



# ParanáBanco

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**EARNINGS  
RELEASE**

**2Q15**

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## Highlights

- ✦ **Recurring Net Income** of R\$ 34.6 million in 2Q15, 12.9% lower sequentially.
- ✦ The **Efficiency Ratio ex-provision for doubtful accounts** improved 3.2 p.p. in 2Q15 compared to 2Q14, closing the quarter at 51.0%.
- ✦ **Net Interest Margin** (NIM) of 10.9% in 2Q15, up 0.1 p.p. sequentially.
- ✦ The **Capital Adequacy Ratio** reached 27.0% in 2Q15.
- ✦ The **Comprehensive Loan Portfolio** grew 16.8% in the quarter year-over-year, totaling R\$ 3.8 billion.
- ✦ A record high **origination** of 73% in the **Payroll-Deductible Loan** portfolio for priority channels, and 5 new own stores.
- ✦ High liquidity, with a **Cash** balance of R\$ 1.25 billion in 2Q15, up 9.0% year-over-year.

### 2Q15 Earnings Conference Call (Portuguese)

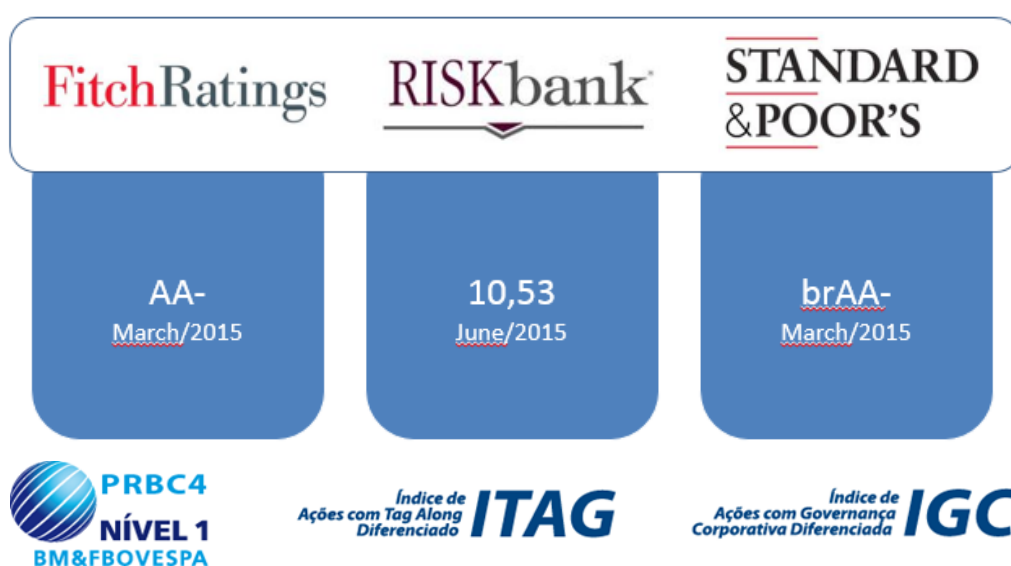
August 12, 2015  
11:00 A.M. (Brasilia time)  
10:00 A.M. (New York time)

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The analyses contained herein have been prepared based on the financial statements disclosed under Central Bank resolution No. 4,403 of March 26, 2015, which does not require the preparation of consolidated financial statements. Therefore, non-financial institutions controlled by Paraná Banco, that is JM Seguradora, JM Resseguradora, and JM Latam, have been recognized using the equity pickup methodology based on Paraná Banco's 50.5% interest.

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## Letter from the Management

In the first six months of 2015 we finished adjusting our administrative and operating structure and revised our processes, focusing on reaching more appropriate efficiency levels for the Bank, so that we are more and more prepared for facing the development and growth challenges ahead.

We are fully aware of the barriers our country has been faced with, both under domestic and external influence, to eventually resume growth. Therefore, we have reinforced our conservative approach to overcome these times of such uncertainty for our economy.

We closed the second quarter of 2015 with recurring net income of R\$ 34.6 million, and year-to-date net income of R\$ 74.4 million, with ROAE of 10.4% and 11.2% respectively.

Given this economic outlook in the first half of the year, we adopted a more restrictive stance regarding corporate credit, which caused this portfolio to decrease by 10.4% in 2Q15 sequentially, while our payroll-deductible loan portfolio rose 3.5%, real estate loans were up 6.3%, and the retailer partnership for consumer finance grew 9.7%.

We continued our efforts to achieve comparatively higher efficiency levels, by focusing on managing cost control and profitability, leading to an improvement of 3.2 p.p. in the Bank's efficiency ratio year-over-year, to 51.0% in 2Q15, and of 1 p.p. sequentially.

In line with our conservative management approach, we have increased our available cash to R\$ 1.25 billion. It is worth noting that we are waiting the approval by regulators to reduce our interest in JMalucelli Seguros in the second half of the year, which will increase our cash even further.

The Bank's Capital Adequacy Ratio remained at 27% in the quarter, which together with a more robust cash gives us the conditions we need to get ready for the opportunities the market has to offer and keeps us safe should the current economic crisis last longer.

In the second quarter, the Insurance Group contributed R\$ 14.6 million, or 42% of the Bank's result. Both JMalucelli Seguradora and JMalucelli Resseguradora remain the market leaders.

This is how we closed the first half of 2015, in a scenario we had foreseen in the beginning of the year. In this scenario, we maintained our conservative management approach, which we believe to be crucial for coping with the difficulties dictated by the country's current economic situation, but we are also paying attention to new opportunities.

## Key Indicators

Balance Sheet (R\$ thousand)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
Total Assets	5.792.431	5.661.769	2,3%	5.212.423	11,1%	5.792.431	5.212.423	11,1%
Loan Operations	3.823.556	3.793.822	0,8%	3.274.028	16,8%	3.823.556	3.274.028	16,8%
Total Deposits	4.146.910	4.074.375	1,8%	3.658.306	13,4%	4.146.910	3.658.306	13,4%
Shareholders' Equity	1.378.275	1.376.637	0,1%	1.346.300	2,4%	1.378.275	1.346.300	2,4%

Income Statement (R\$ thousand)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
Net interest income	92.289	103.287	(10,6%)	93.725	(1,5%)	195.576	180.342	8,4%
Personnel Expenses	(13.711)	(14.532)	(5,6%)	(13.467)	1,8%	(28.243)	(27.284)	3,5%
Administrative Expenses	(47.780)	(43.727)	9,3%	(43.922)	8,8%	(91.507)	(88.920)	2,9%
Net Income	24.153	39.185	(38,4%)	40.743	(40,7%)	63.338	74.759	(15,3%)
Adjusted Net Income	34.641	39.771	(12,9%)	41.329	(16,2%)	74.412	75.931	(2,0%)

Performance Indicators (%)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
ROAE - adjusted	10,4	12,2	(1,8 p.p.)	13,0	(2,6 p.p.)	11,2	11,9	(0,7 p.p.)
ROAA - adjusted (Total Assets)	2,4	2,9	(0,5 p.p.)	3,4	(1,0 p.p.)	2,6	3,2	(0,6 p.p.)
ROAA - adjusted (Loan Portfolio)	3,7	4,3	(0,6 p.p.)	5,3	(1,6 p.p.)	4,0	5,0	(1,0 p.p.)
Net Interest Margin - NIM	10,9	10,8	0,1 p.p.	11,4	(0,5 p.p.)	10,7	11,1	(0,4 p.p.)
Basel Ratio	27,0	26,7	0,3 p.p.	23,9	3,1 p.p.	27,0	23,9	3,1 p.p.
Efficiency Ratio	51,0	52,0	(1,0 p.p.)	54,2	(3,2 p.p.)	51,5	57,4	(5,9 p.p.)

Loan Portfolio Quality (%)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
Allowance for Doubtful Accounts (PDD)/Loan Portfolio	2,9	2,3	0,6 p.p.	2,8	0,1 p.p.	5,2	5,4	(0,2 p.p.)
NPL (overdue > 60 days / loan portfolio)	1,7	1,6	0,1 p.p.	3,1	(1,4 p.p.)	1,7	3,1	(1,4 p.p.)
Delinquency Index (> 90 days / loan portfolio)	1,7	1,6	0,1 p.p.	2,5	(0,8 p.p.)	1,7	2,5	(0,8 p.p.)
Delinquency Index (> 180 days / loan portfolio)	1,2	1,1	0,1 p.p.	1,4	(0,2 p.p.)	1,2	1,4	(0,2 p.p.)
Loss coverage (written-off credits / loan portfolio)	0,28	0,33	(0,05 p.p.)	0,49	(0,21 p.p.)	0,60	1,03	(0,43 p.p.)

JM Seguradora & JM Resseguradora (R\$)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
JM Seguradora - Direct premiums (DPVAT + surety bond)	101.656	117.644	(13,6%)	70.072	45,1%	219.300	154.146	42,3%
JM Seguradora - Loss Ratio	29,0	23,9	5,1 p.p.	17,9	11,1 p.p.	26,3	13,9	12,4 p.p.
JM Resseguradora - Direct premiums	67.504	66.802	1,1%	41.769	61,6%	134.305	91.630	46,6%
JM Resseguradora - Retained premiums	8.765	11.144	(21,4%)	8.859	(1,1%)	19.909	22.769	(12,6%)

Performance per Share (R\$)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
Total Number of Shares	86.255.406	86.255.406	0,0%	87.289.932	(1,2%)	86.255.406	87.289.932	(1,2%)
Treasury Shares	1.472.400	0	n.d.	0	n.d.	1.472.400	0	n.d.
Free Float	28.984.197	32.016.597	(9,5%)	33.248.804	(12,8%)	28.984.197	33.248.804	(12,8%)
Net Earnings per Share (adjusted)	0,40	0,46	(12,9%)	0,47	(15,2%)	0,86	0,87	(0,8%)
Dividends/ Net Interest on Equity per Share	0,10	0,04	150,0%	0,10	0,0%	0,14	0,22	(36,4%)

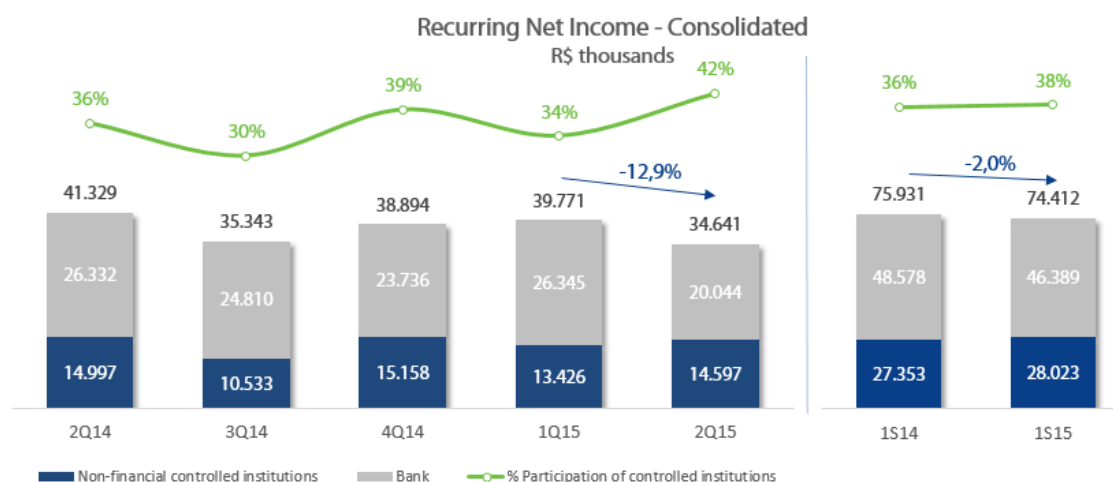
## Profitability

In the first half of 2015, Paraná Banco pursued even more its strategy of controlling costs, seeking higher efficiency in its operations, in an unstable economic environment of high rates and inflation, and maintained its conservative stance in terms of capitalization, cash liquidity, and very strict corporate loan granting analysis.

A non-recurring event took place in the second quarter, referring to the recognition of payroll-deductible loan commission expenses—the amount of R\$ 16.5 million (R\$ 9.9 million net of tax) was written off from the commission inventory, under Central Bank Circular Letter No. 3,693. The balance of commissions to be deferred was appropriated to expenses in June for all payroll-deductible loan operation contracts originated before December 31, 2014, which were refinanced in the first half of 2015. Commissions generated from new contracts will be deferred and appropriated under the rules in Central Bank's Circular Letter No. 3.693. Because this is a non-recurring event, this amount has not been considered in this release's analyses.

In 2Q15, the Bank's recurring net income was down 12.9% versus 1Q15, and down 16.2% year-over-year. This decrease is mainly due to the non-recurring increase in the provision for doubtful accounts for corporate loans.

Net Income (R\$ thousand)	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
<b>Accounting Net Income</b>	<b>39.185</b>	<b>(38,4%)</b>	<b>40.743</b>	<b>(40,7%)</b>	<b>63.338</b>	<b>74.759</b>	<b>(15,3%)</b>
Non Current Events	586	1689,8%	586	1689,8%	11.074	1.172	844,9%
(+) Premium fiscal effect JM Investimentos	586	0,0%	586	0,0%	1.172	1.172	0,0%
(+) Downwards Comission Expenses	9.902	-	-	-	9.902	-	-
<b>Consolidated Recurring Net Income</b>	<b>39.771</b>	<b>(12,9%)</b>	<b>41.329</b>	<b>(16,2%)</b>	<b>74.412</b>	<b>75.931</b>	<b>(2,0%)</b>



The result from Paraná Banco's interest in subsidiaries accounted for 42% of the Bank's recurring net income for 2Q15.

The table shows Return On Average Equity (ROAE) was 10.4% in 2Q15, down 1.8 p.p. sequentially, and down 2.6 p.p. year-over-year.

Performance Indicators (%)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
ROAE - recurrent	10,4	12,2	(1,8 p.p.)	13,0	(2,6 p.p.)	11,2	11,9	(0,7 p.p.)
ROAA - recurrent (Total Assets)	2,4	2,9	(0,5 p.p.)	3,4	(1,0 p.p.)	2,6	3,2	(0,6 p.p.)
ROAA - recurrent (Credit Loan)	3,7	4,3	(0,6 p.p.)	5,3	(1,6 p.p.)	4,0	5,0	(1,0 p.p.)

Return on assets was 2.4% in 2Q15, down a slight 0.5 p.p. sequentially, and down 1.0 p.p. year-over-year. Return on the loan portfolio closed the quarter at 3.7%, down 0.6 p.p. quarter-over-quarter. These decreases were mainly due to the impact of the increase in the expense with provision for doubtful accounts and the higher Selic benchmark rate.

## Financial Performance

### Net interest income and Net interest margin (NIM)

Net interest income was up 26.4% in 2Q15 year-over-year, totaling R\$ 261.8 million. NIM was driven by the increase in loans and return from transactions with securities.

Net interest expenses added up to R\$ 169.5 million, an increase of 49.5% in 2Q15 year-over-year, due to the macroeconomic scenario in the period, with a recurring increase in interest rates and the maintenance of a high cash level, leading to higher funding expenses. Additionally, the provision for doubtful accounts went up in the period, due to a non-recurring issue in corporate loans.

R\$ thousands	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
<b>Interest Income</b>	<b>261.740</b>	<b>246.810</b>	<b>6,0%</b>	<b>207.071</b>	<b>26,4%</b>	<b>508.550</b>	<b>392.815</b>	<b>29,5%</b>
Loan Operations	230.035	215.365	6,8%	181.334	26,9%	445.400	348.247	27,9%
Result from marketable securities operations	31.705	31.445	0,8%	25.737	23,2%	63.150	44.568	41,7%
<b>Interest Expenses</b>	<b>(169.451)</b>	<b>(143.523)</b>	<b>18,1%</b>	<b>(113.346)</b>	<b>49,5%</b>	<b>(312.974)</b>	<b>(212.473)</b>	<b>47,3%</b>
Funding operations in the market	(133.596)	(122.766)	8,8%	(90.567)	47,5%	(256.362)	(171.660)	49,3%
Result from derivate financial instruments	1.306	964	35%	(1.108)	(217,9%)	2.270	(1.197)	(289,6%)
Allowance for doubtful loans	(37.161)	(21.721)	71,1%	(21.671)	71,5%	(58.882)	(39.616)	48,6%
<b>Net Interest Income</b>	<b>92.289</b>	<b>103.287</b>	<b>(10,65%)</b>	<b>93.725</b>	<b>(1,5%)</b>	<b>195.576</b>	<b>180.342</b>	<b>8,4%</b>

These factors caused a decrease of 1.5% in net interest income for the quarter year-over-year. In the first half of 2015, it increased 8.4% year-over-year.

Paraná Banco's net interest margin (NIM) rose 0.1 p.p. in 2Q15 year-over-year, closing June at 10.9%. Year-over-year it fell 0.5 p.p..

Bank (exclusively)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
<b>Net Interest Margin (NIM)</b>								
<b>Net interest income before Allowance for Doubtful Assets</b>	<b>129.450</b>	<b>125.008</b>	<b>3,6%</b>	<b>115.396</b>	<b>12,2%</b>	<b>253.920</b>	<b>219.619</b>	<b>15,6%</b>
Average performing assets	4.920.502	4.796.297	2,6%	4.209.838	16,9%	4.868.270	4.075.064	19,5%
Interbank funds invested (average)	937.645	880.274	6,5%	844.850	11,0%	938.333	798.857	17,5%
Marketable securities and derivatives (average)	249.071	247.380	0,7%	216.787	14,9%	245.123	215.513	13,7%
Loan operations (average)	3.733.786	3.668.643	1,8%	3.148.202	18,6%	3.684.815	3.060.695	20,4%
<b>Annual Net Interest Margin - before allowance for Doubtful Assets</b>	<b>10,9%</b>	<b>10,8%</b>	<b>0,1 p.p.</b>	<b>11,4%</b>	<b>(0,5 p.p.)</b>	<b>10,7%</b>	<b>11,1%</b>	<b>(0,4 p.p.)</b>

## Operating Expenses and Efficiency

### Expenses – Personnel, Administrative, and Commissions

The table below shows personnel expenses totaled R\$ 13.7 million, a slight increase of 1.8% in 2Q15 year-over-year, and down 5.6% sequentially. In the first half, Paraná Banco revised its processes and functional structure, which will have a positive impact on the expense line in the second half.

Commission expenses, net of the profit sharing portfolio, were up 3.0% in the second half of 2015 year-over-year, meaning a lower growth than that of the loan portfolio in the same period. Year-over-year, they dropped 7.1%.

Expenses (recurrent)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
<b>R\$ thousand</b>								
<b>Personnel Expenses</b>	<b>(13.711)</b>	<b>(14.532)</b>	<b>(5,6%)</b>	<b>(13.467)</b>	<b>1,8%</b>	<b>(28.243)</b>	<b>(27.284)</b>	<b>3,5%</b>
<b>Other Administratives Expenses<sup>(a)</sup></b>	<b>(47.780)</b>	<b>(43.727)</b>	<b>9,3%</b>	<b>(43.922)</b>	<b>8,8%</b>	<b>(91.507)</b>	<b>(88.920)</b>	<b>2,9%</b>
<b>Commission Expenses</b>	<b>(32.872)</b>	<b>(29.792)</b>	<b>10,3%</b>	<b>(25.286)</b>	<b>30,0%</b>	<b>(62.663)</b>	<b>(50.661)</b>	<b>23,7%</b>
<i>Profit Sharing</i>	(18.247)	(15.595)	17,0%	(9.545)	91,2%	(33.842)	(18.446)	83,5%
<i>Others Commissions</i>	(14.624)	(14.197)	3,0%	(15.742)	(7,1%)	(28.821)	(32.216)	(10,5%)
Specialized Technical Services	(11.248)	(9.511)	18,3%	(14.054)	(20,0%)	(20.759)	(28.870)	(28,1%)
Others	(3.660)	(4.424)	(17,3%)	(4.582)	(20,1%)	(8.084)	(9.389)	(13,9%)

<sup>(a)</sup> 2T15 Other administratives expenses was adjusted in R\$ 16,5 millions referred to the comission expenses.

## Efficiency

Paraná Banco has continued to focus on its portfolios's profitability, and also strongly controls its expenses seeking to improve its internal processes and business efficiency. As a result of this strategy, in the second quarter revenues grew more than expenses, leading to an efficiency ratio of 51.0%, net of provision for doubtful accounts, an improvement of 3.2 p.p. year-over-year and of 1.0 p.p. sequentially.

Expenses (adjusted) - R\$ thousands	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
Personnel Expenses	(13.711)	(14.532)	(5,6%)	(13.467)	1,8%	(28.243)	(27.284)	3,5%
Other administrative expenses <sup>(a)</sup>	(47.780)	(43.727)	9,3%	(43.922)	8,8%	(91.507)	(88.920)	2,9%
Taxes expenses <sup>(b)</sup>	(6.283)	(7.957)	(21,0%)	(6.628)	(5,2%)	(14.240)	(12.969)	9,8%
<b>Total Expenses</b>	<b>(67.774)</b>	<b>(66.216)</b>	<b>2,4%</b>	<b>(64.017)</b>	<b>5,9%</b>	<b>(133.990)</b>	<b>(129.173)</b>	<b>3,7%</b>
Net interest income	129.450	125.008	3,6%	115.396	12,2%	254.458	219.958	15,7%
Other operating income/expenses (adjusted) <sup>(c)</sup>	(470)	(1.490)	(68,5%)	(881)	(46,7%)	(1.960)	(2.094)	(6,4%)
Service fee income	3.856	3.775	2,1%	3.677	4,9%	7.631	7.335	4,0%
<b>Total Income</b>	<b>132.836</b>	<b>127.293</b>	<b>4,4%</b>	<b>118.192</b>	<b>12,4%</b>	<b>260.129</b>	<b>225.199</b>	<b>15,5%</b>
<b>Efficiency Ratio without PDD</b>	<b>51,0%</b>	<b>52,0%</b>	<b>(1,0 p.p.)</b>	<b>54,2%</b>	<b>(3,2 p.p.)</b>	<b>51,5%</b>	<b>57,4%</b>	<b>(5,9 p.p.)</b>

(a) 2T15 Other administrative expenses was adjusted in R\$ 16,5 millions referred to the commission expenses.

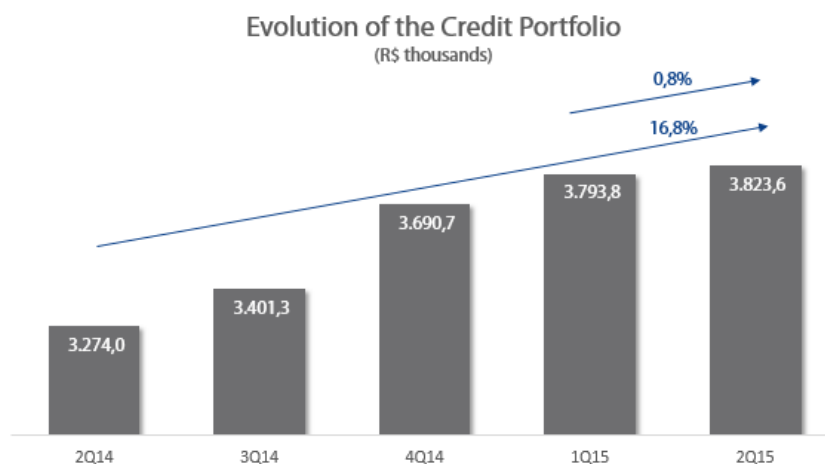
(b) Tax expenses in 2014 were adjusted in R\$ 2,5 millions due to taxes debit.

(c) Other operating income/expenses were adjusted in R\$ 0,6 million due to Jmalucelli Investimentos operation.

## Operating Performance

### Loan Portfolio

Paraná Banco's loan portfolio rose 16.8% in 2Q15 year-over-year, closing June at R\$ 3.8 billion. Quarter-over-quarter, the loan portfolio grew 0.8%.

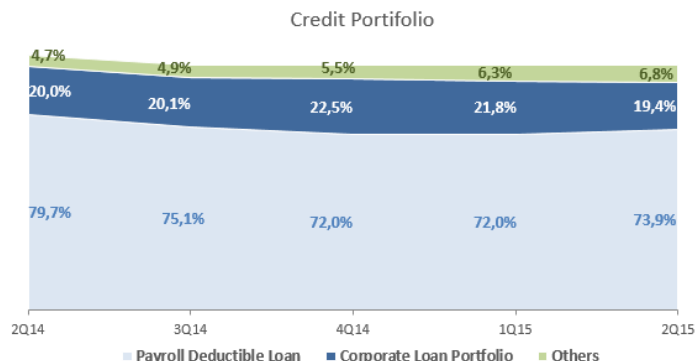


The table below breaks down the Bank's loan portfolios performance. The Bank's key portfolio—payroll-deductible loans—rose 13.2% in 2Q15 year-over-year, and the corporate loans portfolio gained 18.1% in the period.

The comprehensive loan portfolio increased 0.8% in 2Q15 sequentially—payroll-deductible loans increased by 3.5% and corporate loans fell 10.4%. This was due to a more restrictive loan granting policy, and a strategy of spreading the portfolio's risk by reducing higher risks and increasing lower value transactions. The consumer finance and home equity portfolios were up 9.7% and 6.3% respectively in the same period.

(R\$ thousands)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14
<b>Loan Portfolio</b>	<b>3.823.556</b>	<b>3.793.822</b>	<b>0,8%</b>	<b>3.274.029</b>	<b>16,8%</b>
<b>Payroll-Deductible Loan</b>	<b>2.824.653</b>	<b>2.730.219</b>	<b>3,5%</b>	<b>2.495.966</b>	<b>13,2%</b>
<b>Corporate Loans</b>	<b>740.054</b>	<b>825.729</b>	<b>(10,4%)</b>	<b>626.578</b>	<b>18,1%</b>
Loan Operations	679.445	755.393	(10,1%)	586.937	15,8%
Sureties	25.765	29.765	(13,4%)	30.534	(15,6%)
Trade Finance	34.844	40.571	(14,1%)	9.107	282,6%
<b>Consumer finance partnerships</b>	<b>195.970</b>	<b>178.694</b>	<b>9,7%</b>	<b>127.075</b>	<b>54,2%</b>
<b>Home Equity</b>	<b>62.879</b>	<b>59.180</b>	<b>6,3%</b>	<b>24.407</b>	<b>157,6%</b>

By the end of the first half of 2015, the payroll-deductible loan portfolio accounted for 73.9% of the overall portfolio, corporate loans, for 19.4%, and the remaining 6.8% refer to the consumer finance and home equity portfolios (5.1% and 1.6% respectively).



The table below shows the provision for doubtful accounts was up 22.0% in 2Q15 year-over-year, and 24.9% sequentially.

(R\$ thousands)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
<b>PDD</b>	<b>110.122</b>	<b>88.175</b>	<b>24,9%</b>	<b>90.299</b>	<b>22,0%</b>	<b>198.297</b>	<b>178.302</b>	<b>11,2%</b>
Overdue (> 60 dias)	66.319	60.248	10,1%	100.399	(33,9%)	126.567	194.601	(35,0%)
Overdue (> 90 dias)	63.933	58.371	9,5%	80.746	(20,8%)	122.304	159.409	(23,3%)
Overdue (> 180 dias)	45.399	42.805	6,1%	46.664	(2,7%)	88.204	95.013	(7,2%)
<b>Total Portfolio* (a)</b>	<b>3.797.791</b>	<b>3.764.057</b>	<b>0,9%</b>	<b>3.274.028</b>	<b>16,0%</b>	<b>3.797.791</b>	<b>3.274.028</b>	<b>16,0%</b>
Coverage Index (PDD / > 60 dias)	166,0%	146,4%	13,5%	89,9%	84,6%	156,7%	91,6%	71,0%
Coverage Index (PDD / > 90 dias)	172,2%	151,1%	14,0%	111,8%	54,0%	162,1%	111,9%	45,0%
Coverage Index (PDD / > 180 dias)	242,6%	206,0%	17,8%	193,5%	25,4%	224,8%	187,7%	19,8%
<b>PDD / Total Portfolio</b>	<b>2,9%</b>	<b>2,3%</b>	<b>0,6 p.p.</b>	<b>2,8%</b>	<b>0,1 p.p.</b>	<b>5,2%</b>	<b>5,4%</b>	<b>(0,2 p.p.)</b>
Losses recovered (b)	10.515	12.250	(14,2%)	15.992	(34,2%)	22.765	33.751	(32,6%)
<b>Loss level (b/a)</b>	<b>0,28%</b>	<b>0,33%</b>	<b>(0,05 p.p.)</b>	<b>0,49%</b>	<b>(0,21 p.p.)</b>	<b>0,60%</b>	<b>1,03%</b>	<b>(0,4 p.p.)</b>

Non-performing loans classified by days past due were down year-over-year. The portfolio loans past due 60 days or more was down 33.9%, loans past due 90 days or more were down 20.8%, and loans past due 180 days or more were down 2.7% in the period.

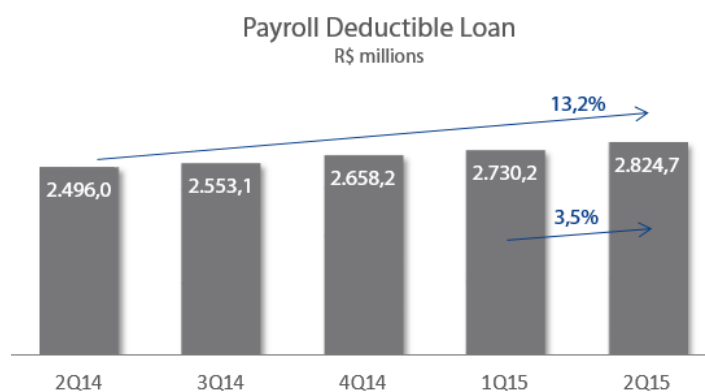
The loss ratio was 0.28% in 2Q15, down 0.2 p.p. year-over-year. Quarter-over-quarter, there was a 0.05 p.p. decrease.

The table below breaks down the provision for doubtful accounts by loan portfolio product. The corporate loan portfolio had a one-time impact, but it is important to note that even though the provision increased as a result of a non-recurring issue, the quality of this portfolio has been preserved and does not tend to deteriorate.

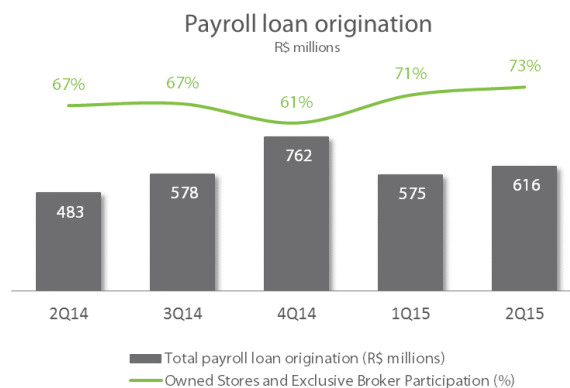
PDD Expenses (R\$ thousand)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
Payroll-Deductible Loan	14.780	14.156	4,4%	14.217	4,0%	28.936	25.064	15,4%
Consumer finance partnership	7.697	5.030	53,0%	6.097	26,2%	12.727	11.115	14,5%
Middle Market	14.022	2.178	543,7%	1.281	994,6%	16.200	3.314	388,8%
Home Equity	675	356	89,4%	76	782,0%	1.031	122	743,9%
<b>Total</b>	<b>37.173</b>	<b>21.721</b>	<b>71,1%</b>	<b>21.671</b>	<b>71,5%</b>	<b>58.894</b>	<b>39.616</b>	<b>48,7%</b>
<b>Total ex Profit Sharing</b>	<b>29.476</b>	<b>16.691</b>	<b>76,6%</b>	<b>15.574</b>	<b>89,3%</b>	<b>46.167</b>	<b>28.500</b>	<b>62,0%</b>

#### Payroll-Deductible Loans to Government Employees

Paraná Banco's payroll-deductible loan portfolio totaled R\$ 2.8 billion in 2Q15, an increase of 13.2% year-over-year, and of 3,5% sequentially. The market's growth rate was 11.9% from June 2014 to June 2015, according to the Central Bank of Brazil.



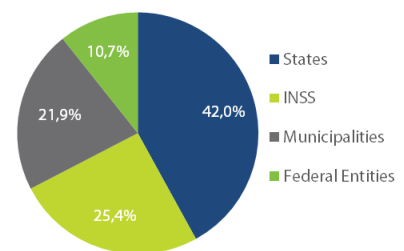
The graph below shows that 73% of the payroll-deductible loans origination came from priority channels (own stores and franchised correspondents), which are strategic for us.



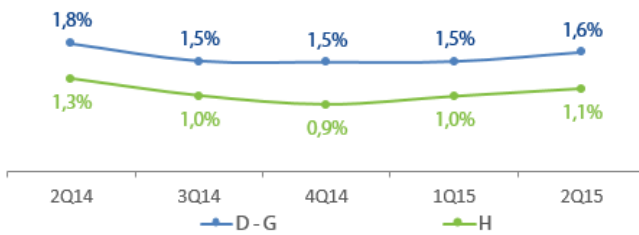
We opened five new own stores in the period (2 in the State of São Paulo, in Campinas and Santos; 2 in the State of Paraná, in Campo Mourão and Curitiba; and one in the State of Minas Gerais, in Santa Luzia), totaling 29 own stores by the end of June.

The graph to the side shows the portfolio broken down by type of agreement. Agreements with state governments accounted for 42.0% of our overall portfolio in 2Q15, followed by INSS (25.4%), municipal governments (21.9%), and federal entities (10.7%). These figures did not significantly change compared to previous quarters.

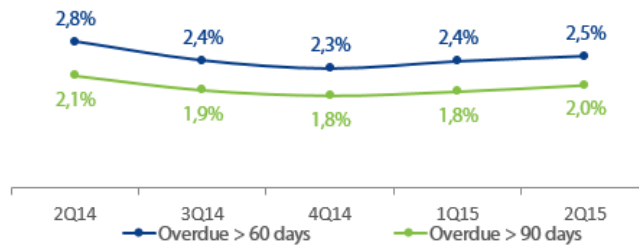
Payroll Deductible Loan Distribution



Payroll Deductible Loan Portfolio Quality - Level



Payroll Deductible Loan Quality - Overdue



sequentially.

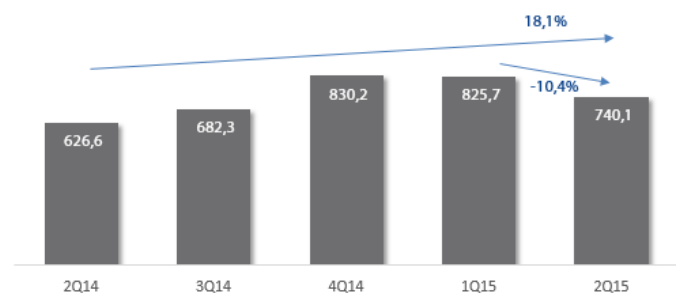
For purposes of comparison, according to official data by the Central Bank of Brazil, the delinquency rate (loans past due 90 days or more) of the country’s National Financial System for payroll-deductible loans to government employees was 2.2% in June 2015.

**Corporate Loans - Paraná Empresas**

The corporate loan portfolio totaled R\$ 740.1 million in 2Q15, up 18.1% year-over-year and down 10.4% sequentially.

Given the macroeconomic scenario in the period, the Bank strategically prioritized the portfolio’s diversification by aiming production at lower value transactions.

Evolution of the middle market (R\$ millions)

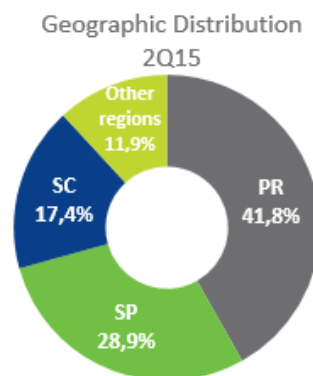


It has also reduced exposure to larger clients; the chart below shows we had a reduction in the average transaction ticket in 2Q15 compared to 1Q15. Additionally, given the lack of a perspective for improvement in the country's economy in the short term, Paraná Banco has maintained its restrictive credit analysis approach, and will continue to diversify the risk of its portfolio during the year, waiting for the market to show signs of recovery so that it can go back to increasing the portfolio.

Corporate Loan (R\$ thousands)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14
Loan	714.289	795.964	(10,3%)	596.044	19,8%
Clients	256	265	(3,4%)	251	2,0%
<b>Medium Ticket</b>	<b>2.790</b>	<b>3.004</b>	<b>(7,1%)</b>	<b>2.375</b>	<b>17,5%</b>

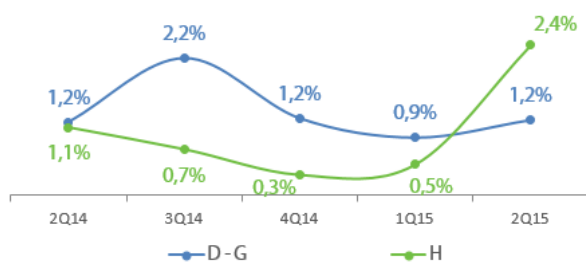
The table above shows the average transaction ticket was down 7.1% quarter-over-quarter from R\$ 3.0 million to R\$ 2.8 million in 2Q15. On the other hand, we have also recorded a reduction in the number of clients due to the departure of a few risks and to a stricter loan granting policy.

In 2Q15 the states of Paraná and São Paulo accounted for 70.7% of the overall portfolio. Santa Catarina represented 17.4%, and the sum of other states, 11.9%.

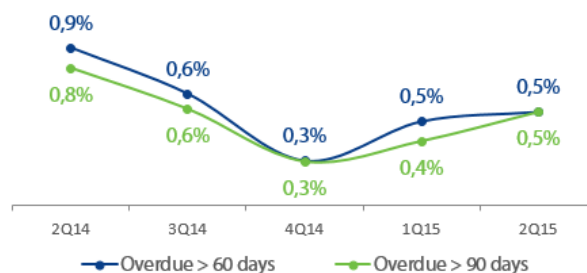


The first graph below illustrates the quality of our portfolio. Levels D to G remained unchanged at 1.2% of the portfolio in 2Q15 year-over-year. In the same period, level H was up 1.3 p.p., due to a one-time issue, representing an isolated and atypical case. Even with this situation, we preserved the quality of our corporate loan portfolio.

Corporate Loan Portfolio - Level



Corporate Loan Portfolio - Overdue



Loans past due 60 and 90 days or more were down 0.4 p.p. and 0.3 p.p. respectively in 2Q15 year-over-year, closing the quarter at 0.5%. Quarter-over-quarter these figures remained unchanged. The delinquency ratio of the Brazilian National Financial System for loans past due 90 days or more was 2.3% in June 2015, according to data by the Central Bank of Brazil.

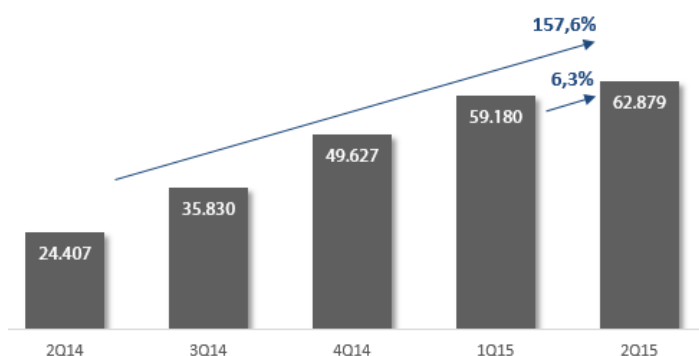
Home Equity

Paraná Banco’s non-traditional real estate loan portfolio, operated by the ImovCredi brand, closed the quarter at R\$ 62.9 million, up 6.3% compared to 1Q15.

This portfolio was distributed as follows: 79% in the State of São Paulo, and 21% in Paraná.

(R\$ thousands)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14
Real State	62.879	59.180	6,3%	24.407	157,6%

Real State Loan Portfolio (R\$ thousand)



## Insurance Group's Performance

On April 10, 2015, Paraná Banco carried out the corporate reorganization of its subsidiaries in the insurance business J. Malucelli Participações em Seguros e Resseguros S.A., and reduced to 5% its interest in the property and casualty (P&C) insurance company J. Malucelli Seguros S.A.. Therefore, Travelers now holds a 95% interest in this operation. The transaction is subject to approval by the regulatory authorities, which is expected to happen in the second half of the year.

By the end of 2014 Travelers Brazil and Paraná Banco executed an agreement to acquire a Colombian company that specializes in surety bonds, forming JM Latam, which is pre-operative in the quarter. This acquisition marks the beginning of the insurance group's expansion in Latin America.

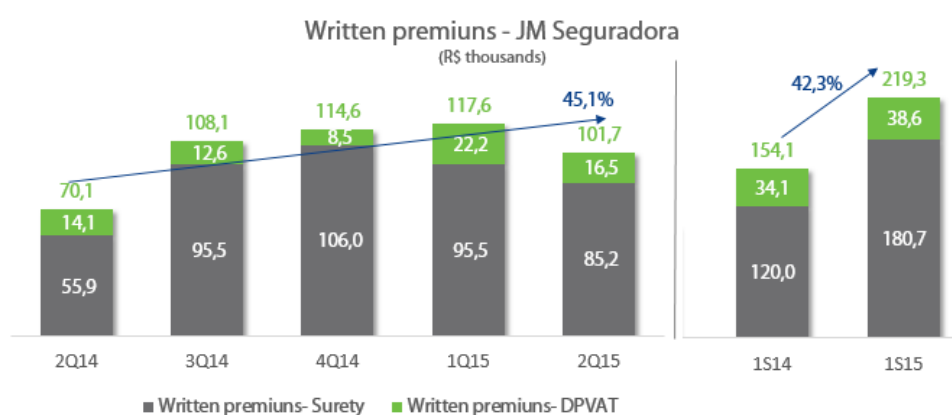
### JM Seguradora

JM Seguradora's net income was down 4.1% in 2Q15 year-over-year, closing the quarter at R\$ 12.5 million; down 11.6% in 1S15 year-over-year; and 14.4% quarter-over-quarter.

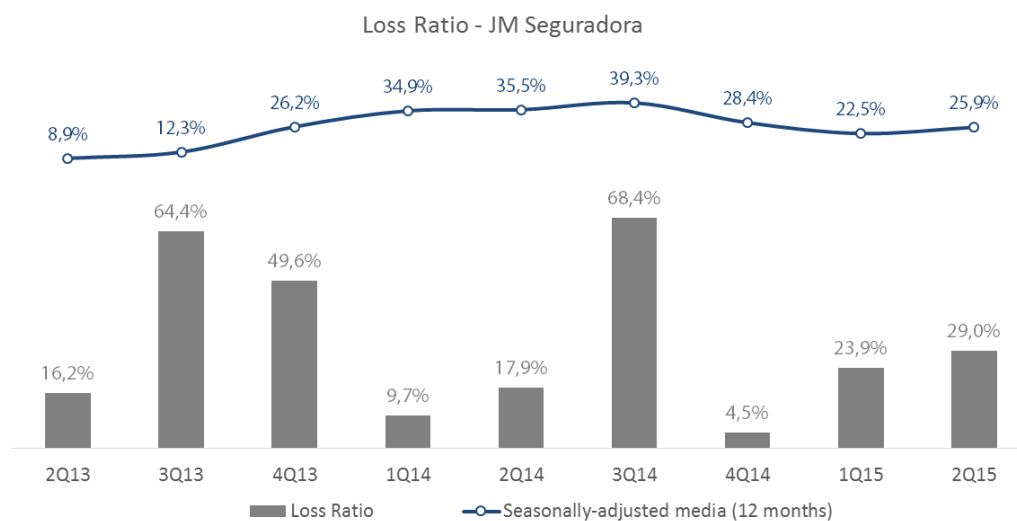
Net equity increased 11.2% in 2Q15 year-over-year, totaling R\$ 322.8 million. Quarter-over-quarter, it rose 4.0%.

(R\$ thousands)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
Net Income JM Seguradora*	12.464	10.896	14,4%	13.003	(4,1%)	23.360	26.439	(11,6%)
Shareholders' Equity JM Seguradora*	322.747	310.283	4,0%	290.156	11,2%	322.747	290.156	11,2%
ROAE JM Seguradora	16,7%	15,1%	1,6 p.p.	19,6%	(2,9 p.p.)	15,6%	20,0%	(4,4 p.p.)

JM Seguradora's overall production, represented by direct surety bond premiums and DPVAT, totaled R\$ 101.7 million in 2Q15, up 45.1% year-over-year. In the first half of 2015, direct premiums increased 42.3% year-over-year. Quarter-over-quarter, production was influenced by the retraction in the country's economic activity.



The loss ratio was 29.0%, and is calculated as retained claims divided by premiums gained. In order to eliminate the seasonal effect of this ratio, we use a 12-month average of the variables to prevent distortions and allow for a trend analysis. Without the seasonal effect, the ratio was 25.9% in 2Q15, down 9.6% year-over-year.



According to data by the SUSEP (June/2015), JM Seguradora is the market leader in the surety bond segment, with 25% of the overall production of direct premiums in the period, that is R\$ 171.8 million (the market produced an overall R\$ 689.4 million).

### JM Resseguradora

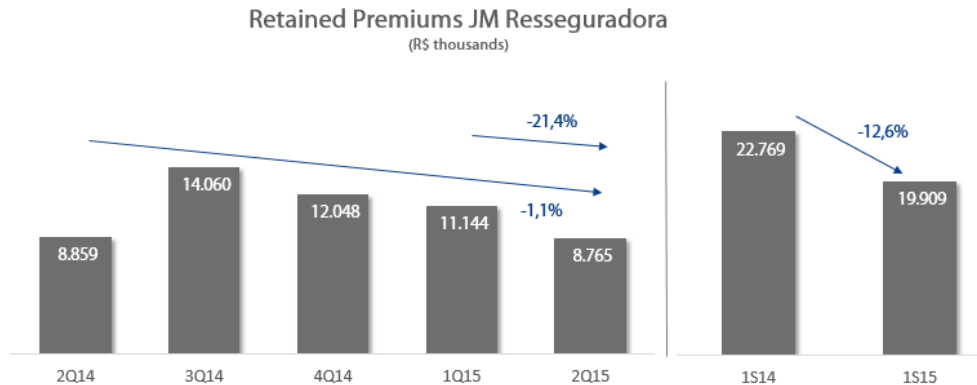
JM Resseguradora is the market leader, according to data by the SUSEP (June/2015), in the financial risks category with a 30% market share in reinsurance premiums.

(R\$ thousands)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14	1S15	1S14	1S15 x 1S14
Net Income JM Resseguradora*	14.106	14.148	(0,3%)	12.345	14,3%	28.254	20.494	37,9%
Shareholders' Equity JM Resseguradora*	703.051	688.945	2,0%	660.773	6,4%	703.051	660.773	6,4%
ROAE JM Resseguradora	8,4%	8,6%	(0,2 p.p.)	7,8%	0,6 p.p.	8,4%	6,4%	2,0 p.p.

The Company's net equity increased 14.3% in 2Q15 year-over-year, and 37.9% in 1S15 year-over-year. Quarter-over-quarter, net income fell 0.3% to R\$ 14.1 million.

Net equity rose 6.4% in 2Q15 year-over-year, totaling R\$ 703.1 million, and was up 2.0% sequentially.

JM Resseguradora’s retained premiums amounted to R\$ 8.8 million, down 1.1% in 2Q15 year-over-year, and 12.6% in 1S15 versus 1S14. The company has remained conservative and passed through large policies in order not to assume the full risk.



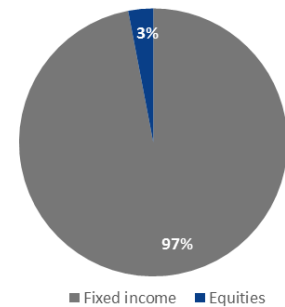
**Insurance Group’s Portfolio**

The insurer’s financial investments portfolio rose 5.5% in 2Q15 year-over-year, closing the quarter at R\$ 1.5 billion.

Fixed income investments represented 97% of the overall portfolio, and the remaining 3% were invested in equities.

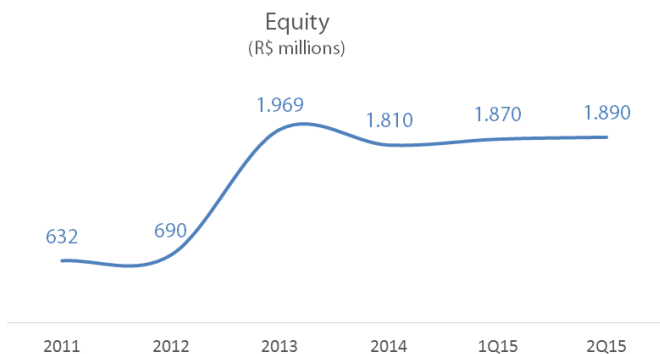
These investments are managed by JMalucelli Investimentos, a subsidiary of Paraná Banco.

Portfolio of financial investments  
R\$ 1.496,4 milhões  
June/2015



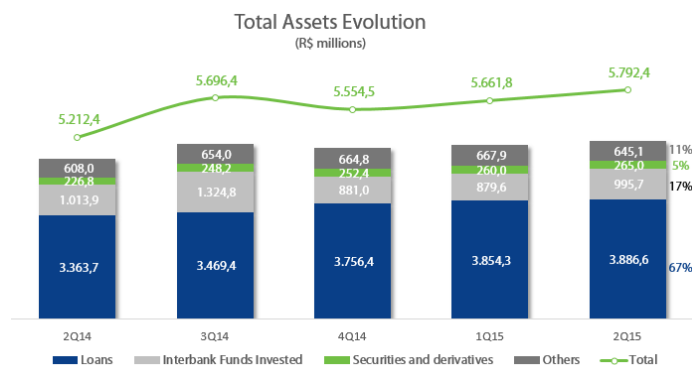
**JM Investimentos (DTVM)**

JMalucelli Investimentos manages three open-ended investment funds, two in equities and one in fixed income, and nine exclusive investment fund and managed portfolio products. The company closed March with R\$ 1.9 million in assets under management.

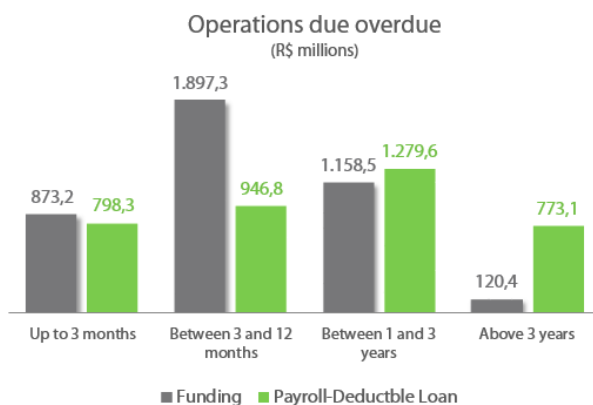


**Asset and Liability Management (ALM)**

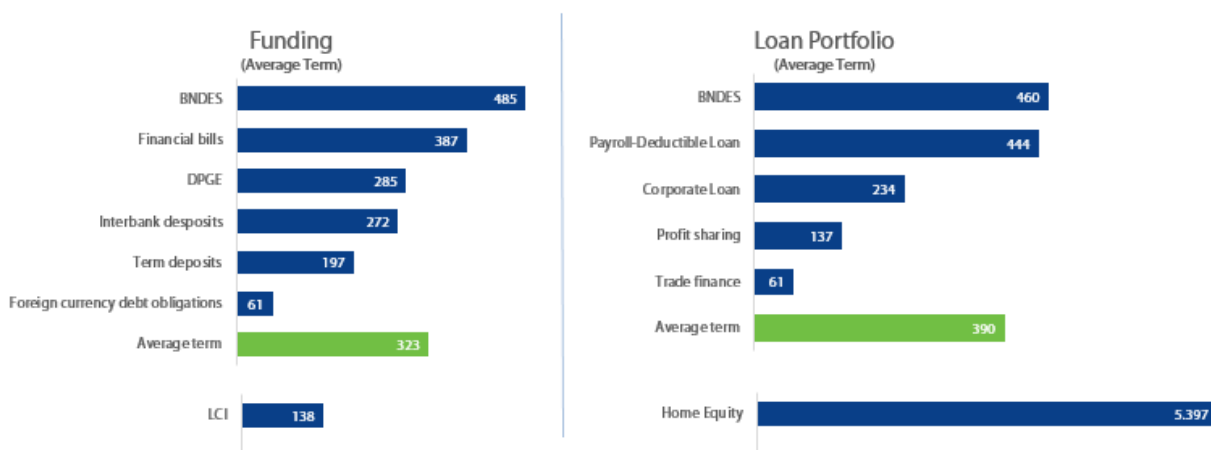
Paraná Banco’s assets totaled R\$ 5.8 billion in 2Q15, up 11.3% year-over-year, driven by the increase in the loan portfolio. Loans accounted for 67% of total assets, financial investments for 17%, income from securities for 5%, and other assets for 11%, as illustrated below.



The graph below shows the maturities of the loan portfolios and the funding portfolio.



In 2Q15, the average maturity of the loan portfolios was 390 days, and the average funding maturity was 323 days. This mismatch is offset by the recurrent maintenance of a high cash level (R\$ 1.25 billion by the end of 2Q15). Our home equity portfolio is managed separately, and we use a short-term strategy of funding it by issuing LCI papers maturing in up to 12 months, and as a medium- and long-term strategy we securitize this portfolio.



### Funding

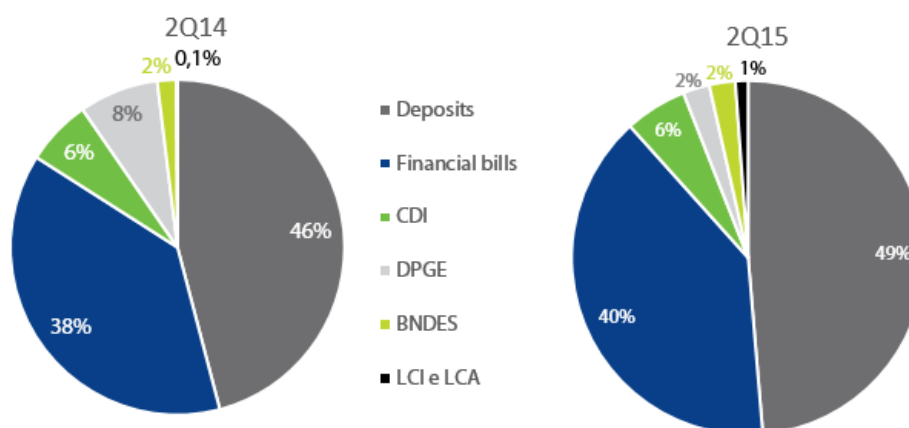
Paraná Banco's overall funding portfolio rose 13.4% in 2Q15 year-over-year, closing the quarter at R\$ 4.1 billion, in line with the Bank's loan portfolio growth. The highlight was the 18.0% increase in funding through financial bills in the period.

Funding Distribution (R\$ thousands)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14
<b>Total Funding</b>	<b>4.146.910</b>	<b>4.074.375</b>	<b>1,8%</b>	<b>3.658.306</b>	<b>13,4%</b>
<b>Total Deposits</b>	<b>2.403.820</b>	<b>2.361.073</b>	<b>1,8%</b>	<b>2.197.151</b>	<b>9,4%</b>
Institutional Investors	1.530.039	1.397.199	9,5%	1.267.901	20,7%
Financial Instituios	229.193	312.405	(26,6%)	377.334	(39,3%)
Other Companies	286.495	295.760	(3,1%)	221.602	29,3%
Related Parties	207.382	210.603	(1,5%)	193.957	6,9%
Individuals	150.711	145.105	3,9%	136.357	10,5%
<b>Financial Bonds</b>	<b>1.644.230</b>	<b>1.612.930</b>	<b>1,9%</b>	<b>1.393.720</b>	<b>18,0%</b>
<b>Domestic Onlendings</b>	<b>98.860</b>	<b>100.372</b>	<b>(1,5%)</b>	<b>67.435</b>	<b>46,6%</b>

In the quarter, overall deposits and financial bills represented 49% and 40% of our funding respectively. In the same quarter last year, these figures were 46% and 38%, as illustrated below.

Interbank funding and BNDES mortgage takeouts accounted for 6% and 2% respectively. Funding through Time Deposits Secured by the Brazilian Credit Guarantee Fund (DPGE) were down 6 p.p. to 2% of the overall portfolio in 2Q15 year-over-year. Real Estate Letters of Credit (LCI) and Agribusiness Letters of Credit (LCA), were 0.1% of the portfolio in 2Q14 and closed 2Q15 at 1% of the overall funding.

We have an available balance of R\$ 3.0 billion referring to DPGE II.



## Liquidity

Paraná Banco's cash balance totaled R\$ 1.25 billion in 2Q15, up 9.0% year-over-year, and 18.3% sequentially.

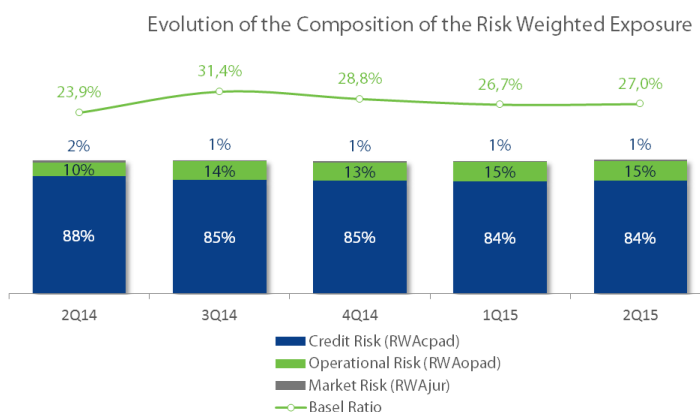
The Bank strategically keeps its cash at a higher level in order to keep an adequate liquidity so that in the face of adverse events it can honor its commitments. In order to do so, it maintains strict risk controls, tested on a recurrent basis.

The transaction to reduce the Bank's interest in JMalucelli Seguros (P&C) is also expected to be completed in the shareholder, which will push the cash level even higher.

Instrument (R\$ thousands)	2Q15	1Q15	2Q15 x 1Q15	2Q14	2Q15 x 2Q14
Repurchase Agreement	994.999	808.381	23,1%	928.327	7,2%
Brazilian Federal Bond - Fixed Rate	210.632	205.226	2,6%	185.514	13,5%
Brazilian Federal Bond - Floating Rate	17.078	16.864	1,3%	5.578	206,2%
Brazilian Federal Bond in Guarantee (BM&FBovespa)	8.310	8.066	3,0%	8.583	(3,2%)
Equity Fund	19.056	18.972	0,4%	18.941	0,6%
Reserve Balance	448	1	44742,5%	71	527,7%
<b>Final Balance</b>	<b>1.250.523</b>	<b>1.057.510</b>	<b>18,3%</b>	<b>1.147.014</b>	<b>9,0%</b>

## Capitalization

Paraná Banco maintained a comfortable capital position in 2Q15, with a capital adequacy ratio, under the requirements of the Central Bank of Brazil (Basel III), of 27.0%, up 3.1 p.p. year-over-year and down 0.3 p.p. sequentially.



## Corporate Governance

Paraná Banco's shareholding structure by the end of the first half of 2015 is illustrated on the graph:

Shareholders	Common Shares	Preferred Shares	Total	%
Control Group	41.171.063	8.872.332	<b>50.043.395</b>	58,0%
Board of Directors	3.293.400	1.560.094	<b>4.853.494</b>	5,6%
Management	740.481	161.439	<b>901.920</b>	1,0%
Treasury	-	1.472.400	<b>1.472.400</b>	1,7%
Free-float	11.520.032	17.464.165	<b>28.984.197</b>	33,6%
<b>Total</b>	<b>56.724.976</b>	<b>29.530.430</b>	<b>86.255.406</b>	<b>100,0%</b>

Data base: june/2015

In March 2015 the Bank started the 13th stock buyback program. By the end of June/2015, a total of 1,472,400 (one million, four hundred seventy two, and four hundred) shares were bought back at an average price of R\$ 9.5010, for a total of R\$ 14.0 million. This position represents 68% of the total shares authorized in the current program, in effect up to March 31, 2016.

Period	Amount	Average Price	Total
2Q15	1.472.400	9,5010	13.989.272

On June 25, we paid interest on equity to our shareholders for a total of R\$ 8.5 million, referring to the result of the second quarter of 2015. With the R\$ 3.5 million paid in 1Q15, Paraná Banco has paid a total of R\$ 11.9 million so far this year to its shareholders.

Approval Date	Value (R\$ thousand)	Value/Share (R\$)	Earnings
25/mar/15	3.450.216	0,04	
25/jun/15	8.478.301	0,10	JCP
<b>Total</b>	<b>11.928.517</b>	<b>0,14</b>	

## Appendix I – Income Statement - Paraná Banco

(R\$ thousands)	2Q15	1Q15	2Q14
<b>Interest Income</b>	<b>261.740</b>	<b>246.810</b>	<b>207.071</b>
Loan operations	229.628	213.781	181.296
Income from marketable securities operations	31.705	31.445	25.737
Income from trade finance operations	407	1.584	38
<b>Interest Expenses</b>	<b>(169.451)</b>	<b>(143.523)</b>	<b>(113.346)</b>
Funding operations in the market	(133.596)	(122.766)	(90.567)
Income from derivative financial instruments	1.306	964	(1.108)
Allowance for loans losses	(37.161)	(21.721)	(21.671)
<b>Net interest income</b>	<b>92.289</b>	<b>103.287</b>	<b>93.725</b>
<b>Other operating income (expenses)</b>	<b>(67.361)</b>	<b>(49.832)</b>	<b>(41.115)</b>
Services fee income	3.856	3.775	3.677
Change in insurance technical allowances	(13.711)	(14.532)	(13.467)
Personnel expenses	(64.764)	(44.084)	(38.227)
Other administrative expenses	(6.283)	(6.341)	(6.628)
Tax expenses	14.597	13.426	14.997
Other operating income	991	1.291	807
Other operating expenses	(2.047)	(3.367)	(2.274)
<b>Operating Income</b>	<b>24.928</b>	<b>53.455</b>	<b>52.610</b>
<b>Income before tax on earnings and interest</b>	<b>(775)</b>	<b>(14.270)</b>	<b>(11.749)</b>
Income Tax - current	(3.241)	(10.276)	(7.269)
Social contribution - current	(2.064)	(6.345)	(4.493)
Deferred Income tax and social contribution	4.530	2.351	13
<b>Net profit</b>	<b>24.153</b>	<b>39.185</b>	<b>40.743</b>

## Appendix II – Balance Sheet - Paraná Banco

(R\$ thousand)	30/06/2015	31/03/2015	30/06/2014
<b>Assets</b>			
<b>Current</b>	<b>2.777.586</b>	<b>2.704.483</b>	<b>2.544.559</b>
Cash and equivalents	3.441	1.821	1.645
Interfinancial liquidity investments	995.704	879.586	1.013.904
Marketable securities	54.351	54.268	32.716
Interfinancial relations	341	312	815
Loan operations	1.596.710	1.637.161	1.400.393
Loan operations	1.680.034	1.709.887	1.475.345
Allowance for losses with loan operations	(83.324)	(72.726)	(74.952)
Other loans	94.603	87.064	47.718
Other values and assets	32.436	44.271	47.368
<b>Long-term assets</b>	<b>2.341.016</b>	<b>2.290.839</b>	<b>2.026.757</b>
Interfinancial liquidity investments	-	-	-
Marketable securities	210.632	205.738	194.097
Loan operations	2.047.964	1.995.168	1.740.014
Loan operations	2.069.924	2.007.727	1.751.640
Allowance for losses with loan operations	(21.960)	(12.559)	(11.626)
Other loans	42.085	37.376	36.562
Other values and assets	40.335	52.557	56.084
<b>Permanent</b>	<b>673.829</b>	<b>666.447</b>	<b>641.107</b>
Investments	665.583	657.239	630.351
Property, plant and equipment in use	6.971	7.329	7.390
Intangible	1.275	1.879	3.366
<b>Total</b>	<b>5.792.431</b>	<b>5.661.769</b>	<b>5.212.423</b>
<b>Liabilities</b>			
<b>Current</b>	<b>2.617.204</b>	<b>2.321.916</b>	<b>2.390.387</b>
Deposits	1.877.539	1.738.217	1.571.191
Open market funding	125.052	70.503	73.998
Proceeds from acceptances and issues of securities	462.913	360.426	621.137
Domestic onlendings	48.520	48.084	36.722
Interfinancial relations	175	1.151	11
Interdependences relations	1.930	69	-
Currency Borrowings	36.448	46.072	6.628
Other liabilities	64.627	57.394	80.699
<b>Long-term liabilities</b>	<b>1.796.878</b>	<b>1.963.111</b>	<b>1.475.684</b>
Deposits	492.833	621.026	656.836
Proceeds from acceptances and issues of securities	1.245.334	1.277.566	776.055
Domestic onlendings	50.340	52.288	30.713
Derivative financial instruments	-	3.262	2.206
Other liabilities	8.202	8.969	9.874
<b>Income from future years</b>	<b>74</b>	<b>105</b>	<b>52</b>
<b>Shareholder's equity</b>	<b>1.378.275</b>	<b>1.376.637</b>	<b>1.346.300</b>
Capital stock	768.359	768.359	763.867
Capital reserve	265	265	265
Profits reserve	624.973	609.298	578.779
Adjustments to market value - marketable securities	(1.333)	(1.285)	(853)
Treasury Shares	(13.989)	-	-
<b>Total</b>	<b>5.792.431</b>	<b>5.661.769</b>	<b>5.212.423</b>