

Banco Pan
Financial Statements – 2014, First Semester

2014, August 4th

Banco Pan

Management Report - 2Q14

August 4, 2014

DEAR SHAREHOLDERS

The Directors of Banco Pan S.A. (“Pan”, “Bank” or “Company”) and its subsidiaries hereby submit to your analysis this Management Report and the respective Quarterly Information for the period ended on June 30, 2014, along with the Independent Auditors Report. The quarterly Information presented here are in accordance with the norms set forth by Laws 4595/64 (National Financial System Law) and 6404/76 (Brazilian Corporations Act), the National Monetary Council, the Central Bank of Brazil (“Bacen”), the Securities and Exchange Commission of Brazil, the Superintendence of Private Insurance, the National Council of Private Insurance and other statutory requirements.

RECENT EVENTS

On June 13, 2014, the Company’s Board of Directors approved: (i) to increase Banco Pan’s capital stock up to R\$1.5 billion, by means of issue for private subscription and proportionally to common and preferred shares (“Increase by Common and Preferred Shares”), of up to 443,786,982 new non-par, registered, book-entry shares, at the issue price of R\$3.38 per common share or preferred share and (ii) submit for analysis and resolution of shareholders at the Shareholders’ General Meeting, another Company’s capital increase, in the amount of up to R\$1.5 billion, with the creation and issue of a new class of redeemable, non-par, book-entry, registered preferred shares.

On June 27, 2014, Bacen approved to change company’s name to Banco Pan S.A..

OPERATIONAL AND COMMERCIAL AGREEMENTS

In view of the entry of Banco BTG Pactual S.A. (“BTG Pactual”) in Pan’s controlling block and underlining its commitment to maintaining the strategic alliance, Caixa Econômica Federal (“Caixa”) signed a Operational Cooperation Agreement with the Bank on January 31, 2011, with BTG Pactual acting as the intervening party, effective after the conclusion of the transfer of control, for a term of eight years, which may be extended, with the aim of providing support to the Company. Notable among the measures envisaged in the agreement that will directly affect Pan’s capital structure and liquidity are: (i) a commitment by Caixa to acquire the Company’s loans under certain parameters, should the Company wish to assign them without recourse, up to the outstanding balance limit of R\$8.0 billion; and (ii) the strengthening of liquidity through interbank operations supported by a credit limit of R\$2.0 billion. These operations will be carried out under market conditions.

On April 25, 2012, BTG Pactual and Caixa amended the Operational Cooperation Agreement entered into on January 31, 2011, to formalize, among other provisions, the injection, by BTG Pactual or its affiliates, pursuant to the applicable legislation, of additional funds in interbank deposit certificates, bank deposit certificates or real estate credit bills issued by Pan.

Also on April 25, 2012, in order to strengthen and improve the Company’s new business strategy and its operation in the real estate market following the acquisition of Brazilian Finance & Real Estate (“BFRE”), Pan and Caixa entered into a commercial agreement through which Caixa will acquire, upon the Company’s request, real estate credit bills issued by Pan or by a mortgage lender under its control, as applicable. This agreement became effective for a period of seven years as of the conclusion of the BFRE acquisition on July 19, 2012.

On September 13, 2012, Caixa and Pan, with the intervention and agreement of Caixa Participações S.A. (“Caixapar”) and BTG Pactual, among others, entered into an operational agreement establishing a cooperation

regime for the structuring, distribution and sale of products and services, including the joint preparation and implementation of plans for the development of products and services for both institutions. The aim is to create synergies and seize opportunities for expanding the product portfolios, among others, considering the complementary nature of their businesses.

Lastly, on April 17, 2013, Caixa and Pan entered into another commercial agreement involving: (i) the disclosure of Caixa's products via Pan's distribution channels; and (ii) the origination by Pan for Caixa of real estate credits with high-income clients.

The various operational and commercial agreements entered into since the formation of Pan's current controlling block between the Bank and its controlling shareholders, Caixa and BTG Pactual, not only demonstrate these shareholders' strong and continuing support of the Company, but also the complementarity and alignment of interests among all three institutions.

ECONOMIC SCENARIO

Referring to economic activity, the GDP in 1Q14, after seasonal effects adjustments, improved 0.2% over the previous quarter and expanded 1.9% over the same period of 2013. On the supply side, agricultural activities recorded better results growing by 3.6% over the previous quarter, but emphasizing that this good performance occurred after drops of 3.5% and 0.5% in the last two quarters, respectively. In the annual comparison, agriculture grew by 2.8%. Still in the positive field, services activities increased by 0.4% over the previous quarter and 2.0% over the same period of 2013, similarly to the last quarters. Industry saw a drop of activity for the third consecutive quarter, 0.8% down on the previous quarter. It is worth pointing out that the last industry tightening enduring three quarters occurred in 1996. With such result, industry recorded 0.8% growth year over year, well below the average result seen in three previous quarters and returning to the production levels of the first quarter of 2011.

On the demand side, after a series of nine quarters recording growth, household consumption dropped marginally in 1Q14 compared to the previous quarter, a reduction of 0.1% and an expansion of 2.2% over the same period of 2013. Investments fell by 2.0% on the previous quarter, confirming the third quarterly consecutive drop and remaining negative in the annual comparison, down by 2.0%. Thus, investment rate in relation to GDP went down 17.7%, below recent result and close to 1Q09. On the other hand, government consumption grew by 0.7%, remaining in line with its historical average. Lastly in the foreign sector, compared to previous quarter, exports dropped by 3.3% while imports went up 1.4%.

Still referring to the foreign sector, we saw that current account deficit stood at US\$6.6 billion in May. With this result, last 12 month deficit increased to US\$81.9 billion, or 3.6% of GDP. The last 12-month result for the balance of payments as a whole, posted deficit in May, but slightly below the deficit recorded in April (US\$5.3 billion and US\$6.4 billion, respectively). It is worth mentioning that the balance of payments has been deteriorating since the middle of 2011, despite having recorded surplus until the middle of 2013. The balance of payments deterioration derives from a combination of a reduction in surplus of financial account with an increase in current account deficit.

Concerning inflation, IPCA (Extended Consumer Price Index) in June went up 0.4% on May. Lower inflation in items with administered prices and deflation of food items were the main drivers for index slowdown compared to the 0.5% recorded in May. However, in other items of free prices segment (excluding food), inflation came surprisingly up, especially services activities, thus, last 12 month inflation stood at 6.5%, exceeding upper limit of the target.

Concerning the labor market, the first fourth-month figures reinforce main recent trends, which still show signs of lower expansion of employment and income, despite unemployment rates remain at historical minimum levels. Between January and April, unemployment rate fluctuated around 5%, approximately 0.5% below the 5.6% recorded in same period of 2013. However, the employed population has been facing difficulties to grow, and unemployment has remained down main due to the continued drop of Participation Rate (PEA/PIA). The figures referring to the generation of formal employment of the Ministry of Labor (Caged) also pointed out growing obstacles. In May, the net creation of 59,000 jobs was recorded, the lowest balance in May since 1992. For the third consecutive month, negative variations were recorded over the same period of 2013. Thus, in 5M14, job creation is still down compared to 2013. If we compare job creation accumulated in this period with other periods, the process still suggests a gradual slowdown seen since 2010. Restrictions to expansion of employment result in lower growth of actual employment income, which remains below the trend seen over the past years.

Regarding the credit market, balances of operations in May still show moderate growth, 13.4% in April 2014 over the same period of 2013 and 12.7% in May 2014, in the same annual comparison. Such moderate growth compared to the same period of 2013, mainly occurs in free credit, which decreased from 6.2% in April to 5.7% in May, but also in earmarked credit, which decreased from 23.3% to 22.3% in the same basis of comparison. In the same direction, daily averages of new grants fell again. Referring to the qualitative aspects, we observed that, in line with the cycle of Selic high interest rates, free credit interest rates for individuals rose for the fifth consecutive month, from 42.0% to 42.5%, reaching its highest level since July 2012. Interest rates for companies also increased in May, but only marginally, from 22.9% to 23.0%. Finally, we point out that after three months of stability at 6.5%, individuals' default in free credit rose to 6.7% in May, returning to the level seen in December last year.

Regarding the fiscal situation, the consolidated public sector (central government, regional governments and government-owned companies) recorded a deficit of R\$11.0 billion in May. In April, a surplus of R\$16.9 billion was recorded and in May 2013 was R\$5.7 billion. Thus, last 12-month surplus fell to 1.5% of GDP, below the 1.9% target for 2014. Most of result came from central government, which recorded a deficit of R\$11.1 billion, and last 12-month result was 1.2% of GDP, below the year's target of 1.6%.

MAIN RESULTS

Despite this context of modest economic activity and tight monetary policy, the origination of credit assets increased over the first half of 2013, maintaining its long-term upward trajectory. In this context, credit origination monthly averaged R\$1,223.3 million in 1H14, 4.6% up on the R\$1,169.6 million recorded in 1H13. In 2Q14, credit origination monthly averaged R\$1,210.0 million, 2.1% below the R\$1,236.6 million recorded in 1Q14 and 3.8% down on the R\$1,257.6 million recorded in 2Q13, due to a combination of factors such as, World Cup, the new dynamic of payroll-deductible loans caused by portability, the current condition of vehicle financing market and the improvements in the real estate credit's origination process, as already occurred in other business. Total Loan Portfolio totaled R\$16,101.9 million in 2Q14, 0.6% down on the R\$16,206.8 million recorded in March 2014 and 9.1% up on the R\$14,764.4 million recorded in June 2013. This amount includes: (i) the loan portfolio retained at the Bank of R\$15.9 billion and (ii) credits assigned with recourse, totaling R\$244.8 million.

The balance of the loan portfolio with retained result, which excludes loans assigned with recourse and thus provides a measure of the Company's revenue earning portfolio, continued to outpace the total loan portfolio, reaching R\$15,857.1 million in 2Q14, 0.1% up on 1Q14 and 13.5% up on 2Q13. The growth was low compared to the previous quarter due to higher volume of credit assignment without recourse to meet regulatory capital limit, which will be addressed by the Increase by Common and Preferred Shares.

Loans to individuals accounted for 76.8% of the total portfolio in June 2014, showing a slightly greater portfolio diversification in relation to the figure of 78.8% reported at the end of June 2013.

On June 30, 2014, investments in private securities came to R\$21.5 million. Including these operations, the total expanded loan portfolio reached R\$16,123.3 million in 2Q14.

Vehicle Financing

According to the Bacen, the balance of vehicle financing (CDC PF) totaled R\$186.6 billion in 2Q14, a decline of 3.3% in real terms over the previous quarter and of 9.6% year over year. Vehicle financing represents 24.6% of the non-earmarked household credit. The leasing portfolio, which represents 0.6% of household credit, continued to shrink, falling by 21.3% in real terms over 1Q14 and 61.2% in the last 12 months, totaling R\$4.9 billion.

The default rate on vehicle loans overdue by more than 90 days (CDC PF) stood at 4.9% in 2Q14, 0.1 p.p. down over 1Q14 and 1.2 p.p. down year over year. The rate peaked in June 2012 at 7.2% and has been gradually declining ever since.

Interest on household credit for vehicle acquisition came to 23.0% p.a. in 2Q14, 0.6 p.p. down on 1Q14 and 3.3 p.p. up in 12 months.

According to Fenabrave, the vehicle dealers' association, light vehicle sales (new and used cars and light commercial vehicles) totaled 3.1 million units in 2Q14, 1.5% down on the same period of 2013, with sales of used vehicles moving up 2.9% and those of new vehicles decreasing by 12.2%. In relation to the previous quarter, used vehicle sales grew by 1.6%, while new vehicle sales fell by 4.8% (seasonally adjusted).

Sales of heavy vehicles (buses and trucks) totaled 133,6 thousand units in 2Q14, 7.8% down year over year, with new vehicle sales dropping up by 13.4% and used vehicle sales falling by 5.1%. In relation to 1Q14, new heavy vehicle sales and used heavy vehicle sales grew by 5.4% and 1.8%, respectively (seasonally adjusted).

Also according to Fenabrave, second-quarter sales of new and used motorcycles came to 1.0 million units, in line with 2Q13 (9.2% drop in the new motorcycle segment and 6.1% rise in the used motorcycle market). In

comparison with the previous quarter, new motorcycles sales dropped by 7.0% and used motorcycle sales grew by 1.0% (seasonally adjusted).

Vehicle financing continued to be the Company's core business. In 1H14, it disbursed R\$3,115.9 million in new vehicle financing, 5.9% lower than the R\$3,310.7 million originated in 1H13. In 2Q14, it disbursed R\$1,556.0 million in new financing, including leasing operations, 0.3% lower than the R\$1,559.9 million originated in 1Q14 and 11.1% down on the R\$1,750.5 million originated in 2Q13, in view of current condition of vehicle financing market.

The Bank is actively present in 7,680 new and used vehicle dealers and resellers, with a high degree of loan origination fragmentation, whereby the 10 largest groups of dealers and resellers account for only 11.0% of total origination. The Bank's strategy regarding light vehicles is based on the pursuit of a relevant interest in both new and used auto financing. It is worth noting that in 1H14 new autos accounted for 56.4% of total light vehicle financing and 46.0% of total vehicle financing in the period, versus 61.3% and 50.7%, respectively, in 1H13. In 2Q14, vehicle financing at dealers accounted for 56.3% of light vehicle financing and 46.0% of total vehicle financing in the period, percentages compared, respectively to 56.5% and 45.9% in 1Q14 and 63.2% and 53.1% in 2Q13.

Heavy vehicle financing originated a monthly average of R\$40.6 million in 1H14, 11.3% up on 1H13. In 2Q14, heavy vehicle monthly average production was R\$42.7, 10.9% up on 1Q14 and 25.2% up on 2Q13.

Motorcycle financing originated a monthly average of R\$55.3 million in 1H14, 6.5% less than in 1H13 and a monthly average of R\$52.2 million in 2Q14, 10.6% down on 1Q14 and 11.2% down on 2Q13.

Consumer Loans

According to Bacen, consumer loans (payroll-deductible and non-payroll-deductible) totaled R\$340.2 billion in 2Q14, 1.6% up in real terms in relation to 1Q14 and 4.7% up year over year. Consumer lending accounts for 44.9% of non-earmarked household loans.

The payroll-deductible loan portfolio totaled R\$238.0 billion in 2Q14, representing variations of 2.1% and 6.7%, in real terms, compared to 1Q14 and 2Q13, respectively. Of the three segments comprising the payroll-deductible portfolio, loans to civil servants recorded the highest real 12-month increase, of 7.3%, followed by social security beneficiaries, with a 7.0% rise and private sector workers, with a 1.2% increase. Note that loans to civil servants account for 61.8% of the total payroll-deductible loan inventory.

Non-payroll-deductible loan came to R\$102.2 billion, a 0.3% upturn in real terms over 1Q14 and a 0.3% upturn over 2Q13.

In 2Q14, the default rate (loans overdue by more than 90 days) stood at 3.9% of the total consumer credit balance, stable compared to the previous quarter and a decline of 0.3p.p in the last 12 months. Default dropped both in the non-payroll-deductible segment and in payroll-deductible segment. We point out the drop of 0.3p.p. in the civil servant segment, reaching 2.5% of balance in the period.

Pan disbursed R\$1,896.9 million in new payroll-deductible loans to civil servants and Social Security beneficiaries in 1H14, 37.2% more than the R\$1,382.4 million disbursed in 1H13. In 2Q14, payroll-deductible loan totaled R\$845.8 million, 19.5% down on the R\$1,051.1 million recorded in 1Q14 and 5.3% up on the R\$803.1 million originated in 2Q13. Consumer loan and consumer direct credit segments accounted for R\$241.9 million disbursed

in new financing in 1H14, 16.3% down on 1H13. In 2Q14, we saw a 4.6% decline over 1Q14 and of 19.9% over 2Q13.

Corporate Loans

According to the Bacen, market-rate corporate loans totaled R\$765.3 billion in 2Q14, representing a real decrease of 0.1% over 1Q14 and a real decrease of 1.3% year over year. This portfolio currently represents 15.2% of GDP, a 0.3p.p. year over year decline. Among the various types of corporate financing, working capital loans totaled R\$389.0 billion, accounting for 50.8% of the total corporate loan balance.

The corporate default rate (loans overdue by more than 90 days) accounted for 3.5% of the total loan portfolio in 2Q14, 0.2p.p. up on 1Q14 and 0.1p.p. down on 2Q13. Default in the working capital segment increased by 0.1p.p. over 2Q13, reaching the level of 3.8% of the balance in 2Q14.

New corporate loan origination came to R\$1,721.0 million in 1H14, 5.2% higher than the R\$1,635.9 million recorded in 1H13. In 2Q14, the corporate loan origination totaled R\$949.9 million, 23.2% up on the R\$771.2 million recorded in 1Q14 and 11.9% up on the R\$848.7 million in 2Q13.

As a result, the corporate loan portfolio closed June at R\$3,680.8 million, including guarantees issued, 9.4% up on 1Q14 and 23.0% more than in 2Q13. Advances on foreign exchange contracts (ACC) amounted to R\$373.9 million at the end of June 2014, versus R\$330.3 million at the end of March, representing a 13.2% increase in the quarter, and R\$401.1 million in the 2Q13, 6.8% down on the same period of 2013.

The expanded corporate loan portfolio, including investments in private securities of R\$21.5 million, came to R\$3,702.2 million in 2Q14.

Real Estate Loans

Real estate loans (at market rates and regulated rates) totaled R\$384.5 billion in 2Q14, a real increase of 5.0% over 1Q14 and 21.0% more than in 2Q13. Of this total, R\$345.8 billion corresponded to regulated-rate credit, up by 5.3% quarter over quarter and 21.5% year over year. Market-rate loans amounted to R\$38.8 billion, representing real increases of 2.2% and 16.1% over 1Q14 and in 12 months, respectively. This type of loan has one of the household financing segment's lowest late payment rates, where total (loans overdue by more than 90 days) amounted to 1.8% of the real estate loan portfolio in 2Q14, stable compared to 1Q14 and 0.2 p.p. down year over year. In 2Q14, real estate loans for individuals corresponded to 7.7% of GDP, an increase of 1.1 p.p. in the last 12 months.

Real estate loan granted totaled R\$364.2 million in 1H14, 8.9% down on the R\$399.7 million in 1H13. In 2Q14, Pan originated R\$160.4 million in real estate loans, 21.3% down on 1Q14 and 28.1% down on 2Q13, allocated as follows: (i) R\$134.4 million to individuals comprised by R\$73.4 million in Home Equity (Crédito Fácil), R\$58.2 million for real estate acquisitions and R\$2.9 million in other types of loans; and (ii) R\$26.0 million in loans acquired by Brazilian Securities Companhia de Securitização ("Brazilian Securities") for securitization. These reductions derive from the refinement of origination process, as already occurred during the improvement in other business lines of the Bank.

The real estate loan portfolio stood at R\$644.4 million at the end of June, 7.0% up on the R\$602.2 million at the end of the previous quarter and 23.7% higher than the R\$521.1 million in 2Q13.

Credit Cards

Pan's credit card base had 1.8 million cards at the end of 2Q14. In 1H14, 79.9 thousand new conventional credit cards and 25.3 thousand new payroll-deductible credit cards were issued. In 2Q14, 42.0 thousand new conventional credit cards and 10.6 thousand new payroll-deductible credit cards were issued.

Pan card transaction volume totaled R\$740.2 million in 2Q14, 15.6% up year over year and 9.0% up on 1Q14.

In 2Q14, administrative expense went down 3.2% on 1Q14. Allowance for loan losses was 5.9% up on 1Q14.

Insurance

In 1H14, insurance premiums totaled R\$94.5 million, 12.5% up on the R\$83.9 million recorded in 1H13. Insurance premiums totaled R\$45.2 million in 2Q14, 8.3% down on the R\$49.3 million recorded in 1Q14 and 8.2% up on 2Q13, when insurance premiums came to R\$41.8 million.

The main products of Pan Seguros S.A. ("Insurer") in the quarter, with its premiums and share is total, were: (i) credit insurance (Pan Protege), with R\$28.9 million and 64.0%; (ii) DPVAT insurance, with R\$11.6 million and 25.6%; (iii) home insurance, with R\$2.2 million and 4.8%; (iv) protection insurance and against card personal accidents, with R\$1.9 million and 4.2%; and (v) consortia with R\$0.2 million and 0.4%.

Pan Seguro's administrative expenses came to R\$7.5 million in 2Q14, 6.5% up on 1Q14 and 1.0% up on 2Q13. In this context, the operating result came to R\$24.1 million in the quarter, 34.0% up on the R\$18.0 million posted in the previous quarter and 117.7% up on the R\$11.0 million reported in 2Q13. In 1H14, the operating results came to R\$42.1 million, or 54.7% upon the R\$27.2 million reported in 2Q13.

Pan Seguros recorded consolidated net income of R\$16.4 million in 2Q14, 26.9% up on the R\$12.9 million in 1Q14 and 109.5% up on the R\$7.8 million in 2Q13. In 1H14, Pan Seguros recorded consolidated net income of R\$29.2 million, 47.6% up on the R\$19.8 million in 2Q13.

Pan Seguros' shareholders' equity stood at R\$151.5 million on June 30, 2014, 10.5% up on the R\$137.1 million recorded in 1Q4 and 2.2% down on the R\$154.9 million in 1H13. It is worth mentioning that in 1Q14, R\$55.0 million of dividends existing in the statutory reserve account were distributed.

Funding

Funding volume at the close of June 2014 stood at R\$18.8 billion, 2.5% higher than the R\$18.3 billion recorded at the end of 1Q14 and 9.3% higher than the R\$17.2 billion at the close of 2Q13, accompanying asset financing needs. The main funding sources were: (i) time deposits and interbank deposits, which amounted to R\$11.2 billion, or 59.6% of the total; (ii) real estate and agribusiness letters of credit totaling R\$2.3 billion, or 12.0% of the total; (iii) bank notes, which amounted for R\$2.1 billion or 11.1% of the total; (iv) bonds, totaling R\$1.8 billion, or 9.8% of the total; (v) domestic and foreign loans, totaling R\$324.7 million, or 1.7% of the total; and (vi) assignment of loans with recourse in the amount of R\$244.8 million, or 1.3% of the total.

Backed by improved risk perception due to the new shareholding structure, the Bank has been managing to reduce its funding costs and adopt competitive rates on new time deposit certificates. As a result, the balance of funding through time deposits with special guarantee from the Credit Guarantee Fund ("DPGE 1") declined to close 2Q14 at R\$216.7 million, 5.2% down on the R\$228.7 million recorded at the end of 1Q14 and 56.3% less than the R\$495.4 million reported in 2Q13.

Similarly, the balance of funding through the assignment of loans with recourse has been falling gradually as the credit assigned in the past mature and Pan has not performed these assignments under the current administration. As a result, the R\$244.8 million balance of funding through credit assignments with recourse at the end of 2Q14 fell considerably by 33.8% over the R\$369.9 million recorded at the end of 1Q14 and by 69.2% over the R\$796.2 million reported at the end of 2Q13.

On June 30, 2014, time deposits were comprised by funding from: (i) fund managers and institutional investors, which accounted for 74.1% of the total; (ii) individuals, with 16.2%; and (iii) companies, with 8.3%. In accordance with Article 8 of Central Bank Circular 3068/01, Pan declares that it has the financial capacity and the intention of holding to maturity those securities classified under "held-to-maturity securities" in its financial statements.

Costs and Expenses

Personnel, tax, and other administrative expenses came to R\$784.6 million in 1H14, versus R\$770.4 million in 1H13. In 2Q14, the expenses came to R\$390.4 million compared to the R\$394.3 million in 1Q14 and the R\$400.5 million in 2Q13, presenting a reduction in the short and long terms and maintaining a downward trajectory in real terms (adjusted for inflation).

Pan's cost structure and its ability to generate revenues are subject to continuous analysis. Consequently, the Bank's cost structure is sized in accordance with management's current expectations of future loan operation volumes and margins. If the economic and market scenarios deteriorate to such an extent as to interfere with the progress of our business plan, the cost structure will be adjusted accordingly, as attested by the recent measures taken to adjust the organizational structure.

Net Income, Shareholders' Equity and Leverage

Pan posted a consolidated net loss of R\$70.4 million in 2Q14, versus a net loss of R\$78.6 million in 1Q14 and a net gain of R\$12.7 million in 2Q13.

The aforementioned quarterly results are impacted by the amounts of credit assignments without recourse in each period. Assignments of real estate loans, consumer loans and payroll-deductible loans without recourse totaled R\$1,884.4 million in 2Q14, versus assignments of real estate loans, consumer loans and payroll-deductible loans without recourse of R\$876.9 million in 1Q14 and real estate loans, consumer loans and payroll-deductible loans of R\$1,559.2 million in 2Q13.

Allowance for loan losses came to R\$251.5 million in 2Q14, 6.6% up on the R\$236.0 million posted in 1Q14 and 11.6% higher than the R\$225.4 million reported in 2Q13.

Increased recovery of overdue loans previously written off from allowance for loan losses contributed positively to the result. Revenue from the recovery of overdue loans came to R\$135.4 million in 1H14, 49.2% higher than the R\$90.7 million recorded in 1H13. In 2Q14, revenue from the recovery of overdue loans came to R\$70.2 million, 7.7% higher than the R\$65.2 million in 1Q14 and 39.7 % higher than the R\$50.2 million in 2Q13. Thus, net expense of allowance for loan losses totaled R\$352.1 million in 1H14, 20.4% down on the net expense of R\$442.4 million in 1H13. In 2Q14, net expense of allowance for loan losses totaled R\$181.3 million, 6.1% higher than the R\$170.8 million in 1Q14 and 3.5 % up on the R\$175.2 million recorded in 2Q13.

Pan's consolidated shareholders' equity closed June 2014 at R\$2,156.9 million, versus R\$2,226.0 million in March 2014 and R\$2,523.3 million in June 2013.

INDEPENDENT AUDITORS

As of the first quarter of 2011, the Bank's Quarterly Information and Financial Statements have been audited by PricewaterhouseCoopers Auditores Independentes ("PWC"). In accordance with CVM Instruction 381, PWC was not hired and did not provide any other services to Pan other than those related to external auditing. The policy adopted complies with the principles that maintain the independence of auditors according to criteria accepted internationally, i.e. auditors must not audit their own work, hold managerial positions in their clients or promote their clients' interests.

ACKNOWLEDGEMENTS

We thank our employees for their commitment and engagement in the execution of Pan's business strategy, and our clients, investors and partners, who honor us with their support and confidence.

São Paulo, August 4, 2014.

ASSETS	Note	Bank		Consolidated		LIABILITIES AND EQUITY	Note	Bank		Consolidated	
		30/06/2014	31/12/2013	30/06/2014	31/12/2013			30/06/2014	31/12/2013		
CURRENT ASSETS		<u>8.464.956</u>	<u>8.429.711</u>	<u>9.699.758</u>	<u>9.672.162</u>	CURRENT LIABILITIES		<u>12.969.730</u>	<u>12.056.733</u>	<u>14.156.897</u>	<u>13.024.292</u>
Cash	5	45.596	36.806	53.810	47.763	Deposits	17.a	9.865.285	8.120.280	9.732.014	7.779.471
Short-term interbank investments	6.a	944.677	1.167.367	925.317	1.164.314	Demand deposits		129.659	178.301	129.428	178.058
Money market investments		806.998	1.076.933	806.998	1.076.933	Interbank deposits		8.393.049	6.519.942	8.382.618	6.340.276
Interbank deposits		137.679	90.434	118.319	87.381	Time deposits		1.342.577	1.422.037	1.219.968	1.261.137
Marketable securities and derivative financial instruments	7	529.782	454.296	805.148	480.738	Money market funding	17.b	296.597	1.034.884	296.597	1.029.285
Own portfolio	7.a	180.784	281.203	380.378	243.252	Own portfolio		296.597	370.807	296.597	365.208
Subject to repurchase agreements	7.a	297.293	130.597	326.941	185.274	Third-party portfolio		-	664.077	-	664.077
Derivative financial instruments	7.c	15.573	21.962	23.360	31.676	Funds from acceptance and issuance of securities	17.c	1.774.093	1.676.695	2.627.319	2.391.831
Subject to guarantees		36.132	20.534	74.467	20.534	Funds from real estate letters of credit, mortgage notes, letters of credit and similar		1.756.877	1.664.954	2.610.103	2.380.090
Other investments		-	-	2	2	Securities issued abroad		17.216	11.741	17.216	11.741
Interbank accounts		53.900	28.466	53.900	28.466	Interbank accounts		140.023	138.700	140.023	129.740
Unsettled payments and receipts		11.627	-	11.627	-	Unsettled receipts and payments		3.422	-	3.422	-
Restricted deposits – Brazilian Central Bank		2.774	2.345	2.774	2.345	Correspondent banks - local	18	136.601	138.700	136.601	129.740
Correspondent banks - local		39.499	26.121	39.499	26.121	Interdepartmental accounts		2.033	603	2.033	603
Loan operations	8	5.098.668	4.317.921	5.820.144	5.220.694	Third-party funds in transit		2.033	603	2.033	603
Loan operations - private sector		5.609.475	4.810.334	6.412.008	6.168.576	Borrowings	19.a	110.442	-	169.780	122.719
Allowance for loan losses	8.d	(510.807)	(492.413)	(591.864)	(947.882)	Local borrowings		-	-	1.639	1.458
Leasing transactions	8	-	-	50.727	79.173	Foreign borrowings		110.442	-	168.141	121.261
Lease receivables		-	-	60.102	95.133	Derivative financial instruments	7.c	14.683	1.698	6.953	1.698
Allowance for doubtful lease receivables	8.d	-	-	(9.375)	(15.960)	Derivative financial instruments		14.683	1.698	6.953	1.698
Other receivables		1.632.834	2.278.409	1.756.242	2.434.166	Other liabilities		766.574	1.083.873	1.182.178	1.568.944
Foreign exchange portfolio	9.a	387.895	428.518	387.895	428.518	Collection and payment of taxes and similar		8.729	4.516	8.880	4.752
Income receivable		-	-	73	30	Social and statutory payables		-	-	-	1.702
Negotiation and intermediation of securities		1.866	720	2.930	2.854	Tax and social security contributions	22.a	19.437	32.617	127.960	172.035
Insurance premiums receivable		-	-	14.740	13.285	Technical provisions for insurance and private pension plans	23.e	-	-	171.522	153.851
Real estate receivables	10	-	-	49.899	45.794	Negotiation and intermediation of securities		3.315	6.235	115.415	153.833
Notes and credits receivable	8 and 12	587.648	605.216	587.648	605.216	Subordinated Debt	20	79.156	72.007	79.156	72.007
Allowance for other doubtful receivables	8.d	(45.906)	(42.582)	(46.850)	(43.731)	Sundry	22.b	655.937	968.498	679.245	1.010.764
Sundry	12	701.331	1.286.537	759.907	1.382.200						
Other assets		159.499	146.446	234.470	216.848						
Other assets	13.a	80.024	85.030	129.578	126.735						
Valuation allowance	13.a	(38.504)	(49.023)	(40.811)	(52.170)						
Prepaid expenses	13.b	117.979	110.439	145.703	142.283						

ASSETS	Note	Bank		Consolidated		LIABILITIES AND EQUITY	Note	Bank		Consolidated	
		30/06/2014	31/12/2013	30/06/2014	31/12/2013			30/06/2014	31/12/2013		
LONG-TERM RECEIVABLES		11,251,967	10,006,403	12,677,660	11,608,552	LONG-TERM LIABILITIES		5,768,075	5,312,753	6,363,803	6,261,281
Interbank investments	6.a	51,452	135,124	36,029	66,383	Deposits	17.a	1,669,334	1,534,937	1,579,259	1,485,834
Interbank deposits		51,452	135,124	36,029	66,383	Interbank deposits		48,690	64,099	48,690	64,099
Marketable securities and derivative financial instruments	7	694,631	874,931	950,413	1,257,482	Time deposits		1,620,644	1,470,838	1,530,569	1,421,735
Own portfolio	7.a	234,773	179,474	471,587	444,064	Money market funding	17.b	393,185	57,712	393,185	57,712
Subject to repurchase agreements	7.a	220,753	310,096	239,721	385,551	Own portfolio		213,701	57,712	213,701	57,712
Derivative financial instruments	7.c	117,648	177,927	117,648	183,924	Third-party portfolio		179,484	-	179,484	-
Subject to guarantees		121,457	207,434	121,457	243,943	Funds from acceptance and issuance of securities	17.c	1,965,501	2,185,904	2,249,120	2,732,915
Loan operations	8	7,384,356	6,764,725	8,023,476	7,474,008	Funds from real estate letters of credit, mortgage notes, letters of credit and similar		1,329,776	1,509,741	1,613,395	2,056,752
Loan operations - private sector		7,675,524	7,072,738	8,339,495	7,822,427	Securities issued abroad		635,725	676,163	635,725	676,163
Allowance for loan losses	8.d	(291,168)	(308,013)	(316,019)	(348,419)	Borrowings	19.a	-	-	154,938	217,130
Leasing transactions	8	-	-	17,459	36,676	Local borrowings		-	-	100,000	100,000
Lease receivables		-	-	20,686	44,069	Foreign borrowings		-	-	54,938	117,130
Allowance for doubtful lease receivables	8.d	-	-	(3,227)	(7,393)	Derivative financial instruments	7.c	55,886	20,259	55,886	9,239
Other receivables		2,799,503	1,935,030	3,327,545	2,475,133	Derivative financial instruments		55,886	20,259	55,886	9,239
Specific receivables		-	-	2,040	4,800	Other liabilities		1,684,169	1,513,941	1,931,415	1,758,451
Real estate receivables	10	-	-	120,637	147,956	Tax and social security contributions	22.a	30,511	28,957	151,660	165,388
Residual benefit of securitized transactions	11	-	-	12,112	13,158	Negotiation and intermediation of securities		-	-	2,624	2,207
Notes and credits receivable	8 and 12	19,670	23,069	19,670	23,069	Technical provisions for insurance and private pension plans	23.e	-	-	26,239	29,086
Allowance for other doubtful receivables	8.d	(526)	(146)	(526)	(150)	Subordinated debt	20	1,226,521	1,288,620	1,226,521	1,288,620
Sundry	12	2,780,359	1,912,107	3,173,612	2,286,300	Sundry	22.b	427,137	196,364	524,371	273,150
Other assets		322,025	296,593	322,738	298,870						
Prepaid expenses	13.b	322,025	296,593	322,738	298,870						
PERMANENT ASSETS		1,179,741	1,243,885	302,158	312,199	DEFERRED INCOME		1,977	2,460	1,977	2,460
Investments		1,112,079	1,178,359	1,193	777	Deferred income		1,977	2,460	1,977	2,460
In subsidiaries	14.a	1,111,260	1,177,956	-	-	NON-CONTROLLING INTEREST		-	-	17	21
Other investments	14.b	819	403	1,193	777	Non-controlling interest		-	-	17	21
Property and equipment in use	15	35,045	37,722	63,652	65,431						
Properties in use		-	-	2,530	2,530						
Other fixed assets in use		73,262	72,180	108,618	105,296	EQUITY		2,156,882	2,308,053	2,156,882	2,304,860
Accumulated depreciation		(38,217)	(34,458)	(47,496)	(42,395)	Capital	24	2,867,020	2,867,020	2,867,020	2,867,020
Intangible assets	16.b	32,617	27,804	237,313	245,991	Local residents		2,602,550	2,556,338	2,602,550	2,556,338
Intangible assets		61,911	50,802	317,700	306,014	Foreign residents		264,470	310,682	264,470	310,682
Accumulated amortization		(29,294)	(22,998)	(80,387)	(60,023)	Carrying value adjustments		(15,279)	(16,286)	(15,279)	(16,286)
						Accumulated deficit		(694,859)	(542,681)	(694,859)	(545,874)
TOTAL ASSETS		20,896,664	19,679,999	22,679,576	21,592,913	TOTAL LIABILITIES AND EQUITY		20,896,664	19,679,999	22,679,576	21,592,913

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

BANCO PAN S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME
SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(In thousands of reais, except share data)

	Note	Bank		Consolidated	
		1° Half 2014	1° Half 2013	1° Half 2014	1° Half 2013
INCOME FROM FINANCIAL INTERMEDIATION		2.065.287	1.923.469	2.261.529	2.292.151
Loan operations	8.h	1.982.398	1.722.865	2.133.257	1.977.571
Leasing transactions	8.h	-	-	19.701	36.271
Marketable securities	7.d	81.430	124.707	107.112	202.412
Foreign exchange transactions	9.b	1.459	75.897	1.459	75.897
EXPENSES FOR FINANCIAL INTERMEDIATION		(1.312.452)	(1.124.039)	(1.413.320)	(1.257.246)
Money market funding	17.d	(758.835)	(618.779)	(801.864)	(653.557)
Borrowings and onlendings	19.b	(15.594)	(7.395)	(12.036)	(49.212)
Derivative financial instruments	7.c	(92.024)	(36.250)	(111.867)	(21.362)
Provision for loan losses	8.d	(445.999)	(461.615)	(487.553)	(533.115)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		752.835	799.430	848.209	1.034.905
OTHER OPERATING INCOME(EXPENSES)		(986.706)	(840.543)	(1.068.614)	(938.924)
Services rendered	25	165.116	164.602	175.929	187.210
Equity in the results of investees	14.a	9.935	40.110	-	-
Earned premiums	23.f	-	-	92.447	60.317
Retained claims	23.f	-	-	(28.427)	(25.104)
Employee expenses	26	(101.517)	(86.326)	(209.987)	(202.310)
Other administrative expenses	27	(629.482)	(619.263)	(609.780)	(622.351)
Taxes	28	(58.787)	(71.399)	(92.217)	(105.420)
Other operating income	29.a	40.709	114.071	52.265	137.880
Other operating expenses	29.b	(412.680)	(382.338)	(448.844)	(369.146)
OPERATING PROFIT (LOSS)		(233.871)	(41.113)	(220.405)	95.981
NON-OPERATING EXPENSES	30	(28.241)	(31.904)	(28.305)	(30.882)
RESULT BEFORE TAXES					
ON INCOME AND PROFIT SHARING		(262.112)	(73.017)	(248.710)	65.099
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	34.a	109.932	53.928	99.721	(13.347)
Provision for income tax		(11.160)	(15.838)	(12.632)	(66.497)
Provision for social contribution		(7.202)	(9.099)	(17.012)	(37.894)
Deferred tax assets		128.294	78.865	129.365	91.044
NON-CONTROLLING INTEREST		-	-	2	1
NET INCOME (LOSS)		(152.180)	(19.089)	(148.987)	51.753
LOSS PER OUTSTANDING SHARE – IN REAIS (comprising 535,076,075 shares at June 30, 2014 and 535,076,075 at June 30, 2013)		(0,28)	(0,04)		

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



BANCO PAN S.A.

STATEMENT OF CHANGES IN PARENT COMPANY EQUITY AT JUNE 30, 2014 AND 2013

(In thousands of reais)

	Capital	Capital increase	Carrying value adjustment	Accumulated deficit	Total
AT DECEMBER 31, 2012	2.867.020	-	(978)	(313.633)	2.552.409
Carrying value adjustment	-	-	(376)	-	(376)
Loss	-	-	-	(19.089)	(19.089)
AT JUNE 30, 2013	2.867.020	-	(1.354)	(332.722)	2.532.944
AT DECEMBER 31, 2013	2.867.020	-	(16.286)	(542.681)	2.308.053
Capital increase (Note 24a)	-	1.500.000	-	-	1.500.000
Capital to be paid (Note 24a)	-	(1.500.000)	-	-	(1.500.000)
Carrying value adjustment	-	-	1.007	-	1.007
Loss	-	-	-	(152.180)	(152.180)
AT JUNE 30, 2014	2.867.020	-	(15.279)	(694.859)	2.156.882

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

BANCO PAN S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(In thousands of reais)

	Bank		Consolidated	
	1° Half 2014	1° Half 2013	1° Half 2014	1° Half 2013
INCOME	1.240.129	1.173.401	1.434.412	1.539.547
Financial intermediation	2.065.287	1.923.469	2.261.529	2.292.151
Services rendered	165.116	164.602	175.929	187.210
Provision for loan losses	(445.999)	(461.615)	(487.553)	(533.115)
Other operating income (expenses)	(544.275)	(453.055)	(515.494)	(406.699)
EXPENSES FOR FINANCIAL INTERMEDIATION	(866.453)	(662.424)	(925.767)	(724.131)
GOODS AND SERVICES ACQUIRED FROM THIRD PARTIES	(452.732)	(439.874)	(402.807)	(396.520)
Materials, electricity and others	(560)	(1.058)	(1.160)	(1.876)
Third-party services	(65.590)	(61.125)	(90.447)	(86.569)
Commissions paid to storeowners and promoters	(386.582)	(377.691)	(311.200)	(308.075)
GROSS VALUE ADDED	(79.056)	71.103	105.838	418.896
DEPRECIATION AND AMORTIZATION	(16.083)	(13.107)	(27.224)	(22.017)
NET VALUE ADDED PRODUCED BY THE INSTITUTION	(95.139)	57.996	78.614	396.879
VALUE ADDED TRANSFERRED FROM OTHERS	9.935	40.110	-	-
Equity in the results of investees	9.935	40.110	-	-
TOTAL VALUE ADDED TO BE DISTRIBUTED	(85.204)	98.106	78.614	396.879
DISTRIBUTION OF VALUE ADDED	(85.204)	98.106	78.614	396.879
Personnel	89.330	76.524	180.726	176.104
Salaries	74.100	65.611	139.317	141.024
Benefits	9.394	7.324	28.652	26.131
Employee severance indemnity fund (FGTS)	4.175	2.691	9.909	7.876
Other	1.661	898	2.848	1.073
Taxes, charges and contributions	(38.637)	27.597	22.435	145.608
Federal	(46.691)	20.151	4.696	127.679
State	101	1	271	126
Municipal	7.953	7.445	17.468	17.803
Remuneration of third-party capital	16.283	13.074	24.437	23.415
Rents	16.283	13.074	24.437	23.415
Remuneration of own capital	(152.180)	(19.089)	(148.985)	51.752
(Accumulated deficit)/ Retained earnings	(152.180)	(19.089)	(148.987)	51.753
Non-controlling interest in retained earnings	-	-	2	(1)

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

BANCO PAN S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(In thousands of reais)

	Bank		Consolidated	
	1° Half 2014	1° Half 2013	1° Half 2014	1° Half 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME (LOSS)	(152.180)	(19.089)	(148.987)	51.753
Adjustments not affecting cash flows:				
Depreciation and amortization	10.261	7.285	14.698	9.491
Amortization of goodwill	5.822	5.822	12.526	12.526
Provision for contingencies	62.770	108.373	95.447	123.978
(Reversal of) provision for impairment of repossessed assets	(14.743)	7.120	(15.566)	6.682
Loss on sale of repossessed assets	43.025	24.806	44.146	24.222
Impairment loss	-	-	-	1.310
(Gain) on sale of property and equipment	(2)	(22)	(2)	(22)
Equity accounting	(9.935)	(40.110)	-	-
Provision for loan losses	445.999	461.615	487.553	533.115
Deferred income tax and social contribution	(109.932)	(53.928)	(99.721)	13.347
Technical provisions for insurance and private pension plans	-	-	14.824	30.420
Adjusted net income	281.085	501.872	404.918	806.822
Changes in assets and liabilities:				
Decrease (increase) in short-term interbank investments	236.364	(438.462)	199.352	(541.215)
Decrease (increase) in marketable securities	37.963	494.547	(90.925)	490.693
Decrease (increase) in derivative financial instruments	115.278	(37.006)	126.495	(58.052)
(Increase) Decrease in interbank accounts	(24.113)	1.188	(15.151)	2.831
(Increase) in loan operations	(1.846.378)	(2.357.260)	(1.636.471)	(2.053.428)
Decrease in leasing transactions	-	-	47.663	93.829
(Increase) in other receivables	(90.601)	(123.249)	(45.122)	(115.377)
(Increase) in other assets	(101.323)	(105.722)	(107.960)	(106.703)
Increase in deposits	1.879.402	1.548.399	2.045.968	1.531.527
(Decrease) Increase in money market funding	(402.814)	349.342	(397.215)	352.602
Increase (decrease) in other liabilities	130.363	163.121	(246.031)	(300.759)
Increase in interbank accounts	1.431	4.279	1.430	4.279
(Decrease) Increase in deferred income	(482)	1.282	(483)	1.282
NET CASH PROVIDED BY OPERATING ACTIVITIES	216.175	2.331	286.468	108.331
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of property and equipment in use	19	24	19	24
Sale of repossessed assets	34.555	36.474	37.891	42.503
Increase in investment capital	(416)	84.182	(416)	-
Acquisition of property and equipment in use	(1.305)	(9.949)	(4.957)	(10.368)
Investments in intangible assets	(11.109)	(15.880)	(11.826)	(17.119)
Dividends and interest on own capital accrued/received	72.000	30.587	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	93.744	125.438	20.711	15.040
CASH FLOWS FROM FINANCING ACTIVITIES				
(Redemption) Issue of financial bills	(389.717)	748.863	(389.717)	748.863
(Decrease) Increase in securities issued abroad	(19.374)	15.488	(19.374)	15.488
(Decrease) Increase in subordinated debt	(47.755)	57.411	(47.755)	57.411
Issuance of agribusiness letters of credit	85.719	292.662	85.719	292.662
Change in non-controlling interest	-	-	(4)	(4)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(371.127)	1.114.424	(371.131)	1.114.420
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(61.208)	1.242.193	(63.952)	1.237.791
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE SIX-MONTH PERIOD	913.803	270.791	924.760	279.400
CASH AND CASH EQUIVALENTS AT THE END OF THE SIX-MONTH PERIOD (Note 5)	852.595	1.512.984	860.808	1.517.191
ADDITIONAL INFORMATION ON CASH FLOWS				
Interest paid	(865.313)	(380.679)	(1.305.378)	(758.616)
Interest received	1.957.442	1.670.589	2.097.878	1.866.459
Transfer of repossessed assets	(25.729)	(51.941)	(25.729)	(51.941)
Unrealized gain/losses on available-for-sale securities	1.680	(627)	1.680	(627)

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

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

1) OPERATIONS

Banco Pan S.A. (the "Bank", "PAN" or "Institution") is a corporation authorized to operate as a multi-service bank, directly or indirectly, through its subsidiaries, in the following markets: consumer financing; personal credit; payroll-linked lending; financing for the purchase of vehicles, machinery and equipment; foreign exchange; financing for companies; construction financing for developers and builders; real estate financing for individuals; acquisition of real estate receivables and issue of mortgage-backed securities ("CRI"), leasing of vehicles and other assets; insurance lines including installment credit, group personal accident, unemployment/loss of income, group life and mandatory bodily injury auto insurance ("DPVAT"), as well as consortium purchase plans for vehicles and real estate. The benefits of services rendered between the Group companies and the costs of operational and administrative structures are absorbed, jointly or individually, by these companies.

As a business strategy and for securing the necessary funding for its operations, the Bank has adopted the policy of assigning the receivables comprising its loan portfolio to other financial institutions. The assignment of loans is part of the Bank's operational strategy, enabling the immediate recognition of the related revenue and expenses (Note 3g), as well as decreasing risk assets and ensuring that capital is adequately maintained. These results are recorded in the Bank's individual financial statements under 'Income from financial intermediation', and, where applicable, the amount related to FIDC operations is eliminated and recognized over the period of the loan operations, for purposes of the consolidated financial statements, as described in Note 2.

We present below the Bank's current shareholding structure:

Stockholders	Common	%	Preferred	%	Total	%
Banco BTG Pactual S.A.	149,156,344	51,00	33,114,219	13,65	182,270,563	34,06
Caixa Participações S.A. - Caixapar	143,307,048	49,00	54,802,722	22,59	198,109,770	37,02
Board of Directors	5	-	105	-	110	-
Market	3	-	154,695,629	63,76	154,695,632	28,92
Total	292,463,400	100,00	242,612,675	100,00	535,076,075	100,00

Acquisition

a) Payroll-linked credit card portfolio of Banco Cruzeiro do Sul S.A.

On April, 26, 2013, PAN acquired for a total of R\$ 351.0 million, the credit rights to the payroll-linked credit card portfolio of Banco Cruzeiro do Sul S.A. (in liquidation at that time), which were originated by 237 operating agreements with directly or indirectly controlled federal, state and municipal government agencies and by seven operating agreements with private sector companies, acquired as a single lot at a public auction.

At that time, this portfolio comprised some 471 thousand issued cards, of which 321 thousand were active. As a result of this acquisition, the Bank strengthened its position in the credit card and payroll-linked lending segments.

The acquisition generated negative goodwill of R\$ 27,424 and an expense of R\$ 17,550, which will be appropriated to the Bank's results over the portfolio's average payment period.

2) PRESENTATION OF FINANCIAL STATEMENTS

The individual ("Parent company") financial statements of Banco PAN are presented together with the financial statements of the Bank and its subsidiaries and special-purpose entities, which are the receivables investment funds known as FIDCs, ("Consolidated"), and have been prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by BACEN, in compliance with the provisions of Law 4595/64 (National Financial System Law) and Law 6404/76 (Brazilian Corporation Law) and the changes introduced by Law 11638/07 and 11941/09, for recording

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

the transactions, as well as the standards and instructions established by BACEN, Resolutions of the National Monetary Council (CMN), the National Council of Private Insurance (CNSP), the Private Insurance Agency (SUSEP) and the CVM, where applicable.

The Brazilian Accounting Standards Board (CPC) has issued pronouncements, as part of the convergence process with international accounting standards, approved by CVM, although not all of these have been ratified by BACEN. Accordingly, in preparing its financial statements, where applicable, the Bank adopted the following pronouncements that have already been ratified by BACEN:

1. CPC 01 (R1) - Impairment of Assets – ratified by CMN Resolution 3566/08
2. CPC 03 (R2) – Statement of Cash Flows – ratified by CMN Resolution 3604/08
3. CPC 05 (R1) – Related-party Disclosures – ratified by CMN Resolution 3750/09
4. CPC 25 – Provisions, Contingent Liabilities and Contingent Assets – ratified by CMN Resolution 3823/09
5. CPC 24 – Events after the Reporting Period – ratified by CMN Resolution 3973/11
6. CPC 10 (R1) – Share-based Payment – ratified by CMN Resolution 3989/11
7. CPC 23 – Accounting Policies, Changes in Estimates and Correction of Errors – ratified by CMN Resolution 4007/11
8. CPC 00 (R1) – Conceptual Framework for Financial Reporting - ratified by CMN Resolution 4144/12

The parent company and consolidated financial statements, for the six-month period ended June 30, 2014, were authorized for issue by the Board of Directors and Executive Board on August 4, 2014.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

The subsidiaries included in the consolidation and the corresponding equity interest of the parent company are as follows:

	Total equity interest %	
	30/06/2014	31/12/2013
Direct subsidiaries:		
Panamericano Arrendamento Mercantil S.A.	99.97	99.97
PAN Seguros S.A.	99.99	99.99
Panserv Prestadora de Serviços Ltda.	99.99	99.99
Panamericano Adm. e Corretagem de Seguros e de Prev. Privada Ltda.	99.99	99.99
Ourinvest Real Estate Holding S.A.	100.00	100.00
Indirect subsidiaries:		
Panamericano Administradora de Consórcio Ltda.	99.99	99.99
Brazilian Finance e Real Estate S.A.	100.00	100.00
BM Sua Casa Promotora de Vendas Ltda.	99.99	99.99
BMSR II Participações S.A.	99.99	99.99
Brazilian Securities Companhia de Securitização	99.99	99.99
Brazilian Mortgages Companhia Hipotecária	99.99	99.99
Special purpose entities (SPEs):		
Caixa Fundo de Investimento em Direitos Creditórios CDC Veículos do Banco PAN ("Caixa CDC FIDC") (a) (b)	-	100.00
Caixa Fundo de Investimento em Direitos Creditórios Master CDC Veículos do Banco PAN ("Caixa Master CDC FIDC") (a) (b)	-	100.00

(a) Percentage of subordinated shares held by the Bank. For purposes of the consolidated financial statement presentation, the FIDCs were consolidated in accordance with CVM Instruction 408/04 and CVM Official Circular Letter 001/07.

(b) FIDCs terminated on January 20, 2014, pursuant to the private agreement for transfer of assets and settlement of liabilities entered into on that date.

Consolidated financial statements

Upon consolidation, intercompany investments, asset and liability account balances, income from transactions between the Bank and its direct and indirect subsidiaries, and income originally derived from transactions between the Bank and the FIDCs were eliminated. The non-controlling interest in equity and the results of investees are disclosed separately in the consolidated balance sheet and statement of income.

In the consolidation process of the FIDCs, the balance of the portfolio of loan assignment receivables was included in the Bank's loan operations portfolio, with the corresponding accounting entry of the financing in the "Other Liabilities - Sundry" account, net of the balance of investments in the shares of investment funds, which consists of the subordinated shares previously held by the Bank in the FIDCs. Unrealized profits arising from the assignment of the loans of the Bank to the FIDCs have been fully eliminated as an adjustment to income from loan operations.

Income arising from credit rights appropriated by the FIDCs was recorded under income from loan operations in the statement of income, and the cost of financing was recorded under "Money market funding". The income earned by the Bank from the appreciation of its quotas in the funds, which was originally recorded in the "Securities transactions" account, was eliminated against the account "Money market funding" to nullify its effect on the cost of funding.

Leasing transactions are stated at present value in the balance sheet, and the related revenue and expenses, which comprise the financial result on these operations, are presented under "Leasing transactions".

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Receivables Investment Funds (FIDCs) – Since the control over receivables assigned to the Funds remained under the Bank’s responsibility (in terms of receiving, transfer and collection) and the Institution satisfied the other consolidation conditions established by CVM Instruction 408/04 and CVM Official Letter 001/07, management consolidated the financial statements of the FIDCs.

I. Name, nature, purpose and activities of the FIDCs.

The purpose of the FIDCs was mainly to acquire credit rights related to financial loans, comprising credit facility agreements for the purchase of vehicles (cars and motorcycles), of the consumer financing type (CDC), entered into by the Bank (assignor) and its customers.

As established in their regulations, the FIDCs sought to obtain, but did not guarantee that they would obtain a specific percentage return, as presented below:

Fund	Return
Caixa CDC FIDC	108% of CDI
Caixa Master CDC FIDC	112% of CDI

II. Investment in the net assets and results of FIDCs.

In accordance with Article 24, item XV, of CVM Instruction 356/01, and the wording of CVM Instruction 393/03, the minimum required ratio of the FIDCs’ net assets to the value of the senior quotas is presented below:

Fund	%
Caixa CDC FIDC	130
Caixa Master CDC FIDC (a)	130

a) At the Extraordinary Meeting of Stockholders held on March 16, 2009, a decision was made to include, in the regulations of this Fund, the permission to split the subordinated shares into special classes. Since July 2009, PAN has subscribed only a portion of the subordinated shares. The Funds were terminated on January 20, 2014. At December 31, 2013, the Bank had R\$ 203,304 in subordinated shares out of a total of R\$ 203,304.

III. Nature of the Bank’s involvement with the FIDCs and type of exposure to loss, if any, arising from this involvement.

The Bank had no co-obligation in the assignment of credit rights already realized with Caixa CDC FIDC and Caixa Master CDC FIDC. The Bank subscribed and was expected to maintain a minimum of 30% of the FIDC’s net assets in subordinated shares. In the event of shortfall, the Bank, as a subordinated shareholder, when notified, had the possibility but not the obligation to subscribe new subordinated shares to maintain the subordination ratio and, similarly, had the possibility but not the obligation to buy back nonperforming contracts, as the Bank’s risk was limited to the amount of the subordinated quotas already subscribed.

IV. Amount and nature of receivables and payables between the Bank and the FIDCs, assets transferred by the Bank and the rights of use of the FIDCs’ assets.

Since the investment in the subordinated shares in the FIDCs was maintained, the Institution recognized up to January 2014, revenue of R\$ 222 (1H13 – revenue of R\$ 5,006) recorded in income from marketable securities in the parent company statement of income, which was eliminated upon consolidation.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

At June 30, 2014 and December 31, 2013, the financial positions of the FIDCs were as follows:

	Caixa CDC FIDC (1)		Caixa Master CDC FIDC (1)	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Assets				
Cash	-	6	-	11
Short-term interbank investments	-	1,549	-	4,049
Marketable securities	-	-	-	-
Credit rights	-	89,912	-	517,979
Allowance for loan losses	-	(57,334)	-	(316,313)
Other amounts	-	5	-	3
Total assets	-	34,138	-	205,729
Liabilities				
Other liabilities	-	27	-	113
Net assets	-	34,111	-	205,616
- Senior shares	-	207	-	2,312
- Subordinated shares	-	33,904	-	203,304
Total liabilities	-	34,138	-	205,729

(1) Fund terminated on January 20, 2014.

Reconciliation of equity to net income in the parent company and consolidated financial statements.

	30/06/2014		31/12/2013	30/06/2013
	Equity(1)	Net loss(1)	Equity	Net income (loss)
Banco PAN – Parent company	2,156,882	(152,180)	2,308,053	(19,089)
Effects of elimination of assignments to FIDCs:				
Unearned income from assignments	-	13,033	(13,033)	137,877
Recognition of cost of commissions on credits assigned	-	(7,711)	7,711	(19,807)
Tax effects	-	(2,129)	2,129	(47,228)
Banco PAN - Consolidated	2,156,882	(148,987)	2,304,860	51,753

(1) Funds terminated on January 20, 2014.

V. Guarantees, sureties, mortgages or other collateral granted in favor of the FIDCs.

The Bank provided no guarantee, surety, mortgage or other collateral in favor of the FIDCs. However, the subordinated shares fully absorbed the effects of the negative results of the funds' portfolios up to their limit.

VI. Identification of the principal beneficiary or group of principal beneficiaries of the FIDCs' activities

The FIDCs were terminated on January 20, 2014. At December 31, 2013, the Bank and its subsidiaries held all of the subordinated shares of the FIDCs, for R\$ 237,208, while the other senior shares and special subordinated shares were held by qualified investors.

VII. Termination of the FIDCs

At the Extraordinary General Meeting of Shareholders of the FIDCs (Caixa CDC FIDC and Caixa Master CDC FIDC), held on October 21, 2013, approval was given for their termination. Accordingly, on January 20, 2014, PAN acquired all of the shares of the FIDCs and the termination process was completed by the end of January 2014.

3) SIGNIFICANT ACCOUNTING PRACTICES**a) Cash and cash equivalents and functional and presentation currency:**

Cash and cash equivalents comprise cash in local and foreign currencies, investments in the money market, interbank deposits, bank certificates of deposit and fixed-income funds, with maturities at the original investment date equal to or less than 90 days and which present an immaterial risk of change in fair value. These are used by the Bank to manage its short-term commitments.

The parent company and consolidated financial statements are presented in reais which is the Bank's functional currency.

b) Determination of the results of operations:

Income and expenses are recorded on the accrual basis of accounting, and are prorated when resulting from financial transactions. Financial income and expenses are calculated based on the compound interest method, except when resulting from foreign transactions or discounted notes, which are calculated on the straight-line method. Transactions with floating rates or indexed to foreign currencies are adjusted up to the balance sheet date at agreed-upon rates.

Income from insurance and reinsurance premiums is recorded upon issuance of the corresponding policies as premiums issued and is deferred over the duration of the policies or insurance invoices through the unearned premium reserve.

Insurance premiums and selling expenses for retrocession transactions and the corresponding unearned premium reserve are recorded based on the information received from IRB – Brasil Resseguros S.A.

The claims are recorded in the results based on the official register of claims pending, which seeks to reflect the estimated total claims for contracts with risk coverage in force related to settlements to be incurred as a result of the claims processing and approval process.

Acquisition costs are considered as direct costs for obtaining and processing new insurance contracts. These costs are deferred and appropriated to the results monthly, on the straight-line basis, over the period of recognition of the insurance premiums in accordance with the corresponding term of the policies.

c) Short-term interbank investments:

Interbank investments are presented at cost plus related earnings up to the balance sheet date.

d) Marketable securities:

Marketable securities are recorded at the investment amount plus income earned through the balance sheet date, based on yield rate and maturity, adjusted to fair value, where applicable. They are classified in the following categories:

- Trading securities - securities acquired for the purpose of being actively and frequently traded are adjusted to fair value, with the increase or decrease arising from this adjustment reflected in the result for the period.
- Available-for-sale securities - securities that cannot be classified as trading securities or held-to-maturity securities are adjusted to fair value, with the increase or decrease arising from this

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

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adjustment reflected in a separate account in equity, net of tax effects. Unrealized gains and losses are recognized in results for the period when effectively realized.

- Held-to-maturity securities – securities which the Bank intends and has the necessary means to hold in its portfolio to maturity. They are stated at cost, plus related earnings with a corresponding entry to the result for the period.

e) Derivative financial instruments:

The derivative financial instruments consist of futures, swaps and forwards. These financial instruments are classified, on the date the transaction is contracted, considering management's intention to use them or not as hedging instruments. The valuations or devaluations are recognized in the income or expense accounts of the corresponding financial instruments in accordance with BACEN Circular 3082/02, and Letter-Circular 3026/02, which require the adoption of the following criteria:

- Futures: the marking to market of futures contracts, such as interest contracts (DI + 1), exchange contracts (DOL) and exchange coupons (DDI) is determined based on the market price in an unique price (PU) format which is released daily by BMF&BOVESPA. Based on this price, the daily adjustments are recorded in assets or liabilities and appropriated daily to the result as income or expense.
- Swaps are valued based on the rates agreed in the corresponding contracts and adjusted to fair value. The difference receivable or payable is recorded in assets or liabilities, respectively, and recognized in the result as income or expense, on a pro rata basis, up to the balance sheet date. Future cash flows, discounted to present value by future interest curves, obtained based on information released by BM&FBOVESPA, were used to measure the fair value of the swaps.
- Currency forwards: are derivative financial instruments for the purchase or sale of a foreign currency, with no physical delivery, traded on the over the counter (OTC) market at a future date and at a pre-established parity. Financial settlement occurs based on the difference between the initial parity of the contract and the reference price on the maturity date. Future interest rate curves, obtained based on information released by BM&FBOVESPA, were used to price these contracts.
- The derivative financial instrument transactions are measured at market value, with the corresponding gains or losses recorded as follows:
 - Derivative financial instruments not considered as hedges: in income or expense accounts.
 - The realized and unrealized gains and losses on derivative financial instruments considered as fair value hedges, as well as their related financial assets and liabilities, the hedged items: in income and expense accounts.

f) Loan operations:

The loan and leasing operations, advances on foreign exchange contracts and other credits with credit granting characteristics are classified based on management's opinion as to their risk level, considering the economic scenario, past experience, and specific and global risks related to the operation, debtors and guarantors, in compliance with the parameters and guidelines established by CMN Resolution 2682/99, which requires periodic portfolio analysis and the classification of risk into nine levels, where AA is minimum risk and H is maximum risk. Additionally, the length of delay defined in this Resolution and the double count for transactions with an unexpired term exceeding 36 months are also taken into consideration when rating customer risk.

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(In thousands of reais, unless otherwise stated)

Income from loan operations past due for more than 60 days, regardless of the risk level, is only recognized when realized. H-rated operations remain at this level for six months, after which they are written off against the existing allowance and controlled in a memorandum account and no longer presented in the Bank's balance sheet.

Renegotiated transactions remain, at least, at the same rating at which they were classified prior to the renegotiation. Renegotiated loan operations that had already been written off against the allowance and that were recorded in memorandum accounts are H-rated, and any gains resulting from the renegotiation are recognized as income only when effectively received. When there is significant amortization of the operation or when new relevant facts justify a change in risk level, the operation may be reclassified to a lower risk category.

The allowance for loan losses is determined at an amount which is sufficient to cover probable losses and considers CMN and BACEN rules and instructions, as well as the assessments carried out by management in determining credit risk.

The allowance for loan losses related to loan assignments with co-obligation is calculated based on the same guidelines established by BACEN for unassigned loan operations.

g) Transactions for the sale or transfer of financial assets:

From January 1, 2012, transactions for the sale or transfer of financial assets are classified and recorded as follows:

- The following procedures should be used for recording the sale or transfer of financial assets, classified in the category of transactions with a substantial transfer of risks and rewards:

In transactions involving the sale of assets, the financial asset, which is being sold or transferred is written-off from the account in which the original transaction was recorded. The gain or loss determined in the transaction is separately appropriated to results for the period.

In transactions involving the purchase of assets, the financial asset acquired is recorded at the amount paid, based on the nature of the original transaction.

- The following procedures should be followed for recording the sale or transfer of financial assets, classified in the category of transactions with substantial retention of risks and rewards:

In transactions for the sale of assets, the financial asset, which is the object of the sale or transfer, remains recorded in assets at the full amount. The amounts received as a result of the transaction are recorded in assets, with a corresponding entry in liabilities for the obligation assumed, and the income and expenses are appropriated separately to results for the period over the remaining term of the transaction.

In transactions for the purchase of assets, the amounts paid are recorded in assets as a right receivable and the income is appropriated to the results for the period over the remaining term of the transaction.

h) Repossessed assets:

These mainly comprise repossessed assets and assets received in lieu of payment, available for sale, which are adjusted through recording a valuation allowance, where applicable, calculated based on the historical losses for repossessed assets sold.

i) Prepaid expenses:

These are expenses related to funds used in advance payments, whose related benefits or services will occur or be provided in future periods. These expenses are appropriated to the result for the period in which the future benefits are generated. This group mainly consists of commissions paid to storeowners and sales promoters, expenses for securities issued abroad and selling expenses for insurance policies.

j) Other current assets and long-term receivables:

These are stated at cost plus related income and monetary and exchange variations, less the corresponding provision for adjustment to realizable value, where applicable.

k) Investments:

Investments in subsidiaries are accounted for on the equity method. Other investments are stated at cost of acquisition, less the corresponding provision for loss and impairment, where applicable.

l) Property and equipment

Property and equipment correspond to the rights over physical assets acquired for maintaining the business or which are exercised for this purpose, including those arising from transactions which transfer the risks, rewards and control over the assets to the Bank. They mainly consist of properties, facilities and leasehold improvements, furniture and equipment in use.

The assets are stated at cost of acquisition less accumulated depreciation and adjusted for impairment, where applicable. Depreciation is calculated on the straight-line method at annual rates which consider the estimated economic useful lives of the assets.

m) Intangible assets

Intangible assets correspond to the rights acquired over non-physical assets for maintaining the business or which are exercised for this purpose.

The assets are stated at acquisition or formation cost, less accumulated amortization and adjusted for impairment, where applicable, and mainly comprise goodwill paid for future profitability of investment and expenses for the acquisition and development of software. Intangible assets are amortized on the straight line method over the estimated period of their use.

n) Income tax and social contribution (assets and liabilities)

Deferred tax assets on temporary additions are realized upon utilization and/or reversal of the corresponding provisions in respect of which they were recorded. Deferred tax assets on tax losses are realized as the taxable income is generated, up to the limit of 30% of taxable income for the reporting period. These deferred tax assets are recognized based on their expected realization, which is periodically reviewed, considering the technical studies and analyses prepared by management.

The provision for income tax is recorded at 15% of taxable income, plus a 10% surtax. Social contribution on net income is calculated at a rate of 15% for financial and insurance companies and at 9% for other companies.

Provisions for other taxes and social contributions were recorded pursuant to the specific applicable legislation.

o) Impairment of non-financial assets

Non-financial assets are subject to evaluation of their recoverable values for annual periods, or more frequently if conditions or circumstances indicate the possibility of loss in value. Any losses identified are recognized in the results for the period when the carrying amount of the assets exceeds its recoverable amount, determined as follows:

- i. Potential sales amount, or realization amount less corresponding expenses, or
- ii. Value in use calculated based on the cash generating unit.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

p) Deposits and money market funding

These are stated at the amounts of the liabilities and consider, where applicable, the charges payable up to the balance sheet date, recognized on a daily pro rata basis.

q) Specific insurance segment accounting practices

Liabilities for insurance contracts (technical provisions)

- **Unearned premium reserve (PPNG)**

The unearned premium reserve is calculated based on retained premiums, pursuant to CNSP Resolution 281/13 and SUSEP Circular 462/13, on the daily accrual basis, and comprises the portion of premium corresponding to the unexpired risk period.

- **Unearned premium reserve - current risks for policies not yet issued (PPNG-RVNE)**

The unearned premium reserve – current risks for policies not yet issued complies with the standards and specifications established in CNSP Resolution 281/13 and SUSEP Circular 462/13, pursuant to the methodology described in the related Technical Actuarial Note and, for the lines with no historical data, based on the percentage rates established in SUSEP Circular 485/14.

- **Unsettled claims reserve (PSL)**

The unsettled claims reserve is recorded based on the estimated indemnifiable amounts, considering the claims notices received up to the balance sheet date, net of ceded coinsurance and reinsurance adjustments. The unsettled claims reserve for the compulsory automobile insurance (DPVAT) line is recorded monthly, based exclusively on the amounts informed by Seguradora Líder dos Consórcios do Seguro DPVAT (“Seguradora Líder”).

- **Provision for losses incurred but not reported (IBNR)**

The IBNR reserve is calculated based on the estimated amount of the losses incurred but which have not yet been reported to the Insurance Company. It is determined pursuant to the standards and specifications established in CNSP Resolution 281/13 and SUSEP Circular 462/13, and is recorded based on the methodology described in a Technical Actuarial Note and for the lines with no historical data, based on the percentage rates established by SUSEP 485/14. The IBNR reserve for the DPVAT line is calculated monthly, based exclusively on the amounts computed and informed by Seguradora Líder.

- **Provision for claims-related expenses (PDR)**

This reserve is designed to cover the projected expenses related to claims which are or which are not reported. It is determined pursuant to the standards and specifications established in CNSP

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Resolution 281/13 and SUSEP Circular 462/13, and is recorded based on the methodology described in a Technical Actuarial Note.

- **Liability adequacy test (LAT)**

SUSEP Circular 457/12 introduced the Liability Adequacy Test (TAP) for financial statement preparation purposes and defined the rules and procedures for its application. Accordingly, the insurance company must assess, at each reporting date, whether its liabilities are adequate, using the current estimates of future cash flows under its insurance contracts. If that assessment shows that the amount of the provisions recorded for the insurance contracts in force, less related deferred selling costs and related intangible assets, is inadequate considering the estimated future cash flows, the entire deficiency shall be recognized in the statement of income.

r) Specific accounting practices of the consortium segment

The management fee is recognized when received from the consortium groups. Sales commissions are recorded when the consortium quotas are sold and other income and expenses are recorded monthly on the accrual basis.

The liabilities for unclaimed funds are recorded at the amount to be returned to the members of the discontinued consortium groups, including remuneration equal to that generated by their shares in the investment funds in which the active groups hold investments, and are presented in the "Other liabilities - Sundry" group in the consolidated financial statements.

s) Current and long-term liabilities

Known or estimated liabilities, charges and risks are presented at the monetarily adjusted amount through the balance sheet date. Liabilities in foreign currency are translated into local currency at the exchange rates in effect on the balance sheet date, as disclosed by BACEN, and liabilities subject to indexation are monetarily adjusted up to the balance sheet date.

t) Contingent assets and liabilities and legal obligations (tax and social security)

Contingent assets and contingent liabilities and legal obligations (tax and social security) are recognized, measured and disclosed in conformity with CMN Resolution 3823/09, which approved CPC Accounting Standard 25 – Provisions, Contingent Assets and Contingent Liabilities, the main criteria of which are as follows:

- Contingent assets - these are not recorded in the financial statements, except when there is evidence that their realization is guaranteed and there are favorable sentences against which no further appeals may be lodged.
- Contingent liabilities are recorded in the financial statements when, based on the opinion of the Bank's management and legal advisors, the risk of losing an administrative or legal action is deemed probable, and whenever the amounts involved can be reliably measured. Contingent liabilities classified as a possible loss by the legal advisors are disclosed in the notes to the financial statements, when material, while those classified as a remote loss require neither provision nor disclosure.
- Legal obligations (tax and social security) – these are amounts related to lawsuits challenging the legality and constitutionality of certain taxes and contributions, which regardless of the likelihood of success, are recognized at the full amount in the financial statements.

u) Residual benefit of securitized transactions

This corresponds to the residual balance, net of any guarantees provided, of the separate equity of the securitized transactions which, in accordance with Law 9514/97, will be restored to the common equity of the securitization company when the lien is released and the related mortgage-backed securities are settled.

v) Earnings per share

Net income (loss) per share is calculated based on the number of outstanding shares at the balance sheet date.

w) Use of accounting estimates

The preparation of financial statements requires management to make estimates and assumptions, to the best of its judgment, that affect the reported amounts of certain financial or non-financial assets and liabilities, income and expenses, and other transactions, such as: (i) deferred tax assets; (ii) depreciation rates of property and equipment and amortization of intangible assets; (iii) provisions necessary to absorb the potential risks arising from contingent liabilities; (iv) technical insurance provisions; (v) provisions for loss on repossessed assets and allowances for loan and lease losses; and (vi) impairment of non-financial assets, and (vii) estimated fair value of specific financial instruments. The actual settlement amounts of these financial or non-financial assets and liabilities may differ from these estimates.

x) Events after the reporting period

These are events which have taken place between the reporting date of the financial statements and the date of their approval by the management bodies. They are divided between the following:

- i) Events that require adjustment, related to conditions existing at the reporting date of the financial statements; and
- ii) Events that do not require adjustment, related to conditions which did not exist at the reporting date of the financial statements.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

4) BALANCE SHEET AND STATEMENT OF INCOME BY BUSINESS SEGMENT

a) Consolidated Balance Sheet:

Assets	30/06/2014							
	Financial (1)	Insurance (2)	Consortium Group (3)	Securitization(4)	Sales promoter(5)	Other (6)	Eliminations (7)	Total
Current assets	9,328,439	236,816	3,396	127,348	134,217	118,554	(249,012)	9,699,758
Long-term receivables	12,183,108	151,402	37,347	264,932	99,304	31,642	(90,075)	12,677,660
Permanent assets	1,141,323	53,316	117	488	25,744	545,574	(1,464,404)	302,158
Total at June 30, 2014	22,652,870	441,534	40,860	392,768	259,265	695,770	(1,803,491)	22,679,576
Total at December 31, 2013	21,753,725	448,466	46,486	520,508	261,848	804,586	(2,242,706)	21,592,913

Liabilities and equity	Financial (1)	Insurance (2)	Consortium Group (3)	Securitization(4)	Sales promoter(5)	Other (6)	Eliminations (7)	Total
Current liabilities	13,960,482	208,961	11,039	183,580	41,529	318	(249,012)	14,156,897
Long-term liabilities	6,313,319	36,389	11,141	68,256	17,955	6,818	(90,075)	6,363,803
Deferred income	1,977	-	-	-	-	-	-	1,977
Non-controlling interest	-	-	-	-	-	-	17	17
Equity	2,377,092	196,184	18,680	140,932	199,781	688,634	(1,464,421)	2,156,882
Total at June 30, 2014	22,652,870	441,534	40,860	392,768	259,265	695,770	(1,803,491)	22,679,576
Total at December 31, 2013	21,753,725	448,466	46,486	520,508	261,848	804,586	(2,242,706)	21,592,913

(1) Banco PAN S.A.; Panamericano Arrendamento Mercantil S.A.; Fundos de Investimento em Direitos Creditórios (FIDCs); Brazilian Mortgages Companhia Hipotecária and BMSR II Participações.

(2) PAN Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda.

(3) Panamericano Administradora de Consórcio Ltda.

(4) Brazilian Securities Companhia de Securitização.

(5) Panserv Prestadora de Serviços Ltda. and BM Sua Casa Promotora de Vendas Ltda.

(6) Ourinvest Real Estate Holding S.A. and Brazilian Finance Real Estate S.A.

(7) Eliminations between companies in different segments.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

b) Consolidated statement of income:

Statement of income	30/06/2014							
	Financial (1)	Insurance (2)	Consortium Group(3)	Securitization (4)	Sales promoter(5)	Other (6)	Eliminations (7)	Total
- Income from financial intermediation	2,199,676	13,894	1,019	46,485	10,025	676	(10,246)	2,261,529
- Expenses for financial intermediation	(1,413,659)	-	-	(9,907)	-	-	10,246	(1,413,320)
Gross profit from financial intermediation	786,017	13,894	1,019	36,578	10,025	676	-	848,209
- Other operating income (expense)	(1,067,684)	34,263	(1,492)	(8,589)	(8,570)	(6,918)	(9,624)	(1,068,614)
- Equity in the results of investees	13,826	-	-	-	-	(5,374)	(8,452)	-
- Non-operating income/expense	(27,385)	-	1	(935)	19	(5)	-	(28,305)
- Provision for IRPJ and CSLL	123,205	(18,914)	168	(6,198)	(674)	2,134	-	99,721
- Non-controlling interest	2	-	-	-	-	-	-	2
Net income(loss) at June 30, 2014	(172,019)	29,243	(304)	20,856	800	(9,487)	(18,076)	(148,987)
Net income(loss) at June 30, 2013	48,400	19,809	1,026	29,585	903	15,071	(63,041)	51,753

(1) Banco PAN S.A. Panamericano Arrendamento Mercantil S.A.; Fundos de Investimento em Direitos Creditórios (FIDCs); Brazilian Mortgages Companhia Hipotecária and BMSR II Participações

(2) PAN Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda.

(3) Panamericano Administradora de Consórcio Ltda.

(4) Brazilian Securities Companhia de Securitização.

(5) Panserv Prestadora de Serviços Ltda. and BM Sua Casa Promotora de Vendas Ltda.

(6) Ourinvest Real Estate Holding S.A. and Brazilian Finance Real Estate S.A.

(7) Eliminations between companies in different segments.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

5) CASH AND CASH EQUIVALENTS

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Funds in local currency	40,717	28,403	48,931	39,360
Funds in foreign currency	4,879	8,403	4,879	8,403
Total available funds (cash)	45,596	36,806	53,810	47,763
Short-term interbank investments (1)	806,998	876,997	806,998	876,997
Total cash and cash equivalents	852,594	913,803	860,808	924,760

(1) These include transactions with maturities at the original investment date equal to or less than 90 days and which present an immaterial risk of change in fair value.

6) INTERBANK INVESTMENTS

a) Composition and maturities:

Bank	30/06/2014					Total
	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	
Money market investments:						
Own portfolio position						
• National Treasury Bills (LTN)	428,000	-	-	-	-	428,000
• National Treasury Notes (NTN)	199,515	-	-	-	-	199,515
Subtotal	627,515	-	-	-	-	627,515
Third-party portfolio position						
• NTN	179,483	-	-	-	-	179,483
Subtotal	179,483	-	-	-	-	179,483
Interbank deposits	3,514	8,475	28,924	96,766	51,452	189,131
Total	810,512	8,475	28,924	96,766	51,452	996,129

Bank	31/12/2013					Total
	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	
Money market investments:						
Own portfolio position						
• LTN	74,999	-	-	-	-	74,999
• NTN	207,503	119,010	-	-	-	326,513
Subtotal	282,502	119,010	-	-	-	401,512
Third-party portfolio position						
• LTN	456,999	-	-	-	-	456,999
• NTN	137,496	80,926	-	-	-	218,422
Subtotal	594,495	80,926	-	-	-	675,421
Interbank deposits	5,243	18,483	23,254	43,454	135,124	225,558
Total	882,240	218,419	23,254	43,454	135,124	1,302,491

Consolidated	30/06/2014					Total
	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	
Money market investments:						
Own portfolio position						
• LTN	428,000	-	-	-	-	428,000
• NTN	199,515	-	-	-	-	199,515
Subtotal	627,515	-	-	-	-	627,515
Third-party portfolio position						
• NTN	179,483	-	-	-	-	179,483
Subtotal	179,483	-	-	-	-	179,483
Interbank deposits	3,468	7,349	27,996	79,506	36,029	154,348
Total	810,466	7,349	27,996	79,506	36,029	961,346

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Consolidated	31/12/2013					Total
	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	
Money market investments:						
Own portfolio position						
• LTN	74,999	-	-	-	-	74,999
• NTN	207,503	119,010	-	-	-	326,513
Subtotal	282,502	119,010	-	-	-	401,512
Third-party portfolio position						
• LTN	456,999	-	-	-	-	456,999
• NTN	137,496	80,926	-	-	-	218,422
Subtotal	594,495	80,926	-	-	-	675,421
Interbank deposits	5,123	18,353	23,061	40,844	66,383	153,764
Total	882,120	218,289	23,061	40,844	66,383	1,230,697

b) Income from interbank investments

This is classified in the statement of income as income from marketable securities:

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Income from investments in purchase and sale agreements:				
- Own portfolio position	5,498	4,525	5,498	4,968
- Third-party portfolio position	13,228	16,799	13,228	16,799
- Sold position	-	44,248	-	44,248
Subtotal	18,726	65,572	18,726	66,015
Income from interbank deposits	10,114	15,924	7,632	9,644
Total (Note 7d)	28,840	81,496	26,358	75,659

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

7) MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Portfolio analysis:

The portfolio of marketable securities and derivative financial instruments at June 30, 2014 and December 31, 2013, by type of paper, is comprised as follows:

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Own portfolio:				
Bank Deposit Certificate (CDB)	-	-	2,360	1,974
Time deposit with special guarantee (DPGE)	-	-	31,429	22,570
Mortgage-backed securities (CRI)	-	-	118,313	122,767
Financial Treasury Bills (LFT)	243,994	70,449	419,938	295,564
				152,20
NTN	170,729	152,205	170,729	5
Shares in investment funds (1)	537	237,730	108,899	91,943
Social development fund (FDS)	297	293	297	293
Subtotal	415,557	460,677	851,965	687,316
Subject to repurchase agreements:				
LFT	260,225	158,317	275,350	241,841
NTN	257,821	282,376	257,821	282,376
CDB	-	-	20,149	18,253
Shares of fixed income funds	-	-	13,342	28,355
Subtotal	518,046	440,693	566,662	570,825
Subject to guarantees:				
LFT	131,089	227,968	169,424	264,477
LTN	26,500	-	26,500	-
Subtotal	157,589	227,968	195,924	264,477
Other investments	-	-	2	2
Subtotal	-	-	2	2
Total marketable securities	1,091,192	1,129,338	1,614,553	1,522,620
Derivative financial instruments				
Difference receivable on swaps	133,221	199,889	141,008	215,600
Total derivative financial instruments	133,221	199,889	141,008	215,600
Total	1,224,413	1,329,227	1,755,561	1,738,220

(1) Investments in shares of investment funds comprised the following:

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
BEM Fundo de Investimento Referenciado DI TPF (ii)	537	522	537	522
Caixa Master CDC FIDC (i)	-	203,304	-	-
Caixa CDC FIDC (i)	-	33,904	-	-
DPVAT	-	-	49,595	37,852
Fundo de Investimento Caixa Arrojado – RF (iii)	-	-	23,517	22,389
Fundo BTG Pactual Absoluto – FIA (iv)	-	-	13,259	12,092
Fundo BTG Pactual Dividendos – FIA (iv)	-	-	11,609	10,793
Other funds	-	-	10,382	8,295
Total	537	237,730	108,899	91,943

- i. Fund terminated on January 20, 2014
- ii. Fund managed by BEM DTVM Ltda.
- iii. Fund managed by CEF
- iv. Fund managed by BTG Pactual Serviços Financeiros S/A DTVM

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

b) Analysis by category and term (individual and consolidated):

Bank	30/06/2014							
	No stated maturity	Up to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Carrying amount (2) (4)	Adjusted cost	Mark-to-market adjustment
Available-for-sale securities:								
- LFT	-	292,748	218,730	-	123,830	635,308	635,557	(249)
Total available-for-sale securities	-	292,748	218,730	-	123,830	635,308	635,557	(249)
Securities held to maturity (1)								
- NTN	-	220,627	89,882	137,180	7,361	455,050	455,050	-
- Shares in investment funds	537	-	-	-	-	537	537	-
- Social Development Fund(FDS)	297	-	-	-	-	297	297	-
Total securities held to maturity	834	220,627	89,882	137,180	7,361	455,884	455,884	-
Total	834	513,375	308,612	137,180	131,191	1,091,192	1,091,441	(249)

Bank	31/12/2013							
	No stated maturity	Up to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Carrying amount (2) (4)	Adjusted cost	Mark-to-market adjustment
Available-for-sale securities:								
- LFT	-	101,018	355,715	-	-	456,733	456,630	103
- NTN	-	-	-	-	364	364	412	(48)
Total available-for-sale securities	-	101,018	355,715	-	364	457,097	457,042	55
Securities held to maturity (1)								
- NTN	-	93,292	208,256	132,670	-	434,218	434,218	-
- Shares in investment funds	237,730	-	-	-	-	237,730	237,730	-
- Social Development Fund(FDS)	293	-	-	-	-	293	293	-
Total securities held to maturity	238,023	93,292	208,256	132,670	-	672,241	672,241	-
Total	238,023	194,310	563,971	132,670	364	1,129,338	1,129,283	55

Consolidated	30/06/2014							
	No stated maturity	Up to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Carrying amount (2) (4)	Adjusted cost	Mark-to-market adjustment
Trading securities:								
- LFT	-	9,920	4,994	-	-	14,914	14,919	(5)
- Certificate of Bank Deposit (CDB)	-	1,854	19,607	-	1,048	22,509	22,509	-
- Shares in investment funds	115,104	-	-	-	-	115,104	115,104	-
Total trading securities	115,104	11,774	24,601	-	1,048	152,527	152,532	(5)
Available-for-sale securities:								
- LFT	-	398,264	327,704	-	123,830	849,798	850,101	(303)
- Mortgage-backed securities (CRI) (3)	-	9,178	16,507	14,152	78,476	118,313	141,188	(22,875)
- Shares in investment funds	6,600	-	-	-	-	6,600	6,600	-
- Other	-	1	-	-	-	1	1	-
Total available-for-sale securities	6,600	407,443	344,211	14,152	202,306	974,712	997,890	(23,178)
Securities held to maturity(1):								
- NTN	-	220,627	89,882	137,180	7,361	455,050	455,050	-
- Time deposit with special guarantee (DPGE)	-	19,406	12,024	-	-	31,430	31,430	-
- Shares in investment funds	537	-	-	-	-	537	537	-
- Social Development Fund (FDS)	297	-	-	-	-	297	297	-
Total securities held to maturity	834	240,033	101,906	137,180	7,361	487,314	487,314	-
Total	122,538	659,250	470,718	151,332	210,715	1,614,553	1,637,736	(23,183)

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Consolidated	31/12/2013							
	No stated maturity	Up to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Carrying amount (2) (4)	Adjusted cost	Mark-to-market adjustment
Trading securities:								
- CDB	-	5,221	13,395	281	1,329	20,226	20,226	-
- Shares in investment funds	113,342	-	-	-	-	113,342	113,342	-
Total trading securities	113,342	5,221	13,395	281	1,329	133,568	133,568	-
Aavailable-for-sale securities:								
- LFT	-	210,037	591,845	-	-	801,882	803,622	(1,740)
- NTN	-	-	-	-	364	364	411	(47)
- Mortgage-backed securities (CRI) (3)	-	8,727	14,674	13,768	85,598	122,767	145,645	(22,878)
- Shares in investment funds	6,434	-	-	-	-	6,434	6,434	-
- Other	-	2	-	-	-	2	2	-
Total available-for-sale securities	6,434	218,766	606,519	13,768	85,962	931,449	956,114	(24,665)
Securities held to maturity(1):								
- NTN	-	93,292	208,256	132,669	-	434,217	434,217	-
- Time deposit with special guarantee (DPGE)	-	11,192	11,378	-	-	22,570	22,570	-
- Shares in investment funds	522	-	-	-	-	522	522	-
- Social Development Fund (FDS)	294	-	-	-	-	294	294	-
Total securities held to maturity	816	104,484	219,634	132,669	-	457,603	457,603	-
Total	120,592	328,471	839,548	146,718	87,291	1,522,620	1,547,285	(24,665)

- (1) In compliance with the provisions of Article 8 of BACEN Circular 3068/2001, PAN declares that it has both the financial ability and the intention to hold to maturity the securities classified in the 'securities held to maturity' category.
- (2) The fair value of securities was determined based on prices and rates prevailing at the balance sheet dates, released by the Brazilian Association of Financial and Capital Market Institutions (ANBIMA) and the São Paulo Stock, Commodities and Futures Exchange (BM&FBOVESPA). In the case of the mortgage-backed securities, the fair value is determined using internal models and data based on observable market parameters.
- (3) Pursuant to BACEN Circular 3068/01, from July 2013, mortgage-backed securities (CRI) were classified as Securities Available for Sale and pursuant to the Bank's internal policy for Classification of Financial Instruments in the Trading Book and Banking Book, since there is no market for obtaining short-term gains.
- (4) This column presents the carrying amount subsequent to the mark-to-market adjustment, as per described in item (2), except for the securities classified as held to maturity, whose market value is lower than the adjusted cost by R\$5,230 (December 31, 2013 – higher by R\$ 22,516).

c) Derivative financial instruments

The Bank uses derivative financial instruments mainly to hedge against unfavorable variations in the fair value of the positions assumed.

The fair value of derivative financial instruments and their respective hedged items is determined based on available market information, mainly the prices and rates released by BM&FBOVESPA. Where applicable, mathematical models of rate interpolation for interim periods and rate extrapolation for longer periods are used.

Future cash flows, discounted to present value by future interest curves, obtained based on information released by BM&FBOVESPA, were used to measure the fair value of swaps.

The marking to market of futures contracts, such as interest contracts (1-day DI), exchange contracts (DOL) and exchange coupons (DDI) is determined based on the market price in a unique price (PU) format which is released daily by BM&FBOVESPA. Based on this price, the daily adjustments are recorded in assets or liabilities and appropriated every day to results as income or expense.

Derivative financial instrument transactions (futures, forwards and swaps) are held in custody at BM&FBOVESPA or at the OTC derivatives clearing house (CETIP S.A.- Mercados Organizados). The differences receivable and payable are recorded in the respective derivative financial instrument

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

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balance sheet accounts, against income from derivative financial instruments in the income statement and the nominal amounts of these transactions are recorded in memorandum accounts.

The foreign currency forwards with no physical delivery, i.e. non-deliverable forwards (NDF) are traded in the OTC market and consist of contracts for the purchase or sale of foreign currency at a future date and at a pre-established exchange rate. Financial settlement occurs based on the difference between the contracted exchange rate and the spot rate at the time of settlement. Future interest rate curves, obtained based on information released by BM&FBOVESPA, were used to price the NDFs.

At December June 30, 2014 and December 31, 2013, the derivative financial instrument positions were as follows:

Carrying amount / fair value	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Instrument:				
Swaps				
- Difference receivable	133,221	199,889	141,008	215,600
- Difference payable	(70,569)	(21,706)	(62,839)	(10,686)
Currency forwards				
- Purchased position	-	-	-	-
- Sold position	-	(251)	-	(251)
Futures				
- Asset position	1,866	720	1,866	720
- Liability position	(3,315)	(6,235)	(3,315)	(6,235)
Total, net	61,203	172,417	76,720	199,148

We present below the amounts recorded in asset, liability and memorandum accounts, segregated into the following categories: index, maturity, notional and carrying amounts, receivable and payable. All swap positions held are traded in OTC market and futures are traded at BM&FBOVESPA.

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Instrument/ Position:	Bank								
	30/06/2014								
	Notional amount	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	Carrying amount	Restated cost	MtM adjustm ent
Swap									
Asset position:	2,046,185	184	339	7,377	7,673	117,648	133,221	120,359	12,862
- US dollar	1,493,275	-	28	5,872	6,326	117,648	129,874	116,504	13,370
- CDI	117,568	184	311	1,505	109	-	2,109	2,194	(85)
- CDI	39,664	-	-	-	-	-	-	-	-
- CDI	110,505	-	-	-	1,017	-	1,017	1,629	(612)
- LIBOR	110,505	-	-	-	-	-	-	-	-
- US dollar (i)	87,334	-	-	-	221	-	221	32	189
- LIBOR	87,334	-	-	-	-	-	-	-	-
Liability position:	2,046,185	(1,611)	(1,852)	(552)	(10,668)	(55,886)	(70,569)	(76,902)	6,333
- CDI	1,493,275	(1,602)	(1,837)	(508)	(2,160)	(54,535)	(60,642)	(67,838)	7,196
- US dollar	117,568	-	-	-	(7,150)	(1,195)	(8,345)	(7,199)	(1,146)
- Fixed	39,664	(9)	(15)	(44)	(120)	(156)	(344)	(204)	(140)
- LIBOR	110,505	-	-	-	-	-	-	-	-
- CDI	110,505	-	-	-	(1,017)	-	(1,017)	(1,629)	612
- LIBOR	87,334	-	-	-	-	-	-	-	-
- US dollar	87,334	-	-	-	(221)	-	(221)	(32)	(189)
Futures									
Asset position:	1,891,003	1,866	-	-	-	-	1,866	1,866	-
- DDI	729,950	489	-	-	-	-	489	489	-
- US dollar	135,105	-	-	-	-	-	-	-	-
- DI1	1,025,948	1,377	-	-	-	-	1,377	1,377	-
Liability position:	1,891,003	(3,315)	-	-	-	-	(3,315)	(3,315)	-
- DDI	729,950	(3,090)	-	-	-	-	(3,090)	(3,090)	-
- US dollar	135,105	(210)	-	-	-	-	(210)	(210)	-
- DI1	1,025,948	(15)	-	-	-	-	(15)	(15)	-
Total receivable, net		(2,876)	(1,513)	6,825	(2,995)	61,762	61,203	42,008	19,195

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Instrument/ Position:	Bank								
	31/12/2013								
	Notional value	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	Carrying amount	Restated cost	MtM adjustm ent
Swap									
Asset position:	1,847,353	196	416	10,069	11,281	177,927	199,889	231,642	(31,753)
- US dollar	1,521,598	-	336	10,007	11,269	177,703	199,315	231,288	(31,973)
- CDI	148,170	196	80	62	12	-	350	326	24
- CDI	2,917	-	-	-	-	-	-	-	-
- US dollar (i)	87,334	-	-	-	-	224	224	28	196
- LIBOR	87,334	-	-	-	-	-	-	-	-
Liability position:	1,847,353	(14)	(1,178)	(51)	(204)	(20,259)	(21,706)	(18,485)	(3,221)
- CDI	1,521,598	-	(71)	-	(74)	(6,250)	(6,395)	(3,150)	(3,245)
- US dollar	148,170	-	(1,077)	-	(55)	(13,785)	(14,917)	(15,151)	234
- General market price index (IGPM)	2,917	(14)	(30)	(51)	(75)	-	(170)	(156)	(14)
- LIBOR	87,334	-	-	-	-	-	-	-	-
- US dollar	87,334	-	-	-	-	(224)	(224)	(28)	(196)
Currency forwards									
Sold position	5,032	-	-	(251)	-	-	(251)	(266)	15
US dollar	5,032	-	-	(251)	-	-	(251)	(266)	15
Purchased position	5,032	-	-	-	-	-	-	-	-
Fixed	5,032	-	-	-	-	-	-	-	-
Futures									
Asset position:	7,507,844	720	-	-	-	-	720	720	-
- DDI	608,941	254	-	-	-	-	254	254	-
- US dollar	66,586	192	-	-	-	-	192	192	-
- DI1	6,832,317	274	-	-	-	-	274	274	-
Liability position:	7,507,844	(6,235)	-	-	-	-	(6,235)	(6,235)	-
- DDI	608,941	(3,822)	-	-	-	-	(3,822)	(3,822)	-
- US dollar	66,586	(354)	-	-	-	-	(354)	(354)	-
- DI1	6,832,317	(2,059)	-	-	-	-	(2,059)	(2,059)	-
Total receivable, net		(5,333)	(762)	9,767	11,077	157,668	172,417	207,376	(34,959)

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(In thousands of reais, unless otherwise stated)

Instrument/ Position:	Consolidated 30/06/2014								
	Notional value	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	Carrying amount	Restated cost	MtM adjustm ent
Swap									
Asset position:	1,901,720	184	339	12,241	10,596	117,648	141,008	127,388	13,620
- US dollar	1,622,212	-	28	10,736	9,470	117,648	137,882	123,565	14,317
- CDI	42,005	184	311	1,505	109	-	2,109	2,194	(85)
- CDI	39,664	-	-	-	-	-	-	-	-
-CDI	110,505	-	-	-	1,017	-	1,017	1,629	(612)
- LIBOR	87,334	-	-	-	-	-	-	-	-
Liability position:	1,901,720	(1,611)	(1,852)	(552)	(2,938)	(55,886)	(62,839)	(69,259)	6,420
- CDI	1,622,212	(1,602)	(1,837)	(508)	(2,160)	(54,535)	(60,642)	(67,838)	7,196
- US dollar	42,005	-	-	-	(437)	(1,195)	(1,632)	(1,185)	(447)
- Fixed	39,664	(9)	(15)	(44)	(120)	(156)	(344)	(204)	(140)
- LIBOR	110,505	-	-	-	-	-	-	-	-
-US dollar	87,334	-	-	-	(221)	-	221	(32)	(189)
Futures									
Asset position	1,891,003	1,866	-	-	-	-	1,866	1,866	-
- DDI	729,050	489	-	-	-	-	489	489	-
- US dollar	135,105	-	-	-	-	-	-	-	-
- DI1	1,025,948	1,377	-	-	-	-	1,377	1,377	-
Liability position	1,891,003	(3,315)	-	-	-	-	(3,315)	(3,315)	-
- DDI	729,950	(3,090)	-	-	-	-	(3,090)	(3,090)	-
- US dollar	135,105	(210)	-	-	-	-	(210)	(210)	-
- DI1	1,025,948	(15)	-	-	-	-	(15)	(15)	-
Total receivable, net		(2,876)	(1,513)	11,689	7,658	61,762	76,720	56,680	20,040

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Instrument/ Position:	Consolidated 31/12/2013								
	Notional value	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	Carrying amount	Restated cost	MtM adjustm ent
Swap									
Asset position:	1,813,293	196	416	10,069	20,995	183,924	215,600	259,611	(44,011)
- US dollar	1,650,435	-	336	10,007	20,983	183,924	215,250	259,285	(44,035)
- CDI	72,607	196	80	62	12	-	350	326	24
- CDI	2,917	-	-	-	-	-	-	-	-
- LIBOR	87,334	-	-	-	-	-	-	-	-
Liability position:	1,813,293	(14)	(1,178)	(51)	(204)	(9,239)	(10,686)	(18,485)	7,799
- CDI	1,650,435	-	(71)	-	(74)	(6,249)	(6,394)	(3,150)	(3,244)
- US dollar	72,607	-	(1,077)	-	(55)	(2,766)	(3,898)	(15,151)	11,253
- IGPM	2,917	(14)	(30)	(51)	(75)	-	(170)	(156)	(14)
- US dollar	87,334	-	-	-	-	(224)	(224)	(28)	(196)
Futures									
Asset position	7,507,844	720	-	-	-	-	720	720	-
- DDI	608,941	254	-	-	-	-	254	254	-
- US dollar	66,586	192	-	-	-	-	192	192	-
- DI1	6,832,317	274	-	-	-	-	274	274	-
Liability position	7,507,844	(6,235)	-	-	-	-	(6,235)	(6,235)	-
- DDI	608,941	(3,822)	-	-	-	-	(3,822)	(3,822)	-
- US dollar	66,586	(354)	-	-	-	-	(354)	(354)	-
- DI1	6,832,317	(2,059)	-	-	-	-	(2,059)	(2,059)	-
Currency forwards									
Sold position	5,032	-	-	(251)	-	-	(251)	(266)	15
US dollar	5,032	-	-	(251)	-	-	(251)	(266)	15
Purchased position	5,032	-	-	-	-	-	-	-	-
Fixed	5,032	-	-	-	-	-	-	-	-
Total receivable, net		(5,333)	(762)	9,767	20,791	174,685	199,148	235,345	(36,197)

Hedge Accounting: these financial instruments were used mainly to protect US dollar-indexed liability transactions involving Euro Medium-Term Notes and Subordinated Debts abroad (the hedged items), classified as fair value hedges. The effectiveness determined for the hedge portfolio complies with the provisions established in BACEN Circular 3082/02.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Results determined with derivative financial instruments are comprised as follows:

Bank	30/06/2014			30/06/2013		
	Income	Expense	Net	Income	Expense	Net
Swap	197,202	(313,675)	(116,473)	253,163	(231,278)	21,885
Futures	401,853	(377,782)	24,071	9,257	(32,507)	(23,250)
Currency forwards	400	(22)	378	195,729	(230,614)	(34,885)
Total	599,455	(691,479)	(92,024)	458,149	(494,399)	(36,250)

Consolidated	30/06/2014			30/06/2013		
	Income	Expense	Net	Income	Expense	Net
Swap	200,226	(336,542)	(136,316)	293,226	(256,453)	36,773
Futures	401,853	(377,782)	24,071	9,257	(32,507)	(23,250)
Currency forwards	400	(22)	378	195,729	(230,614)	(34,885)
Total	602,479	(714,346)	(111,867)	498,212	(519,574)	(21,362)

d) Securities transactions:

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Fixed income securities	52,368	38,205	80,754	126,753
Result of subordinated shares	222	5,006	-	-
Short-term interbank investments (Note 6b)	28,840	81,496	26,358	75,659
Total	81,430	124,707	107,112	202,412

8) LOAN OPERATIONS

We present below information on the portfolio of loan and leasing operations, advances on foreign exchange contracts and other receivables with similar characteristics, at June 30, 2014 and December 31, 2013:

a) Analysis of the portfolio by type of operation:

	Bank			
	30/06/2014		31/12/2013	
	Amount	%	Amount	%
Consumer financing	7,922,687	55.44	7,521,557	58.26
Payroll-linked loans	2,268,776	15.88	1,730,544	13.40
Financing provided to credit card holders (1)	600,941	4.21	573,602	4.44
Working capital	1,705,022	11.93	1,326,583	10.27
Housing financing	6,894	0.05	111	-
Credit rights acquired	11,475	0.08	23,445	0.18
Renegotiated loans	47,177	0.33	27,722	0.21
Overdraft accounts	49	-	49	-
Personal credit	78,263	0.55	93,083	0.72
Discounted bills	6	-	204	-
Checking account w/overdraft facilities	277	-	277	-
Export financing	642,881	4.50	585,341	4.53
Other	551	-	554	0.01
Total loan operations	13,284,999	92.97	11,883,072	92.04
Other receivables (2)	607,318	4.25	628,285	4.87
Advances on foreign exchange contracts and income receivable (3)	397,047	2.78	399,770	3.10
Total	14,289,364	100.00	12,911,127	100.00

(1) Financing provided to Visa and MasterCard credit card holders.

(2) Credit card receivables and credit instruments receivable with loan characteristics.

(3) Advances on foreign exchange contracts are recorded as a discount to "Other Liabilities" (Note 9).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

	Consolidated			
	30/06/2014		31/12/2013	
	Amount	%	Amount	%
Consumer financing	7,922,687	50.03	8,135,827	53.67
Leasing transactions (1)	80,788	0.51	139,202	0.92
Payroll-linked loans	2,268,776	14.33	1,730,544	11.42
Real estate development financing	197,209	1.25	190,462	1.26
Housing financing	866,599	5.47	946,927	6.25
Loans with real estate guarantees	409,590	2.59	356,383	2.35
Financing provided to credit card holders (2)	600,941	3.79	573,602	3.78
Working capital	1,705,022	10.77	1,326,583	8.75
Credit rights acquired	11,475	0.07	23,445	0.15
Renegotiated loans	47,177	0.30	27,722	0.18
Overdraft account	49	-	49	-
Personal credit	78,263	0.49	93,083	0.62
Discounted bills	6	-	204	-
Checking account w/overdraft facilities	277	-	277	-
Export financing	642,881	4.06	585,341	3.86
Other	551	-	554	-
Total loan and leasing operations	14,832,291	93.66	14,130,205	93.21
Other receivables (3)	607,318	3.83	628,285	4.15
Advances on foreign exchange contracts and income receivable (4)	397,047	2.51	399,770	2.64
Total	15,836,656	100.00	15,158,260	100.00

(1) Recorded at present value.

(2) Financing provided to Visa and MasterCard credit card holders.

(3) Credit card receivables and credit instruments receivable with loan characteristics.

(4) Advances on foreign exchange contracts are recorded as a discount to "Other Liabilities" (Note 9).

b) Analysis of the portfolio by rating and maturity:

Rating	Bank							
	30/06/2014							
	Past due	Maturing						Total
More than 14 days	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days		
AA	-	-	-	-	-	-	-	-
A	5,444	966,335	300,895	288,243	829,207	1,499,982	6,049,364	9,939,470
B	70,959	91,790	113,708	141,622	302,656	535,163	830,282	2,086,180
C	57,113	77,711	41,907	37,044	168,199	277,976	322,994	982,944
D	54,168	16,080	19,947	8,009	29,602	52,828	174,854	355,488
E	38,392	7,729	3,691	3,804	11,605	22,759	72,230	160,210
F	54,221	6,234	3,039	3,168	9,529	19,050	59,637	154,878
G	46,903	4,532	2,272	2,298	6,905	13,560	39,487	115,957
H	221,600	20,743	9,800	9,802	29,251	56,200	146,841	494,237
Total	548,800	1,191,154	495,259	493,990	1,386,954	2,477,518	7,695,689	14,289,364

Rating	Bank							
	31/12/2013							
	Past due	Maturing						Total
More than 14 days	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days		
AA	-	-	-	-	-	-	-	-
A	5,626	917,778	279,340	250,471	697,940	1,275,022	5,633,374	9,059,551
B	35,702	115,008	105,078	108,331	284,263	478,541	716,603	1,843,526
C	47,766	49,021	55,447	32,697	125,826	195,774	277,157	783,688
D	37,423	21,667	11,443	7,328	18,169	85,615	131,516	313,161
E	42,431	6,308	3,696	3,586	10,460	19,620	71,430	157,531
F	37,788	4,260	2,480	2,406	7,032	19,687	48,255	121,908
G	33,934	3,439	2,026	1,973	5,716	11,383	38,901	97,372
H	229,776	20,038	10,737	10,380	28,582	56,305	178,572	534,390
Total	470,446	1,137,519	470,247	417,172	1,177,988	2,141,947	7,095,808	12,911,127

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Rating	Consolidated							
	30/06/2014							
	Past due		Maturing					Total
More than 14 days	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days		
AA	-	-	-	-	-	-	-	-
A	5,669	1,023,445	317,864	325,066	905,717	1,599,791	6,512,650	10,690,202
B	82,392	152,228	114,544	157,842	355,924	572,705	908,520	2,344,155
C	95,084	95,773	56,041	44,038	195,161	363,336	389,979	1,239,412
D	119,227	17,339	21,635	12,370	31,814	74,711	221,492	498,588
E	52,205	8,197	3,970	4,084	12,414	37,086	85,410	203,366
F	56,885	6,801	3,219	3,343	15,199	19,811	64,349	169,607
G	73,275	4,760	2,412	2,435	7,303	19,728	43,841	153,754
H	252,573	21,785	10,257	10,266	30,535	58,051	154,105	537,572
Total	737,310	1,330,328	529,942	559,444	1,554,067	2,745,219	8,380,346	15,836,656

Rating	Consolidated							
	31/12/2013							
	Past due		Maturing					Total
More than 14 days	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days		
AA	-	-	-	-	-	-	-	-
A	5,892	966,872	307,275	299,526	843,696	1,502,972	6,209,095	10,135,328
B	53,938	132,258	112,525	136,096	333,137	565,899	790,758	2,124,611
C	73,225	65,058	87,110	40,410	189,421	220,500	312,399	988,123
D	69,395	24,058	14,624	11,939	58,631	90,995	190,839	460,481
E	57,811	7,645	4,492	4,330	12,491	22,728	85,738	195,235
F	52,719	5,344	3,108	2,985	8,614	22,055	54,958	149,783
G	61,049	4,334	2,544	2,458	13,962	13,375	43,656	141,378
H	609,066	25,013	13,223	12,712	34,997	66,187	202,123	963,321
Total	983,095	1,230,582	544,901	510,456	1,494,949	2,504,711	7,889,566	15,158,260

c) Composition of the credit portfolio by risk level and allowance for loan losses:

Level	% Allowance required	30/06/2014								
		Bank				Consolidated				
		Falling due	Past due (1)	Total	Allowance	Falling due	Past due (1)	Total	Allowance	
AA	-	-	-	-	-	-	-	-	-	
A	0.50	9,934,026	5,444	9,939,470	49,697	10,684,533	5,669	10,690,202	53,451	
B	1.00	2,015,221	70,959	2,086,180	20,862	2,261,763	82,392	2,344,155	23,442	
C	3.00	925,831	57,113	982,944	29,488	1,144,328	95,084	1,239,412	37,182	
D	10.00	301,320	54,168	355,488	35,549	379,361	119,227	498,588	49,859	
E	30.00	121,818	38,392	160,210	48,063	151,161	52,205	203,366	61,010	
F	50.00	100,657	54,221	154,878	77,439	112,722	56,885	169,607	84,804	
G	70.00	69,054	46,903	115,957	81,170	80,479	73,275	153,754	107,628	
H	100.00	272,637	221,600	494,237	494,237	284,999	252,573	537,572	537,572	
Total		13,740,564	548,800	14,289,364	836,505	15,099,346	737,310	15,836,656	954,947	
% of total risk						5.85%	% of total risk			
							6.03%			

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

		31/12/2013								
		Bank				Consolidated				
Level	% Allowance required	Falling due	Past due (1)	Total	Allowance	Falling due	Past due (1)	Total	Allowance	
AA	-	-	-	-	-	-	-	-	-	
A	0.50	9,053,925	5,626	9,059,551	45,298	10,129,436	5,892	10,135,328	50,777	
B	1.00	1,807,824	35,702	1,843,526	18,435	2,070,673	53,938	2,124,611	21,346	
C	3.00	735,922	47,766	783,688	23,511	914,898	73,225	988,123	30,643	
D	10.00	275,738	37,423	313,161	31,316	391,086	69,395	460,481	47,048	
E	30.00	115,100	42,431	157,531	47,259	137,424	57,811	195,235	59,570	
F	50.00	84,120	37,788	121,908	60,954	97,064	52,719	149,783	75,892	
G	70.00	63,438	33,934	97,372	68,161	80,329	61,049	141,378	99,885	
H	100.00	304,613	229,777	534,390	534,389	354,254	609,067	963,321	963,320	
Total		12,440,680	470,447	12,911,127	829,323	14,175,164	983,096	15,158,260	1,348,481	
% of total risk					6.42%	% of total risk				8.90%

(1) Includes installments past due for more than 14 days.

d) Activity in the allowance for loan losses:

	Bank				
	30/06/2014				
	Loan operations (1)	Additional allowance (2)	Credit assignments (3)	Other receivables	Total
At the beginning of the six-month period	829,323	-	132,982	13,830	976,135
- Balance of credits that returned to the Bank's portfolio	402,018	-	-	-	402,018
- Allowance recorded/reversed	528,000	-	(80,073)	(1,928)	445,999
- Write off against allowance	(922,836)	-	-	-	(922,836)
At the end of the six-month period	836,505	-	52,909	11,902	901,316

- Credit recoveries (4) (5)	121,334	-	-	-	121,334
- Effect on results (6)	(406,666)	-	80,073	1,928	(324,665)

	Bank				
	30/06/2013				
	Loan operations (1)	Additional allowance (2)	Credit assignments (3)	Other receivables	Total
At the beginning of the six-month period	831,642	-	217,137	15,193	1,063,972
- Balance of credits that returned to the Bank's portfolio	218,920	-	-	-	218,920
- Allowance recorded/reversed	470,018	14,000	(31,921)	9,518	461,615
- Write off against allowance	(592,925)	-	-	-	(592,925)
At the end of the six-month period	927,655	14,000	185,216	24,711	1,151,582

- Credit recoveries (4) (5)	76,605	-	-	-	76,605
- Effect on results (6)	(393,413)	(14,000)	31,921	(9,518)	(385,010)

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

	Consolidated				
	30/06/2014				
	Loan and leasing operations (1)	Additional allowance (2)	Credit assignments (3)	Other receivables	Total
At the beginning of the six-month period	1,348,481	70	132,982	14,983	1,496,516
- Allowance recorded/reversed	569,764	(1)	(80,073)	(2,137)	487,553
- Write off against allowance	(963,299)	-	-	-	(963,299)
At the end of the six-month period	954,946	69	52,909	12,846	1,020,770
- Credit recoveries (4) (5)	135,393	-	-	-	135,393
- Effect on results (6)	(434,371)	1	80,073	2,137	(352,160)

	Consolidated				
	30/06/2013				
	Loan and leasing operations (1)	Additional allowance (2)	Credit assignments (3)	Other receivables	Total
At the beginning of the six-month period	1,511,364	431	217,137	15,933	1,744,865
- Balance of credits that returned to the Bank's portfolio	218,920	-	-	-	218,920
- Allowance recorded/reversed	541,188	13,717	(31,921)	10,131	533,115
- Write off against allowance	(858,698)	-	-	-	(858,698)
At the end of the six-month period	1,412,774	14,148	185,216	26,064	1,638,202
- Credit recoveries (4) (5)	90,737	-	-	-	90,737
- Effect on results (6)	(450,451)	(13,717)	31,921	(10,131)	(442,378)

(1) Includes other receivables with characteristics of loan operations and foreign exchange transactions.

(2) Recorded to cover the additional risks of the credit portfolio, based on management's experience and the expected realization of the credit portfolio.

(3) Allowance for losses related to credit assignments with co-obligation (Note 8(g)), classified in Other liabilities – Sundry.

(4) For the six-month period ended June 30, 2014, credits previously written off against the allowance for loan and lease losses were recovered in the amount of R\$ 135,393 (of which R\$ 121,334 were loan recoveries in PAN, R\$ 9,387 were lease recoveries and R\$ 4,672 were mortgage loan recoveries). The renegotiated credit portfolio in the Parent Company and Consolidated totals R\$ 47,177 (December 31, 2013 - R\$ 27,722).

(5) Recorded in income from loan operations.

(6) Expense for the provision recorded less credit recoveries.

e) Classification by area of economic activity:

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Area of economic activity	Bank			
	30/06/2014		31/12/2013	
	Amount	%	Amount	%
Individuals	11,146,817	78.01	10,250,250	79.70
Agribusiness	557,403	3.9	456,126	3.53
Sugar and ethanol	163,761	1.15	129,216	1.00
Agribusiness and animal protein	393,642	2.75	326,910	2.53
Commercial	893,093	6.25	902,306	6.99
Wholesale and retail	893,093	6.25	902,306	6.99
Basic industries	418,737	2.93	327,044	2.53
Auto parts	136	-	174	-
Chemical industry	54,799	0.38	41,586	0.32
Oil and gas	20	-	20	-
Other industries	303,306	2.12	229,978	1.78
Paper and pulp	54,069	0.38	48,941	0.38
Textiles	6,407	0.04	6,345	0.05
Services	1,273,314	8.91	975,401	7.55
Construction and real-estate development	557,752	3.9	434,980	3.37
Financial	24,674	0.17	41,209	0.32
Vehicle rental	22,828	0.16	24,692	0.19
Media, IT and Telecom	44,280	0.31	15,347	0.12
Other services	475,636	3.33	327,141	2.53
Health, security and education	17,868	0.13	6,915	0.05
Transportation and logistics	106,611	0.75	93,462	0.72
Utilities	23,665	0.17	31,655	0.25
Total	14,289,364	100.00	12,911,127	100.00

Area of economic activity	Consolidated			
	30/06/2014		31/12/2013	
	Amount	%	Amount	%
Individuals	11,842,691	74.78	11,622,375	76.67
Agribusiness	557,403	3.52	456,126	3.00
Sugar and ethanol	163,761	1.03	129,216	0.85
Agribusiness and animal protein	393,642	2.49	326,910	2.15
Commercial	896,452	5.66	907,314	5.99
Wholesale and retail	896,452	5.66	907,314	5.99
Basic industries	420,027	2.65	328,261	2.16
Auto parts	136	-	174	-
Chemical industry	54,799	0.35	41,586	0.27
Oil and gas	20	-	20	-
Other industries	304,596	1.92	231,195	1.53
Paper and pulp	54,069	0.34	48,941	0.32
Textiles	6,407	0.04	6,345	0.04
Services	2,120,083	13.39	1,844,184	12.18
Construction and real estate development	1,386,747	8.76	1,280,412	8.45
Financial	24,674	0.16	41,209	0.28
Vehicle rental	22,828	0.14	24,692	0.16
Media, IT and Telecom	44,280	0.28	15,347	0.10
Other services	493,410	3.12	350,492	2.31
Health, security and education	17,868	0.11	6,915	0.05
Transportation and logistics	106,611	0.67	93,462	0.62
Utilities	23,665	0.15	31,655	0.21
Total	15,836,656	100.00	15,158,260	100.00

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

f) Concentration of loans:

Largest borrowers	Bank				Consolidated			
	30/06/2014		31/12/2013		30/06/2014		31/12/2013	
	Amount	%	Amount	%	Amount	%	Amount	%
10 largest borrowers	393,606	2.75	322,095	2.49	401,267	2.53	335,470	2.21
50 next largest borrowers	995,713	6.97	788,576	6.11	1,100,043	6.95	891,200	5.88
100 next largest borrowers	993,131	6.95	904,671	7.01	1,149,525	7.26	1,054,544	6.96
Other borrowers	11,906,914	83.33	10,895,785	84.39	13,185,821	83.26	12,877,046	84.95
Total	14,289,364	100.00	12,911,127	100.00	15,836,656	100.00	15,158,260	100.00

g) Transactions for the sale or transfer of financial assets:

- Assignments without co-obligation

For the six-month period ended June 30, 2014, loans were assigned to financial institutions as presented below:

	Bank		
	30/06/2014		
	Assignment amount	Present value	Result (1)
Consumer financing	1,494,063	1,387,053	107,010
Payroll-linked loans	1,274,008	1,031,348	242,660
Housing financing	94,565	92,763	1,802
Real estate development financing	11,259	11,028	231
Loans with real estate guarantees	278,893	262,179	16,714
Total	3,152,788	2,784,371	368,417

	Consolidated		
	30/06/2014		
	Assignment amount	Present value	Result (1)
Consumer financing	1,494,063	1,387,053	107,010
Payroll-linked loans	1,274,008	1,031,348	242,660
Housing financing	94,565	87,862	6,703
Real estate development financing	11,259	10,464	795
Loans with real estate guarantees	278,893	244,554	34,339
Total	3,152,788	2,761,281	391,507

	Bank		
	30/06/2013		
	Assignment amount	Present value	Result (1)
Consumer financing	1,691,467	1,543,049	148,418
Payroll-linked loans	1,485,153	1,169,959	315,194
Housing financing	52,512	39,215	13,297
Real estate development financing	3,158	2,349	809
Loans with real estate guarantees	276,516	206,528	69,988
Total	3,508,806	2,961,100	547,706

	Consolidated		
	30/06/2013		
	Assignment amount	Present value	Results (1)
Consumer financing	1,691,467	1,543,049	148,418
Payroll-linked loans	1,485,153	1,169,959	315,194
Housing financing	52,516	37,041	15,475
Real estate development financing	3,160	2,219	941
Loans with real estate guarantees	276,540	195,081	81,459
Total	3,508,836	2,947,349	561,487

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

(1) Recorded in income from loan operations.

- **Assignments with co-obligation**

The responsibilities for loans assigned with co-obligation amount to R\$ 244,835 (December 31, 2013 - R\$ 498,748) in Banco PAN and Consolidated, calculated at present value using the agreed contract rates.

The present value determined based on the loan assignment rates totals R\$ 258,226 (December 31, 2013 - R\$ 540,424), in Banco PAN and Consolidated, for which an allowance for loan losses was recorded in the amount of R\$ 52,909 (December 31, 2013 - R\$ 132,902), in Banco PAN and Consolidated, calculated using the same criteria adopted for calculating the allowance for losses for unassigned operations and recorded in the "Other liabilities - sundry" account (Note 22(b)).

h) Income on loan and leasing operations:

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Profit on loan assignments (Note 8g)	368,417	547,706	391,507	561,487
Credit cards	173,360	151,129	173,360	151,129
Consumer financing	826,806	606,169	827,273	750,788
Payroll-linked loans	241,734	166,117	241,734	166,117
Personal credit	18,225	22,525	18,225	22,525
Recovery of credits written off as a loss (1)	121,334	76,605	135,393	90,737
Credit rights	1,806	4,728	1,806	4,728
Renegotiated loans	2,158	1,499	2,158	1,499
Export financing	113,342	71,206	113,342	71,206
Housing loans	300	207	87,488	56,154
Income from real estate developments	-	-	10,324	9,895
Income from loans with real estate guarantees	-	-	25,118	26,864
Working capital	112,418	72,967	112,418	72,967
Leasing, net of expenses (2)	-	-	10,314	25,739
Other	2,498	2,007	2,498	2,007
Total	1,982,398	1,722,865	2,152,958	2,013,842

(1) In the Consolidated, this balance includes loan and leasing operations; and

(2) Does not include recovery of lease receivables written off as a loss.

9) FOREIGN EXCHANGE PORTFOLIO

a) Balance sheet accounts:

Bank and Consolidated	30/06/2014	31/12/2013
Assets - Other receivables		
Exchange purchases pending settlement	373,917	411,553
Income receivable	13,978	16,965
Total assets	387,895	428,518
Liabilities - Other liabilities		
Liabilities for exchange purchases	383,069	382,805
Advances on foreign exchange contracts	(383,069)	(382,805)
Total liabilities	-	-

b) Income from foreign exchange transactions:

Bank and Consolidated	30/06/2014	30/06/2013
Income from export financing	136,860	17,221
Foreign exchange gains and losses	(135,401)	56,193
Other	-	2,483
Total	1,459	75,897

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

10) REAL ESTATE RECEIVABLES

These are portfolios of housing loans acquired by Brazilian Securities, which will be used to guarantee the future issuance of mortgage-backed securities (CRIs).

Consolidated	Final maturity	Index	% interest	30/06/2014	31/12/2013
Tranches 95 and 96 (1)	08/09/2027	TR	8.65	8,681	10,069
Real estate credit note (CCI)	30/12/2043	INCC/IGPM /TR and with no inflation indexation	0 to 18.33	161,855	183,681
Total				170,536	193,750

(1) These tranches were securitized.

Credit quality:

The real estate receivable contracts include a clause which places a lien on the financed property. Company management considers that this guarantee is sufficient to cover any losses arising from borrower defaults and, accordingly, that no additional provision is required.

The real estate receivables are classified as good quality assets, since they are only acquired when they present characteristics, guarantees and payment history which evidence a high probability of realization, enabling their securitization.

11) RESIDUAL BENEFIT OF SECURITIZED TRANSACTIONS

a) Summary of carrying amounts subject to liens

Consolidated	30/06/2014	31/12/2013
Cash	31,714	29,127
Financial investments	130,342	182,360
Real estate receivables (1)	9,807,532	10,313,889
Other assets	18,837	26,513
Total assets	9,988,425	10,551,889
Mortgage-backed securities (2)	9,887,161	10,400,866
Other liabilities	89,152	137,865
Total liabilities	9,976,313	10,538,731
Residual benefit of securitized transactions (3)	12,112	13,158

(1) The real estate receivables are indexed based on the IGPM, IPCA, TR or CDI rates, plus interest which varies from 0.00% p.a. to 19.80% p.a. (31/12/2013 – 0.00% p.a. to 19.80% p.a.) and are also adjusted based on 100% to 121.48% of the CDI, plus interest rates varying from 0.00% p.a. to 2.50% p.a., maturing up to July 26, 2043;

(2) Mortgage-backed securities are indexed based on the IGPM, IPCA, TR or CDI rates or have no adjustment indexation, plus interest which varies from 3.07% p.a. to 77.50% p.a. (31/12/2013 – 3.07% p.a. to 77.50% p.a.) and are also adjusted based on 100% to 121.48% of the CDI rate, plus interest rates varying from 0.00% p.a. to 2.00% p.a., maturing up to July 1, 2043; and

(3) The residual benefit of securitized transactions corresponds to the residual balance, net of any guarantees provided, of the separate equities of the securitized transactions which, in accordance with Law 9514/97, will be restored to the securitization company's common equity when the liens are released and the related mortgage-backed securities are settled.

b) During the first half of 2014, the subsidiary Brazilian Securities acquired real estate receivables in the amount of R\$ 125,976 (December 31, 2013 – R\$ 3,134,267). In addition, retrocession transactions were carried out in the amount of R\$ 485 (December 31, 2013 – R\$ 15,223).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

- c) At June 30, 2014, the total amount of real estate receivable installments past due for more than 90 days, related to the series issued, is R\$ 26,044, corresponding to 2.14% of the total real estate receivables related to the series.

12) OTHER RECEIVABLES – SUNDRY (1)

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Deferred tax assets (Note 34b)	2,579,369	2,466,982	2,923,989	2,810,588
Notes and credits receivable(2)	607,318	628,285	607,318	628,285
Income tax available for offset	294,449	290,039	366,597	380,069
Amounts receivable from loan assignments	317,240	205,281	317,240	205,281
Judicial and tax deposits	134,021	115,079	167,949	144,554
Amounts receivable from affiliates	40,103	20,742	14,484	-
Amounts receivable from payroll-linked loans (3)	33,591	17,456	33,591	17,456
Advances for payments	4,283	9,092	5,059	9,427
Credit cards (4)	288	2,110	288	2,110
Salary advances	210	781	1,267	1,694
Other	78,136	71,082	103,055	97,321
Total	4,089,008	3,826,929	4,540,837	4,296,785

(1) Includes notes and credits receivable;

(2) Credit card receivables and notes and credits receivable with loan characteristics;

(3) Amounts received by State and Municipal Governments but not yet transferred to the Bank. These transfers are under negotiation with PAN. A full provision was recorded for losses and for transfers past due for more than 180 days, the balance of which at June 30, 2014 is R\$ 11,901 (December 31, 2013 - R\$ 13,830); and

(4) Credit card transactions for which invoices have not yet been issued, or which have been issued but have not yet fallen due.

13) OTHER ASSETS

a) Repossessed assets/other:

	Residual value							
	Bank				Consolidated			
	Cost	Allowance for losses	30/06/2014	31/12/2013	Cost	Allowance for losses	30/06/2014	31/12/2013
Vehicles	23,261	(8,742)	14,519	15,322	24,132	(8,527)	15,605	15,675
Vehicles under special regime	34,568	(29,707)	4,861	6,285	36,599	(32,229)	4,370	6,587
Properties	21,755	(55)	21,700	13,924	68,407	(55)	68,352	51,827
Total repossessed assets	79,584	(38,504)	41,080	35,531	129,138	(40,811)	88,327	74,089
Other items	440	-	440	476	440	-	440	476
Total other assets	80,024	(38,504)	41,520	36,007	129,578	(40,811)	88,767	74,565

b) Prepaid expenses

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Commission paid to correspondent banks	429,777	385,314	432,637	397,819
Expense for issuance of securities abroad	9,549	21,061	9,749	21,318
Insurance company selling expenses	-	-	23,888	19,630
Other	678	657	2,167	2,386
Total	440,004	407,032	468,441	441,153

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

14) INVESTMENTS

a) Subsidiary companies:

Companies	Capital	Adjusted equity	Number of shares/ units held (in thousands)			Consolidated percentage ownership	Adjusted net income (loss)	Balance of investments		Equity accounting Adjustment (2) Six-month period ended	
			Comm. (ON)	Pref. (PN)	Units			30/06/2014	31/12/2013	30/06/2014	30/06/2013
Panamericano Arrendamento Mercantil S.A. (1)(3)	141,521	56,262	11	-	-	99.970%	(7,731)	56,245	63,974	(7,729)	(2,325)
PAN Seguros S.A. (1)(3)(4)	71,256	151,458	339,207	106	-	99.999%	25,260	151,456	181,255	25,260	17,226
Panserv Prestadora de Serviços Ltda. (1)(3)	5,061	10,370	-	-	5,061	99.999%	(2,098)	10,370	24,468	(2,098)	7,556
Panamericano Adm. e Corretora de Seguros e Previdência Privada Ltda. (1)(3)	306	9,726	-	-	306	99.999%	3,984	9,726	5,742	3,984	2,583
Ourinvest Real Estate Holding S.A. (1)(3)(5)(6)(7)	867,543	788,602	151,656	31,431	-	100.000%	(9,482)	883,463	897,517	(9,482)	15,070
Total								1,111,260	1,177,956	9,935	40,110

(1) Information at June 30, 2014.

(2) Considers results determined by the companies subsequent to acquisition and includes equity variations in the investees not derived from results, as well as adjustments arising from the equalization of accounting principles, where applicable.

(3) Companies whose financial information for the half year ended June 30, 2014 was reviewed by the same independent auditor as Banco PAN.

(4) On February 10, 2014, approval was given at the Extraordinary General Meeting for the payment of dividends in the amount of R\$ 55,000.

(5) The carrying amount includes goodwill on the acquisition of investment in the amount of R\$ 94,130, net of accumulated amortization (Note 16a).

(6) On April 15, 2013, approval was given to decrease capital in Ourinvest Real Estate Holding S.A. in the amount of R\$ 85,000.

(7) On September 17, 2013, approval was given to increase capital in Ourinvest Real Estate Holding S.A. in the amount of R\$ 55,000.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

b) Other investments:

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Interbank chamber of payments	380	380	380	380
Stone Pagamentos S.A.	416	-	416	-
IRB Brasil Resseguros S.A.	-	-	304	304
Fiscal incentives	-	-	69	69
Works of art	23	23	23	23
Other	-	-	1	1
Total	819	403	1,193	777

15) PROPERTY AND EQUIPMENT

The balance of property and equipment is stated at cost of acquisition. Depreciation is calculated on the straight-line method at annual rates which take into consideration the economic useful lives of the assets.

Bank	Annual rate	Cost	Depreciation	Residual value	
				30/06/2014	31/12/2013
Facilities, furniture and equipment in use	10%	36,853	(14,411)	22,442	24,314
Security and communications systems	10%	2,774	(1,610)	1,164	1,227
Data processing systems	20%	33,290	(21,977)	11,313	12,018
Transportation systems	20%	345	(219)	126	163
Total at June 6, 2014		73,262	(38,217)	35,045	-
Total at December 31, 2013		72,180	(34,458)	-	37,722

Consolidated	Annual rate	Cost	Depreciation	Residual value	
				30/06/2014	31/12/2013
Properties in use	4%	2,530	(373)	2,157	2,198
Facilities, furniture and equipment in use	10%	69,280	(21,488)	47,792	48,564
Security and communications systems	10%	3,736	(2,016)	1,720	1,827
Data processing systems	20%	35,084	(23,400)	11,684	12,546
Transportation systems	20%	345	(219)	126	164
Other fixed assets	-	173	-	173	132
Total at June 30, 2014		111,148	(47,496)	63,652	-
Total at December 31, 2013		107,826	(42,395)	-	65,431

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

16) INTANGIBLE ASSETS

a) Goodwill

Goodwill on the acquisition of investment totaled R\$ 116,449 (Consolidated – R\$ 250,532), based on the related expected future profitability, which will be amortized on the straight-line basis over a ten-year period or upon realization. This goodwill is recorded in the parent company financial statements under investment and in the consolidated financial statements under intangible assets.

Amortized goodwill totaled R\$ 5,822 in the parent company and R\$ 12,526 in the Consolidated for the six-month period ended June 30, 2014.

b) Intangible assets acquired comprise the following:

Bank	Amortization rate	Cost	Amortization	Residual value	
				30/06/2014	31/12/2013
Expense for software development	20% to 50%	61,889	(29,274)	32,615	27,801
Other	10%	22	(20)	2	3
Total in 30/06/2014		61,911	(29,294)	32,617	-
Total at December 31, 2013		50,802	(22,998)	-	27,804

Consolidated	Amortization rate	Cost	Amortization	Residual value	
				30/06/2014	31/12/2013
Expense for software development	20% to 50%	65,646	(30,890)	34,756	29,449
Goodwill (Note 16.a)	10%	250,532	(48,019)	202,513	215,039
Other	10%	1,522	(1,478)	44	1,503
Total at June 30, 2014		317,700	(80,387)	237,313	-
Total at December 31, 2013		306,014	(60,023)	-	245,991

c) Activity of intangible assets by class:

Bank	Expense for software design	Other	Total
At December 31, 2013	27,801	3	27,804
Additions	11,109	-	11,109
Amortization for the period	(6,295)	(1)	(6,296)
At June 30, 2014	32,615	2	32,617

Consolidated	Expense for software design	Goodwill (Note 16.a)	Other	Total
At December 31, 2013	29,449	215,039	1,503	245,991
Additions	11,826	-	-	11,826
Amortization for the period	(6,519)	(12,526)	(1,459)	(20,504)
At June 30, 2014	34,756	202,513	44	237,313

17) DEPOSITS, MONEY MARKET FUNDING AND FUNDS FROM ISSUANCE OF SECURITIES

a) Deposits:

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Bank	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	30/06/2014	31/12/2013
• Demand deposits (1)	129,659	-	-	-	129,659	178,301
• Interbank deposits	6,697,507	1,633,167	62,375	48,690	8,441,739	6,584,041
• Time deposits (2)	101,521	628,576	612,480	1,620,644	2,963,221	2,892,875
Total at June 30, 2014	6,928,687	2,261,743	674,855	1,669,334	11,534,619	-
Total at December 31, 2013	4,715,547	2,867,347	537,386	1,534,937	-	9,655,217

Consolidated	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	30/06/2014	31/12/2013
• Demand deposits (1)	129,428	-	-	-	129,428	178,058
• Interbank deposits	6,697,507	1,633,167	51,944	48,690	8,431,308	6,404,375
• Time deposits (2)	53,591	561,913	604,464	1,530,569	2,750,537	2,682,872
Total at June 30, 2014	6,880,526	2,195,080	656,408	1,579,259	11,311,273	-
Total in December 31, 2013	4,712,819	2,835,908	230,744	1,485,834	-	9,265,305

(1) Classified as up to 30 days, without considering average historical turnover.

(2) In December 2013, the Bank entered into an agreement with investors to settle a dispute in the courts related to thirteen certificates of bank deposit (CDBs) issued by the Bank, at the amount, adjusted up to December 31, 2013 based on their issue rates of R\$ 500.4 million. As a result of this agreement, the Bank immediately recognized an accounting gain of R\$ 84.5 million for the final quarter of 2013 and, moreover, will cease to incur future interest expense for these CDBs of R\$ 285.7 million up to their corresponding maturities.

b) Money market funding:

Bank	30/06/2014					31/12/2013
	Up to 30 days	90 to 180 days	181 to 360 days	More than 360 days	Total	Total
Own portfolio	-	112,772	183,825	213,701	510,298	428,519
• Financial Treasury Bills (LFT)	-	66,671	133,799	59,750	260,220	158,118
• National Treasury Notes (NTN)	-	46,101	50,026	153,951	250,078	270,401
Third-party portfolio	-	-	-	179,484	179,484	664,077
• National Treasury Notes (NTN)	-	-	-	179,484	179,484	207,078
• National Treasury Bills (LTN)	-	-	-	-	-	456,999
Total at June 30, 2014	-	112,772	183,825	393,185	689,782	-
Total at December 31, 2013	1,015,084	19,040	760	57,712	-	1,092,596

Consolidated	30/06/2014					31/12/2013
	Up to 30 days	90 to 180 days	181 to 360 days	More than 360 days	Total	Total
Own portfolio	-	112,772	183,825	213,701	510,298	422,920
• Financial Treasury Bills (LFT)	-	66,671	133,799	59,750	260,220	158,118
• National Treasury Notes (NTN)	-	46,101	50,026	153,951	250,078	264,802
Third-party portfolio	-	-	-	179,484	179,484	664,077
• National Treasury Notes (NTN)	-	-	-	179,484	179,484	207,078
• National Treasury Bills (LTN)	-	-	-	-	-	456,999
Total at June 30, 2014	-	112,772	183,825	393,185	689,782	-
Total at December 31, 2013	1,009,485	19,040	760	57,712	-	1,086,997

c) Funds from acceptance and issuance of securities:

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Bank	30/06/2014					31/12/2013
	Up to 30 days	31 to 90 days	91 to 360 days	More than 360 days	Total	Total
Marketable securities - local						
• Financial bills (LF)	-	2,343	936,019	1,019,398	1,957,760	2,227,844
• Agribusiness letters of credit (LCA)	128,014	146,163	322,744	250,655	847,576	724,857
• Real estate letters of credit (LCI)	9,898	69,245	142,451	59,723	281,317	221,994
Subtotal	137,912	217,751	1,401,214	1,329,776	3,086,653	3,174,695
Securities – Foreign (1)						
• Euro Medium-Term Notes	3,036	14,180	-	635,725	652,941	687,904
Subtotal	3,036	14,180	-	635,725	652,941	687,904
Total at June 30, 2014	140,948	231,931	1,401,214	1,965,501	3,739,594	-
Total at December 31, 2013	91,768	197,050	1,387,877	2,185,904	-	3,862,599

Consolidated	30/06/2014					31/12/2013
	Up to 30 days	31 to 90 days	91 to 360 days	More than 360 days	Total	Total
Marketable securities - local						
• Mortgage-backed securities	379	187	823	9,934	11,323	12,929
• Financial bills (LF)	-	2,344	936,018	1,019,399	1,957,760	2,227,844
• Agribusiness letters of credit (LCA)	128,014	146,162	322,745	250,655	847,576	724,857
• Real estate letters of credit (LCI)	80,724	192,139	800,569	333,407	1,406,839	1,471,212
Subtotal	209,117	340,832	2,060,154	1,613,395	4,223,498	4,436,842
Securities – Foreign (1)						
• Euro Medium-Term Notes	17,216	-	-	635,725	652,941	687,904
Subtotal	17,216	-	-	635,725	652,941	687,904
Total at June 30, 2014	226,333	340,832	2,060,154	2,249,120	4,876,439	-
Total at December 31, 2013	173,428	344,723	1,873,680	2,732,915	-	5,124,746

(1) Securities issued abroad

On February 22, 2006, the Bank launched a program for raising funds abroad in the total amount of US\$ 500,000 thousand, through the issuance of Euro Medium-Term Notes, of which US\$ 200,000 thousand was raised on October 26, 2009 and US\$ 300,000 thousand on August 4, 2010.

The Bank fulfilled its obligation to offer the holders of these notes the option to redeem them in advance for the same amounts payable on the original maturity dates (face or par value). The option was available for exercise from June 27 to July 12, 2011, with adherence to notes with principal amounts of US\$ 900 thousand for the issue maturing in 2012, and of US\$ 11,400 thousand for the issue maturing in 2015. The notes redeemed in advance were settled on July 27, 2011.

We present below the adjusted balance of the tranche at the balance sheet dates:

Tranche in thousands of US dollars	Interest rate	Maturity	Banco PAN and Consolidated	
			30/06/2014 (1)	31/12/2013 (1)
288,638	5.50%p.a.	04/08/2015	652,941	687,904
Total			652,941	687,904

(1) The mark-to-market (MtM) adjustments of the funds raised abroad were recorded in the income statement under money market funding as an expense of R\$ 6,688, for the six-month period ended June 30, 2014 (1H13 – income of R\$10,539). This transaction has a fair value hedge (Notes 3e and 7c).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

d) Expense for deposits, money market funding, funds from the issuance of securities and subordinated debt:

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Time deposits (1)	204,550	169,135	194,305	155,980
Interbank deposits	373,002	161,283	366,489	149,041
Foreign exchange gains and losses	(131,126)	135,725	(131,126)	135,725
Securities issued abroad and subordinated debt	74,067	69,665	74,067	69,665
MtM of funds raised abroad – subordinated debt and securities abroad	14,946	(88,608)	14,946	(88,608)
Purchase and sale commitments	42,073	87,103	42,073	87,103
Financial bills (LF)	127,583	60,927	127,583	60,927
Agribusiness letters of credit (LCA)	37,080	15,621	37,080	15,621
Contributions to the Deposit Guarantee Fund (FGC)	4,359	4,398	5,264	4,398
Real estate letters of credit (LCI)	12,301	3,530	71,124	45,995
Funding through FIDCs	-	-	59	15,746
Debentures	-	-	-	1,964
Total	758,835	618,779	801,864	653,557

(1) In December 2013, the Bank entered into an agreement with investors to settle a dispute in the courts related to thirteen certificates of bank deposit (CDBs) issued by the Bank, at the amount, adjusted up to December 31, 2013 based on their issue rates of R\$ 500.4 million. As a result of this agreement, the Bank immediately recognized an accounting gain of R\$ 84.5 million for the final quarter of 2013 and, moreover, will cease to incur future interest expense for these CDBs of R\$ 285.7 million up to their corresponding maturities.

18) INTERBANK ACCOUNTS – LOCAL CORRESPONDENTS

These are the installments of assigned loans and assets that have been repossessed related to assigned loans, to be transferred to the assignees, adjusted based on the rates agreed in the loan assignment contracts.

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Consumer financing, personal credit, payroll-linked loans and real estate credit	136,601	138,700	136,601	129,740
Total	136,601	138,700	136,601	129,740

19) BORROWINGS

a) Balance sheet accounts:

Bank	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	30/06/2014	31/12/2013
• Foreign	110,442	-	-	-	110,442	-
Total at June 30, 2014	110,442	-	-	-	110,442	-
Total at December 31, 2013	-	-	-	-	-	-

Consolidated	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	30/06/2014	31/12/2013
• Local	-	1,639	-	100,000	101,639	101,458
• Foreign	110,442	-	57,699	54,938	223,079	238,391
Total at June 30, 2014	110,442	1,639	57,699	154,938	324,718	-
Total at December 31, 2013	3,267	2,322	117,130	217,130	-	339,849

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

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b) Result of borrowings

Loans	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Local	-	-	(8,307)	(11,225)
Foreign	(15,594)	(7,395)	(3,729)	(37,987)
Total	(15,594)	(7,395)	(12,036)	(49,212)

20) SUBORDINATED DEBT

We present below an analysis of the tranches and balances adjusted at the balance sheet dates:

Maturity	Original term in years	Transaction amount	Currency	Remuneration	Bank and Consolidated	
					30/06/2014	31/12/2013
Foreign (1):						
2020	10	US\$ 500,000	US\$	8.50% rate p.a.	1,180,406	1,243,306
Local:						
2018 (2)	06	R\$ 10,000	R\$	100.0% of CDI rate + 1.35% p.a.	12,197	11,544
2019 (3)	06	R\$ 100,000	R\$	100.0% of IPCA rate + 5.60% p.a.	113,074	105,777
Total					1,305,677	1,360,627

(1) The mark-to-market (MtM) adjustment of subordinated debt was recorded in the income statement under money market funding as expense of R\$ 8,259, for the six-month period ended June 30, 2014 (1H13 – income of R\$ 78,069). This transaction has a fair value hedge (Notes 3 and 7.c).

(2) Subordinated Financial Bills issued on May 22, 2012, maturing on May 22, 2018.

(3) Subordinated Financial Bills issued on June 5, 2013, maturing on April 5, 2019.

21) CONTINGENT LIABILITIES AND LEGAL OBLIGATIONS (TAX AND SOCIAL SECURITY)

a) Legal obligations

Banco PAN and its subsidiaries (PAN Seguros and Panamericano Arrendamento Mercantil) were challenging in the courts the levying of the contribution to the social integration program (PIS) and social contribution on revenues (COFINS) as established under Law 9718/98, and based on the interim decisions issued had not been paying these taxes, although provisions were recorded for the full amount in dispute.

On November 28, 2013, considering the related benefits, Banco PAN and PAN Seguros S/A adhered to the federal tax settlement program (“REFIS”) related to PIS and COFINS payments for the period from 2006 to 2012, settling their tax debts in full and discontinuing the legal action in progress. REFIS was introduced by Article 39, item I of Law 12865, of October 9, 2013, as amended by Provisional Measure 627 of November 11, 2013 and subsequently enacted into Law 12973 of May 13, 2014. As a result, the corresponding provisions recorded in these two companies were released and regular payment of the taxes was resumed.

At June 30, 2014, provisions in respect of these taxes in Panamericano Arrendamento Mercantil S/A were still recorded in the total amount of R\$ 55,523 (June 30, 2014 – R\$ 53,241). In July 2014, Panamericano Arrendamento Mercantil S/A discontinued the existing legal action

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

and adhered to the tax settlement program introduced by Article 39, item I of Law 12865, of October 9, 2013, as amended by Law 12973 of May 13, 2014.

b) Provisions classified as probable loss

Banco PAN is a party to labor, civil and tax lawsuits arising in the normal course of its business. The corresponding provisions are recorded for proceedings, whenever loss is deemed probable, based on the opinion of the legal advisors, the type and complexity of the lawsuits and recent court sentences. The provision recorded is sufficient to cover the risk of loss arising from these suits.

Labor claims

These are claims brought by former employees and service providers, designed to obtain the payment of labor amounts in general, particularly overtime, based on the interpretation of Article 224 of the Consolidation of Labor Laws (CLT) or ancillary responsibility in suits involving service providers.

The claims are managed individually through a computerized system and the provisions are recorded case by case, based on the criteria described above. The related amounts are recorded as a provision for the full amount in the case of suits with an unfavorable court decision. For calculating the value at risk of the other actions, the historical loss index of suits concluded in the prior twelve months is applied to the amount of the claim.

Civil suits

These are condemnatory actions related to suits for damages, protests of bills and notes, returned checks, inclusion of debtor names in the credit restriction register and refund of amounts.

These proceedings are managed individually through a computerized system and the provisions are recorded case by case when there is a likelihood of probable loss, considering the opinion of the legal advisors, the nature and complexity of the suits and recent court decisions.

The related amounts are recorded as a provision in the full amount in the case of suits with an unfavorable court decision. For calculating the value at risk of the other actions, the historical loss index of suits concluded in the prior twelve months is applied to the amount claimed.

I – Provisions segregated by nature

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Civil suits	150,702	148,369	169,702	163,105
Tax proceedings	3,218	3,160	32,826	21,386
Labor claims	57,990	42,432	86,426	59,717
Subtotal (1)	211,910	193,961	288,954	244,208
Provision for tax risks (2)	-	-	55,523	53,241
Total	211,910	193,961	344,477	297,449

(1) Note 22b

(2) Classified in "Other liabilities - taxes and social security" (Note 22a).

II - Change in provisions

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Bank	30/06/2014					
	Labor	Civil	Tax	Subtotal	Fiscal (1)	Total
At December 31, 2013	42,432	148,369	3,160	193,961	-	193,961
Amount released	(7,726)	(37,095)	-	(44,821)	-	(44,821)
Additions, net of amounts reversed	23,284	39,428	58	62,770	-	62,770
At June 30, 2014	57,990	150,702	3,218	211,910	-	211,910

Consolidated	30/06/2014					
	Labor	Civil	Tax	Subtotal	Fiscal (1)	Total
At December 31, 2013	59,717	163,105	21,386	244,208	53,241	297,449
Amount released	(8,426)	(39,993)	-	(48,419)	-	(48,419)
Additions, net of amounts reversed	35,135	46,590	11,440	93,165	2,282	95,447
At June 30, 2014	86,426	169,702	32,826	288,954	55,523	344,477

(1) Note 21a

There are no other significant administrative suits in progress for non-compliance with National Financial System rules or that could require the payment of fines, which could have a material effect on the financial position of the Bank or its subsidiaries.

III - Contingent liabilities classified as possible loss

In the final quarter of 2Q11, a tax assessment notice was served against PAN Seguros S.A. by the Brazilian Federal Revenue Service, through which the tax authority assessed income tax, social contribution and withholding income tax allegedly owed for the tax year 2007, totaling R\$ 15,819 including fines and arrears interest.

In the third quarter 3Q12, a tax assessment notice was served against Panamericana Arrendamento Mercantil S.A. by the Brazilian Federal Revenue Service, through which the tax authority assessed income tax and social contribution allegedly owed for the tax years 2007 and 2008, totaling R\$ 19,166 including fines and arrears interest.

In the final quarter of 2012, three tax assessment notices were served against Banco PAN S.A. by the Brazilian Federal Revenue Service, through which the tax authority assessed income tax and social contribution allegedly owed for the tax years 2007 and 2008, totaling R\$ 170,475 including fines and arrears interest.

In the final quarter of 2013, tax assessment notices were served against Panamericano Arrendamento Mercantil S.A. by the São Paulo municipal tax authority for service tax (ISS) payable on guaranteed residual value (VRG) charged by the company in lease transactions during the period from 2008 to 2012, totaling R\$ 43,656, including fines and arrears interest. Management, based on the opinion of its legal advisors, classified the likelihood of loss for these proceedings as possible.

22) OTHER LIABILITIES

a) Tax and social security

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Provision for tax risks (Note 21a)	-	-	55,523	53,241
Tax Debt Refinancing Program (Refis) – Law 11941/2009 (1)	31,497	33,021	33,191	34,872
Taxes and contributions on income payable	2,333	-	45,882	65,887
Provision for deferred income tax (Note 34e)	-	-	122,354	145,271
Withholding tax at source on payments to third parties	6,260	7,031	6,763	7,596
Taxes and contributions on salaries	355	1,217	1,895	4,431
Service tax (ISS) payable	1,259	1,532	2,326	2,978
Social contribution on revenues (COFINS) payable	6,873	13,762	9,705	17,136
Withholding tax on fixed-income securities	254	2,775	254	2,775
Government social integration program (PIS)	1,117	2,236	1,654	2,878
Other	-	-	73	358
Total	49,948	61,574	279,620	337,423

- (1) Banco PAN and its subsidiaries are parties to tax lawsuits and administrative proceedings. Considering the terms and benefits of the tax debt settlement program enacted by the Brazilian government, through Law 11941/09, the Bank's management studied, together with its legal counsel, the possibility of adhering to this program. As a result, the Bank and its subsidiaries decided to discontinue several lawsuits and to assume the tax debts and the consequent obligation to regularly pay the taxes, contributions and other liabilities as a critical condition to maintaining the payment conditions established in the installment payment program. The main lawsuits included in the debt settlement program are: (i) social security contribution (employer) on payments to individuals; (ii) incorrect deduction of the allowance for loan losses from the IRPJ/CSLL tax base; (iii) IRPJ as a result of irregular enrollment in the Tax Incentive Program (FINOR); and (iv) inadequate use of tax loss carryforwards in the IRPJ/CSLL calculation base.

The tax debts were consolidated at the Brazilian Federal Revenue Service and after appropriation of the prepaid amounts, the composition is as follows:

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Social security debts	28,868	30,265	28,868	30,265
Other debts	2,629	2,756	4,323	4,607
Total	31,497	33,021	33,191	34,872

b) Sundry:

	Bank		Consolidated	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Amounts payable to establishments related to credit card purchases	530,352	554,055	530,352	554,055
Provision for contingent liabilities (Note 21b)	211,910	193,961	288,954	244,208
Collections	107,663	95,261	107,885	95,422
Allowance for loan assignment losses (Note 8(d))	52,909	132,982	52,909	132,982
Accrued liabilities	89,103	102,010	118,786	144,548
Amounts payable to affiliates	16,788	18,605	8,811	11,958
Amounts payable to storeowners	7,471	2,080	7,479	2,088
FIDC funding	-	-	-	2,658
Third-party deposits	-	-	939	1,797
Specific consortium amounts	-	-	12,030	15,815
Other	66,878	65,908	75,471	78,383
Total	1,083,074	1,164,862	1,203,616	1,283,914

23) TECHNICAL PROVISIONS – INSURANCE AND REINSURANCE

Technical provisions – insurance and reinsurance are comprised as follows:

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a) Provision for unearned premiums

Consolidated	30/06/2014	31/12/2013
Installment credit	112,526	108,794
Unemployment/loss of income	7,289	10,500
Group personal accident	2,269	2,761
Income protection from unforeseen events	188	405
Housing insurance – Installment credit	37	39
Group life	5	49
Housing insurance – Other coverage	1	1
Total	122,315	122,549

b) Unsettled claims

Consolidated	30/06/2014	31/12/2013
Installment credit	3,810	2,408
Group personal accident	2,978	2,076
Group life	2,225	1,393
Income protection from unforeseen events	806	813
Unemployment/loss of income	471	740
Housing insurance – Installment credit	112	125
Housing insurance – Other coverage	-	-
Other	18	16
Subtotal (1)	10,420	7,571
DPVAT	21,823	21,436
Total	32,243	29,007

(1)Of the subtotal of R\$10,420 (June 30, 2013 - R\$7,737), the amount of R\$5,974 (December 31, 2013 - R\$3,729) comprises lawsuits at different procedural stages with the following risk classification:

Risk	30/06/2014		31/12/2013	
	Number of processes	Amount accrued	Number of processes	Amount accrued
Probable loss	254	5,974	339	3,729
Total	254	5,974	339	3,729

c) Provision for loss incurred but not reported (IBNR)

Consolidated	30/06/2014	31/12/2013
DPVAT	30,580	17,643
Installment credit	6,349	7,579
Group life	1,229	1,495
Group personal accident	1,542	1,445
Unemployment/loss of income	1,003	1,123
Income protection from unforeseen events	620	688
Housing insurance – Installment credit	250	115
Housing insurance – Other coverage	85	46
Reinsurance	72	38
Total	41,730	30,172

d) Provision for claims-related expenses(1)

Consolidated	30/06/2014	31/12/2013
Group life	279	349
Group personal accident	118	154
Income protection from unforeseen events	126	126
Installment credit	88	121
Unemployment/loss of income	18	17
Total	629	767

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(1) Pursuant to CNSP Resolution 281 of Jan/13, PAN Seguros is obliged to record, where necessary, the Provision for claims-related expenses (PDR) such as payment of compensation or benefits.

e) Other provisions

Consolidated	30/06/2014	31/12/2013
DPVAT	640	175
Other technical reserves for supplementary pension plans	204	267
Total	844	442
Total technical provisions – insurance and reinsurance	197,761	182,937

f) Insurance companies

I – Income from insurance premiums earned, by line

Lines (1)	30/06/2014	30/06/2013
Personal injury (DPVAT)	27,344	22,653
Group personal accident	4,353	3,924
Unemployment/loss of income	3,383	3,950
Installment credit	55,088	28,978
Income protection from unforeseen events	405	442
Group life	72	(256)
Housing insurance – Installment credit	1,422	459
Housing insurance – Other coverage	365	167
Microinsurance	15	-
Total	92,447	60,317

(1) Net result of the variation in technical provisions for premiums.

II – Claims incurred by line

Line	30/06/2014	30/06/2013
DPVAT	24,104	19,930
Income protection from unforeseen events	88	671
Unemployment/loss of income	(74)	744
Group personal accident	(107)	154
Reinsurance	38	12
Group life	(459)	(71)
Installment credit	4,190	3,189
Housing insurance – Installment credit	315	349
Housing insurance – Other coverage	52	21
Assistance	280	105
Total	28,427	25,104

24) EQUITY

a) Composition of capital in number of shares

At June 30, 2014 and December 31, 2013, fully subscribed and paid-up capital totaled R\$ 2,867,020 and comprised nominative registered shares, with no par value.

	30/06/2014	31/12/2013
Common	292,463,400	292,463,400
Preferred	242,612,675	242,612,675
Total	535,076,075	535,076,075

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At the meeting of the Bank's Board of Directors held on June 13, 2014, approval was given for a capital increase, designed to expand the Institution's activities in line with the new business plan which is being implemented by the Board of Executives and to enhance its capital structure. This increase will occur in two stages, as described in Note 35(j).

b) Revenue reserves

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

Reserve for equity integrity - under the terms of the bylaws, the remaining balance of retained earnings shall be appropriated to the reserve for equity integrity, for the purpose of ensuring that there are sufficient funds to meet the Bank's regulatory and operational capital requirements. The reserve may be converted into authorized capital and may be formed in accordance with the Board of Directors' proposal, with up to 100% of the net income, but may not exceed the amount of the Bank's capital.

c) Dividends and interest on own capital:

Stockholders are entitled to a minimum dividend calculated based on a percentage of annual net income, adjusted pursuant to Article 202 of Law 6404/76, as amended by Law 11368/07. This percentage is currently 35% as approved at the Extraordinary General Meeting held on January 18, 2012.

25) INCOME FROM SERVICES RENDERED

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Loan operations	87,433	91,493	87,433	91,493
Income from cards	70,982	67,826	70,982	67,826
Income from collection services	434	158	434	158
Consortium plan management		-	4,439	9,282
Income from the structuring of transactions / funds		-	885	10,812
Income from commission / brokerage		852	5,307	1,992
Other	6,267	4,273	6,449	5,647
Total	165,116	164,602	175,929	187,210

26) PERSONNEL EXPENSES

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Salaries	68,550	56,099	131,117	124,158
Social charges	16,363	12,493	39,101	34,082
Fees	9,394	9,512	8,200	16,866
Benefits	5,550	7,324	28,652	26,131
Other	1,660	898	2,917	1,073
Total	101,517	86,326	209,987	202,310

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27) OTHER ADMINISTRATIVE EXPENSES

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Commission paid to correspondent banks (1)	386,582	377,691	311,200	308,075
Third-party services	65,590	61,125	90,447	86,569
Data processing	39,049	24,728	41,022	26,309
Financial system services	39,633	32,417	40,995	43,216
Communications	19,924	19,108	21,766	23,176
Fees and rates	12,897	15,884	13,176	16,442
Advertising, promotions and publicity	8,097	15,862	12,464	20,752
Rental	16,283	13,074	24,437	23,415
Transportation	3,007	3,083	3,595	4,588
Depreciation and amortization	10,261	7,285	14,698	9,491
Travel	2,309	2,014	3,500	3,701
Maintenance and repair of assets	2,939	3,648	5,334	5,732
Expenses for search and seizure of assets	4,268	11,894	4,272	12,000
Consumption materials	283	357	427	484
Fund management	-	-	87	1,373
Other	18,360	31,093	22,360	37,028
Total	629,482	619,263	609,780	622,351

(1) Includes the amortization of expenses incurred for the acquisition of the payroll-linked credit card portfolio of Banco Cruzeiro do Sul S.A. in the amount of R\$ 5,544 (Note 1).

28) TAX EXPENSES

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Social contribution on revenues (COFINS)	42,813	51,220	61,815	70,383
Service tax (ISS)	7,808	7,445	15,341	17,472
Social Integration Program (PIS)	6,957	8,331	10,586	11,997
Taxes and charges	1,209	4,403	4,475	5,568
Total	58,787	71,399	92,217	105,420

29) OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Amortization of negative goodwill – BCS (1)	8,660	3,332	8,660	3,332
Recovery of charges and expenses	4,757	4,663	5,388	9,494
Monetary restatement of loan assignments receivable	1,238	3,008	1,238	3,008
Registry office fees (CDC) (2)	58	15,798	58	15,798
Reversal of provisions	-	64,974	652	70,217
Residual benefit of securitized transactions	-	-	3,447	-
Other	25,996	22,296	32,822	36,031
Total	40,709	114,071	52,265	137,880

(1) Partial amortization of negative goodwill determined on the acquisition of the payroll-linked credit card portfolio of Banco Cruzeiro do Sul S.A. (Note 1).

(2) From April 2013, amounts received from customers for the registration of contracts (CDC) at the registry offices are recorded in other liabilities, since they are considered an obligation of the Bank.

b) Other operating expenses

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(In thousands of reais, unless otherwise stated)

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Assignment of loans	182,170	159,785	169,605	108,549
Provisions	62,772	106,317	84,609	116,159
Loss on loan/financing operations and fraud	20,873	13,693	20,888	13,730
Other financial expenses	97,097	48,271	105,564	51,490
Impairment of assets	-	16,593	-	18,349
Discounts granted	14,987	13,242	16,423	15,864
Amortization of goodwill	5,822	5,822	12,526	12,526
Insurance policy management	-	-	148	-
Liens	9,745	9,966	9,752	9,979
Other	19,214	8,649	29,329	22,500
Total	412,680	382,338	448,844	369,146

30) NON-OPERATING RESULTS

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Result of sale of other assets	(43,025)	(24,806)	(44,146)	(24,222)
Reversal/devaluation of other assets	14,743	(7,120)	15,566	(6,682)
Loss on sale of property and equipment	2	22	2	22
Other	39	-	273	-
Total	(28,241)	(31,904)	(28,305)	(30,882)

31) RELATED-PARTY TRANSACTIONS AND BALANCES

Transactions with related parties (direct and indirect) are carried out under conditions and rates which are compatible with the average terms practiced with third parties effective on the contract dates.

a) We present below the balances and transactions with related parties

	Bank			
	30/06/2014	31/12/2013	30/06/2014	30/06/2013
	Assets (liabilities)	Assets (liabilities)	Income (expenses)	Income (expenses)
Short-term interbank investments (a)				
Banco BTG Pactual S.A.	-	49,999	2,360	3,668
Caixa Econômica Federal	428,000	-	1,163	930
Panamericano Arrendamento Mercantil S.A.	34,783	71,794	2,523	6,280
Total	462,783	121,793	6,046	10,878
Marketable securities (b)				
Caixa CDC FIDC	-	33,904	-	6,449
Caixa Master CDC FIDC	-	203,304	-	(9,770)
FIDC F BP Financeiro	-	-	-	8,327
Banco BTG Pactual S.A.	-	86,563	-	(2,299)
Brazilian Securities Companhia de Securitização	-	-	-	-
Total	-	323,771	-	2,707
Loan assignment (c)				
Caixa Econômica Federal	308,867	189,985	-	-
Total	308,867	189,985	-	-

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(In thousands of reais, unless otherwise stated)

Other receivables (d)				
Caixa Econômica Federal	14,204	-	-	-
PAN Seguros S.A. - JCP	-	7,233	-	-
PAN Seguros S.A.	68	64	-	-
Panamericana Adm. e Corretagem de Seg.de Prev.Privada Ltda.	10	9	-	-
Brazilian Mortgages Companhia Hipotecária	6,481	3,211	-	-
Panamericano Arrendamento Mercantil S.A.	24	19	-	-
Panamericano Administradora de Consórcio Ltda.	-	18	-	-
Panserv Prestadora de Serviços Ltda	21	18	-	-
Panserv Prestadora de Serviços Ltda - Dividends	17,000	-	-	-
BM sua Casa Promotora de Vendas Ltda	19	18	-	-
Brazilian Securities Companhia de Securitização	2,181	810	-	-
Total	40,008	11,400	-	-
Demand deposits (e)				
PAN Seguros S.A.	(11)	(10)	-	-
Panamericano Adm. e Corretagem de Seg.de Prev.Privada Ltda.	(7)	(6)	-	-
Panamericano Administradora de Consórcio Ltda.	(5)	(5)	-	-
Panamericano Arrendamento Mercantil S.A.	(188)	(195)	-	-
Panserv Prestadora de Serviços Ltda	(11)	(13)	-	-
BM sua Casa Promotora de Vendas Ltda	(2)	(3)	-	-
Ourinvest Real Estate Holding	(2)	(4)	-	-
Brazilian Finance Real Estate	(3)	(3)	-	-
Brazilian Mortgages Cia Hipotecária	(1)	(2)	-	-
Brazilian Securities Companhia de Securitização	(1)	(1)	-	-
Key management personnel	-	(2)	-	-
Total	(231)	(244)	-	-
Interbank deposits (f)				
Banco BTG Pactual S.A.	(2,786,458)	(1,308,963)	(100,824)	(46,200)
Caixa Econômica Federal	(5,474,370)	(4,977,657)	(258,058)	(98,337)
Brazilian Mortgages Companhia Hipotecária	(10,431)	(179,666)	(6,513)	(12,242)
Total	(8,271,259)	(6,466,286)	(365,395)	(156,779)
Time deposits (g)				
Panamericano Adm. e Corretagem de Seg.de Prev.Privada Ltda.	(7,313)	(2,066)	(278)	(139)
Panamericano Administradora de Consórcio Ltda.	(19,805)	(23,401)	(1,019)	(971)
Panserv Prestadora de Serviços Ltda	(18,172)	(23,631)	(910)	(626)
Brazilian Securities Companhia de Securitização	(13,790)	(15,236)	(717)	(3,919)
Brazilian Finance Real Estate	(3,368)	(3,939)	(175)	(1,031)
BM sua Casa Promotora de Vendas Ltda	(140,740)	(132,547)	(6,692)	(5,063)
Ourinvest Real Estate Holding	(9,495)	(9,184)	(453)	(1,386)
Total	(212,683)	(210,004)	(10,244)	(13,135)
Liabilities for purchase and sale commitments (h)				
Banco BTG Pactual S.A.	-	-	(1,281)	(1,400)
Caixa Econômica Federal	-	-	-	(368)
Caixa CDC FIDC	-	(1,549)	-	(222)
Caixa Master CDC FIDC	-	(4,049)	-	(419)
Panamericano Administradora de Consórcio Ltda	-	-	-	-
Total	-	(5,598)	(1,281)	(2,409)

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Funds from real-estate and agribusiness letters of credit and financial bills (i)				
Banco BTG Pactual S.A.	(385,958)	(328,931)	(19,783)	-
Caixa Econômica Federal	(10,337)	-	(337)	-
Key management personnel	(25,186)	(22,749)	(1,140)	(283)
Total	(421,481)	(351,680)	(21,260)	(283)
Derivative financial instruments (j)				
Brazilian Securities Companhia de Securitização	(7,508)	(10,795)	687	6,977
Banco BTG Pactual S.A.	64,086	-	156,120	-
Total	56,578	(10,795)	156,807	6,977
Other liabilities (k)				
PAN Seguros S.A.	(90)	-	-	-
Panamericano Arrendamento Mercantil S.A.	(241)	(219)	-	-
Panserv Prestadora de Serviços Ltda	(5,213)	(5,918)	-	-
Brazilian Mortgages Companhia Hipotecária	(2,706)	(1,091)	-	-
Brazilian Securities Companhia de Securitização	-	(23)	-	-
Total	(8,250)	(7,251)	-	-
Income from services rendered (l)				
PAN Seguros S.A.	-	-	2,532	1,643
Panserv Prestadora de Serviços Ltda	-	-	(91,807)	-
Total	-	-	(89,275)	1,643
Personnel expenses (m)				
PAN Seguros S.A.	-	-	(48)	(181)
Total	-	-	(48)	(181)
Other administrative expenses (n)				
Panserv Prestadora de Serviços Ltda	-	-	(14,332)	(99,714)
PAN Seguros S.A.	-	-	(833)	(302)
Caixa Participações S.A.	-	-	-	-
Banco BTG Pactual S.A.	-	-	(550)	(669)
BTG Pactual Corretora	-	-	(44)	-
Brazilian Securities Companhia de Securitização	-	-	-	(1,025)
Caixa Seguradora S.A.	-	-	-	-
Tecban S.A.	-	-	(428)	(293)
Caixa Econômica Federal	-	-	-	(40)
Interbank chamber of payments	-	-	(174)	(351)
Ourinvest Real Estate Holding	-	-	(230)	-
Total	-	-	(16,591)	(102,394)
Income from loan assignments (o)				
Caixa Econômica Federal	-	-	368,417	547,706
Total	-	-	368,417	547,706

(a) Investments by the Bank at interest based on the CDI rate.

(b) Investments in subordinated shares in the case of FIDCs, investments in the shares of investment funds of PAN Seguros with Caixa Econômica Federal and BTG Pactual Serviços Financeiros S.A. DTVM, and derivatives in the case of Banco BTG Pactual S.A.

(c) Loan assignments receivable without co-obligation.

(d) Amounts collected to be transferred, interest on own capital and foreign exchange portfolio.

(e) Balance of checking accounts of affiliates held in Banco PAN.

(f) Funds obtained through interbank deposits at interest based on the CDI rate.

(g) Funds obtained through time deposits made at Banco PAN.

(h) Purchase and sale commitments with affiliates.

(i) Funds obtained through agribusiness and real-estate letters of credit and financial bills at average rates of 97% of CDI.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

- (j) Swap transactions.
(k) Amounts related to collections and insurance premiums to be transferred received through affiliates, services provided, early settlement of loan assignment installments to be transferred and exchange sales pending settlement.
(l) Commission paid to Banco PAN for intermediary insurance services.
(m) Portion of the expense for employee group life insurance paid by Banco PAN
(n) Other administrative expenses for services provided by affiliates.
(o) Income obtained from loan assignments.

	Consolidated			
	30/06/2014	31/12/2013	30/06/2014	30/06/2013
	Assets	Assets	Income	Income
	(liabilities)	(liabilities)	(expenses)	(expenses)
Available funds (a)				
Banco BTG Pactual S.A.	-	5	-	-
Total	-	5	-	-
Short-term interbank investments (b)				
Banco BTG Pactual S.A.	-	49,999	2,360	3,668
Caixa Econômica Federal	428,000	-	1,163	930
Total	428,000	49,999	3,523	4,598
Marketable securities (c)				
Banco BTG Pactual S.A.	-	86,563	-	(2,299)
Total	-	86,563	-	(2,299)
Loan assignment (d)				
Caixa Econômica Federal	308,867	189,985	-	-
Total	308,867	189,985	-	-
Other receivables (e)				
Caixa Econômica Federal	14,204	-	-	-
BTG Pactual Serviços Financeiros S.A. DTVM	-	58	-	-
Total	14,204	58	-	-
Interbank deposits (f)				
Banco BTG Pactual S.A.	(2,786,458)	(1,308,963)	(100,824)	(46,200)
Caixa Econômica Federal	(5,474,370)	(4,977,657)	(258,058)	(98,337)
Total	(8,260,828)	(6,286,620)	(358,882)	(144,537)
Liabilities for purchase and sale commitments (g)				
Banco BTG Pactual S.A.	-	-	(1,281)	(1,400)
Caixa Econômica Federal	-	-	-	(368)
Total	-	-	(1,281)	(1,768)
Funds from real-estate and agribusiness letters of credit and financial bills (h)				
Banco BTG Pactual S.A.	(385,958)	(353,819)	(19,783)	-
Caixa Econômica Federal	(10,337)	-	(337)	-
Key management personnel	(25,186)	(22,749)	(1,140)	(283)
Total	(421,481)	(376,568)	(21,260)	(283)
Derivative financial instruments(i)				
Banco BTG Pactual S.A.	64,086	-	156,120	-
Total	64,086	-	156,120	-
Other liabilities (j)				
Caixa Econômica Federal	-	(70)	-	-
Total	-	(70)	-	-

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

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Other administrative expenses (k)				
Caixa Econômica Federal	-	-	-	(40)
Banco BTG Pactual S.A.	-	-	(550)	(669)
BTG Pactual Corretora	-	(23)	(44)	-
Tecban S.A.	-	-	(428)	(293)
Interbank chamber of payments	-	-	(174)	(351)
Total	-	(23)	(1,196)	(1,353)
Income from loan assignments (l)				
Caixa Econômica Federal	-	-	391,507	547,706
Total	-	-	391,507	547,706

- (a) Checking account of Ourinvest Real Estate Holding.
 (b) Investments by the Bank carrying interest based on the CDI rate.
 (c) Investments in shares of investment funds of PAN Seguros with Caixa Econômica Federal and BTG Pactual Serviços Financeiros S.A. DTVM, and derivatives in the case of Banco BTG Pactual S.A.
 (d) Loan assignments receivable without co-obligation.
 (e) Collection amounts received to be transferred and foreign exchange portfolio.
 (f) Funds obtained through interbank deposits at interest based on the CDI rate.
 (g) Purchase and sale commitments with affiliates.
 (h) Funds obtained through agribusiness and real-estate letters of credit and financial bills at average rates of 97% of CDI.
 (i) Swaps.
 (j) Early settlement of loan assignment installments and exchange sales pending settlement.
 (k) Other administrative expenses for services provided by affiliates.
 (l) Income obtained from loan assignments.

b) Key management compensation

At the Annual General Meeting, held on April 30, 2014, the maximum amount of key management compensation for 2014 was established at R\$ 29,445 (June 30, 2013 – R\$ 29,500) (Expenses for fees).

Short-term benefits provided to management (1)

	Bank		Consolidated	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Expenses for fees	5,550	9,512	8,200	16,866
Social security contributions (INSS)	1,249	1,141	1,845	2,612
Total	6,799	10,653	10,045	19,478

(1) Recorded in the "Personnel expenses" account.

Banco PAN provides no long-term benefits, related to employment contract rescissions or share-based remuneration to its key management personnel.

• Other information

In accordance with the legislation in force, financial institutions may not grant loans or advances to the following:

- I. Management and members of the advisory, administrative, supervisory or similar boards and their respective spouses and relatives up to the second degree.
- II. Individuals or legal entities holding an ownership interest of more than 10%.
- III. Legal entities in which the financial institution itself and any of its directors or managers and their spouses and relatives up to the second degree hold an ownership interest of more than 10%.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

32) FINANCIAL INSTRUMENTS

- **Risk management**

The Bank has exposure in assets and liabilities involving derivative financial instruments, which are recorded in balance sheet, income and memorandum accounts.

The Bank's management is responsible for establishing a risk policy and exposure limits. The control and compliance management area, which is independent of the business and operational areas is responsible for identifying, assessing, monitoring and reporting compliance with the risk guidelines established by management.

- **Capital management**

Banco PAN considers that capital management is a strategic process designed to optimize the utilization of available capital, contribute to the achievement of its strategic objectives and comply with the minimum capital limits established by the regulatory authority.

The Bank's capital management framework is compatible with the nature of its operations, the complexity of its products and services and its risk exposure and is responsible for the Group-wide capital management process.

Capital management is a continuous process for (i) monitoring and controlling capital; (ii) assessing the need for capital to face the potential risks to the Institution; and (iii) planning the capital targets and requirements. Capital management is based on the Bank's strategic objectives, business opportunities and the regulatory environment.

Banco PAN manages its capital based on a timely and forward-looking approach, in line with best practices and in compliance with the recommendations issued by the Basel Committee, using policies and strategies that anticipate the capital that could be required as a result of possible changes in market conditions and which are reviewed periodically by the Executive Board and Board of Directors.

OPERATING LIMITS - BASEL ACCORD

In 2013, BACEN introduced a series of Resolutions and Circulars which became effective from October 2013, containing recommendations from the Basel Committee on Banking Supervision (BCBS) for the global financial system as regards capital requirements. Among the prudential measures published in this package of reforms, known as Basel III, we highlight those related to the determination of Reference Equity (PR), through prudential adjustments, and regarding minimum required capital, which have undergone a number of changes.

PAN complies with the minimum capital requirements established by CMN Resolutions 4192/13 and 4193/13. Required capital amounts are calculated in accordance with BACEN Circular 3644/13 for credit risk, BACEN Circulars 3634/13 to 3639/13, 3641/13 and 3645/13 for market risk and BACEN Circular 3640/13 for operational risk.

We present below the capital indicators, including Reference Equity (PR) and the new capital requirements which must be observed. From October 2013 to December 2014, capital will be calculated solely on the Financial Conglomerate basis and from January 2015 on the Prudential Conglomerate basis. Accordingly, capital amounts based on Economic and Financial Consolidation (CONEF) will no longer be determined and disclosed.

The capital indicators calculated on the Financial Conglomerate basis are as follows:

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Calculation basis – Basel ratio	30/06/2014	31/12/2013
Tier I reference equity	1,157,389	1,497,333
Core capital	1,157,389	1,497,333
Tier II reference equity	1,046,163	1,075,166
Reference equity for comparison with risk-weighted assets (RWA)	2,203,552	2,572,499
Reference equity	2,203,552	2,572,499
- Credit risk	17,368,886	17,104,402
- Market risk	171,738	516,241
- Operational risk	1,623,068	1,525,266
Risk-weighted assets – RWA	19,163,692	19,145,909
Basel ratio	11.50%	13.44%
Tier I capital	6.04%	7.82%
Core capital	6.04%	7.82%

- **Credit risk**

Credit risk is the possibility of the occurrence of losses related to the non-fulfillment by customers or counterparties of their corresponding financial obligations under the agreed terms, the devaluation of the loan agreement as a result of a deterioration in the borrower's risk rating, decreased gains or remuneration, advantages granted in renegotiations and recovery costs.

Management of credit risks involves policies and strategies, operating limits, risk mitigation techniques and procedures for maintaining the credit risk exposure at levels which are deemed acceptable by the Institution.

- **Market risk**

This risk arises from the possibility of loss due to rate fluctuations and the mismatching of the terms and currencies of the Bank's loan and funding portfolios. These risks are managed daily through methodologies established by best practice guidelines.

The transactions are exposed to the following risk factors: fixed interest rates, interest rates linked to foreign exchange variation and their corresponding spot rate, interest rates linked to price indexes (INPC, INCC, IPCA and IGPM), as well as other interest rates (TR), exchange variation (US\$) and share prices.

The financial instruments are segregated into the following books:

Trading book: all transactions conducted with financial instruments, including derivatives held with the intention of trading or for hedging other trading portfolio instruments in the trading book. Transactions held for trading are those intended for resale, for obtaining benefits from effective or expected changes in prices or arbitrage.

Banking book: all transactions not classified in the trading book. These comprise the structural transactions arising from the Organization's business lines and their potential hedges.

Sensitivity analysis at June 30, 2014

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Risk factors	Trading and Banking Book exposures subject to variation:	SCENARIOS (*)		
		(1) Probable	(2) Possible	(3) Remote
Interest rates	Fixed interest rates	(1,630)	(475,637)	(970,914)
Coupon - other interest rates	Interest rate coupon rates	(132)	(30,438)	(56,125)
Coupon - price index	Price index coupon rates	(424)	(58,567)	(110,025)
Variable income	Share prices	(249)	(6,217)	(12,434)
Foreign currency	Exchange rates	(1,140)	(28,507)	(57,014)
Exchange coupon	Exchange coupon rates	(14)	(166)	(359)
Total at June 30, 2014		(3,589)	(599,532)	(1,206,871)
Total at December 31, 2013		(3,689)	(688,962)	(1,358,037)
Total at June 30, 2014		(2,657)	(573,178)	(1,192,160)

(*) Amounts gross of taxes.

The sensitivity analysis was performed using market data for the last day in June 2014, always considering the adverse impact on the positions for each vertex. The effects do not consider the correlation between the vertices and the risk factors and tax effects.

Scenario 1: a one basis point (0.01%) shock (upward or downward) was applied to the forward interest rate structure on all vertices/terms. For example: a 10% p.a. rate becomes 10.01% p.a. or 9.99% p.a. For foreign currencies and shares, a 1% shock was applied to the effective price.

Scenario 2: a 25% shock (upward or downward) was applied to the rates (application of a 1.25 multiplier). For example: a 10% p.a. rate becomes 12.50% p.a. or 7.50% p.a. For foreign currencies and shares, a 10% shock was applied to the effective price.

Scenario 3: a 50% shock (upward or downward) was applied to the rates (application of a 1.50 multiplier). For example: a 10% p.a. rate becomes 15.00% p.a. or 5.00% p.a. For foreign currencies and shares, a 25% shock was applied to the effective price.

It should be noted that the results of scenarios 2 and 3 refer to simulations which involve significant stress situations, without considering correlation factors among the indexes. They do not reflect possible variations arising from market dynamics, the probability of the occurrence of which is considered to be low, and also, from measures which could be taken by the Institution itself to mitigate any potential risks.

FOREIGN EXCHANGE EXPOSURE

We present below the assets and liabilities linked to foreign currencies at June 30, 2014 and December 31, 2013.

Assets – US dollar	30/06/2014	31/12/2013
Credit operations (ACC/CCE)	696,887	688,113
Other receivables	24,441	24,912
Total assets	721,328	713,025

Liabilities – US dollar	30/06/2014	31/12/2013
Subordinated debt	1,180,406	1,243,306
Securities issued abroad	652,941	687,904
Foreign borrowings	223,079	238,391
Total liabilities	2,056,426	2,169,601

The Bank uses derivative financial instruments for hedging purposes to meet its needs for managing market risks arising from the mismatching of currencies, indexes, portfolio terms and arbitrage.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

At June 30, 2014 and December 31, 2013, the position of the derivative financial instruments, in foreign currency, was as follows:

	Notional amount		Market value	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Assets – US dollar				
Swap	1,622,112	1,936,677	2,367,148	2,770,656
DDI	158,581	35,691	492	234
DOL	-	66,586	-	-
Total	1,780,693	2,038,954	2,367,640	2,770,890
Liabilities – US dollar				
Swap	18,834	235,504	12,289	257,106
DDI	571,369	573,250	(3,113)	(3,801)
DOL	135,104	66,586	(131)	(160)
NDF	-	5,318	-	5,394
Total	725,307	880,658	9,045	258,539

- **Liquidity risk**

Liquidity risk is defined as the possibility that the Institution will not be able to meet efficiently its expected and unexpected, current and future obligations, including those arising from related guarantees, without affecting its daily transactions and without incurring significant losses; and also, the possibility that the Institution will not be able to negotiate a specific position at market price, when its amount is significant in relation to the financial volume usually transacted or following any market discontinuity.

The liquidity position, mismatching of primary risk factors and the rates and terms of assets and liabilities in portfolio are permanently monitored.

The Bank maintains adequate liquidity levels, based on the quality of its assets and risk controls, in accordance with its Liquidity Risk Management Policy and the regulatory requirements of the National Monetary Council (CMN Resolutions 2804/00 and 4090/12). The results of the gap analyses designed to assess liquidity risk are reported fortnightly to the Treasury Committee.

- **Operational risk**

This is the possibility of losses occurring as a result of the failure, deficiency or inadequacy of internal processes, people and systems, or external events. This definition includes legal risk which is the risk related to the inadequacy or deficiencies in contracts entered into by the Institution, as well as any sanctions imposed as a result of non-compliance with the legal provisions and indemnifications for damages to third parties arising from activities carried out by the Institution.

In compliance with the principles of CMN Resolution 2554/98 and Item III of Article 9 of CMN Resolution 3380/06, the Conglomerate has an independent organizational framework responsible for the management and control of operational risks. The Internal Control, Compliance and Operational Risk area is also responsible for the Anti-money Laundering and Business Continuity activities.

In compliance with the requirements established by BACEN Circular 3477/09, the information on the risk management process is available for consultation on the website: www.bancopan.com.br/ri *Relatório de Gerenciamento de Riscos*.

Market value

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(In thousands of reais, unless otherwise stated)

We present below the net carrying amount of the main financial instruments:

Item	Consolidated					
	30/06/2014			31/12/2013		
	Carrying amount	Market value	Unrealized profit (loss)	Carrying amount	Market value	Unrealized profit (loss)
Marketable securities and derivative financial instruments	1,614,553	1,609,323	(5,230)	1,522,621	1,500,105	(22,516)
- - Adjustment of trading securities	152,527	152,527	-	133,569	133,569	-
- - Adjustment of available-for-sale securities	974,712	974,712	-	931,449	931,449	-
- - Securities held to maturity	487,314	482,084	(5,230)	457,603	435,087	(22,516)
Loan and leasing operations	15,836,656	16,440,132	603,476	15,158,260	15,736,932	578,672
Time deposits	2,750,537	2,936,938	(186,401)	2,682,872	3,168,668	(485,796)
Interbank deposits	8,431,308	8,255,050	176,258	6,404,375	6,359,914	44,461
Funds from issuance of securities	4,876,439	4,441,961	434,478	5,124,746	4,868,544	256,202
Borrowings	324,718	336,731	(12,013)	339,849	239,141	100,708
Subordinated debt	1,305,677	1,674,860	(369,183)	1,360,627	1,751,470	(390,843)
Unrealized profit with no tax effects			641,385			80,888

Determination of the market value of financial instruments:

- The market values of securities, subordinated debts and derivative instruments are based on market price quotations on the balance sheet date. When these market quotations are not available, their market values are based on pricing models or equivalent instruments.

- The market values of the loan or leasing operations are determined discounting future flows at the rates practiced in the market for equivalent transactions on the balance sheet date.

- The market values of time and interbank deposits and borrowings and onlendings are calculated by applying the rates practiced for equivalent instruments on this balance sheet date to the current stock.

33) EMPLOYEE BENEFITS

On December 4, 2013, Banco PAN commenced the termination process (under the terms of CNPC Resolution 11/2013) at SUSESP of its sponsorship of Benefits Plan V provided by the Silvio Santos Group which will be submitted to the pensions regulator (PREVIC) for approval. Approval will only be granted by PREVIC subsequent to verification of the necessary conditions and calculations presented in the process. Until such time, the plan will operate normally with monthly contributions. For the six-month period ended June 30, 2014, this contribution totaled R\$ 283 in Banco PAN and R\$ 295 in the Consolidated (1H13 – R\$ 306 in Banco PAN and R\$ 338 in Consolidated).

The decision to withdraw sponsorship was taken since the Bank is no longer a member of the Silvio Santos economic group which provides the Benefits Plan V and which was not assumed by the Bank as part of its benefits/policy plan.

In line with best market practices, Banco PAN offers a number of social benefits to its employees including: (a) healthcare insurance; (b) dental care insurance; (c) life insurance; (d) meal vouchers (e) food vouchers. For the six-month period ended June 30, 2014, these expenses totaled R\$ 9,980, in the Bank and R\$ 29,425, in the Consolidated.

34) INCOME TAX AND SOCIAL CONTRIBUTION

a) Calculation of income tax and social contribution charges

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(In thousands of reais, unless otherwise stated)

	Bank	
	30/06/2014	30/06/2013
Income before income tax and social contribution	(262,112)	(73,017)
Effective rate (1)	40%	40%
Total income tax and social contribution charges/benefits at the rates in force (2)	104,845	29,207
Effect on tax calculation:		
Investment in subsidiaries	3,974	16,044
Prior-year deferred tax assets recorded	-	(3,874)
Other amounts	1,113	12,551
Income tax and social contribution benefit for the period	109,932	53,928

	Consolidated	
	30/06/2014	30/06/2013
Income before income tax and social contribution	(248,710)	65,099
Total income tax and social contribution charges/benefits at the rates in force (2)	-	-
Effect on tax calculation:	96,603	(23,803)
Deferred tax assets not recorded in prior-years	(3)	676
Prior-year deferred tax assets recorded	-	(3,322)
Other amounts	3,121	13,102
Income tax and social contribution benefit/expense for the period	99,721	(13,347)

(1) In Consolidated, the effective rate is not presented because different rates are used for financial and insurance segment companies and those in other segments; and

(2) The social contribution rate for companies in the financial and insurance segments was increased to 15%, pursuant to Law 11727/08 and remains at 9% for other companies (Note 3n).

b) Origins of and activity in deferred income tax and social contribution assets

	Bank			
	At December 31, 2013	Additions	Amount realized	At June 30, 2014
Allowance for loan losses	976,394	180,683	(42,212)	1,114,865
Provision for civil contingencies	59,348	16,438	(15,505)	60,281
Provision for labor contingencies	16,972	9,315	(3,091)	23,196
Provision for tax contingencies	1,263	27	(3)	1,287
Provision for loss on repossessed assets	19,610	18,950	(23,158)	15,402
Mark-to-market adjustment of derivatives	20,457	-	(16,703)	3,754
Provision for employee bonuses/profit sharing (PLR)	13,226	8,520	(13,655)	8,091
Other provisions	72,364	7,917	(14,114)	66,167
Total deferred tax assets on temporary differences	1,179,634	241,850	(128,441)	1,293,043
Tax losses	1,287,348	-	(1,022)	1,286,326
Deferred tax assets, net of deferred tax liabilities	2,466,982	241,850	(129,463)	2,579,369

	Consolidated			
	At December 31, 2013	Additions	Amount realized	At June 30, 2014
Allowance for loan losses	1,033,962	192,141	(57,823)	1,168,280
Provision for civil contingencies	65,325	19,412	(16,816)	67,921
Provision for tax contingencies (PIS and COFINS)	21,161	361	-	21,522
Provision for labor contingencies	23,016	13,605	(3,446)	33,175
Provision for tax contingencies	8,500	4,560	(3)	13,057
Provision for loss on repossessed assets	20,999	19,407	(23,556)	16,850
Mark-to-market adjustment of derivatives	31,205	4,040	(20,768)	14,477
Provision for employee bonuses/profit sharing (PLR)	14,639	9,480	(15,477)	8,642
Other provisions	91,751	20,240	(24,959)	87,032
Total deferred tax assets on temporary differences	1,310,558	283,246	(162,848)	1,430,956
Tax losses	1,497,901	2,921	(7,789)	1,493,033

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Unearned income and other consolidation adjustments of loans assigned to FIDCs	2,129	-	(2,129)	-
Total deferred tax assets	2,810,588	286,167	(172,766)	2,923,989
Deferred tax liabilities (Note 34(e))	(145,271)	-	22,917	(122,354)
Deferred tax assets, net of deferred tax liabilities	2,665,317	286,167	(149,849)	2,801,635

c) Expected realization of deferred tax assets in respect of temporary differences and tax losses

The projected realization of deferred tax assets was based on a review of the study of current and future scenarios at June 30, 2014. The main assumptions used in the projection were based on macroeconomic indicators, production indicators, cost of funding, capital injections and the realization of assets. This projected realization of deferred tax assets, including the assumptions used, was approved by the Bank's Board of Directors on August 4, 2014.

Deferred income tax and social contribution assets will be realized as the temporary differences are reversed or when they qualify for tax deductibility, or when the tax losses, which are being discussed at the administrative level with excellent prospects of success for the Bank, are offset.

We present below the estimated realization of these assets:

	Bank					
	Temporary differences		Income tax and social contribution losses		Total	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013	30/06/2014	31/12/2013
2014	326,998	458,928	8,371	-	335,369	458,928
2015	445,642	377,683	14,208	29,294	459,850	406,977
2016	211,730	99,867	38,666	13,279	250,396	113,146
2017	107,808	99,227	100,040	97,158	207,848	196,385
2018	143,346	134,546	119,598	116,892	262,944	251,438
2019	54,240	1,123	178,444	172,636	232,684	173,759
2020	3,279	8,260	220,819	201,566	224,098	209,826
2021	-	-	266,431	237,629	266,431	237,629
2022	-	-	290,318	253,275	290,318	253,275
2023	-	-	49,431	165,619	49,431	165,619
Total	1,293,043	1,179,634	1,286,326	1,287,348	2,579,369	2,466,982

	Consolidated							
	Temporary differences		Income tax and social contribution losses		Unearned income and other consolidation adjustments of loans assigned to FIDCs		Total	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013	30/06/2014	31/12/2013	30/06/2014	31/12/2013
2014	373,861	495,672	11,638	5,087	-	670	385,499	501,429
2015	471,789	427,518	28,428	35,266	-	493	500,217	463,277
2016	227,126	115,124	47,498	23,061	-	158	274,624	138,343
2017	133,070	110,391	106,634	111,850	-	184	239,704	222,425
2018	154,642	143,981	131,362	126,186	-	100	286,004	270,267
2019	59,620	1,905	192,622	181,420	-	203	252,242	183,528
2020	3,299	8,385	237,718	213,055	-	284	241,017	221,724
2021	20	20	276,407	249,804	-	26	276,427	249,850
2022	491	7,562	292,665	262,012	-	11	293,156	269,585
2023	7,038	-	249,705	165,618	-	-	56,743	165,618
Total	1,430,956	1,310,558	1,374,677	1,373,359	-	2,129	2,805,633	2,686,046

At June 30, 2014, the present value of deferred tax assets, calculated based on the Bank's average funding rate, totaled R\$ 1,650,439 in the Parent company and R\$1,702,811 in the Consolidated (December 31, 2013 - R\$ 1,810,669 in the Parent company and R\$ 1,632,826 in the Consolidated).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

In accordance with Article 5, paragraph 2 of CVM Resolution 3059/02, the deferred tax assets originated from tax losses incurred by excluding income from excess depreciation in the amount of R\$ 118,356, will generate no profit, based on a technical study.

d) Unrecorded deferred tax assets

At June 30, 2014, tax losses were approximately R\$ 1,220,245 in Banco PAN and Consolidated (December 31, 2013 - R\$ 1,220,245 in Banco PAN and Consolidated), in respect of which deferred tax assets of R\$ 488,096 in Banco PAN and Consolidated have not been recorded, since they did not meet all of the conditions established by BACEN.

e) Deferred tax liabilities

Consolidated	At December 31, 2013	Additions	Amount realized	At June 30, 2014
Mark-to-market adjustment of derivative financial instruments	(8,573)	-	5,426	(3,147)
Excess depreciation	(136,698)	-	17,493	(119,205)
Total	(145,271)	-	22,919	(122,352)

35) OTHER INFORMATION

- Guarantees and sureties granted total R\$ 20,375 for the six-month period ended June 30, 2014 (1H14 – R\$ 18,484).
- The policy of the Bank and its subsidiaries is to contract insurance for its cash, checks received as collateral and assets in amounts which are considered sufficient to cover potential losses.
- At June 30, 2014 and 2013, the Bank and its subsidiaries had no lease agreements for own acquisitions.
- CMN Resolution 4036/11 came into force on January 1, 2012 and permits the deferral of the net loss generated by the renegotiation of previously assigned credit operations. The maximum term for deferral shall be December 31, 2015, or the date of maturity of the renegotiated operations, whichever is earlier, based on the straight-line method. Banco PAN does not use the option permitted by this Resolution.
- Considering the related benefits, Banco PAN and PAN Seguros S/A adhered to the federal tax settlement program (“REFIS”) related to PIS and COFINS payments during the period from 2006 to 2012, which was introduced by Article 39, item I of Law 12865, of October 9, 2013, as amended by Provisional Measure 627 of November 11, 2013 and subsequently enacted into Law 12973, of May 13, 2014.

Accordingly, on November 28, 2013, payments were made in cash by Banco PAN of R\$ 536.2 million and by PAN Seguros of R\$ 28.9 million, totalling R\$ 565.1 million, with benefits comprising a 100% reduction in interest, interest on fines and the fines applied to the amounts of the respective taxes, amounting to R\$ 288.9 million in Banco PAN and R\$ 17.5 million in PAN Seguros, a total of R\$ 306.4 million, thereby terminating the legal dispute in respect of this matter. Gains were determined of R\$ 21.4 million in Banco PAN and of R\$ 7.7 million in PAN Seguros.

- Banco PAN released a communication to its investors informing that as reported at the Annual General Meeting held on October 21, 2013, the FIDC funds Master CDC Veículos and Autopan CDC Veículos were terminated on January 20, 2014.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

- g) In December 2013, the Bank entered into an agreement with investors to settle a legal action related to thirteen certificates of bank deposit (CDBs) issued by the Bank, at the amount, adjusted up to December 31, 201, based on their issue rates of R\$ 500.4 million. As a result of this agreement, the Bank immediately recognized an accounting gain of R\$ 84.5 million and, moreover, will cease to incur future interest expense for these CDBs of R\$ 285.7 million up to their corresponding maturities.
- h) On May 14, 2014, Provisional Measure 627 was enacted into Law 12973, changing the federal tax legislation regarding corporate income tax (IRPJ), social contribution on net income (CSLL), social integration program (PIS) and social contribution on revenues (COFINS). Law 12973/14 addresses the following, among other matters:
- ✓ revocation of the Transitional Tax Regime (RTT), introduced by Law 11941, of May 27, 2009.
 - ✓ Management estimates that the introduction of this law will have no material accounting effects on the consolidated financial statements of the PAN Group.
- i) Agreements for the Clearing and Settlement of Liabilities – CMN Resolution 3263/05 - Banco PAN entered into an agreement for the clearing and settlement of liabilities in the National Financial System (SFN) area, with corporate entities that are, or are not, SFN members. This resolution is designed to permit the netting of credits and debits with the same counterparty, whereby the maturity of the related rights and obligations may be accelerated to the date on which an event of default by either party occurs or in the case of the death of the debtor.
- j) Capital increase approval: at the meeting of PAN's Board of Directors held on June 13, 2014, approval was given for a capital increase in the total amount of up to R\$ 3,000,000,000.00 (three billion reais), designed to expand the organization's activities in line with the new business plan which is being implemented by the current Executive Board and to enhance its capital structure, to be completed under the following conditions:
- ✓ Capital increase in the Institution, within the limit of authorized capital.

Approval was given for a capital increase in the Institution, within the limit of authorized capital and without the need for approval by the Annual General Meeting of Stockholders, in the amount of up to R\$ 1,500,000,000.00 (one billion and five-hundred million reais), with the issue of up to 443,786,982 new nominative registered shares, with no par value, in the same proportion as current common and preferred shares, i.e. up to 242,566,348 common shares and up to 201,220,634 preferred shares, at the issue price of R\$ 3.38 (three reais and thirty-eight cents) per common (ON) or preferred (PN) share, for private subscription by the Institution's stockholders ("Increase in ON and PN shares").

The stockholders Caixapar - Caixa Participações S.A. ("Caixapar") and Banco BTG Pactual S.A. ("BTG Pactual"), the current joint stockholders of 100% of the Institution's voting capital and 71.09% of its total capital, will subscribe, by exercising their respective pre-emptive rights in the increase in ON and PN shares, common and preferred shares in the minimum amount of R\$ 1,066,335,301.46 (one billion, sixty-six million, three-hundred and thirty-five thousand, three-hundred and one reais and forty-six cents) which will correspond to the minimum amount of the increase in ON and PN shares.

The issue price stated above was established under the terms of Article 170, paragraph 1, item III of Law 6404/76 (the "Brazilian Corporation Law"), based on the closing price from the trading session held on June 11, 2014, and payment will be in cash. The total amount of the issue of up to R\$ 1.500.000.000,00 (one billion and five-hundred million

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

reais) will be allocated as follows: (i) 10% transferred to the Institution's capital; (ii) 90% transferred to the Institution's capital reserve.

- ✓ Increase in capital with the creation and issue of Redeemable Preferred Shares ("Increase in Redeemable Preferred Shares)

In addition to the above increase, approval was given by the Board Members to submit for the appreciation and authorization of the stockholders convened at the General Meeting of Stockholders, a further capital increase in the Institution, in the amount of up to R\$ 1,500,000,000.00 (one billion and five-hundred million reais), with the creation of a new class of redeemable preferred shares, enabling the issuance of a new class of redeemable preferred shares, with a five-year term, counted from the last day of the period established for subscribing the first issue of redeemable preferred shares. These shares will be entitled to annual and priority fixed cumulative dividends, calculated after preparation of the Institution's annual balance sheet, corresponding to 104% of the variation in the average daily Interbank Deposit rate, applied to the issue price of the redeemable preferred shares, as from the final day of the period for exercising the pre-emptive right of the stockholders to subscribe the redeemable preferred shares. The pre-emptive right to subscription of the new shares shall be proportional to the common and preferred shares of the Institution existing on the date of issue. The rights, advantages and restrictions of the new class of shares will be detailed in a draft amendment to the Institution's Bylaws, to be presented by the Board of Directors at the General Meeting of Stockholders which will decide as to the creation and issue of the redeemable preferred shares.

The controlling stockholders, Caixapar and BTG Pactual, shall guarantee the subscription of the redeemable preferred shares including those resulting from the apportionment of the unsubscribed shares.

In addition, the creation of the new class of redeemable preferred shares shall be ratified at a special meeting of the preferred shareholders.

The approval of the creation of the new class of redeemable preferred shares shall permit the Institution's preferred shareholders to exercise their right to withdraw as established in Article 136, item II of Brazilian Corporation Law. Should the right to withdraw be exercised by more than 0.5% of the Institution's preferred stockholders, the Board of Directors will convene a General Meeting to reconsider the approval of the creation of the redeemable preferred shares, to ensure that the Institution's capital structure is maintained.

- k) Subscription of the Capital Increase: on August 25, 2014, the Institution released a communication to its stockholders and the market informing that: (i) during the exercising of the pre-emptive right to the capital increase in ON and PN shares, 242,566,343 common shares and 93,992,943 preferred shares were subscribed at the issue price of R\$3.38 per common or preferred share, totalling R\$1,137,570,386.68 (one billion, one hundred and thirty-seven million, five-hundred and seventy thousand, three-hundred and eighty-six reais and sixty-eight cents) of which R\$19,852,642.94 (nineteen million, eight-hundred and fifty two thousand, six-hundred and forty-two reais and ninety-four cents) comprise conditional subscriptions; and (ii) the period for the apportionment of the unsubscribed shares will extend to August 8, 2014, since five common shares and 107,227,691 preferred shares were not subscribed during the period for exercising pre-emptive rights.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Executive Board Declaration

In compliance with the provisions established by Instruction 480/09, of the Brazilian Securities Commission, the Executive Board of Banco PAN S.A. declares that it has discussed, reviewed and agreed with the parent company and consolidated financial statements for the period ended June 30, 2014.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

Executive Board Declaration

In compliance with the provisions established by CVM Instruction 480/09, the Executive Board of Banco PAN S.A. declares that it has discussed, reviewed and agreed with the conclusion expressed in the independent auditor's report on review of the parent company and consolidated accounting information for the period ended June 30, 2014.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of reais, unless otherwise stated)

São Paulo, August 4, 2014

BOARD OF DIRECTORS

Chairman

Jorge Fontes Hereda

Vice – Chairman

André Santos Esteves

Board Members

José Luiz Acar Pedro

Antonio Carlos Porto Filho

Fábio de Barros Pinheiro

Fabio Lenza

Marcelo Terrazas

Marcos Antonio Macedo Cintra

Marcos Roberto Vasconcelos

Mateus Affonso Bandeira

Roberto Balls Sallouti

EXECUTIVE BOARD

Chief Executive Officer

José Luiz Acar Pedro

Officers

Alex Sander Moreira Gonçalves

Carlos Eduardo Pereira Guimarães

Eduardo Almeida Prado

Eduardo Nogueira Domeque

Jose Luiz Trevisan Ribeiro (1)

Leandro de Azambuja Micotti

Maurício Antônio Quarezemin

Paulo Alexandre da Graça Cunha

FISCAL COUNCIL

Marcelo Adilson Tavarone Torresi

Marluce dos Santos Borges

Paulo Roberto Salvador Costa

AUDIT COMMITTEE

Adilson Rodrigues Ferreira

Almir José Meireles

Marcelo Yugue

CONTADOR

Gregório Moreira Franco

CRC 1SP219426/O-2

(1) Pending ratification by the Brazilian Central Bank

(A free translation of the original in Portuguese)

**Banco Pan S.A.
and Subsidiaries
(formerly Banco
Panamericano S.A.)
Quarterly Information (ITR) at
June 30, 2014
and Report on Review of
Quarterly Information**

(A free translation of the original in Portuguese)

Report on Review of Quarterly Information

To the Board of Directors and Stockholders
Banco Pan S.A. (formerly Banco Panamericano S.A.)

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Banco Pan S.A. and Banco Pan S.A. and its subsidiaries, included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2014, comprising the balance sheet as at that date and the statements of income for the quarter and six-month periods then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of this interim accounting information in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information. Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information, included in the quarterly information referred to above, has not been prepared, in all material respects, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by BACEN and presented in compliance with the standards issued by the CVM, applicable to the preparation of the Quarterly Information.

Emphasis of matters

Deferred tax assets

As described in Note 34, at June 30, 2014, there are deferred tax assets totaling R\$ 2.9 billion in Banco Pan S.A. and its subsidiaries, which were recorded based on their projected long-term realization. The projected realization was reviewed by management based on a study of current and future scenarios prepared in June 2014 and was approved by the Board of Directors on June 30, 2014. The main assumptions used for this projection were based on macroeconomic indicators, production indicators, cost of funding, capital injections and the realization of assets. The realization of the deferred tax assets within the estimated period is contingent on the achievement of the projected figures and implementation of the business plan as approved by the management bodies. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2014. These statements are the responsibility of management and are required to be presented in accordance with standards issued by CVM applicable to the preparation of Quarterly Information. These statements have been subjected to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, August 04, 2014

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Edison Arisa Pereira
Contador CRC 1SP127241/O-0