods. There was no category reclassification in the six-month period ended June 30, 2019 and 2018.

The market value of securities recorded in the “available-for-sale” and “available-for-trading” categories was determined based on prices and rates charged on June 30, 2019 and 2018, disclosed by Anbima - Brazilian Association of the Financial and Capital Market Entities, by B3 SA - Brasil, Bolsa, Balcão, and by the International Information Agencies, when available, or by proprietary methodology that considers the broadest possible use of observable data. On June 30, 2019, the marking to market of securities recorded in the "held-for-sale" category has a positive accumulated adjustment in the amount of R$ 12,167 recorded in the equity of Pine’s Parent company and Consolidated information, net of tax effects (negative accumulated adjustment in amount of R$ 13,361 in the Parent company and Consolidated information on June 30, 2018). The marking to market of securities recorded in the "held-for-trading" category resulted in a positive adjustment in the amount of R$ 585 in the Parent company and Consolidated information (positive adjustment in the amount of R$ 465 in the Parent company and Consolidated information on June 30, 2018).

(In thousands of reais, except unit price per share)

b) Derivative financial instruments

i) Use policy

The growing level of sophistication of companies in a globalized market has prompted an increase in the demand for derivative financial instruments to manage balance sheet exposure to market risks, arising mainly from fluctuations in interest and foreign exchange rates, commodity prices and other asset prices. As a result, Pine offers its customers alternatives for mitigating market risks through appropriate instruments and also to meet its own needs for managing these risks.

ii) Management

Portfolio risk management is controlled using methodologies such as: VaR, sensitivity, liquidity risk and stress scenarios. Based on this information, the necessary derivative financial instruments are contracted by the treasury department, in accordance to the market and liquidity risk policies previously defined by management. Operations with derivatives carried out by Pine with customers are neutralized so as 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 takes into consideration potential stress scenarios.

Knowing the customer, the industry in which they operate and their risk appetite profile, as well as providing information on the risks involved in the operation and the negotiated conditions, assures transparency in the relationship between the parties and enables Pine to offer its customers those products that are most appropriate to their needs.

Most of the derivative contracts negotiated by the institution with customers in Brazil refers to operations with swap, forward contracts, options and futures registered with B3 S.A - Brasil, Bolsa, Balcão. Operations in the international market comprise future derivative contracts, forward contracts, options and swaps registered mainly with the Chicago, New York, and London stock exchanges. There are operations in foreign over-the-counter markets but their risks are low in relation to the total amount traded by the institution.

The main market risk factors monitored by Pine include foreign exchange rates, local interest rate fluctuation (fixed, Reference Rate (TR), General Market Price Index (IGP-M), Long-Term Interest Rate (TJLP) and the Broad Consumer Price Index (IPCA)), exchange coupons and commodities. Pine adopts a conservative approach, minimizing its exposure to risk factors and the mismatching of portfolio terms.

iii) Evaluation and measurement criteria, methods and assumptions used to determine the market value

To determine the market value of derivative financial instruments, Pine uses reference market rates mainly disclosed by B3 S.A - Brasil, Bolsa, Balcão, Intercontinental Exchange - ICE and Bloomberg. For derivatives whose prices are not directly disclosed by stock exchanges, the fair prices are obtained by means of pricing models that use market information based on the disclosed prices of assets with higher liquidity. Interest curves and market volatilities that are used as input data for the models are obtained from these prices. Over-the-counter derivatives, forward contracts, and securities with low liquidity are in this situation.

iv) Amounts recorded in equity and memorandum accounts, segregated into the indexer, counterparty, place of trading, reference value, maturity band, cost and market value categories

On June 2019 and 2018, the positions in derivative financial instruments are as follows:

						Parent company and Consolidated
			2019			2018
Derivative financial instruments	Short Term	Long Term	Total	Short Term	Long Term	Total
ASSETS						
Swaps – difference receivable	31,529	1,478,760	1,510,289	9,844	1,002,551	1,012,395
Forward contracts - receivable	54,380	1,567	55,947	152,987	11,361	164,348
Premiums from unexercised options	1,330	-	1,330	17,000	597	17,597
Total receivable	**87,239**	**1,480,327**	**1,567,566**	**179,831**	**1,014,509**	**1,194,340**
LIABILITIES						
Swaps – difference payable	(1,066)	(1,737,504)	(1,738,570)	(18,988)	(1,016,598)	(1,035,586)
Forward contracts - payable	(32,815)	(4,270)	(37,085)	(76,951)	(233)	(77,184)
Premiums from written options	(318)	(1)	(319)	(22,427)	(386)	(22,813)
Total payable	**(34,199)**	**(1,741,775)**	**(1,775,974)**	**(118,366)**	**(1,017,217)**	**(1,135,583)**
Net amount	**53,040**	**(261,448)**	**(208,408)**	**61,465**	**(2,708)**	**58,757**

(In thousands of reais, except unit price per share)

ii) Derivative financial instruments by indexer

	Parent company and Consolidated							
	2019				2018			
	Notional amount	Amount receivable	Amount payable	Profit (loss) / Equity	Notional amount	Amount receivable	Amount payable	Profit (loss) / Equity
Swaps								
Market risk								
Asset position:	**4,426,911**	**1,472,253**	**-**		**3,306,738**	**925,687**	**-**	
Interest	4,318,548	1,427,728	-		3,096,705	863,312	-	
Currency	108,363	44,525	-		210,033	62,375	-	
Liability position:	**4,426,911**	**-**	**(1,738,570)**		**3,306,738**	**-**	**(1,035,586)**	
Interest	4,342,713	-	(1,731,680)		3,116,778	-	(1,006,372)	
Currency	84,198	-	(6,890)		189,960	-	(29,214)	
Net amount		**1,472,253**	**(1,738,570)**	**(54,724)**		**925,687**	**(1,035,586)**	**649**
Hedge accounting								
Cash flows(1)								
Asset position:	**72,998**	**38,036**	**-**		**150,810**	**86,708**	**-**	
Interest	46,498	26,199	-		118,421	72,201	-	
Currency	26,500	11,837	-		32,389	14,507	-	
Liability position:	**72,998**	**-**	**-**		**150,810**	**-**	**-**	
Interest	72,998	-	-		150,810	-	-	
Net amount		**38,036**	**-**	**(8,385)**		**86,708**	**-**	**23,060**
Swap net amount		**1,510,289**	**(1,738,570)**	**(63,109)**		**1,012,395**	**(1,035,586)**	**23,709**
Forward contracts								
Asset position:	**4,113,160**	**55,947**	**-**		**3,838,765**	**164,348**	**-**	
Interest	2,000,161	45,396	-		1,697,800	282	-	
Currency	2,112,999	10,551	-		2,138,666	163,833	-	
Commodities	-	-	-		2,299	233	-	
Liability position:	**4,113,160**	**-**	**(37,085)**		**3,838,765**	**-**	**(77,184)**	
Interest	2,112,999	-	(36,591)		2,049,319	-	(60)	
Currency	2,000,161	-	(494)		1,750,228	-	(76,013)	
Commodities	-	-	-		39,218	-	(1,111)	
Net amount		**55,947**	**(37,085)**	**(43,321)**		**164,348**	**(77,184)**	**76,653**
Options								
Premiums from unexercised options	**12,250**	**1,330**	**-**		**364,309**	**17,597**	**-**	
Interest	-	-	-		6,409	-	-	
Currency	12,250	1,330	-		323,700	15,866	-	
Commodities	-	-	-		34,200	1,731	-	
Premiums from written options:	**78,250**	**-**	**(319)**		**364,901**	**-**	**(22,813)**	
Interest	-	-	-		-	-	-	
Currency	78,250	-	(319)		323,700	-	(20,717)	
Commodities	-	-	-		41,201	-	(2,096)	
Net amount		**1,330**	**(319)**	**12,672**		**17,597**	**(22,813)**	**(7,043)**
Total receivable (payable) and gain (loss)		**1,567,566**	**(1,775,974)**	**(93,758)**		**1,194,340**	**(1,135,583)**	**93,319**

(1) On June 30, 2019, there was a negative amount of R$ 3,144 (negative R$ 6,045 on June 30, 2018) related to the marking to market of the cash flow hedge recognized in Equity.

vi) Derivative financial instruments - futures contracts

	Parent company and Consolidated							
	2019				2018			
	Notional amount		Daily adjustment receivable (payable)	Profit (loss)	Notional amount		Daily adjustment receivable (payable)	Profit (loss)
	Purchase	Sale			Purchase	Sale		
Interbank market	1,267,116	1,107,585	(2,604)		1,180,545	981,377	150	
Currency	-	791,603	90		500,948	1,566,221	(5,080)	
Commodities	-	-	-		103,672	69,823	(20)	
Future exchange coupon	883,423	926,926	313		752,722	758,532	(414)	
Total	**2,150,539**	**2,826,114**	**(2,201)**	**100,131**	**2,537,887**	**3,375,953**	**(5,364)**	**(164,517)**

(In thousands of reais, except unit price per share)

vii) Derivative financial instruments by maturity

Notional amount - Memorandum	Up to 3 months	months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total
						Parent company and Consolidated
						2019
Swaps	70,905	93,666	66,525	70,482	4,198,331	**4,499,909**
Forward contracts	3,274,940	672,163	166,057	-	-	**4,113,160**
Options	78,250	12,250	-	-	-	**90,500**
Futures	2,906,687	1,230,492	409,713	79,347	350,414	**4,976,653**
Total	**6,330,782**	**2,008,571**	**642,295**	**149,829**	**4,548,745**	**13,680,222**

Notional amount - Memorandum	Up to 3 months	months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total
						Parent company and Consolidated
						2018
Swaps	107,269	105,070	306,830	88,252	2,850,127	**3,457,548**
Forward contracts	2,819,262	909,090	110,413	-	-	**3,838,765**
Options	17,660	696,290	8,850	6,410	-	**729,210**
Futures	2,885,502	2,200,726	593,780	95,987	137,845	**5,913,840**
Total	**5,829,693**	**3,911,176**	**1,019,873**	**190,649**	**2,987,972**	**13,939,363**

viii) Derivative financial instruments by place of trading

One June 30, 2019 and 2018, swap transactions, forward contracts and options, whose notional amounts are recorded in a memorandum account, are as follows:

								Parent company and Consolidated
	2019				2018			
Custodian	*Swaps*	Forward contracts	Options	Futures	*Swaps*	Forward contracts	Options	Futures
Stock exchange	**-**	**-**	**78,250**	**4,976,653**	**-**	**-**	**675,280**	**5,913,840**
B3 SA - Brasil, Bolsa, Balcão	-	-	78,250	4,951,983	-	-	647,400	5,637,768
Stock exchanges abroad	-	-	-	24,670	-	-	27,880	276,072
Over-the-counter market	**4,499,909**	**4,113,160**	**12,250**	**-**	**3,457,548**	**3,838,765**	**53,930**	**-**
Financial institutions	1,243,883	-	-	-	230,136	-	-	-
Companies	3,256,026	4,113,160	12,250	-	3,227,412	3,838,765	53,930	-
Total	**4,499,909**	**4,113,160**	**90,500**	**4,976,653**	**3,457,548**	**3,838,765**	**729,210**	**5,913,840**

ix) Amount and type of margin offered in guarantee

The amount of the margin deposited in guarantee for operations with derivative financial instruments on June 30, 2019 and 2018 is as follows:

		Parent company and Consolidated
		Market value
Security	2019	2018
Financial Treasury Bills (LFT)	403,373	-
National Treasury Bills (LTN)	12,866	350,298
National Treasury Notes (NTN)	67,536	-
Total	**483,775**	**350,298**

x) Hedge accounting

x.a) Cash flow hedge

The effectiveness determined for the hedge portfolio is in compliance with the provisions established in BACEN Circular No. 3,082, of January 30, 2002.

The purpose of the hedging relationship is to reduce the exposures to funds obtained in foreign currency and interest rates (Libor, UF Coupon and UF) and transform them into local currency with a fixed interest rate, thus protecting the debt interest payment cash flows (US$ and Chilean pesos) and making the cash flows constant.

In the six-month period ended June 30, 2019, a negative adjustment of R$ 3,144 (negative adjustment of R$ 6,045 in the six-month period ended June 30, 2018) was recorded in equity, arising from the marking to market of hedge instruments (swaps) in cash flow hedge accounting operations, and a positive adjustment of R$ 3,151 (positive adjustment of R$ 6,087 in the six-month period ended June 30, 2018), arising from the marking to market of the hedged item. There was no ineffective portion in the six-month periods ended June 30, 2019 and 2018.

				Parent company and Consolidated
				2019
	Notional amount	Curve value	Market value	Marking to market
Hedge instrument				
Swap contracts (assets)	72,998	116,474	113,330	(3,144)
Total	**72,998**	**116,474**	**113,330**	**(3,144)**
Hedged item				
Foreign onlendings	72,998	116,521	113,370	3,151
Total	**72,998**	**116,521**	**113,370**	**(3,151)**

(In thousands of reais, except unit price per share)

	Parent company and Consolidated			
	2018			
	Notional amount	Curve value	Market value	Marking to market
Hedge instrument				
Swap contracts (assets)	150,810	249,705	243,660	(6,045)
Total	**150,810**	**249,705**	**243,660**	**(6,045)**
Hedged item				
Foreign onlendings	150,810	249,757	243,670	6,087
Total	**150,810**	**249,757**	**243,670**	**6,087**

7. LOAN PORTFOLIO, GUARANTEES PROVIDED AND SECURITIES WITH CREDIT RISK

The information on the expanded loan portfolio on June 30, 2019 and 2018 is summarized as follows:

a) By type of operation:

	Parent company and Consolidated	
Description	2019	2018
Working capital	1,683,486	1,706,229
CMN Resolution No. 3,844	50,452	89,391
Overdraft account	72,559	52,294
Onlending from official institutions in Brazil	57,593	165,211
Financing in foreign currency	53,228	76,433
Export financing	464,712	714,604
Discounted notes	337,131	11,047
Subtotal – loan operations	**2,719,161**	**2,815,209**
Debtors from the purchase of securities and goods (1)	239,874	241,212
Advance on foreign exchange contracts and income receivable (2)	219,542	184,700
Credit notes receivable(1)	-	59,536
Sureties and honored guarantees	-	25,600
Loan portfolio	**3,178,577**	**3,326,257**
Outstanding import credits	47,268	8,380
Guarantees provided	697,407	1,538,589
Guarantees provided and responsibilities	**744,675**	**1,546,969**
Corporate bonds (3)	168,567	275,946
Securities with credit risk	**168,567**	**275,946**
Total expanded portfolio	**4,091,819**	**5,149,172**

(1) Recorded in "Other receivables - sundry" (Note 9a).

(2) Recorded in "Foreign exchange portfolio" (Note 8).

(3) Mostly debentures, promissory notes and receivables certificates composing Pine's portfolio (Note 6a).

b) By maturity:

	Parent company and Consolidated					
	2019			2018		
Period	To fall due	Overdue	Total	To fall due	Overdue	Total
Up to 3 months	920,511	124,954	1,045,465	652,660	380,856	1,033,516
From 3 to 12 months	1,026,016	42,921	1,068,937	919,466	58,849	978,315
From 1 to 3 years	878,446	-	878,446	928,695	-	928,695
From 3 to 5 years	115,603	-	115,603	177,957	-	177,957
From 5 to 15 years	70,126	-	70,126	207,774	-	207,774
Total loan portfolio	**3,010,702**	**167,875**	**3,178,577**	**2,886,552**	**439,705**	**3,326,257**
Up to 3 months	261,596	-	261,596	454,967	-	454,967
From 3 to 12 months	146,258	-	146,258	310,526	-	310,526
From 1 to 3 years	199,597	-	199,597	324,175	-	324,175
From 3 to 5 years	128,316	-	128,316	451,520	-	451,520
From 5 to 15 years	8,908	-	8,908	5,781	-	5,781
Total guarantees provided and responsibilities	**744,675**	**-**	**744,675**	**1,546,969**	**-**	**1,546,969**
Up to 3 months	-	-	-	8,545	-	8,545
From 3 to 12 months	19,980	-	19,980	103,504	-	103,504
From 1 to 3 years	10,571	-	10,571	41,970	-	41,970
From 3 to 5 years	33,498	-	33,498	9,564	-	9,564
From 5 to 15 years	104,518	-	104,518	112,363	-	112,363
Total securities with credit risk	**168,567**	**-**	**168,567**	**275,946**	**-**	**275,946**
Total expanded portfolio	**3,923,944**	**167,875**	**4,091,819**	**4,709,467**	**439,705**	**5,149,172**

(In thousands of reais, except unit price per share)

c) By business activity:

	Parent company and Consolidated	
	2019	2018
Sugar and ethanol	372,186	615,934
Light vehicles and parts	119,008	81,381
Weapons	84,156	78,822
General retail market	149,702	200,508
Public electric energy concession	91,982	164,318
Public concession, except electric energy	93,744	246,458
Cooperative	141,673	288,157
Distributor of food and beverages	18,100	3,689
Engineering and construction (infrastructure)	199,678	207,019
Entertainment, leisure and tourism	4,651	4,235
Fertilizers, pesticides and farm inputs	19,413	56,914
Electric cables	15,232	15,429
Cold storage plant, slaughterhouse and meat processing	71,044	50,294
Real estate	647,404	851,783
Industry and trade of light/farming machinery and equipment and electric and electronic products	93,908	111,909
Industry and trade of heavy/farming machinery and equipment	16,804	22,092
Food and beverage industry	84,580	41,406
Construction materials and interior design industry	93,161	194,509
White and brown household appliances industry	13,187	-
Other non-specified industry	1,503	-
Textile, shoes and tannery	79,298	30,078
Financial institution	23,791	21,089
Non-financial institution / Investment fund	9,477	7,061
Logistics and transportation	304,648	350,154
Mining	16,668	123,532
Other	216,136	-
Pulp, paper and packaging	31,579	31,028
Individual non-agricultural producer	69,751	86,772
Plastic, latex, packaging and toys	30,721	14,380
Agricultural producer	254,189	312,645
Medical, hospital, pharmaceutical and cosmetic products and services	80,294	49,409
Advertising, communication and printing	32,027	31,512
Chemical and petrochemical	111,029	237,849
Services and other	133,985	175,818
Steel and iron, metallurgy, foundry and mechanics	88,879	71,534
Telecommunications, IT and electric and electronic products	157,871	173,613
Agricultural trading	57,811	161,020
Non-agricultural trading	62,549	36,821
Total expanded portfolio	**4,091,819**	**5,149,172**

d) Loan portfolio by risk level and allowances:

	Parent company and Consolidated							
	2019				2018			
Rating	To fall due	Overdue	Total	Allowance	To fall due	Overdue	Total	Allowance
AA	275,217	-	275,217	-	314,227	-	314,227	-
A	533,034	-	533,034	2,665	503,290	-	503,290	2,516
B	1,080,222	23,980	1,104,202	11,042	901,050	400	901,450	9,015
C	609,133	32,462	641,595	19,248	702,247	193,912	896,159	26,885
D	140,919	2,807	143,726	14,373	196,134	3,819	199,953	34,995
E	112,984	20,094	133,078	39,923	99,482	51,280	150,762	60,229
F	68,052	25,065	93,117	46,559	-	9,624	9,624	4,812
G	137,131	62,600	199,731	139,812	138,900	77,981	216,881	171,317
H	54,010	867	54,877	54,877	31,222	102,689	133,911	133,911
Total	**3,010,702**	**167,875**	**3,178,577**	**328,499**	**2,886,552**	**439,705**	**3,326,257**	**443,680**

(In thousands of reais, except unit price per share)

e) By concentration level of Pine's total expanded portfolio:

	Parent company and Consolidated			
	2019		2018	
Largest debtors	Amount	% of the portfolio	Amount	% of the portfolio
Largest debtor	100,474	2.46	199,505	3.87
2nd to 10th	698,638	17.07	898,129	17.44
11th to 20th	465,186	11.37	605,167	11.75
21st to 50th	703,168	17.18	1,089,569	21.16
51st to 100th	659,268	16.11	914,562	17.76
Other debtors	1,465,085	35.81	1,442,240	28.02
Total expanded portfolio	**4,091,819**	**100.00**	**5,149,172**	**100.00**

f) Pine's total expanded loan portfolio concentration by business sector:

	Parent company and Consolidated	
	2019	2018
Industry	1,911,553	2,710,420
Commerce	512,320	674,164
Financial intermediation	21,660	21,975
Other services	1,452,548	1,469,103
Individuals	193,738	273,510
Total expanded portfolio	**4,091,819**	**5,149,172**

g) Changes in the allowance for loan losses and other doubtful accounts, in accordance with CMN Resolution No. 2,682/99:

	Parent company and Consolidated	
Description	2019	2018
Opening balance	**388,112**	**579,539**
Recognition/Reversal	(56,407)	(50,142)
Written off as loss	(3,206)	(85,717)
Closing balance	**328,499**	**443,680**

(1) This amount refers to the foreign exchange variation in the allowance for doubtful accounts of the branch abroad.

d) Credit recovery

In the six-month period ended June 30, 2019, credits that had been written off as a loss were recovered in the amount of R$ 1,529 (R$ 3,909 in the six-month period ended June 30, 2018).

i) Renegotiation of contracts

On June 30, 2019, there were renegotiated contracts in the amount of R$ 501,780 (R$ 872,262 on June 30, 2018). For these contracts, the same ratings were assigned to the operations prior to the renegotiations.

j) Transactions with no transfer or retention of substantial risks and rewards

During the six-month period ended June 30, 2019 and 2018, there were no credit assignments without co-obligation. Additionally, contracts that had been written off as a loss in the six-month period ended June 30, 2019 in the amount of R$ 27,378 (R$ 10,793 on June 30, 2018) were assigned, resulting in a gain of R$ 100 (R$ 950 on June 30, 2018) recorded under "Loan operations".

8. FOREIGN EXCHANGE PORTFOLIO

	Parent company and Consolidated			
	Other receivables		Other liabilities	
	2019	2018	2019	2018
Foreign exchange purchase pending settlement	408,005	205,099	-	-
Exchange sale rights	71,225	-	-	-
Income receivable	12,862	10,550	-	-
Advance in local currency received	(88)	-	-	-
Foreign exchange sales pending settlement	-	-	71,083	-
Liabilities from foreign exchange purchase	-	-	400,687	174,150
Advances on foreign exchange contracts	-	-	(206,680)	(174,150)
Total	**492,004**	**215,649**	**265,090**	**-**

(In thousands of reais, except unit price per share)

9. OTHER RECEIVABLES – SUNDRY

a) Other receivables - sundry

These are composed as follows:

						Parent company
			2019			2018
	Short term	Long term	Total	Short term	Long term	Total
Salary and other advances	1,423	-	1,423	1,712	-	1,712
Advances for payment on our behalf	204	-	204	228	-	228
Advances for the acquisition of fixed assets	841	-	841	-	-	-
Deferred tax assets (Note 9.b)	209,283	502,231	711,514	208,348	342,354	550,702
Debtors from the purchase of securities and goods	64,687	175,187	239,874	75,032	166,180	241,212
Income tax for offset	2,324	58,494	60,818	1,690	58,233	59,923
Amounts receivable from related companies	19	-	19	22	-	22
Notes and credits receivable	-	-	-	15,672	43,864	59,536
Sundry debtors – Brazil and abroad	1,534		1,534	3,925	-	3,925
Total	**280,315**	**735,912**	**1,016,227**	**306,629**	**610,631**	**917,260**

						Consolidated
			2019			2018
	Short term	Long term	Total	Short term	Long term	Total
Salary and other advances	1,423	-	1,423	1,712	-	1,712
Advances for payment on our behalf	457	-	457	322	-	322
Advances for the acquisition of fixed assets	4,131	-	4,131	-	-	-
Deferred tax assets (Note 9.b)	209,284	503,435	712,719	208,348	342,354	550,702
Debtors from the purchase of securities and goods	64,687	175,187	239,874	75,032	166,180	241,212
Income tax for offset	2,324	60,683	63,007	1,690	60,334	62,024
Notes and credits receivable	-	477,511	477,511	15,672	558,780	574,452
Sundry debtors – Brazil and abroad	3,737	-	3,737	4,408	-	4,408
Total	**286,043**	**1,216,816**	**1,502,859**	**307,184**	**1,127,648**	**1,434,832**

b) Deferred tax assets and deferred tax liabilities

On June 30, 2019 and 2018, deferred tax assets and deferred tax liabilities of income tax and social contribution were composed as follows:

						Parent company
			2019			2018
Deferred tax assets	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Allowance for loan losses	114,039	68,423	182,462	110,240	88,192	198,432
Adjustment of available-for-sale securities	1,069	642	1,711	4,658	3,726	8,384
Mercado futuro - Lei nº 11.196	2,473	1,483	3,956	1,896	1,517	3,413
Credits written off as loss	66,404	39,843	106,247	60,161	48,129	108,290
Provision for tax risks and contingent liabilities	3,861	2,316	6,177	3,572	2,858	6,430
Allowance for profit sharing	517	311	828	-	-	-
Marked-to-market cash flow hedge	786	472	1,258	1,511	1,209	2,720
Income tax and social contribution loss carryforwards	141,259	84,641	225,900	123,558	98,668	222,226
Provision – CMN Resolution No. 3,921	4,718	2,831	7,549	8,668	6,935	15,603
Other provisions	3,888	2,333	6,221	2,332	1,865	4,197
Marked-to-market derivatives	105,753	63,452	169,205	6,609	5,287	11,896
Total	**444,767**	**266,747**	**711,514**	**323,205**	**227,497**	**550,702**

(In thousands of reais, except unit price per share)

						Consolidated
			2019			2018
Deferred tax assets	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Allowance for loan losses	114,925	68,742	183,667	110,240	88,192	198,432
Adjustment of available-for-sale securities	1,069	642	1,711	4,658	3,726	8,384
Futures market – Law No. 11,196	2,473	1,483	3,956	1,896	1,517	3,413
Credits written off as loss	66,404	39,843	106,247	60,161	48,129	108,290
Provision for tax risks and contingent liabilities	3,861	2,316	6,177	3,572	2,858	6,430
Allowance for profit sharing	517	311	828	-	-	-
Marked-to-market cash flow hedge	786	472	1,258	1,511	1,209	2,720
Income tax and social contribution loss carryforwards	141,259	84,641	225,900	123,558	98,668	222,226
Negative result abroad	-	-	-	-	-	-
Provision – CMN Resolution No. 3,921	4,718	2,831	7,549	8,668	6,935	15,603
Other provisions	3,888	2,333	6,221	2,332	1,865	4,197
Marked-to-market derivatives	105,753	63,452	169,205	6,609	5,287	11,896
Reversal of 5% of the increase of the social contribution rate	-	-	-	-	(30,889)	(30,889)
Total	**445,653**	**267,066**	**712,719**	**323,205**	**227,497**	**550,702**

						Parent company
			2019			2018
Deferred tax liabilities	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Monetary adjustment of judicial deposits	1,631	979	2,610	1,221	977	2,198
Adjustment of trading securities	580	348	928	116	93	209
Adjustment of available-for-sale securities	6,139	3,681	9,820	1,318	1,054	2,372
Futures market – Law No. 11,196	12,261	7,357	19,618	-	-	-
Marked-to-market derivatives	66,074	39,645	105,719	-	-	-
Marked-to-market cash flow hedge	788	473	1,261	1,522	1,217	2,739
Reversal of 5% of the increase of the social contribution rate	-	-	-	-	(962)	(962)
Total (Note 15.a)	**87,473**	**52,483**	**139,956**	**4,177**	**2,379**	**6,556**

						Consolidated
			2019			2018
Deferred tax liabilities	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Monetary adjustment of judicial deposits	1,691	1,014	2,705	1,268	1,015	2,283
Adjustment of trading securities	580	348	928	116	93	209
Adjustment of available-for-sale securities	6,139	3,681	9,820	1,318	1,054	2,372
Futures market – Law No. 11,196	12,261	7,357	19,618	-	-	-
Marked-to-market derivatives	66,074	39,645	105,719	-	-	-
Marked-to-market cash flow hedge	788	473	1,261	1,522	1,217	2,739
Reversal of 5% of the increase of the social contribution rate	-	-	-	-	(962)	(962)
Total (Note 15.a)	**87,533**	**52,518**	**140,051**	**4,224**	**2,417**	**6,641**

Changes in deferred tax assets and deferred tax liabilities

	Parent company		Consolidated	
Deferred tax assets	2019	2018	2019	2018
Opening balance	**559,023**	**538,228**	**559,023**	**538,228**
Addition	192,449	99,074	193,654	99,074
Reversal	(39,958)	(86,600)	(39,958)	(86,600)
Closing balance	**711,514**	**550,702**	**712,719**	**550,702**

	Parent company		Consolidated	
Deferred tax liabilities	2019	2018	2019	2018
Opening balance	**16,707**	**14,792**	**16,801**	**14,792**
Addition	124,035	3,081	124,052	3,166
Reversal	(786)	(11,317)	(802)	(11,317)
Closing balance	**139,956**	**6,556**	**140,051**	**6,641**

(In thousands of reais, except unit price per share)

Expected realization of deferred tax assets and deferred tax liabilities

								2019
	Parent company				Consolidated			
Deferred tax assets	Income tax	Social	Total	Present value	Income tax	contribution	Total	Present value
Up to 1 year	130,802	78,481	209,283	194,748	130,803	78,481	209,284	194,748
From 1 to 2 years	19,952	11,971	31,923	27,517	19,952	11,971	31,923	27,517
From 2 to 3 years	18,789	11,274	30,063	23,916	19,674	11,593	31,267	24,874
From 3 to 4 years	20,050	12,030	32,080	23,962	20,050	12,030	32,080	23,962
From 4 to 5 years	34,924	20,955	55,879	38,984	34,924	20,955	55,879	38,984
From 5 to 8 years	212,698	127,505	340,203	188,692	212,698	127,505	340,203	188,692
From 8 to 10 years	7,552	4,531	12,083	5,926	7,552	4,531	12,083	5,926
Total	**444,767**	**266,747**	**711,514**	**503,744**	**445,653**	**267,066**	**712,719**	**504,702**

						2019
	Parent company			Consolidated		
Deferred tax liabilities	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Up to 1 year	5,158	3,093	8,251	5,158	3,093	8,251
From 1 to 2 years	1,076	646	1,722	1,076	646	1,722
From 2 to 3 years	1,304	782	2,086	1,304	782	2,086
From 3 to 4 years	3,943	2,365	6,308	3,943	2,365	6,308
From 4 to 5 years	542	326	868	542	326	868
From 5 to 8 years	73,439	44,064	117,503	73,439	44,064	117,503
From 8 to 10 years	2,011	1,207	3,218	2,071	1,242	3,313
Total	**87,473**	**52,483**	**139,956**	**87,533**	**52,518**	**140,051**

10. INVESTMENTS

a) Investments in subsidiaries and associates accounted for based on the equity method

							2019
	Holding - %	Number of shares/quotas held	Capital	Equity	Net profit for the period	Investment amount	Equity in the results of investees
Pine Securities (3)	100.0000	-	-	-	(2,520)	-	(2,520)
Pine Planejamento e Serviços Ltda.	99.9900	9,999	10	648	7	648	7
Pine Investimentos DTVM Ltda.	99.9998	892,299	13,384	62,560	942	62,560	943
Pine Assessoria e Consultoria Ltda.	99.9998	499,999	500	1,978	2	1,978	2
Pine Entre Verdes Empreendimento Imobiliário (1)	99.9999	448,999	500,797	516,129	(823)	516,129	(822)
Pine Corretora de Seguros Ltda.	99.9990	99,999	100	4,198	2,967	4,198	2,967
Pine Campo Grande Empreendimento Imobiliário	99.9900	49,199	52,200	52,198	(1)	52,198	4
Pine Ativos Imobiliários SPE Ltda. (2)	99.9900	84,031	86,031	84,508	(1,523)	84,507	(1,514)
Total					**(949)**	**722,218**	**(933)**

							2018
	Holding - %	Number of shares/quotas held	Capital	Equity	Net profit for the period	Investment amount	Equity in the results of investees
Pine Securities (3)	100.0000	5,000	29,954	41,423	13,954	41,423	13,954
Pine Planejamento e Serviços Ltda.	99.9900	9,999	10	633	4	633	4
Pine Investimentos DTVM Ltda.	99.9998	892,298	13,385	60,733	961	60,733	961
Pine Assessoria e Consultoria Ltda.	99.9998	499,999	500	1,950	18	1,950	18
Pine Entre Verdes Empreendimento Imobiliário (1)	99.9999	70,849,999	430,000	427,532	(2,723)	427,532	(2,723)
Pine Corretora de Seguros Ltda.	99.9990	99,999	100	2,313	1,878	2,313	1,878
Pine Campo Grande Ltda.	99.9900	9,999	49,200	49,199	(1)	49,199	(1)
Total					**14,091**	**583,783**	**14,091**

(1) In the six-month period ended June 30, 2019, there were capital contributions to Pine Entre Verdes in the amount of R$ 51,797 (R$ 315,853 in the six-month period ended June 30, 2018).

(2) On November 22, 2018, Pine Ativos Imobiliários SPE. was incorporated. The company's purpose is the development and implementation of a real estate development.

(3) On January 11, 2019 Pine Securities was wound up.

(In thousands of reais, except unit price per share)

b) Investments in associates that are not accounted for based on the equity method

On June 30, 2018, Pine has investments in associates measured at cost in the amount of R$ 107,531.

These investments consist of the acquisition of shares of publicly-held companies through payment in kind in the amount of R$ 107,531. On October 6, 2017, there was a partial capital increase of the Company that caused the reduction of Pine's interest from 2.5% on December 31, 2016 to 1.9% on December 31, 2017.

These investments are tested for impairment at least once a year. In the balance sheet of December 31, 2018, this investment is recorded under "Investments in associates and subsidiaries in Brazil". On March 31, 2019, the shares were reclassified to the “Marketable securities" account.

11. OTHER ASSETS

	Parent company		Consolidated	
Non-operating assets	2019	2018	2019	2018
Properties	495,769	289,427	606,853	289,427
Assets in a special system	-	52,905	-	52,905
Other	3,060	3,060	3,060	3,060
Allowance for losses	(7,800)	(3,404)	(7,800)	(3,404)
Total	**491,029**	**341,988**	**602,113**	**341,988**

	Parent company		Consolidated	
Prepaid expenses	2019	2018	2019	2018
Insurance premiums	22,597	12,796	22,597	12,796
Rentals	19,970	6,528	19,970	6,528
Expenditures with the issue of securities abroad	307	391	307	391
Other	1,547	1,345	1,677	1,505
Total	**44,421**	**21,060**	**44,551**	**21,220**

12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment items are depreciated using the straight-line method at the following annual rates: Installations, data processing system and transportation system, 20%, furniture and equipment in use, communication system and security system, 10%. These rates properly represent the economic useful lives of the assets.

Intangible assets correspond to the expenditures with the acquisition and development of software and they are amortized using the straight-line method at the annual rate of

13. DEPOSITS

a) Breakdown by maturity:

						2019
	Parent company			Consolidated		
	Demand deposits	Time deposits	Interbank deposits	Demand deposits	Time deposits	Interbank deposits
No maturity date	92,400	-	-	90,885	-	-
Up to 30 days	-	354,764	37,287	-	354,404	37,287
From 31 to 60 days	-	218,785	-	-	218,571	-
From 61 to 90 days	-	134,627	-	-	134,157	-
From 91 to 180 days	-	416,411	-	-	407,036	-
From 181 to 360 days	-	812,051	38,410	-	812,052	38,410
Over 360 days	-	4,028,110	9,804	-	3,927,016	9,804
Total	**92,400**	**5,964,748**	**85,501**	**90,885**	**5,853,236**	**85,501**

						2018
	Parent company			Consolidated		
	Demand deposits	Time deposits	Interbank deposits	Demand deposits	Time deposits	Interbank deposits
No maturity date	51,423	-	-	51,104	-	-
Up to 30 days	-	296,939	-	-	296,075	-
From 31 to 60 days	-	217,073	14,131	-	206,785	14,131
From 61 to 90 days	-	97,095	8,034	-	87,906	8,034
From 91 to 180 days	-	623,988	2,089	-	599,148	2,089
From 181 to 360 days	-	543,911	46,581	-	538,471	46,581
Over 360 days	-	2,609,610	-	-	2,586,096	-
Total	**51,423**	**4,388,616**	**70,835**	**51,104**	**4,314,481**	**70,835**

(In thousands of reais, except unit price per share)

b) Breakdown by market segment:

						2019
			Parent company			Consolidated
	Demand deposits	Time deposits	Interbank deposits	Demand deposits	Time deposits	Interbank deposits
Industry, commerce and services	78,838	297,863	-	78,838	297,863	-
Related companies	1,509	111,512	-	-	-	-
Individuals	12,046	69,025	-	12,047	69,025	-
Financial institutions and investment funds	7	5,486,348	85,501	-	5,486,348	85,501
Total	**92,400**	**5,964,748**	**85,501**	**90,885**	**5,853,236**	**85,501**

						2018
			Parent company			Consolidated
	Demand deposits	Time deposits	Interbank deposits	Demand deposits	Time deposits	Interbank deposits
Industry, commerce and services	45,014	268,553	-	45,014	268,553	-
Related companies	309	74,135	-	-	-	-
Individuals	6,090	39,731	-	6,090	39,731	-
Financial institutions and investment funds	10	4,006,197	70,835	-	4,006,197	70,835
Total	**51,423**	**4,388,616**	**70,835**	**51,104**	**4,314,481**	**70,835**

14. FUNDS OBTAINED IN THE OPEN MARKET

	Parent company and Consolidated	
	2019	2018
Own portfolio		
Debentures	113,674	91,136
Subtotal	**113,674**	**91,136**
Third-parties' portfolio		
National Treasury Bills (LTN)	312,251	261,922
Subtotal	**312,251**	**261,922**
Funds obtained in the open market	**425,925**	**353,058**

15. OTHER LIABILITIES

a) Tax and social security

						2019
			Parent company			Consolidated
	Short term	Long term	Total	Short term	Long term	Total
Taxes and contributions on outsourced services	292	-	292	292	-	292
Taxes and contributions on salaries	2,082	-	2,082	2,082	-	2,082
Taxes and contributions on income	-	-	-	3,186	-	3,186
Service Tax (ISS)	138	-	138	138	-	138
Income Tax Withheld at Source (IRRF)	208	-	208	375	-	375
PIS and COFINS taxes payable	-	-	-	1,252	-	1,252
Provision for deferred income tax and social contribution (Note 9.b)	8,251	131,705	139,956	8,251	131,800	140,051
Total	**10,971**	**131,705**	**142,676**	**15,576**	**131,800**	**147,376**

						2018
			Parent company			Consolidated
	Short term	Long term	Total	Short term	Long term	Total
Taxes and contributions on outsourced services	201	-	201	203	-	203
Taxes and contributions on salaries	2,161	-	2,161	2,165	-	2,165
Taxes and contributions on income	-	-	-	907	-	907
Service Tax (ISS)	219	-	219	219	-	219
Income Tax Withheld at Source (IRRF)	144	-	144	165	-	165
PIS and COFINS taxes payable	-	-	-	166	-	166
Provision for deferred income tax and social contribution (Note 9.b)	210	6,346	6,556	210	6,431	6,641
Total	**2,935**	**6,346**	**9,281**	**4,035**	**6,431**	**10,466**

(In thousands of reais, except unit price per share)

b) Sundry

	Parent company			Consolidated		
2019	Short term	Long term	Total	Short term	Long term	Total
Provision for personnel expenses	7,322	-	7,322	7,325	-	7,325
Cashier's checks	43	-	43	43	-	43
Provision for contingent liabilities - civil (Note 16.b)	-	7,626	7,626	-	7,891	7,891
Provision for contingent liabilities – labor (Note 16.b)	-	7,448	7,448	-	7,448	7,448
Provision for contingent liabilities – fiscal (Note 16.b)	-	369	369	-	369	369
Provision for financial guarantees provided (Note 24)	-	4,565	4,565	-	4,565	4,565
Obligations from the acquisition of assets and rights	83	111	194	83	111	194
Other administrative expenses	14,442	-	14,442	14,464	-	14,464
Accounts payable	-	-	-	-	7,288	7,288
Sundry creditors – Brazil and abroad	192	15,648	15,840	2,537	15,648	18,185
Total	**22,082**	**35,767**	**57,849**	**24,452**	**43,320**	**67,772**

	Parent company			Consolidated		
2018	Short term	Long term	Total	Short term	Long term	Total
Provision for personnel expenses	8,007	-	8,007	8,011	-	8,011
Cashier's checks	39	-	39	39	-	39
Provision for contingent liabilities - civil (Note 16.b)	-	6,175	6,175	-	6,175	6,175
Provision for contingent liabilities – labor (Note 16.b)	-	7,745	7,745	-	7,745	7,745
Provision for contingent liabilities – fiscal (Note 16.b)	-	369	369	-	369	369
Provision for financial guarantees provided (Note 24)	-	7,696	7,696	-	7,696	7,696
Obligations from the acquisition of assets and rights	167	195	362	167	195	362
Other administrative expenses	1,412	423	1,835	1,419	423	1,842
Accounts payable	-	-	-	-	51,062	51,062
Sundry creditors – Brazil and abroad	-	5,549	5,549	40	5,549	5,589
Total	**9,625**	**28,152**	**37,777**	**9,676**	**79,214**	**88,890**

16. CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES – TAX AND SOCIAL SECURITY

a) Contingent assets

On June 30, 2019 and 2018, there were no contingent assets.

b) Balances of the provisions for legal and administrative proceedings and legal liabilities by nature:

	Parent company				Consolidated			
	Provision		Judicial deposits		Provision		Judicial deposits	
	2019	2018	2019	2018	2019	2018	2019	2018
Tax contingencies and legal liabilities	369	369	48,113	46,542	369	369	50,286	48,609
Labor contingencies	7,448	7,745	3,129	4,460	7,448	7,745	3,129	4,460
Civil contingencies	7,626	6,175	2,691	2,358	7,891	6,175	2,961	2,358
Total	**15,443**	**14,289**	**53,933**	**53,360**	**15,708**	**14,289**	**56,376**	**55,427**

Pine and Pine Investimentos obtained final and unappealable favorable decisions regarding lawsuits questioning the increase in the calculation bases of the Social Integration Program (PIS) and the Social Contribution on Revenue (COFINS) taxes due, according to Article 3, paragraph 1 of Law No. 9,718/98 and the provisions previously recorded in relation to these lawsuits, classified as Legal Liabilities, were reversed in prior periods.

Since then, Pine has been taking the necessary procedures to enable the collection of the judicial deposits related to these lawsuits. In relation to the PIS tax, on June 30, 2019, these deposits represented R$ 45,834 in the Parent company information and R$ 46,133 in the Consolidated information (R$ 44,400 in the Parent company information and R$ 44,688 in the Consolidated information on June 30, 2018). On the same dates, there were no judicial deposits related to the COFINS tax.

Additionally, on June 30, 2019, the tax credits for offset, resulting from overpayments made over the course of these lawsuits, represented: (i) PIS: R$ 2,347 in the Parent Company and Consolidated information (R$ 9,408 in the Parent Company and Consolidated information on June 30, 2018); and (ii) COFINS: R$ 17,617 in the Parent Company and Consolidated information (R$ 22,606 in the Parent Company and Consolidated information on June 30, 2018).

During the year 2017, tax assessments notices were drafted against Pine and Pine Investimentos for the collection of PIS tax debts, for which the respective opinions, currently classified with probability of remote loss, were also presented. In the first six-month period of 2019 and 2018, no tax assessment notices were drafted against Pine and Pine Investimentos.

c) Changes in provisions for contingent liabilities:

	Parent company and Consolidated							
	2019				2018			
	Tax and legal liabilities	Labor	Civil	Total	Tax and legal liabilities	Labor	Civil	Total
Opening balance	**369**	**7,351**	**6,162**	**13,882**	**369**	**7,290**	**8,243**	**15,902**
Recognition (reversal)	-	(265)	1,299	1,034	-	141	(2,165)	(2,024)
Adjustments	-	362	165	527	-	314	97	411
Closing balance	**369**	**7,448**	**7,626**	**15,443**	**369**	**7,745**	**6,175**	**14,289**

d) We present below the main lawsuits and proceedings for which the probability of a loss was considered possible:

Labor: On June 30, 2019 and 2018, Pine had no labor claims classified as possible.

Civil: On June 30, 2019, Pine has civil lawsuits classified as possible amounting to R$ 171 in the Parent company and Consolidated information (R$ 739 on June 30, 2018 in the Parent company and Consolidated information).

Tax: On June 30, 2019, Pine has tax claims classified as possible amounting to R$ 631 in the Parent company and Consolidated information (R$ 522 on June 30, 2018 in the Parent company and Consolidated information).

(In thousands of reais, except unit price per share)

17. BORROWINGS AND ONLENDINGS

	Parent company and Consolidated					
	2019					
	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 onlendings - official institutions	13,512	31,471	34,304	-	-	79,287
Onlending operations abroad	71,403	42,391	-	-	-	113,794
Loan operations abroad	20,804	20,342	-	-	-	41,146
Total	**105,719**	**94,204**	**34,304**	**-**	**-**	**234,227**

	Parent company and Consolidated					
	2018					
	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 onlendings - official institutions	50,374	58,905	77,665	27,959	8,961	223,864
Onlending operations abroad	243,904	-	-	-	-	243,904
Loan operations abroad	3,310	62,224	-	-	-	65,534
Total	**297,588**	**121,129**	**77,665**	**27,959**	**8,961**	**533,302**

18. FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES

a) Funds from acceptance of bills of exchange

	Parent company and Consolidated					
	2019					
	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
Real estate credit bills	6,314	137,803	1,955			146,072
Agribusiness credit bills	15,220	133,827	1,367			150,414
Financial bills	4,001	9,893	9,491			23,385
Total	**25,535**	**281,523**	**12,813**	**-**	**-**	**319,871**

	Parent company and Consolidated					
	2018					
	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
Real estate credit bills	26,413	473,070	5,627	-	-	505,110
Agribusiness credit bills	60,299	329,992	4,704	-	-	394,995
Financial bills	3,837	53,759	13,720	6,721	-	78,037
Total	**90,549**	**856,821**	**24,051**	**6,721**	**-**	**978,142**

19. SUBORDINATED DEBT

					Parent company and Consolidated	
	Issue	Maturity	Amount	Interest rate	2019	2018
Financial bills	Private	15/05/2026	R$ 89,490	151.1%	125,815	44,108
Total					**125,815**	**44,108**
Total current					**-**	**354**
Total long-term liabilities					**125,815**	**43,754**

20. EQUITY

a) Capital

According to the Bylaws, subscribed and paid-up capital on June 30, 2019 and 2018 amounts to R$ 1,112,259 and comprises 121,172,024 registered shares, of which 65,178,483 are common shares and 55,993,541 are preferred shares, with no par value. Pine is authorized to increase its capital, without the need to amend the Bylaws, by up to a further 100,000,000 common or preferred shares, all of which registered, book-entry shares, with no par value, upon a resolution of the Board of Directors.

(In thousands of reais, except unit price per share)

b) Revenue reserves

Pine's revenue reserves comprise the legal and statutory reserves. The balance of the revenue reserves cannot exceed Pine's capital, and any surplus must be capitalized or distributed as dividend. Pine does not have other revenue reserves.

Legal reserve - According to Law No. 11,638/07 and the Bylaws, Pine must appropriate 5% of profit for the year to the legal reserve. The legal reserve cannot exceed 20% of Pine's paid-up capital. Moreover, Pine may choose not to appropriate a portion of profit to the legal reserve in the year in which the balance of this reserve plus the capital reserves exceeds 30% of capital.

Statutory reserve - According to Law No. 11,638/07, the Bylaws may create reserves, as long as it establishes their purpose, the percentage of profit to be appropriated to these reserves, and the maximum amount to be maintained in each statutory reserve. The appropriation of funds to these reserves may not be approved if it affects the mandatory dividend. The balance of profit for the year will be transferred to the Revenue reserves - Statutory Reserves account, which will be at the disposal of the General Shareholders' Meeting, which may maintain it up to the limit of 95% of the paid-up capital, aiming at maintaining an operating margin that is compatible with the development of the Bank's funding operations.

c) Dividends and interest on capital

Shareholders are entitled to a minimum dividend of 25% of profit for the year, adjusted according to Brazilian corporate legislation, subject to approval at General Shareholders' Meeting.

According to the meetings of the Board of Directors, it was resolved that dividends and interest on capital would not be paid for the six-month period ended June 30, 2019.

d) Treasury shares

The plans for acquisitions and cancellations of shares issued by Pine for the six-month period ended June 30, 2019 and 2018 are presented in the table below:

	Parent company and Consolidated					
	2019 and 2018					
Description	Date of approval	Deadline for the acquisition of shares	Total number of shares approved	Preferred shares acquired	Total amount	Average cost
Meeting of the Board of Directors(1)	18/01/2017	17/01/2018	500,000	43,300	129	2.98

(1) On January 17, 2018, Pine closed the plan for the acquisition of its own shares, acquiring 43,300 of the total 500,000 shares approved.

In the six-month period ended June 30, 2019, Pine transferred 3 (1,033,932 shares on June 30, 2018) preferred shares of its own issue, which were held in treasury, to the statutory officers as variable compensation under the terms of CMN Resolution No. 3,921/10 in the amount of R$ 7 (R$ 3,304 on June 30, 2018) at an average cost of R$ 2.30 (R$ 3,41 on June 30, 2018). On June 30, 2019 and 2018, no shares related to shares of former statutory officers were returned.

In the six-month period ended June 30, 2019 and 2018, Pine did not sell preferred shares of its own issue, which were held in treasury.

On June 30, 2019, Pine held in treasury 629 preferred shares of its own issue (1,567,789 on June 30, 2018) in the amount of R$ 7 (R$ 15,572 on June 30, 2018). The market value of these shares corresponded to R$ 1 (R$ 4,014 on June 30, 2018).

e) Carrying value adjustments

	Parent company and Consolidated	
	2019	2018
Available-for-sale financial assets	**20,278**	**(13,361)**
Marketable securities	20,278	(13,361)
Cash flow hedge	**6**	**42**
Hedged item	3,151	6,087
Hedging instrument	(3,145)	(6,045)
Other	**(6,280)**	**(8,256)**
Income tax and social contribution	**(5,601)**	**8,852**
Total	**8,403**	**(12,723)**

(In thousands of reais, except unit price per share)

21. STATEMENT OF INCOME

a) Loan operations

	Parent company and Consolidated	
	2019	2018
Advances to depositors	376	226
Income from loans	119,576	126,404
Income from financing	40,417	80,746
Total	**160,369**	**207,376**

b) Marketable securities

	Parent company		Consolidated	
	2019	2018	2019	2018
Income from transactions with fixed-income securities	103,471	101,320	103,502	101,320
Expenses from transactions with fixed-income securities	(37,195)	(4,000)	(37,195)	(4,000)
Income (expenses) from transactions with variable-income securities	2,524	6,655	2,524	19,062
Total	**68,800**	**103,975**	**68,831**	**116,382**

c) Money market

	Parent company		Consolidated	
	2019	2018	2019	2018
Expenses from interbank deposits	2,589	3,538	2,589	3,538
Expenses from time deposits	242,892	183,645	240,602	181,583
Expenses from repurchase agreements	8,358	13,180	8,358	13,180
Expenses from securities issued abroad (1)	42	101	42	101
Expenses from the contribution to the credit guarantee fund	3,772	5,223	3,772	5,223
Expenses from agribusiness credit bills	4,283	13,472	4,283	13,472
Expenses from financial bills	7,779	7,093	7,779	7,093
Expenses from real estate credit bills	7,090	19,567	7,090	19,567
Total	**276,805**	**245,819**	**274,515**	**243,757**

(1) Includes foreign exchange variation.

d) Borrowings and onlendings

	Parent company and Consolidated	
	2019	2018
Expenses from local onlendings - official institutions	2,889	7,199
Expenses from onlendings abroad – CMN Resolution No. 3,844	2,292	4,844
Expenses from payables to foreign bankers (1)	9,176	76,307
Total	**14,357**	**88,350**

(1) Includes foreign exchange variation.

e) Revenue from services rendered

	Parent company		Consolidated	
	2019	2018	2019	2018
Commission on guarantees	10,625	26,563	10,625	26,563
Commission on intermediation	1,064	2,228	1,064	2,286
Other	1,728	157	5,313	2,493
Total	**13,417**	**28,948**	**17,002**	**31,342**

f) Personnel expenses

	Parent company		Consolidated	
	2019	2018	2019	2018
Salaries	20,258	29,080	20,261	29,114
Benefits	5,138	5,678	5,152	5,693
Payroll charges	8,508	10,555	8,508	10,564
Management fees	4,679	2,186	4,679	2,186
Training	92	110	92	110
Trainees	550	483	565	483
Total	**39,225**	**48,092**	**39,257**	**48,150**

(In thousands of reais, except unit price per share)

g) Other administrative expenses

	Parent company		Consolidated	
	2019	2018	2019	2018
Water, electric energy and gas	340	237	341	237
Rental	7,195	4,642	7,195	4,642
Leased assets	267	304	267	304
Communications	2,303	2,830	2,303	2,830
Maintenance and repair of assets	494	723	494	723
Materials	199	75	199	75
Data processing	5,773	7,303	5,775	7,303
Public relations	750	711	779	738
Insurance	3,135	1,977	3,135	1,977
Financial system services	6,715	4,088	7,108	4,167
Outsourced services	997	1,827	1,610	1,877
Surveillance and security services	1,318	1,366	1,318	1,366
Specialized technical services	6,207	5,367	6,357	5,513
Transportation	322	220	322	220
Traveling	191	206	201	206
Civil and labor court decisions	-	3,963	-	3,963
Other administrative expenses	10,172	1,385	11,743	1,442
Amortization and depreciation	379	378	379	334
Court and notary fees	142	242	1,134	2,409
Total	**46,899**	**37,844**	**50,660**	**40,326**

h) Tax expenses

	Parent company		Consolidated	
	2019	2018	2019	2018
Service Tax (ISS)	827	1,571	901	1,621
Cofins	6,812	1,284	9,313	1,522
Social Integration Program (PIS)	1,107	209	1,645	256
Other	1,346	525	6,268	963
Total	**10,092**	**3,589**	**18,127**	**4,362**

i) Other operating income

	Parent company		Consolidated	
	2019	2018	2019	2018
Recuperação de encargos e despesas	543	409	543	409
Monetary adjustment in assets	872	901	926	1,098
Adjustment of judicial deposits	34	-	38	-
Reversal of provision for guarantees	745	9,639	745	9,639
Reversão provisões trabalhistas, cíveis e fiscais	4,342	5,171	4,342	5,171
Other operating income	24,082	1,549	73,732	2,870
Reversal of other provisions	1,051	-	1,051	-
Total	**31,669**	**17,669**	**81,377**	**19,187**

j) Other operating expenses

	Parent company		Consolidated	
	2019	2018	2019	2018
Provision for labor claims and civil lawsuits	5,352	3,720	5,352	3,720
Provision for guarantees	-	7,696	-	7,696
Other provisions	-	-	2,778	4
Other operating expenses	45,095	12,273	82,189	13,689
Total	**50,447**	**23,689**	**90,319**	**25,109**

k) Non-operating income

In the six-month period ended June 30, 2019, the amount of R$ 14,416 in the Parent Company and Consolidated information (R$ 1,356 in the Parent Company and Consolidated information on June 30, 2018) corresponds mainly to the income from the sale of goods received as payment in kind for the settlement of loan operations and

(In thousands of reais, except unit price per share)

22. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of income tax and social contribution expenses is as follows:

	Parent company		Consolidated	
	2019	2018	2019	2018
Profit (loss) before income tax and social contribution				
less profit sharing	(82,140)	(13,253)	(79,818)	(12,081)
Loss before taxation	**(82,140)**	**(13,253)**	**(79,818)**	**(12,081)**
Effective rate (Note 3s)	40%	45%	40%	45%
Expected income tax and social contribution expenses in accordance with the effective rate	32,856	5,964	31,927	5,436
Permanent differences	**(21,356)**	**17,752**	**(22,749)**	**17,108**
Foreign exchange variation on investments abroad	(4,448)	14,616	(4,448)	14,616
Increase of the social contribution rate	-	3,230	-	3,230
Other adjustments	(16,908)	(94)	(18,301)	(738)
Income tax and social contribution	**11,500**	**23,716**	**9,178**	**22,544**

23. TRANSACTIONS BETWEEN RELATED PARTIES

a) Management compensation

In 2012, Pine approved the new Compensation Plan to address the standards and guidelines for the payment of fixed and variable compensation applicable to the members of the Board of Directors and statutory officers and, at the discretion of a specific committee, other executives with important positions and duties, in accordance with the provisions in CMN Resolution No. 3,921/10.

The main objectives of the Plan are: (i) the alignment of Pine's management compensation practices with its risk management policy; (ii) the prevention of behaviors that increase risk exposure to above levels that are considered prudent in the short, medium and long-term strategies adopted by the institution; (iii) the creation of an instrument designed to retain and attract talents for Pine's key positions; and (iv) the adaptation of the compensation policy to the requirements of CMN Resolution No. 3,921/10.

The compensation defined in the Plan takes into consideration: (i) Pine's current and potential risks; (ii) Pine's overall result, in particular, the realized recurring profit (profit for the period adjusted by unrealized results and free of the effects of controllable non-recurring events); (iii) capacity to generate cash flows; (iv) the economic environment in which Pine is inserted and its trends; (v) long-term sustainable financial bases and adjustments to future payments in view of the risks assumed, fluctuations in capital costs and liquidity projections; (vi) the individual performance of management members based on the target agreement entered into by each management member as provided for in the profit sharing program and filed at Pine's head office; (vii) the performance of the business unit; and (viii) the relationship between the individual performance of management members, the performance of the business unit and Pine's overall performance.

The Variable Compensation is calculated as follows:

a) up to 50% of the amount established for the variable compensation is paid in kind, immediately after the payment of profit sharing; and

b) an amount corresponding to 10% of the amount determined for the variable compensation is paid in preferred shares of Pine immediately after the payment of profit sharing; and

c) the amount corresponding to the remaining 40% of the variable compensation will be paid in preferred shares of Pine and delivered to the employee together with the payment of the amount in kind. The right to dispose of these shares will be on a "Deferred" basis, increasing with the level of responsibility of the management member.

The shares related to the deferred variable compensation attributable to management members will only be delivered if none of the following is verified during the applicable deferral period (i) a significant decrease in realized recurring profit; (ii) loss in Pine or business unit, or (iii) determination of errors in accounting and/or administrative procedures that affect the results determined during the vesting period of the right to variable compensation.

Pine also has a Compensation Committee responsible for (i) proposing to the Board of Directors the several forms of fixed and variable compensation, in addition to benefits and special recruitment and termination programs; (ii) supervising the implementation and operation of the institution's management compensation policy; (iii) reviewing, on annual basis, the institution's management compensation policy, recommending to the Board of Directors corrections or improvements; (iv) proposing to the Board of Directors the global management compensation amount to be submitted to the General Shareholders' Meeting, according to Article 152 of Brazilian Corporate Law; (v) assessing future internal and external scenarios and their possible impacts on the management compensation policy; (vi) analyzing the institution's management compensation policy in relation to market practices in order to identify significant discrepancies in relation to its peers, proposing the necessary adjustments; (vii) ensuring that the management compensation policy is always in line with Pine's risk management policy, targets and current and expected financial position; and (viii) preparing, on an annual basis, within ninety days as from December 31 of each year, a document named Compensation Committee Report, according to CMN Resolution No. 3,921/10.

In the six-month period ended June 30, 2019, a variable compensation in the amount of R$ 7,414 (R$ 8,681 on June 30, 2018) was determined, and the expense in June 2019 was R$ 4,401 (R$ 2,782 on June 30, 2018) according to the criteria defined in the plan.

	Parent company and Consolidated	
Salaries and fees of the members of the Board of Directors and Executive Board	2019	2018
Fixed compensation	2,452	5,700
Variable compensation	-	8,681
Short-term benefits	733	2,174
Total	**3,185**	**16,555**

Short-term benefits to management members are basically represented by salaries and social security contributions, paid leave and sick pay, profit sharing and bonuses (if payable in the twelve-month period after the end of the year) and non-monetary benefits (such as free or subsidized medical care, goods or services).

Termination of employment agreement

The employment contracts have an indefinite term. The termination of the employment relationship in the event of non-compliance with obligations or voluntarily does not give rise to any financial compensation. In the event of termination of the contract by Pine, the executive may receive a compensation. In the six-month period ended June 30, 2019, the executives that left were paid out as compensation the amount of R$ 1,493 (R$ 1,649 on June 30, 2018).

(In thousands of reais, except unit price per share)

b) Related parties

The transactions carried out between related parties, basically with the companies described in Note 2, are carried out at the usual amounts, terms and average market rates effective on the respective dates and market conditions and are represented by:

	Maturities	Interest rate % of CDI	Assets (liabilities) 06/30/2019	Assets (liabilities) 06/30/2018	Income (expenses) 2019	Income (expenses) 2018
Management members (1)			**7,770**	**2,744**		
Demand deposits	No maturity date		51	809	-	-
Time deposits	12/04/2023	100% to120%	4,101	1,199	89	217
Agribusiness credit bills	09/05/2019	90% to 100%	193	500	14	637
Real estate credit bills	06/19/2020	91% to 100%	743	236	26	32
Funds from financial bills	03/12/2026	150%	2,682	-	59	-
Immediate family members (1)			**9,292**	**10,986**		
Demand deposits	No maturity date		141	10	-	-
Time deposits	06/20/2022	98% to 120%	1,596	8,856	65	1,861
Agribusiness credit bills	09/20/2019	96% to 100%	282	1,864	15	258
Real estate credit bills	12/07/2020	97.5% to 100%	667	256	31	13
Funds from financial bills	03/13/2026	150%	6,606	-	306	-
Related parties						
Amounts receivable						
Pine Investimentos Distribuidora de Títulos e Valores Mobiliários Ltda			6	10	26	48
Pine Entre Verdes Empreendimento Imobiliário SPE Ltda			1	1	3	3
Pine Corretora de Seguros Ltda			12	11	53	30
Demand deposits						
Pine Investimentos Distribuidora de Títulos e Valores Mobiliários Ltda	No maturity date		6	9	-	-
Pine Assessoria e Consultoria Ltda	No maturity date		1	3	-	-
Pine Planejamento e Serviços Ltda	No maturity date		2	1	-	-
Pine Entre Verdes Empreendimento Imobiliário SPE Ltda	No maturity date		73	84	-	-
Pine Corretora de Seguros Ltda	No maturity date		27	67	-	-
Pine Campo Grande Empreendimento Imobiliário SPE Ltda.	No maturity date		1,216	155	-	-
Pine Ativos Imobiliarios LTDA.	No maturity date		189	-	-	-
Time deposits						
Pine Investimentos Distribuidora de Títulos e Valores Mobiliários Ltda	05/02/2022	99%	60,395	58,860	(1,808)	(1,823)
Pine Assessoria e Consultoria Ltda	11/23/2020	99%	830	802	(25)	(25)
Pine Planejamento e Serviços Ltda	12/14/2020	99%	167	163	(5)	(5)
Pine Entre Verdes Empreendimento Imobiliário SPE Ltda	06/14/2021	99%	46,036	12,714	(352)	(284)
Pine Corretora de Seguros Ltda	04/27/2022	99%	4,084	1,595	(99)	(100)

(1) The amounts referring to management members and immediate family members are not consolidated.

c) Ownership interest

The following table shows the direct ownership interest in common and preferred shares on June 30, 2019 and 2018, of the shareholders with more than five percent of total shares and of the members of the Board of Directors and the Executive Board.

						2019
Shareholders	**Common shares**	**Common shares (%)**	**Preferred shares**	**Preferred shares (%)**	**Total shares**	**Total shares (%)**
Individuals	65,178,483	100.00	16,430,104	29	81,608,587	67.35
Board of Directors	-	-	2,009,602	4	2,009,602	1.66
Management	-	-	2,247,794	4	2,247,794	1.86
Total	**65,178,483**	**100.00**	**20,687,500**	**36.94**	**85,865,983**	**70.87**

						2018
Shareholders	**Common shares**	**Common shares (%)**	**Preferred shares**	**Preferred shares (%)**	**Total shares**	**Total shares (%)**
Individuals	65,178,483	100.00	17,228,694	30.77	82,407,177	68.01
Board of Directors	-	-	5,097,548	9.10	5,097,548	4.21
Management	-	-	1,101,088	1.97	1,101,088	0.91
Total	**65,178,483**	**100.00**	**23,427,330**	**41.84**	**88,605,813**	**73.13**

(In thousands of reais, except unit price per share)

24. COMMITMENTS, GUARANTEES AND OTHER INFORMATION

The provision for probable losses associated with financial guarantees provided, transactions requiring that the guarantor makes payments defined in contracts in order to reimburse the holder of a debt instrument or other instrument of a similar nature arising from a loss resulting from the non-payment of the obligation by the debtor on the expected date, is recorded according to an internal statistical model whose methodology is based on recognized credit risk management practices, risk of the counterparty, historical behavior of the portfolio, type or product of the financial guarantee provided and expected future losses. The model is periodically reviewed, as established by CMN Resolution No. 4,512/2016.

	Parent company and Consolidated			
	2019		2018	
Type of financial guarantee	Balance of guarantees provided	Provision	Balance of guarantees provided	Provision
Restricted by bids, auctions, provision of services or performance of construction works	202,231	1,036	441,270	2,186
Restricted by the supply of goods	-	-	32,500	98
Surety or guarantee in legal and administrative tax claims	443,061	1,621	886,189	2,834
Other bank guarantees	52,115	1,909	178,630	2,577
Total	**697,407**	**4,566**	**1,538,589**	**7,695**

25. PROFIT SHARING PROGRAM

Pine has its own profit sharing program that is approved by the Profit Sharing Program of the Bank Workers' Union.

The general assumptions of this program consist of: (a) performance of the business units; (b) establishment of a fund for distribution across all levels of the organization; and (c) assessment of the skills and achievement of targets in the support areas. The related expenses were recorded in the "Profit sharing" account".

26. RISK AND CAPITAL MANAGEMENT

a) Introduction and overview

Pine is exposed to credit, market, liquidity and operational risks that are continuously monitored and managed by Pine's risk department and senior management.

Risk management structure

Pine's risk management structure is in accordance with Brazilian and international regulations and in line with best market practices. Credit, market, liquidity and operational risks are controlled on a centralized basis by an independent unit aimed at ensuring that the risks are managed in accordance with the established risk appetite, policies and procedures.

The objective of centralized control is to provide the Board of Directors and the Executive Board with an overall view of Pine's exposures so as to optimize and speed up corporate decisions.

In the process of risk and capital governance, Pine establishes its strategy in order to ensure adequate appetite to risks for the exposures assumed in an integrated manner, taking into consideration the continuous monitoring of potential losses, with timely reports that are in line with the business strategy and the longevity of the institution's activities. The management structure is intended to ensure that the risks are identified, measured, assessed, monitored, reported, controlled and mitigated in accordance with the objectives in the capital planning.

b) Credit risk

Definition

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

Our exposure to credit risk is related mostly to the investment of financial resources in the form of loans, advances, onlendings and other traditional credit products, both in local and foreign currencies; exposure to corporate bonds; provision of guarantees and coobligations and receivables arising from over-the-counter derivative transactions with customers.

Credit risk management

Credit risk is the possibility of the occurrence of losses associated with:
• Non-compliance, by the counterparty, with its agreed-upon obligations;
• Depreciation, reduction in yields and gains expected in a financial instrument arising from the deterioration of the credit quality of the counterparty, the intervening party or the mitigating instrument;
• Restructuring of financial instruments; or
• Recovery costs of exposures characterized as problem assets.

Credit risk management seeks to provide subsidies to strategy definition, in addition to establishing limits, including the monitoring and analyses of exposure and trends, as well as the effectiveness of the credit policy.

Duties:

Credit risk management comprises the identification, measurement, assessment, reporting, control and mitigation in all stages of the credit cycle and it is an integrated responsibility between all units involved in the Credit Process of Banco Pine. In their daily operations, these units assume risks and need support of the credit risk management department.

Among its main duties are:
• Prepare quantitative models for credit granting, maintenance and recovery;
• Prepare a credit spread history of customers (Resolution No. 4,277);
• Support the definition of the credit risk appetite;
• Prepare regulatory reports: Document No. 3,040 and Circular No. 3,678.

c) Liquidity risk

Definition

Liquidity risk is the possibility that Pine not being able to meet its cash needs to fulfill its current and future obligations or new cash requirements without affecting its ability to continue as a going concern.

Liquidity risk management

Liquidity risk management is designed to identify, inform and protect Pine from possible market developments that generate liquidity issues. Accordingly, Pine monitors the liquidity risk exposure of its portfolios with regard to the maturities, volumes and liquidity of its assets.

Liquidity risk management covers the control, monitoring, and planning processes carried out through reports sent to the members of the Asset and Liability Committee (ALCO) and senior management, as well as the approval of policies, strategies, guidelines, and limits in this Committee, as approved by the Group's Board of Directors, as follows:

Daily:

• Group's liquidity position and activity;

• Monitoring of liquidity risk indicators.

Weekly (ALCO - Asset and Liability Committee):

• Flow of mismatches involving payments, receipts, and other activities of the entire Group (funding gap);

• Group's projected liquidity activity taking into consideration the plans of the business areas, funding needs and desirable liquidity level;

Monthly (ALCO - Asset and Liability Committee):

• Projected liquidity stress scenarios: moderate and extreme;

• Methodology for defining the desirable and minimum liquidity levels;

• Review of the liquidity contingency plan and liquidity risk indicators.

The liquidity risk management policies and the related limits are established based on forward-looking scenarios that are periodically reviewed and on the definitions laid down by ALCO and the senior management.

Accordingly, in Pine's liquidity risk management process, the group of activities that are related to and integrated in management, from the definition of strategies, guidelines, control and monitoring to management, are carried out and covered by the following units:

• Asset and Liability Committee (ALCO);

• Treasury ALM Department;

• Risk Management Department.

d) Market risk

Definition

Market risks are related to possible monetary losses due to fluctuations in variables that impact market prices and rates. Fluctuations in financial variables such as inflation indexes, interest rates and foreign exchange rates generate potential losses for virtually all companies and, therefore, represent financial risks factors.

Basically, the market risk to which an institution is exposed is due to three factors: a) exposure – amount exposed to risk; b) sensitivity – the impact of price fluctuations; and c) variation – the magnitude of price changes. We note that, among these factors, the exposure and sensitivity are controllable by the institution based on its appetite for risk, whereas variation is a market characteristic and, therefore, out of Pine's control.

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

Market risk management

Market risk is managed on a centralized basis by a department that is independent in relation to the trading desk and that is chiefly responsible for monitoring and analyzing market risk arising from the positions assumed by Pine in relation to its appetite for risk as defined by the Treasury Committee and approved by the Board of Directors.

Everyday, the market risk management department calculates the Value at Risk (VaR) and generates the mismatching gaps of the Primitive Risk Factors that compose Pine's portfolio.

The amounts are compared, on a daily basis, with the VaR limits, exposure by Primitive Risk and Stop-Loss Factors established by the Treasury Committee and approved by the Board of Directors of Banco Pine.

For the purpose of the stress tests, the bullish/bearish scenarios disclosed by B3 S.A - Brasil, Bolsa, Balcão are used, as well as the changes in interest curves used. Other scenarios generated by the Treasury Committee may also be used.

The market risk management and control process is subjected to periodic reviews aimed at ensuring that it remains in line with best market practice and compliant with Pine's ongoing improvement processes and the regulations in force.

Methodologies

Market value:

The objective of the marking-to-market methodology is make the pricing of assets and liabilities that comprise Pine's trading and banking portfolios as transparent as possible, aimed at improving the analyzes of risk and market factors and the protection of shareholders' equity.

Value at risk – VaR:

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

Market risk management uses VaR as a measurement of the potential loss of Pine's portfolios. For the calculations, the parametric model is used for a one-day horizon and a confidence interval of 99%. The entire calculation is based on market closing prices obtained from different sources (Anbima, B3 SA - Brasil, Bolsa, Balcão, BACEN, among others).

VaR analyses are carried out by market, vertex and risk factor associated with the interest curve, share prices, foreign exchange rate and commodity prices. If the VaR limit is surpassed, an assessment of the operations will be performed and those that present a greater risk will be readjusted by the Treasury department in order to mitigate the risk and seek alignment with the maximum exposure limit. Market liquidity should be assessed when these operations are readjusted.

Analyses:

Market risk analyses are based on the following metrics:

Risk factor sensitivity analysis

This analysis is designed to assess the sensitivity to changes in the portfolio's market value to a small change in the interest rate forward structures. The scenario applied is a change of one basis point (DV01) in the interest curves that compose Pine's portfolios. This analysis is important because it takes into account the maturity (duration) of the different assets that compose the portfolios.

Stress analysis

Stress tests are carried out on a daily basis and disclosed together with Pine's Risk figures for each type of exposure (fixed interest, U.S. dollar, inflation, and shares), taking into consideration the scenarios disclosed by B3 S.A - Brasil, Bolsa, Balcão for each risk factor. Two bullish and two bearish scenarios are considered.

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 changes in the value of a financial instrument as a result of changes in foreign exchange rates. Foreign currency position limits are established by the Board of Directors. In accordance with Pine's policies, the positions are monitored on a daily basis and hedging strategies are used to maintain the positions within the pre-established limits.

Share price risk

Share price risk is the risk of the fair value of shares decreasing as a result of changes in the level of stock indexes or individual stocks.

Commodities risk

Commodities risk is the risk arising from the fluctuation in physical product prices (agricultural products, oil, metals, etc.).

Risk exposure

Portfolios held for trading

This portfolio consists only of Pine's trading operations, carried out for the purpose of trading, resale, and obtaining benefits from the changes in prices or arbitrage. Operations for hedging this portfolio may also be included.

Market risk exposure - Portfolios held for trading

We present below a summary of the VaR position of Pine's trading portfolios for the six-month periods ended June 30, 2019 and 2018, taking into consideration the 99% confidence interval and one-day holding period.

The market risk management structure separates its operations into trading portfolio and banking portfolio according to the general criteria established by the regulation in force.

(In thousands of reais, except unit price per share)

Sensitivity analysis

According to CVM Instruction No. 475 of December 17, 2008, we present below the sensitivity analysis table for all operations with financial instruments that expose Pine to risks arising from foreign exchange variation, interest rates or to any other sources of exposure. For the determination of the impacts of interest rates, the respective changes in market rates to the PV01s determined on June 30, 2019 are applied:

		Sensitivity analysis		
		2019		
		Scenarios		
Risk factor	Exposure	Probable (I)	Possible (II)	Remote (III)
Fixed interest rate	Variations in fixed interest rate	9,430,979	34,489,551	68,979,101
Price index (IPCA)	Variations in the IPCA coupon	(1,212,754)	(3,811,535)	(7,623,071)
Long-Term Interest Rate (TJLP)	Variations in TJLP	4,867	15,700	31,400
U.S. dollar coupon rate	Foreign exchange coupon variation	(158,620)	(1,356,837)	(2,713,673)
Coupon rates – other currencies	Foreign exchange coupon variation	(132)	(732)	(1,465)
Offshore rates (Libor + other offshore rates)	Variation in offshore rates	29	6,424	12,848
Currencies	Foreign exchange variation	(199,860)	(510,086)	(1,020,171)
Total (uncorrelated sum)*		**(11,007,241)**	**(40,190,865)**	**(80,381,729)**
Total (correlated sum)**		**7,864,509**	**28,832,485**	**57,664,969**

*Uncorrelated sum: represents the sum of the results obtained in the stress scenario for each risk factor.

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

Scenarios

Scenario I - Probable

Scenario composed of the sum of the prices or market rates of June 30, 2019 and their respective volatilities determined through the EWMA method (λ = 94).

Curve	Market rate (1 year)	Shock	New market rate (1 year)
Fixed interest rate	5.80%	0.81%	5.85%
Price index (IPCA)	2.78%	2.20%	2.85%
Long-Term Interest Rate (TJLP)	-0.55%	0.72%	-0.55%
U.S. dollar coupon rate	3.32%	0.07%	3.33%
Coupon rates – other currencies	0.07%	0.89%	0.07%
LIBOR rate – US$	2.00%	0.60%	2.01%
Currencies	3.8372	9.80%	4.2131

Scenario II - Possible

Scenario composed of the shock of 25% in the amounts of the market interest rate curves (as disclosed by B3 SA - Brasil, Bolsa, Balcão), and closing prices (U.S. dollar and equity), as exemplified below:

Curve	Market rate (1 year)	Shock	New market rate (1 year)
Fixed interest rate	5.80%	25%	7.25%
Price index (IPCA)	2.45%	25%	3.07%
Long-Term Interest Rate (TJLP)	-0.55%	25%	-0.68%
U.S. dollar coupon rate	2.48%	25%	3.10%
Coupon rates – other currencies	0.07%	25%	0.08%
LIBOR rate – US$	2.00%	25%	2.50%
Currencies	3.8372	25%	4.7965

Scenario III - Remote

Scenario composed of the shock of 50% in the amounts of the market interest rate curves (as disclosed by B3 SA - Brasil, Bolsa, Balcão), and closing prices (U.S. dollar and equity), as exemplified below:

Curve	Market rate (1 year)	Shock	New market rate (1 year)
Fixed interest rate	5.80%	50%	8.70%
Price index (IPCA)	2.45%	50%	3.68%
Long-Term Interest Rate (TJLP)	-0.55%	50%	-0.82%
U.S. dollar coupon rate	2.48%	50%	3.72%
Coupon rates – other currencies	0.07%	50%	0.10%
LIBOR rate – US$	2.00%	50%	3.00%
Currencies	3.8372	50%	5.7558

e) Environmental and social risk

Pine operates with social responsibility in all of its business activities, always operating in a ethical and transparent manner so as to contribute to the economic development of society and ensure that all resources are used in conscious and sustainable way.

Since the main environmental and social impacts fall on the core business of the Bank – Grant of corporate credit - it is essential to target environmental and social responsibility as one of the criterion for credit line approval. This allows Pine to work with multilateral organizations focused on environmental and social development.

In this scenario, Pine is 100% responsible as it works with credit lines approved by multilateral organizations that impose a number of environmental and social commitments in its operations. Aligned to these organizations and their principles, the Bank has an Environmental and Social Responsibility Policy ("PRSA") that determines the aspects to be observed in the management of the operation of Pine and in the relationship with its value chain.

Environmental and Social Responsibility Policy (“PRSA”)

The purpose of the Environmental and Social Responsibility Policy is to establish and present the structure of environmental and social risk management through guidelines that permeate the Institution's strategy in relation to the environmental and social topic. This policy contains principles that guide the environmental and social actions in business and in the relations of Pine with stakeholders, thus contributing to the improvement of the practices of the value chain and seeking sustainable development.

Stakeholders are customers and users of the products and services offered by the Institution, the internal community of its organization and other people that may be impacted by the activities of the Institution.

Therefore, Pine consults and establishes structured dialogues with its stakeholders in order to contribute to the improvement of the management of the business and promote continuous learning for both sides. The Environmental and Social Responsibility Policy stimulates the participation of stakeholders in its preparation and review process.

In the process of assessing and granting of credit, we take into consideration the environmental and social risk analysis of the customer, that is, if the Compliance Department finds any inconsistency regarding the environmental and social topic, the customer may have a negative impact on their credit rating, which will be determined by the Credit Analysis Department.

Additionally, in this process, a restrictive list that identifies segments or organizations to which the Bank has restrictions on the grant of credit or financing is taken into consideration. This list takes into account projects and companies that are involved with illegal labor practices that hurt Human Rights or, also, that produce, market or use products, substances or activities that are considered harmful to society and the environment.

In order to avoid damages to its reputation and not promote businesses that are not in conformity with the principles and policies, Pine carries out a continuous assessment of current and potential customers that operate in critical industries from the environmental and social standpoint.

f) Operational risk

Definition

Pine defines operational risk as the possibility of the occurrence of losses arising from failures, deficiencies, or inadequacies of internal controls, personnel, systems, or external events, in conformity with CMN Resolution No. 3,380/06. This definition includes the legal risk, which arises from the possibility of the occurrence of losses due to the inadequacy or deficiency of contracts entered into by the Institution, including retroactive changes, court decisions and favorable agreements, and sanctions resulting from non-compliance with legal provisions, as well as indemnities for damages to third parties arising from the activities developed by the Institution.

Operational risk management

Transparency about risks and concern with their mitigation with efficient and adequate internal controls is known by all hierarchical levels. Our governance is structured so as to include the discussion of relevant risks in proper Committees and forums, which allows the proactive management and the maintenance of resources, thus minimizing the risk of serious losses, even if they are little frequent or not frequent at all.

Accordingly, Pine understands that the operational risk management creates value for its stockholders by reducing the risk when it avoids or reduces losses, thus making the processes more efficient, allowing for quick answers to contingencies, eliminating or reducing risks, improving the performance of the business and aligning the financial return with the Institution’s strategy.

g) Basel capital ratio

Pine, on June 30, 2019, reached a 12.12% ratio (11.35% on June 30, 2018), calculated from the "Consolidated Prudential".

h) Risk management - Pillar 3

Pine, in accordance with Circular No. 3,678/13, discloses, on a quarterly basis, information regarding risk management and Required Reference Equity. The report, with more details, structure and methodologies, is available on ri.pine.com.

i) Fixed asset ratio

In accordance with CMN Resolution No. 2,286/96, the fixed asset ratio limit allowed is 50.0%. On June 30, 2019, the fixed asset ratio was 21.81% (21.98% on June 30, 2018).

j) Other risks - Information technology environment

Pine's business depends on the computational capacity of the technological environment.

We recognize that our competitiveness is also based on the proper operation of our financial control, risk management, accounting, customer service and other data processing systems, and, for this reason, we prioritize our resilience through systemic and technological solutions that can mitigate the impacts caused and failures in the environment. We operate with conservative storage and data security policies that enable their quick recovery and we have chosen to maintain essential systems and information with real-time replication and redundancy on the contingency site. We understand that any security breach caused by unauthorized access to information or systems may have a material adverse effect on our business.

We continuously invest in constant improvements in our technological environment. As a sample of this scenario, Pine seeks to innovate by following the technological trends of the market, to invest in the continuous automation of critical processes, in the systemic reformulation to integrate the internal processes with an aim at increased synergy and agility. Information technology has strategic importance for our business. This way, we invest in intellectual capacity as well as in the most modern, disruptive and safest solutions.

(In thousands of reais, except unit price per share)

27. RESTRICTED OPERATIONS ON ASSETS

The Bank carries out restricted operations on assets under the terms of CMN Resolution No. 2,921/02. On June 30, 2019, the balances of restricted operations on assets and the corresponding funding operations, as well as the results determined in the six-month period, are stated below:

	Parent company and Consolidated		
	Currency	Short term	Profit (loss)
Restricted operations on assets			
Loan operations	R$	20,003	9
Foreign exchange operations	US$	19,158	920
Obligations from restricted operations on assets			
Time deposits	R$	(20,003)	(9)
Borrowings	US$	(19,158)	(920)

On June 30, 2019, there we no restricted operations on assets in default nor questionings at court about operations with assets or funds raised for the use in these operations.

28. OTHER INFORMATION

a) Insurance

Pine's insurance policy primarily takes into consideration risk concentration and its materiality, and they are contracted at amounts established by management taking into account the nature of its activities and the advice of its insurance brokers. Insurance coverage on June 30, 2019 is as follows:

Items	Type of coverage	Amount insured
Directors and Officers Liability (D&O)	Directors and Officers civil liability	50,000
Vehicles	Fire, robbery and collision for vehicles	143
Buildings, machinery, furniture and fixtures	Any material damages to installations, machinery and equipment	18,590
Bankers insurance	Amounts in kind	150
Surety bond	Judicial for tax foreclosure	324,977

b) Operating lease

Pine has liabilities arising from the contracting of operating leases. The amounts corresponding to the commitments for leased equipment are not presented in the balance sheet since the contracted operations do not include a purchase option. The cost of the lease contracts is recognized in the statement of income (operations) in the "Administrative expenses - leased assets" account.

	Parent company and Consolidated			
	Rate	Term	2019	2018
Expenses with leased assets				
Lease of machinery and equipment	3.22%	3	267	304
Total			**267**	**304**

c) Fair value of financial instruments

In accordance with CVM Instruction No. 235, we present a comparison between the carrying amounts of financial assets and liabilities measured at a value other than the fair value and their respective fair values at the end of the six-month period.

	2019	
	Fair value	Carrying amount
Assets		
Short-term interbank investments (i)	620,488	620,488
Marketable securities and derivative financial instruments(ii)	4,358,478	4,358,478
Loan operations (iii)	2,570,747	2,390,662
Other receivables(iii)	431,045	459,416
Total financial assets	**7,980,758**	**7,829,044**
Liabilities		
Demand deposits(iv)	90,885	90,885
Interbank deposits(iv)	75,697	75,697
Time deposits(v)	5,959,538	5,853,236
Funds obtained in the open market(ii)	425,925	425,925
Funds from acceptance and issue of securities(v)	320,886	319,871
Borrowings and onlendings(v)	239,189	161,229
Subordinated debt(v)	59,738	125,815
Total financial liabilities	**7,171,858**	**7,052,658**

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

i) The fair value of short-term interbank investments substantially approximates their carrying amounts.

ii) The fair value of marketable securities and derivative financial instruments and funds obtained in the open market reflects their carrying amounts.

iii) The loan operations and other receivables are measured net of the allowance for loan losses. The fair value of these operations represents the discounted amount of the future cash flows that are expected to be received. The expected cash flows are discounted at current market rates to determine their fair value.

iv) The estimated fair value of demand and interbank deposits substantially approximates their carrying amounts.

v) The estimated fair value of time deposits and other loans that are not quoted in an active market is based on discounted cash flows using the interest rates for new debts with similar maturities.

d) Operating segments

Pine operates in Brazil and abroad through the Cayman branch with Brazilian customers and it is not, therefore, geographically segmented. Pine has no reportable operating segments.

e) Agreements for the clearing and settlement of obligations

Agreements for the clearing and settlement of obligations under the National Financial System – Agreements were entered into for the clearing of derivative contracts, as well as for the clearing and settlement of asset and liability operations under CMN Resolution No. 3,263, of February 24, 2005, whose purpose is to enable the clearing of receivables and payables held with the same counterparty, whereby the maturities of the related rights and obligations may be accelerated to the date of an event of default by one of the parties or in the case of bankruptcy of the debtor.

f) Covenants

Pine has long-term borrowings, including multilateral instruments, recorded within "Borrowings and onlendings", with covenants that require compliance with some performance conditions, such as profitability and efficiency indexes. Pine is at an advanced stage of negotiations to obtain a waiver to comply with these covenants. On June 30, 2019, we reclassified the amount of R$ 113,370 to current liabilities (R$ 243,670 on June 30, 2018).

g) Disclosure of other services rendered by the independent auditors

In compliance with CVM Instruction No. 381 of January 14, 2003, in the period from January to June 2019, services not related to external audit were not contracted with the independent auditors. Pine's procedure consists of restricting the services provided by its independent auditors in order to preserve the independence and objectivity of the auditor in accordance with Brazilian and international standards.

****