

Financial Statements
Banco Paulista S.A.

June 30, 2015 and 2014
with Independent Auditor's Report
on Financial Statements

Banco Paulista S.A.

Financial statements

June 30, 2015 and 2014

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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil

Independent auditor's report on financial statements

The Board of Directors, Shareholders and Officers
Banco Paulista S.A.

We have audited the accompanying financial statements of Banco Paulista S.A. ("Bank"), which comprise the balance sheet as at June 30, 2015, and the related income statements, statement of changes in equity and of cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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



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

Opinion

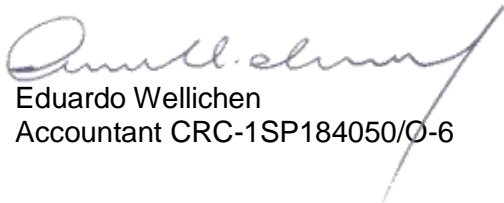
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Paulista S.A. at June 30, 2015, its operating performance and cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Emphasis of matter

Without modifying our opinion, we draw attention to the fact that at June 30, 2015, the Bank recorded income and social contribution tax credits amounting to R\$75,115 thousand, as disclosed in Note 11 to the financial statements. Realization of these credits is conditional on the generation of future taxable profit, in accordance with the budget plan prepared and approved by management.

São Paulo, August 25, 2015.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6



Eduardo Wellichen
Accountant CRC-1SP184050/O-6

A free translation from Portuguese into English of Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil

Banco Paulista S.A.

Balance sheets
June 30, 2015 and 2014
(In thousands of reais)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Assets			
Current assets		1,722,641	1,498,727
Cash and due from banks		382,279	262,488
Local currency	4	33,007	51,252
Foreign currency	4	349,272	211,236
Interbank investments		645,349	383,878
Open market investments	5	631,701	340,731
Interbank deposits	5	13,648	43,147
Marketable securities and derivative financial instruments		98,531	222,357
Own portfolio	6	83,504	143,929
Linked to repurchase agreements:	6	11,898	38,755
Linked to guarantees given	6	-	39,670
Derivative financial instruments	7	3,129	3
Interbank accounts		21,011	22,439
Unsettled payables and receivables		884	636
Restricted loans		20,127	21,803
Loans		219,748	229,403
Loans - private sector	9	227,257	242,136
(-) Allowance for loan losses	9	(7,509)	(12,733)
Other receivables		354,663	376,759
Foreign exchange portfolio	10	259,167	321,550
Securities trading and brokerage		32,451	23,849
Sundry	11	63,630	31,943
(-) Allowance for other losses receivables		(585)	(583)
Other receivables and assets		1,060	1,403
Prepaid expenses	12	289	99
Other receivables and assets	12	771	1,304
Noncurrent assets		309,509	193,161
Marketable securities and derivative financial instruments		190,365	85,690
Own portfolio	6	61,261	15,911
Linked to repurchase agreements:	6	23,437	38,022
Linked to guarantees given	6	105,667	31,757
Loans		32,197	14,081
Loans - private sector	9	33,297	14,863
(-) Allowance for loan losses	9	(1,100)	(782)
Other receivables		86,947	93,390
Sundry	11	86,947	93,390

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Permanent assets		<u>101,796</u>	91,533
Investments		<u>93,610</u>	87,479
Investments in local affiliates and subsidiaries	13	<u>92,206</u>	86,287
Other investments		<u>1,656</u>	1,444
(-) Valuation Allowance		<u>(252)</u>	(252)
Property and equipment in use		<u>3,118</u>	2,942
Land and Buildings in use		<u>957</u>	957
Other property and equipment in use		<u>6,729</u>	5,966
(-) Accumulated depreciation		<u>(4,568)</u>	(3,981)
Intangible assets		<u>5,068</u>	1,112
Intangible assets		<u>6,311</u>	1,957
(-) Accumulated amortization		<u>(1,243)</u>	(845)
Total assets		<u><u>2,133,946</u></u>	<u><u>1,783,421</u></u>

	Note	2015	2014
Liabilities and equity			
Current liabilities		1,489,724	1,312,777
Deposits		427,810	402,085
Demand deposits	14	93,604	89,624
Interbank deposits	14	99,454	74,637
Time deposits	14	234,752	237,824
Open market funding		512,380	388,628
Own portfolio	15	35,097	76,374
Third-party portfolio	15	477,283	312,254
Funds from acceptance and issue of securities		44,931	42,511
Real estate and mortgage notes	16	44,931	42,511
Interdepartmental and interbank accounts		96,327	34,346
Unsettled payables and receivables		404	609
Correspondents banks		749	780
Third-party funds in transit		95,174	32,957
Borrowings and onlending		52,992	54,377
Foreign currency borrowings	16	25,042	19,710
Local onlending - official institutions	16	27,950	34,667
Other liabilities		355,284	390,830
Collection of taxes and other contributions		663	587
Foreign exchange portfolio	10	272,349	341,112
Social security taxes	17	10,578	7,317
Securities trading and brokerage		17,852	19,530
Subordinated debt	17	35,374	-
Derivative financial instruments	7	-	1,448
Sundry	17	18,468	20,836
Noncurrent liabilities		473,205	307,067
Deposits		401,301	209,825
Interbank deposits	14	266	-
Time deposits	14	401,035	209,825
Funds from acceptance and issue of securities		-	105
Real estate and mortgage notes	16	-	105
Other liabilities		71,904	97,137
Taxes and social security	17	40,054	37,519
Subordinated debt	17	27,387	55,099
Sundry	17	4,463	4,519
Equity	18	171,017	163,577
Capital - Brazilian residents		127,000	127,000
Capital reserve		-	97
Income reserves		49,778	40,555
Adjustment to Market value - marketable securities and derivatives		(5,761)	(4,075)
Total liabilities and equity		<u>2,133,946</u>	<u>1,783,421</u>

See accompanying notes.

Banco Paulista S.A.

Income statements

Six-month periods ended June 30, 2015 and 2014

(In thousands of reais, except for earnings thousand per shares)

	Note	2015	2014
Interest from financial intermediation		145,450	123,728
Loans		25,394	24,264
Income from marketable securities		57,327	36,230
Income from/(loss) on derivative financial instruments		(16,480)	13,799
Income from foreign exchange transactions		79,209	49,435
Expenses from financial intermediation		(88,194)	(55,693)
Open market funding	19	(76,477)	(49,612)
Borrowings and onlending		(11,779)	(2,788)
Allowance for loan losses		62	(3,293)
Gross income from financial intermediation		57,256	68,035
Other operating income (expenses)		(38,247)	(39,450)
Service income	20	29,685	23,625
Personnel expenses		(25,949)	(24,471)
Other administrative expenses	21	(29,368)	(27,626)
Tax expenses		(6,158)	(7,588)
Equity pickup in affiliates and subsidiaries	13	(3,996)	2,960
Other operating income	22	7,599	3,735
Other operating expenses	23	(10,060)	(10,085)
Operating income		19,009	28,585
Nonoperating		38	48
Income before income taxes and profit sharing		19,047	28,633
Income and social contribution taxes	24	(9,550)	(9,830)
Provision for income tax		(5,339)	(3,325)
Provision for social contribution tax		(3,290)	(2,052)
Deferred tax asset		(921)	(4,453)
Profit sharing		(1,400)	(940)
Net income for the six-month period		8,097	17,863
Earnings per thousand shares - R\$		37.02	81.66

See accompanying notes.

Banco Paulista S.A.

Statements of changes in equity
Six-month periods ended June 30, 2015 and 2014
(In thousands of reais)

	Capital	Capital reserve	Income reserve		Market value adjustment	Retained earnings (accumulated losses)	Total
			Legal reserve	Statutory reserve			
Balances at December 31, 2013	127,000	97	1,860	20,832	(2,836)	-	146,953
Net income for the six-month period						17,863	17,863
Set up off legal reserve			893			(893)	-
Set up off statutory reserve				16,970		(16,970)	-
Market value adjustment					(1,239)		(1,239)
Balances at June 30, 2014	127,000	97	2,753	37,802	(4,075)	-	163,577
Changes in the six-month period	-	-	893	16,970	1,239	-	16,624
Balances at December 31, 2014	127,000	97	3,584	38,000	(4,889)	-	163,792
Net income for the six-month period						8,097	8,097
Capital reserve realized		(97)	-	97		-	-
Set up off legal reserve			405			(405)	-
Set up off statutory reserve				7,692		(7,692)	-
Market value adjustment					(872)	-	(872)
Balances at June 30, 2015	127,000	-	3,989	45,789	(5,761)	-	171,017
Changes in the six-month period	-	(97)	405	7,789	(872)	-	7,225

See accompanying notes.

Banco Paulista S.A.

Cash flow statements

Six-month periods ended June 30, 2015 and 2014

(In thousands of reais)

	2015	2014
Net income for the six-month period	12,601	22,744
Net income for the six-month period	8,097	17,863
Adjustments to reconcile net income to net cash	4,504	4,881
Allowance for loan losses	(62)	3,293
Provisions for deferred income and social contribution taxes	921	4,453
Depreciation and amortization	605	546
Equity pickup in subsidiaries	3,996	(2,960)
Reversal of provisions for contingencies	70	(78)
Provisions for civil, tax and labor contingencies	487	487
Monetary restatement of judicial deposits	(306)	(396)
Provision for guarantees	(62)	674
Other monetary restatements	(273)	-
MTM adjustment	(872)	(1,138)
Changes in assets and liabilities		
Decrease (increase) in interbank investments	22,097	(14,481)
Decrease (increase) in marketable securities	26,446	(51,923)
(Increase) decrease in derivative financial instruments	(1,707)	3,352
Decrease in interbank accounts	66,364	8,024
(Increase) in loans	(21,528)	(22,314)
(Increase) in other receivables	(89,431)	(173,411)
(Increase)/decrease in other receivables and assets	(104)	85
Increase in other liabilities	60,559	183,190
Increase in deposits	106,950	55,889
Increase in liabilities from repurchase agreements	149,912	148,947
Net cash provided by operating activities	332,159	160,102
Cash flow from investing activities		
Acquisition of property and equipment in use	(280)	(313)
Investments in intangible assets	(75)	(191)
Disposals of property and equipment in use	33	39
Additions to investments	(78)	(9)
Net cash provided by (used in) investing activities	(400)	(474)
Cash flow from financing activities		
(Decrease) in funds from acceptance and issue of securities	(9,667)	(2,094)
Increase in borrowings and onlending	16,134	1,479
Net cash provided by (used in) financing activities	6,467	(615)
Increase in cash and cash equivalents	338,226	159,013
Cash and cash equivalents		
Cash and cash equivalents at beginning of six-month period	687,894	454,315
Cash and cash equivalents at end of six-month period	1,026,120	613,328
	338,226	159,013

See accompanying notes.

Banco Paulista S.A.

Notes to financial statements
June 30, 2015 and 2014
(In thousands of reais)

1. Operations

Banco Paulista S.A. (Bank) is a privately-held company established as a commercial Bank, primarily engaged in providing loans to medium-sized to large legal entities, in foreign exchange operations (basically in regard to foreign trade and financing operations) and providing custody, fund management, and sale and distribution transaction structuring services.

On January 21, 2015, the Central Bank of Brazil (BACEN) approved the Minutes of the Special General Meeting which changed the business purpose of Banco Paulista to multiple Bank, with commercial and investment portfolios.

Bank operations are conducted through an integrated group of institutions participating in the financial market. Certain operations have joint participation or intermediation from subsidiary SOCOPA - Sociedade Corretora Paulista S.A. and other companies owned by the controlling shareholders.

2. Presentation of financial statements

The financial statements were prepared in accordance with accounting practices adopted in Brazil, pursuant to the accounting guidelines stemming from the Brazilian Corporation Law No. 6404/76, and the changes introduced by Laws No. 11638/07 and 11491/09, and the Central Bank of Brazil rules, and are presented pursuant to the Accounting Chart for Institutions of the National Financial System (COSIF).

Accounting estimates are prepared considering factors and assumptions based on management judgment. Significant items subject to these estimates and assumptions include, among others, provisions for adjustment of assets to probable realizable or recoverable amounts, allowance for losses, provisions for contingencies, marked-to-market of financial instruments and deferred taxes. Settlement of transactions involving these estimates may result in amounts different from those estimated due to inaccuracies inherent to the estimation process. Management reviews these estimates and assumptions at least on a bi-annual basis.

3. Summary of significant accounting practices

a) Determination of profit or loss (P&L)

Revenues and expenses are recorded on an accrual basis, observing the *pro rata* day criterion for financial operations.

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

Financial income and expenses are calculated on a compound basis, except for those related to discounted notes or to foreign transactions, which are calculated by the straight-line method. Fixed-rate transactions are recorded at their redemption value and income and expenses corresponding to future periods are recorded as a reduction of respective assets and liabilities. Transactions carried out at floating rates are restated to balance sheet date based on agreed-upon indexes.

b) Cash and cash equivalents

In accordance with Brazilian Monetary Council (CMN) Resolution No. 3604/08, cash and cash equivalents includes cash on hand, bank deposits and highly liquid short-term investments posing low risk of change in value or limits, maturing within 90 days from the investment date.

c) Interbank investments

Fixed rate investments are stated at redemption value, less unearned income, whereas those at variable rates are recorded at cost plus income earned through the balance sheet date, less valuation allowance, when applicable. Repurchase agreements are classified according to their maturity term, regardless of the maturity of the underlying securities backing such operations.

d) Marketable securities and derivative financial instruments

According to BACEN Circular No. 3068/01, the portfolio marketable securities are classified into the following three categories in accordance with management's intention:

- Trading;
- Available for sale; and
- Held to maturity.

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

d) Marketable securities and derivative financial instruments (Continued)

Marketable securities classified as held for trading are presented in current assets, irrespective of their maturities, and consist of securities acquired for active and frequent trading. These are carried at market value and appreciation or depreciation is posted to P&L.

Marketable securities are classified as available for sale when not acquired for frequent trading and are used for other purposes such as providing liquidity reserve, guarantees and hedging against risks. Gains earned based on acquisition rates as well as any permanent losses thereon are recorded in the income statement. These securities are carried at market value with gains or loss from appreciation or depreciation recorded against a specific account in equity (net of tax effects) and posted to the income statement upon realization thereof.

Marketable securities classified as held to maturity are those relating to which management has a positive intention and the financial capacity to hold until maturity. They are carried at acquisition cost plus gains earned. Any permanent losses are immediately recorded in the income statement.

Derivative financial instruments which include future, forward and swap transactions are recorded according to the following criteria:

- *Future transactions* - the market value adjustments are daily recorded under asset or liability accounts and appropriated as income or expenses;
- *Forward transactions* - these are recorded at final contract value, less the difference between this amount and market value of the asset or right. Income and expenses are recorded over the terms of the contracts through balance sheet date;
- *Swap transactions* - differential receivable or payable is recorded as assets or liabilities at market value, respectively, and appropriated as income or expenses on a *pro rata* basis through balance sheet date.

Transactions involving derivative financial instruments not qualified for hedge accounting are marked to market at balance sheet date and appreciation or depreciation is recorded as income or expense in the income statement for the period.

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

e) Loans and allowance for loan losses

Loans are classified according to management's judgment as to their underlying risk level taking into consideration the economic situation, past experience and specific risks related to the operation, debtors and guarantors, in accordance with the parameters established by BACEN Resolution No. 2682, which requires regular analyses of the portfolio and its grading into nine rating levels, from "AA" (minimum risk) to "H" (loss).

Receivables from operations overdue for more than 60 days, regardless of the underlying risk level, are only recognized as income upon effective receipt.

Loans classified as "H" remain rated as such for 180 days, when they are charged against the existing allowance and controlled in memorandum accounts for five years, no longer appearing in the balance sheet.

Renegotiated transactions are kept at least at the same level they had been rated. Loan renegotiation that had already been charged off against the respective allowance, and controlled in memorandum accounts, are rated as "H" and any gains therefrom will only be recognized as income when effectively received.

The Bank opted for the 'double count of terms' prescribed in BACEN Resolution No. 2682/99 to determine the risk level for above-36-month-term operations. The allowance for loan losses, considered sufficient by management, meets the requirements set forth in Resolution No. 2682 (Note 9).

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

f) Impairment of non-financial assets

The book value of an asset must evidence events or changes in economic, operating or technological circumstances that could indicate its deterioration or impairment. When such evidence is identified and the net book value exceeds the recoverable amount, a provision is set up in order to adjust the net book value. These provisions are recognized in the income statement for the period/year, in accordance with BACEN Resolution No. 3566/08.

Nonfinancial assets are reviewed on an annual basis, except for tax credits, whose realization is measured semiannually.

g) Investments

Investments in subsidiaries are measured by the equity method.

Other investments are stated at cost, net of valuation allowance, when applicable.

h) Property and equipment, deferred charges and intangible assets

These refer to rights to both tangible and intangible assets intended or exercised for maintaining Bank activities.

Property and equipment items (tangible assets) are stated at acquisition cost. Depreciation is calculated by the straight-line method at the rates of 20% p.a. for vehicles and EDP systems and 10% p.a. for other items.

Intangible assets comprise acquired rights to assets of this nature intended or exercised for maintaining Bank activities. They are stated at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets having a finite useful life are amortized based on their effective use or by a method which reflects their economic benefits, whereas those with an indefinite useful life are annually tested for impairment.

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

i) Deposits, open market funding, funds from acceptance and issue of securities, and borrowings and onlending

These are stated at the amounts payable, considering interest payable through balance sheet date, recognized on a daily pro rata basis. Foreign currency liabilities are restated at the official exchange rates prevailing on balance sheet dates. Funds obtained in the open market are classified under current liabilities according to their maturity term, irrespective of the maturity of the underlying backing papers.

j) Income and social contribution taxes

When provisions for Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) are applicable, they are calculated based on book income or loss and adjusted considering permanent and temporary additions and exclusions. Income tax is determined at the rate of 15%, plus a surtax of 10% on taxable profit exceeding R\$ 240 in the year (R\$ 120 in the six-month period) and social contribution tax at the rate of 15%.

Income and social contribution tax assets were calculated on temporary additions and exclusions. Tax credits on temporary additions will be realized upon use and/or reversal of respective provisions for which they were set up, and are based on current expected realization and take into account technical studies and management analysis.

k) Foreign exchange transactions

These are stated at realizable value, including gains (on a *pro rata* day basis), foreign exchange variations and allowance for losses (where applicable) as established by Resolution No. 2682/99.

l) Contingent assets and liabilities, and legal, tax, and social security obligations

Recognition, measurement and disclosure of contingent assets and liabilities and legal obligations follow the criteria described in BACEN Resolution No. 3823/09 and Technical Pronouncement CPC 25, issued by the Brazilian FASB (CPC):

Contingent assets - are not recognized in financial statements. Attendant rights are only recorded where there is evidence that provides assurance as to their realization, upon which no further objections are applicable.

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

l) Contingent assets and liabilities, and legal, tax, and social security obligations (Continued)

Contingent liabilities - are recognized in the financial statements when, in the opinion of legal counsel and management, the likelihood of loss on legal or administrative proceedings is deemed probable, implying a probable outflow of funds for the settlement of obligations, and when the amounts involved can be reliably measured. Contingent liabilities classified as possible by legal advisors are only disclosed in notes to financial statements, whereas those rated as remote loss require neither provision nor disclosure.

Legal, tax and social security obligations - these refer to legal proceedings in which the lawfulness and constitutionality of certain taxes and contributions have been challenged. The amount under dispute is quantified, recorded and restated on a monthly basis.

m) Prepaid expenses

These refer mostly to prepaid amounts related to expenses with commissions paid on loans and financing taken out, which have been allocated to P&L under "Other operating expenses", over the same term of contracts originating them, or in full, when these credit facilities are granted.

4. Cash and cash equivalents

At June 30, 2015 and 2014, cash and cash equivalents were as follows:

	<u>2015</u>	<u>2014</u>
Cash and due from banks - local currency	33,007	51,252
Cash and due from banks - foreign currency	349,272	211,236
Open market investments	631,701	340,731
Interbank deposits	12,140	10,109
Cash and cash equivalents	<u>1,026,120</u>	<u>613,328</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

5. Interbank investments

a) Repurchase agreements

	2015		2014
	1 to 30 days	Total	Total
Open market investments			
Self-funded position:	154,418	154,418	28,477
Financial Treasury Bills (LFT)	139,423	139,423	4,611
National Treasury Bills (LTN)	4,999	4,999	22,745
National Treasury Notes (NTN)	9,996	9,996	1,121
Financed position:	477,283	477,283	312,254
Financial Treasury Bills (LFT)	112,280	112,280	-
National Treasury Bills (LTN)	-	-	312,254
National Treasury Notes (NTN)	365,003	365,003	-
Total	631,701	631,701	340,731

In the six-month period ended June 30, 2015, income from repurchase agreements amounted to R\$31,057 (R\$14,456 in 2014).

b) Investments in interbank deposits

	2015	2014
Maturity within 90 days	12,140	10,109
Maturity from 90 to 360 days	1,508	33,038
Total	13,648	43,147

In the six-month period ended June 30, 2015, income from interbank investments amounted to R\$669 (R\$806 in 2014).

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

6. Marketable Securities

a) Marketable securities - Breakdown by type

	2015		2014	
	Cost (i)	Market (ii)	Cost (i)	Market (ii)
Securities held for trading				
Own portfolio - free	80,959	80,945	83,341	83,130
Financial Treasury Bills (LFT)	53,229	53,228	75,537	75,533
National Treasury Bills (LTN)	20,642	20,642	219	219
National Treasury Notes (NTN)	693	680	-	-
Agrarian Debt Bonds (TDA)	4	4	104	178
Shares issued by publicly-held companies	4,121	4,121	4,329	4,075
Investment fund shares	2,270	2,270	791	791
ADRs	-	-	2,361	2,334
Linked to repurchase agreements:	11,898	11,898	-	-
Financial Treasury Bills (LFT)	11,898	11,898	-	-
Linked to guarantees given	-	-	2,260	2,260
Financial Treasury Bills (LFT)	-	-	2,260	2,260
Total trading securities	92,857	92,843	85,601	85,390
Securities available for sale				
Own portfolio - free	64,443	63,820	76,511	76,710
Financial Treasury Bills (LFT)	33,706	33,712	-	-
National Treasury Bills (LTN)	2,871	2,869	-	-
National Treasury Notes (NTN)	20,257	19,990	76,511	76,710
Agrarian Debt Bonds (TDA)	549	620	-	-
Debentures	7,060	6,629	-	-
Linked to repurchase agreements:	23,584	23,437	76,168	76,777
National Treasury Notes (NTN)	23,584	23,437	76,168	76,777
Linked to guarantees given	106,843	105,667	68,340	69,167
Financial Treasury Bills (LFT)	6,446	6,447	-	-
National Treasury Notes (NTN)	100,397	99,220	68,340	69,167
Total securities available for sale	194,870	192,924	221,019	222,654
Total	287,727	285,767	306,620	308,044

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
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6. Marketable securities (Continued)

a) Marketable securities - Breakdown by type (Continued)

i) Cost value

In the case of fixed-rate securities, this refers to the acquisition cost, plus gains earned through balance sheet date; for shares, this is based on acquisition cost.

ii) Market value

The market value of government bonds is determined as per information disclosed on a daily basis by the Brazilian Association of Financial and Capital Markets Entities (ANBIMA). Shares are stated at the last-day-traded close price on the stock exchange. Corporate bonds are stated at cost, plus accrued daily earnings as adjusted at market value.

iii) Reclassification of marketable securities

On July 1, 2014, Banco Paulista reclassified its Agrarian Debt Bonds (TDA) from the "Held for trading" to the "Available for sale" category, as permitted by BACEN rules. As from that date, market value adjustments have been directly allocated to equity. A total 86 (eighty-six thousand) bonds were reclassified, amounting to R\$5,336.

b) Marketable securities - Breakdown by maturity

	2015					2014	
	No maturity	Within 3 months	From 3 to 12 months	From 1 to 3 years	Above 3 years	Total	Total
Financial Treasury Bills (LFT)	-	65,403	-	650	39,232	105,285	77,793
National Treasury Bills (LTN)	-	9,995	13,516	-	-	23,511	219
National Treasury Notes (NTN)	-	-	-	792	142,535	143,327	222,654
Agrarian Debt Bonds (TDA)	-	-	-	1	623	624	178
Shares issued by publicly-held companies	4,121	-	-	-	-	4,121	4,075
ADRs	-	-	-	-	-	-	2,334
Investment fund shares	-	-	-	-	2,270	2,270	791
Debentures	-	-	-	-	6,629	6,629	-
Total	4,121	75,398	13,516	1,443	191,290	285,767	308,044

Banco Paulista S.A.

Notes to financial statements (Continued)
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6. Marketable securities (Continued)

In the six-month period ended June 30, 2015, income from marketable securities amounted to R\$25,601 (R\$20,968 in 2014).

7. Derivative financial instruments

The Bank performs operations involving derivative financial instruments, which are recorded in balance sheet and memorandum accounts to meet its own needs and manage its overall risk exposure.

The trading of derivative financial instruments with counterparties is preceded by an assessment of underlying credit risks.

At June 30, 2015 and 2014, the amounts recorded in balance sheet accounts referring to derivative financial instruments, including market value adjustments are as follows:

	2015				2014			
	Notional value	Assets	Liabilities	Net	Notional value	Assets	Liabilities	Net
Swap Forward (NDF)	144,908	3,129	-	3,129	86,463	3	(1,448)	(1,445)
Total	144,908	3,129	-	3,129	86,463	3	(1,448)	(1,445)

a) Breakdown of transactions

Description	Notional value	Net value receivable/(payable)
USD vs. EUR	48,122	199
USD vs. CAD	1,340	34
USD vs. AUD	542	10
USD vs. GBP	5,075	13
USD vs. JPY	776	10
USD vs. CHF	1,061	2
USD vs. NOK	11	1
USD vs. NZD	204	17
USD vs. XAU	2,600	34
BRL vs. USD	22,077	2,809
In USD	63,100	-
Total	144,908	3,129

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

7. Derivative financial instruments (Continued)

b) Derivative financial instruments mature as follows:

Description	2015			Total	2014
	Within 3 months	From 3 to 12 months	Over 12 months		Total
Swaps Forward (NDF)	3,129	-	-	3,129	(1,445)

In addition, the Bank carries out transactions involving derivative financial instruments in the futures market - Stock Exchange, Commodities and Future (BM&FBOVESPA), which are exclusively tied to future foreign currency indexes for which notional value at June 30, 2015 totals de R\$ 264,216 (R\$ 89,631 in 2014), and an adjustment receivable of R\$ 1,938 (payable of R\$ 329 in 2014) was computed.

The market value of these derivative financial instruments is calculated based on specialized stock exchange quotes and, in certain cases, pricing techniques are used.

The following assumptions were adopted for determining market prices:

- Futures: NDFs and options: market quotes provided by the Stock Exchanges;
- Swaps: the cash flow of each counterparty was discounted to present value, according to the respective interest curves obtained from BM&FBOVESPA interest rates.

All derivatives operations carried out by the Bank are recorded at BM&FBOVESPA or Brazil's OTC Clearing House (CETIP). DI and foreign-currency-denominated futures contracts are mostly used as instruments to limit fundraising rates due to mismatches between terms, currencies, and/or indexes in fundraising operations.

c) Guarantee margin

The following assets are pledged as guarantee margin for transactions involving derivative financial instruments to be carried out:

	2015	2014
Financial Treasury Bills (LFT)	6,447	2,260
National Treasury Notes (NTN)	99,220	69,167
	<u>105,667</u>	<u>71,427</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
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7. Derivative financial instruments (Continued)

d) Income from (loss on) derivative financial instruments

Income from (loss on) derivative operations for the six-month period ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Futures	<u>(27,018)</u>	11,685
Swap	-	1,511
Forward transactions - NDF	4,431	603
Forward transactions - Gold	<u>6,107</u>	-
	<u><u>(16,480)</u></u>	<u><u>13,799</u></u>

8. Risk management

The Bank's risk management process is critical for the decision-making process and for the periodic follow-up of the transactions carried out in the various markets and segments in which it operates.

The Bank uses three components for organizing the activities relating to risk management: operating and business context, governance structure and flowchart of the areas:

- Operating and business context, in order to identify, analyze, assess, treat, communicate and monitor risks;
- Governance structure comprising committees and collegiate forums, which are specialized and have periodically-scheduled meetings followed by formalization of significant decisions;
- Organizational structure based on functional roles, assuring independence and segregation of duties.

The Executive Board, comprised of statutory officers, who share the responsibility for making decisions that will have a business impact. In these forums, decisions are made based on majority of votes.

The Bank manages risks, minimum capital requirements and financial capacity in an integrated manner. Risks are broken down based on their nature: liquidity, credit, market, operational and capital management.

Banco Paulista S.A.

Notes to financial statements (Continued)
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8. Risk management (Continued)

a) Liquidity risk

This risk derives from volume and term mismatches between rights and obligations, which prevent financial obligations from being honored and settled. In order to mitigate liquidity risk, the Bank periodically assesses its exposures and defines a security cushion, or minimum liquidity, which must be set and maintained by the Bank.

Liquidity risk is managed for funding purposes and for managing investments and funding over short- and long-term horizons. In the short-term, the diversification of fund sources is prioritized whereas in the long-term, the temporary matching between funding and investments is prioritized. The practices adopted comply with the criteria set forth by CMN Resolution No. 4090/12.

b) Credit risk

Credit risk derives from the non-receipt of a financial reward and from disbursements made for the purpose of settling financial obligations. In order to mitigate this risk, the Bank periodically assesses its exposure, as well as the credit rating of customers and counterparties, thus setting limits and guarantees to cover any losses.

The purpose of credit risk management is to previously measure risk level and to monitor the diversification and guarantees set up, enabling the mitigation of financial losses incurred by the Bank. The practices adopted comply with the criteria set forth by CMN Resolution No. 3721/09.

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

8. Risk management (Continued)

c) Market risk

Market risk occurs when the value of the positions held change due to market price fluctuation. To mitigate this risk, the Bank periodically assesses the trend and behavior of financial indicators and market prices and its exposure to them, also checking the need to sell or trade new operations.

The purpose of market risk management is to maximize the ratio between financial return and risks arising from changes in the market value of exposures, in a manner compatible with the strategy and term of these exposures, whether banking or trading. The practices adopted comply with the criteria set forth by CMN Resolution No. 3464/07.

d) Operational risk

Operational risk arises from internal and external frauds, labor claims, inadequate processes and practices adopted for customers or in relation to products and services, undue interruption of Bank activities, system and process failures and noncompliance with contractual or regulatory terms. In order to mitigate this risk, the Bank periodically compiles and categorizes these events and monitors the efficiency of the improvement plans adopted.

The purpose of operational risk management is to gather information on weaknesses in the operating processes, in order to evaluate and adopt the adequate improvement plans. The practices adopted comply with the criteria set forth by CMN Resolution No. 3380/06.

e) Capital management

Capital management includes the prospective process to monitor and control Bank capital, including the planning and projection of capital requirement goals, consistently with the budget plan and trade and business strategies, for coverage of the risks thereof.

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
(In thousands of reais)

8. Risk management (Continued)

Capital is to be understood as the set of the entity's or third-party's long-term funds, subdivided into Tier I (Principal capital and supplementary capital) and Tier II (Hybrid instruments) specifically authorized by BACEN for this purpose, and which enable the absorption of risks, analysis and compliance with the required leverage indices and limits. The practices adopted comply with CMN Resolutions No. 4192/13, No. 4193/13 and No. 3988/11.

9. Loans

At June 30, 2015 and 2014, breakdown of loans is as follows:

a) By type

	<u>2015</u>	<u>2014</u>
Loans		
Loans and discounted notes	232,649	239,906
Financing	6	654
Financing - Export credit notes	27,899	16,439
	<u>260,554</u>	<u>256,999</u>
Other receivables:		
Advances on exchange contracts (Note 10)	1,690	2,484
Credit assignment without joint obligation	20,976	4,876
	<u>22,666</u>	<u>7,360</u>
Total loans	<u>283,220</u>	<u>264,359</u>
Allowance for loan losses	(8,609)	(13,515)
Allowance for losses on other receivables	(585)	(583)
Total allowance for loan losses	<u>(9,194)</u>	<u>(14,098)</u>
	<u>274,026</u>	<u>250,261</u>

b) Breakdown by sector

	<u>2015</u>	<u>2014</u>
Private sector		
Manufacturing	95,259	100,207
Trade	50,256	75,628
Services	113,509	75,645
Individuals	24,196	12,879
Total	<u>283,220</u>	<u>264,359</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
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9. Loans (Continued)

c) Loans by maturity

	<u>2015</u>	<u>2014</u>
Amounts overdue	1,329	6,338
Amounts falling due		
Up to 90 days	150,245	118,190
From 91 to 180 days	50,561	72,620
From 181 to 360 days	52,074	52,348
Over 360 days	29,011	14,863
Total	<u>283,220</u>	<u>264,359</u>

d) Portfolio broken down by risk level

Level	Portfolio balances					
	2015				2014	
	Ordinary course	Overdue	Total	%	Total	%
A	10,150	-	10,150	3.58	308	0.12
B	140,472	-	140,472	49.60	94,366	35.70
C	112,166	2	112,168	39.60	154,190	58.33
D	9,746	-	9,746	3.44	876	0.33
E	8,491	1,715	10,206	3.60	7,094	2.68
F	-	4	4	0.01	2,134	0.81
G	353	113	466	0.16	490	0.19
H	2	7	9	0.01	4,901	1.85
	<u>281,379</u>	<u>1,841</u>	<u>283,220</u>	<u>100.00</u>	<u>264,359</u>	<u>100.00</u>

Nível	Allowance						
	2015					2014	
	Allowance %	Ordinary course	Overdue	Total	%	Total	%
A	0.5	51	-	51	0.55	2	0.01
B	1.0	1,405	-	1,405	15.28	943	6.69
C	3.0	3,365	-	3,365	36.60	4,626	32.81
D	10.0	975	-	975	10.60	88	0.62
E	30.0	2,547	514	3,062	33.30	2,129	15.10
F	50.0	-	2	2	0.02	1,067	7.57
G	70.0	247	79	326	3.55	342	2.43
H	100.0	2	7	9	0.10	4,901	34.76
		<u>8,591</u>	<u>602</u>	<u>9,194</u>	<u>100.00</u>	<u>14,098</u>	<u>100.00</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
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9. Loans (Continued)

e) Changes in the allowance for loan losses

	<u>2015</u>	<u>2014</u>
Balance at beginning of six-month period	19,800	12,387
As set up, net of reversals	(62)	3,293
Loans written-off against losses	(10,544)	(1,582)
Balance at end of six-month period	<u>9,194</u>	<u>14,098</u>

f) Renegotiated and recovered loans

Renegotiated loans in the six-month period ended June 30, 2015 total R\$10,512 (R\$8,423 in 2014).

Recovered loans in the six-month period ended June 30, 2015 total R\$1,299 (R\$2,844 in 2014).

g) Credit assignments

In the six-month period ended June 30, 2015 and 2014, the Bank did not engage in assignment of loans with or without joint obligation.

h) Income from loans

	<u>2015</u>	<u>2014</u>
Loans and discounted notes	21,914	20,099
Financing activities	2,120	1,184
Recovery of credits written off as losses	1,299	2,844
Advances to deposit holders	61	137
Total income from loan operations	<u>25,394</u>	<u>24,264</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
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10. Foreign exchange portfolio

	<u>2015</u>	<u>2014</u>
Assets		
Current		
Foreign exchange purchase pending settlement	148,354	140,158
Foreign exchange sales rights	127,527	206,669
Advances received in local and foreign currency	(17,029)	(25,582)
Income receivable from advances (Note 9a)	315	305
	<u>259,167</u>	<u>321,550</u>
Liabilities		
Current		
Foreign exchange sale pending settlement	127,562	203,115
Foreign exchange purchase payable	146,162	140,176
Advances on exchange contracts (Note 9a)	(1,375)	(2,179)
	<u>272,349</u>	<u>341,112</u>

11. Other receivables - sundry

	<u>2015</u>	<u>2014</u>
Current		
Taxes to offset	10,030	12,678
Tax credits (Note 24b)	6,766	-
Sundry debtors - domestic	24,320	13,122
Securities and receivables (i)	21,678	5,478
Other	836	665
	<u>63,630</u>	<u>31,943</u>
Long-term receivables		
Tax credits (Note 24b)	68,349	76,702
Escrow deposits (Note 27b)	12,274	10,675
Securities and receivables (i)	6,324	6,013
	<u>86,947</u>	<u>93,390</u>

(i) This includes the amount of R\$20,976 related to credit rights without joint obligation (Note 9a).

12. Other receivables and assets

	<u>2015</u>	<u>2014</u>
Current		
Assets not in use – vehicles/furniture/machinery	771	1,304
Prepaid expenses	289	99
	<u>1,060</u>	<u>1,403</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
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13. Investments in subsidiaries and affiliates

This refers substantially to interest held in subsidiary SOCOPA - Sociedade Corretora Paulista S.A.

Detailed information on this subsidiary is as follows:

	<u>2015</u>	<u>2014</u>
Number of shares held	3,200	3,200
Capital	66,000	66,000
Equity	95,264	83,030
Net income/(loss) for the six-month period	(4,139)	2,610
Interest percentage	100%	100%
Investment balance	91,136	85,640
Equity pickup	(4,139)	2,610

14. Deposits

	<u>2015</u>				<u>2014</u>	
	No maturity	1 to 90 days	91 to 360 days	Over 360 days	Total	Total
Demand	93,604	-	-	-	93,604	89,624
Interbank	-	99,454	-	266	99,720	74,637
Time	-	91,056	143,696	401,035	635,787	447,649
	<u>93,604</u>	<u>190,510</u>	<u>143,696</u>	<u>401,301</u>	<u>829,111</u>	<u>611,910</u>

15. Open market funding

	<u>2015</u>	<u>2014</u>
Own portfolio		
Financial Treasury Bills (LFT)	11,895	-
National Treasury Notes (NTN)	23,202	76,374
	<u>35,097</u>	<u>76,374</u>
Third-party portfolio		
Financial Treasury Bills (LFT)	112,280	312,254
National Treasury Notes (NTN)	365,003	-
	<u>477,283</u>	<u>312,254</u>
Total	<u>512,380</u>	<u>388,628</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
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16. Borrowings and onlending, funds from acceptance and issue of securities

	2015				2014
	No maturity	1 to 90 days	From 91 to 180 days	From 181 to 360	Total
Borrowings					
Foreign borrowings (i)	-	18,121	3,602	3,319	25,042
Onlending					
Local onlending - official institutions (ii)	27,950	-	-	-	27,950
Funds from acceptance and issue of securities					
Liabilities from issue of Agribusiness Credit Bills (LCA)	-	6,441	3,337	6,910	16,688
Liabilities from issue of House Equity Securities (LCI) (iii)	-	-	8,896	19,347	28,243
	27,950	24,562	15,835	29,576	97,923
					96,993

- (i) Fixed interest-bearing foreign loans are taken out and earmarked for foreign exchange operations. The rates used ranged from 4.5% to 6.0% p.a., depending on volumes, terms and market conditions. These interest rates apply solely on the amount of R\$24,815 (R 19,710 in 2014). The remaining balance is only subject to exchange variation, since it refers to obligations from purchases of Brazilian reais, not yet delivered by the selling banks.
- (ii) Local borrowings refer to funds from the Ministry of the Cities and Associated Agencies (i.e. State, Local and the Federal District Government Agencies and Housing Cooperatives) related to Brazil's Social Interest Housing (PSH) Subsidy Program.
- (iii) These refer to Agribusiness Credit Bills (LCA), substantially carried out with Bank related parties in the amount of R\$28,243. The rate used was 100% of the CDI.

17. Other liabilities

a) Tax and social security

	2015	2014
Current		
Taxes and contributions payable	1,949	1,940
Income taxes and contributions	8,629	5,377
	10,578	7,317
Noncurrent		
Income and social contribution taxes (Note 27b)	29,229	28,046
Provision for deferred taxes and contributions	4,516	3,595
Provision for tax contingencies (Note 27b)	6,309	5,878
	40,054	37,519

Banco Paulista S.A.

Notes to financial statements (Continued)
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17. Other liabilities (Continued)

b) Subordinated debts

	<u>2015</u>	<u>2014</u>
Current		
Capital-eligible subordinated debts (i)	<u>35,374</u>	<u>31,010</u>
	<u>35,374</u>	<u>31,010</u>
Noncurrent		
Capital-eligible subordinated debts (ii)	<u>27,387</u>	<u>24,089</u>
	<u>27,387</u>	<u>24,089</u>

(i) This refers to 6-year-term Financial Bills providing for subordination clauses with the Bank's controlling shareholder pursuant to Resolution No. 3444/07. This operation is remunerated at 118.00% of the CDI.

(ii) This refers to 6-year-term Financial Bills providing for subordination clauses with the Bank's controlling shareholder pursuant to Resolution No. 3444/07. This operation is remunerated at 115.00% of the CDI.

c) Sundry

	<u>2015</u>	<u>2014</u>
Current		
Accrued payments	8,174	14,637
Items to be settled - Foreign exchange	2,254	-
Brokerage to credit - Foreign exchange	3,143	1,403
Charges on funds received - PSH	3,072	2,896
Provision for guarantees given	494	674
Other payable amount	1,331	1,226
	<u>18,468</u>	<u>20,836</u>
Noncurrent		
Accrued payments	1,266	1,202
Provision for contingent liabilities (Note 27b)	3,197	3,317
	<u>4,463</u>	<u>4,519</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
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18. Equity

a) Capital

At June 30, 2015 and 2014, Company fully subscribed and paid-up capital is represented by 218,731,760 registered shares with no par value, divided into 109,365,880 common shares and 109,365,880 preferred shares.

b) Dividends and interest on equity

Bank Articles of Incorporation provide for a mandatory minimum dividend of 25% on net income, calculated under the terms of the Brazilian Corporation Law.

c) Retained earnings

As per Resolution No. 3605/08, net income calculated and not distributed in the six-month period shall be allocated to the income reserve. At June 30, 2015, income earned in the six-month period amounted to R\$8,097 (R\$17,863 in 2014).

d) Legal reserve

The Bank must allocate 5% of net income each year to the legal reserve, which shall not exceed 20% of its paid-up capital.

19. Open market funding expenses

	<u>2015</u>	<u>2014</u>
Time deposits	34,079	23,879
Open market funding	28,621	16,256
Deposit Insurance Fund (FGC)	670	674
Interbank deposits	5,987	3,693
Financial bills	4,070	3,032
Agribusiness Credit Bills (LCA)	1,762	2,078
House Equity Securities (LCI)	1,288	-
	<u>76,477</u>	<u>49,612</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
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20. Service revenues

	<u>2015</u>	<u>2014</u>
Foreign exchange operations charges	2,226	1,893
Bank charges	10,096	8,194
Business development	3,055	4,009
Custody services	12,562	9,277
Commission fees for investment funds administration	1,014	101
Other services	732	151
	<u>29,685</u>	<u>23,625</u>

21. Other administrative expenses

	<u>2015</u>	<u>2014</u>
Transportation	12,293	14,498
Specialized technical services	4,638	3,359
Data processing	5,802	4,533
Rent	1,447	1,197
Financial system	1,249	1,088
Communications	986	767
Third-party services	634	407
Surveillance and security services	219	132
Materials	107	106
Advertising and promotion	68	100
Other	1,925	1,439
	<u>29,368</u>	<u>27,626</u>

22. Other operating income

	<u>2015</u>	<u>2014</u>
Exchange variation - arbitration	5,145	1,347
Income from guarantees given	135	175
Monetary gains	412	314
Interest on court-ordered debts of National Treasury	355	378
Monetary variation on judicial deposits	305	677
Reversal - provision for fees on early settlement	209	
Recovery of charges and expenses	266	253
Reversal of provisions for expenses	62	278
Other	710	313
	<u>7,599</u>	<u>3,735</u>

Banco Paulista S.A.

Notes to financial statements (Continued)
June 30, 2015 and 2014
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23. Other operating expenses

	2015	2014
Amortization and depreciation	605	546
Monetarily restated taxes and contributions	338	997
Commissions on financing agreements	55	44
Advisory services on loan operations	2,733	3,880
Expenses with discounts granted in renegotiations	-	973
Expenses with PSH	474	283
Expenses with Direct Consumer Credit (CDC) contract recovery	923	986
Financial expenses (gold)	984	-
Allowance for loan losses	542	396
Interbank fees	608	426
Exchange losses	1,790	616
Other	1,008	938
	10,060	10,085

24. Income and social contribution taxes

a) Reconciliation of provisions for income and social contribution tax expenses

	2015	2014
Income before income taxes and profit sharing	20,447	29,573
(-) Profit sharing	(1,400)	(940)
Income before income taxes	19,047	28,633
Temporary additions/exclusions	(528)	(6,164)
Allowance for loan losses	148	3,829
Reversal of allowance for loan losses	(210)	(9,536)
Provision for tax contingencies	10	(330)
Other temporary additions and exclusions	(476)	(127)
Permanent additions and exclusions	3,621	(4,044)
Equity pickup of subsidiary	3,996	(2,960)
Other permanent additions and exclusions	(375)	(1,084)
Tax base	22,140	18,425
Income and social contribution taxes	8,761	5,459
Deductions from tax incentives	(132)	(82)
Income and social contribution taxes	8,629	5,377
Deferred tax assets	921	4,453
Total income and social contribution taxes	9,550	9,830

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Notes to financial statements (Continued)
June 30, 2015 and 2014
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24. Income and social contribution taxes (Continued)

b) Deferred tax credits

Changes in deferred tax credits for the six-month period were as follows:

Tax credits	Balance at 12/31/2013	Set up	Realization/ reversal	Balance at 06/30/2014
Allowance for other loan losses	64,317	1,532	(3,815)	62,034
Provision for tax contingencies	2,663	29	(161)	2,531
Adjustment to market value - trading	(3,594)	-	-	(3,594)
Adjustment to market value - available for sale securities	1,891	758	-	2,649
Other	11,525	270	(2,308)	9,487
Total tax credits	76,802	2,589	(6,284)	73,107

Tax credits	Balance at 12/31/2014	Set up	Realization/ reversal	Balance at 06/30/2015
Allowance for other loan losses	57,851	-	(25)	57,826
Provision for contingencies	2,255	51	(47)	2,259
Allowance for loans granted with joint liability	(98)	-	-	(98)
Adjustment to market value - trading	(3,364)	326	(455)	(3,493)
Adjustment to market value - available for sale securities	3,258	1,001	-	4,259
Other	10,616	-	(770)	9,846
	70,518	1,378	(1,297)	70,599

Tax credits are expected to be realized within the term allowed by Resolution No. 3355/06, according to their nature. Income and social contribution tax credits were set up solely on temporarily nondeductible differences.

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Notes to financial statements (Continued)
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24. Income and social contribution taxes (Continued)

b) Deferred tax credits (Continued)

Present value of the tax credits at June 30, 2015 is R\$ 55,373, as determined by reference to the CDI/CETIP rates prevailing in the related periods. Tax credits are assessed periodically based on the generation of taxable profit for income and social contribution tax purposes in an amount that renders it justifiable to record such amounts as assets.

Based on projected results, which consider the business plan development, management understands that the Bank will realize taxable profits within the term not yet barred by statute to absorb the tax credits recorded in its financial statements. This estimate is periodically reviewed, so that any changes in the expected recovery of such credits are considered in a timely fashion in the financial statements.

Expected realization of tax credits is as follows:

Description	2015	2016	2017	2018	2019	2024	Total
Allowance for loan losses	6,000	7,200	8,000	8,000	8,400	20,226	57,826
Provision for tax and other contingencies	-	-	-	-	-	2,259	2,259
Market value adjustment – trading	(3,493)	-	-	-	-	-	(3,493)
Market value adjustment – available for sale securities	4,259	-	-	-	-	-	4,259
Other temporary differences	-	-	-	-	-	9,748	9,748
Total	6,766	7,200	8,000	8,000	8,400	32,233	70,599
Present value	6,336	7,902	7,244	6,640	6,640	20,611	55,373

25. Transactions with related parties

Transactions with related parties were carried out under usual market conditions, with regard to interest rates and terms, and are broken down as follows:

a) Transactions:

	Assets (liabilities)		Revenue (expense)	
	2015	2014	2015	2014
Demand deposits	(707)	(1,933)		
Cash and cash equivalents in foreign currency	(3,364)	-		
Time deposits	(81,768)	(61,922)	(9,827)	(3,379)
Interbank deposits	(60,397)	(45,249)	(3,433)	(1,969)
Open market funding	(11,799)	(9,200)	(511)	(582)
Debtors (creditors) - account pending settlement	(1,939)	(329)		
Financial bills - subordinated debt	(35,374)	(31,010)	(2,319)	(1,725)
Agribusiness Credit Bills (LCA)	(2,434)	(26,477)	(887)	(1,385)
House Equity Securities (LCI)	(28,243)	-	(1,288)	

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Notes to financial statements (Continued)
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25. Transactions with related parties (Continued)

b) Key management personnel compensation

As per the Bank' Articles of Incorporation, the overall annual management compensation amount is set by decision of the Annual General Meeting. The Bank paid its management personnel the following short-term benefits:

	<u>2015</u>	<u>2014</u>
Fixed compensation	2,920	2,713
Social charges	657	610
Total	<u>3,577</u>	<u>3,323</u>

The Group offers no long-term or post-employment benefits, relating to termination or share-based payment, to its key management personnel.

26. Collateral securities, pledges and guarantees to third parties

At June 30, 2015, liability for collateral securities, pledges and guarantees provided to third parties, including those on assigned credits, totaled R\$19,932 (R\$22,696 in 2014), and no losses are expected in relation thereto, other than those accrued.

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Notes to financial statements (Continued)
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27. Contingent assets and liabilities, and legal, tax, and social security obligations

a) Contingent assets

At June 30, 2015 and 2014, there are no proceedings assessed by management as probable realization.

b) Contingent liabilities assessed as probable losses and legal obligations

b.1) *Labor*

These basically refer to claims filed by former employees seeking overtime payment and by former employees of outsourced labor firms seeking recognition of employment relationship and the respective severance pay amounts. Contingent amounts are accrued based on analyses of the potential amount for loss on claims, on a case-by-case basis, considering claim current status, decisions on the matter under dispute formerly handed down by courts and the opinion of external legal advisors. A provision is recorded for proceedings whose likelihood of loss is assessed as probable, in an amount that may be reliably estimated, including applicable charges.

b.2) *Civil*

These mostly refer to proceedings of a civil nature relating to Direct Consumer Credit (CDC) operations, seeking pain and suffering damages and property damages and other proceedings claiming indemnification. Provisions for CDC-related proceedings, the amounts of which are not individually significant, are set up based on the historical average of losses on dismissed cases. The historical average of losses is reviewed semiannually. For other proceedings of a civil nature, contingent amounts are accrued based on analyses of the potential amount for loss, considering the current proceeding status, decisions on the matter under dispute formerly handed down by courts and the opinion of external legal advisors.

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Notes to financial statements (Continued)
June 30, 2015 and 2014
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27. Contingent assets and liabilities, and legal, tax, and social security obligations (Continued)

b) Contingent liabilities assessed as probable losses and legal obligations (Continued)

b.3) *Tax and social security*

These refer to legal and administrative proceedings substantially based on Supplementary Amendment No. 10/96, which aims at (i) ensuring the right to pay CSLL calculated at the same rate applicable to other companies not operating in the financial segment; (ii) avoiding payment of CSLL calculated at 30% in the period from 01/01/1996 to 03/07/1996 and in the ninety-day period from 03/07/1996 to 06/07/1996, during which the Company computed and paid CSLL at 18% based on Law No. 9249/95.

The Bank decided not to challenge the lawfulness of the PIS and COFINS levy in court, and elected the special installment payment provided for by Law No. 11941/09. In 2012, the amount of R\$43,383 was reallocated to "Other taxes payable", whose balance in 2015 amounted to R\$29,229 (R\$29,066 in 2014) - (Note 17.a).

Changes in provisions for contingencies and legal obligations for the six-month period are as follows:

	Provision for contingencies			2015	2014
	Labor	Civil	Tax		
Balance at beginning of six-month period	1,090	2,182	6,088	9,360	9,413
Setting up	70	275	221	566	303
Realizations/restatements	-	(391)	-	(391)	(443)
Reversals	(29)	-	-	(29)	(78)
Balance at end of six-month period	1,131	2,066	6,309	9,506	9,195

	Judicial deposits				2015	2014
	Labor	Civil	Tax	Other		
Balance at beginning of six-month period	176	345	7,294	3,612	11,427	10,073
Restatements	-	381	268	272	921	396
Setting up	-	-	-	-	-	309
Payments/reversals	-	(74)	-	-	(74)	(103)
Balance at end of six-month period	176	652	7,562	3,884	12,274	10,675

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Notes to financial statements (Continued)
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27. Contingent assets and liabilities, and legal, tax, and social security obligations (Continued)

c) Contingent liabilities assessed as possible losses

At June 30, 2015, contingent liabilities assessed as possible losses refer to 58 (fifty-eight) proceedings of a civil nature totaling R\$3,984 and 8 (eight) proceedings of a labor nature totaling R\$178, based on the amounts attributed to respective proceedings filed by claimants (and not necessarily representing possible loss), which are mostly represented by the following:

- Actions for review of loan and financing contractual clauses;
- Actions for indemnification in connection with financial transactions;
- Labor claims.

d) Regulatory agencies

There are no administrative proceedings in progress on the part of the National Financial System that could significantly impact net income and operations of Banco Paulista.

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Notes to financial statements (Continued)
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28. Operating limits

Required capital (PRE), in accordance with the standards in force, is stated as follows:

Risk Weighted Assets (RWA) and Basel index	06/30/2015	06/30/2014
Regulatory Capital (PR)	176,547	192,952
PR - tier I	165,592	163,451
Principal Capital	165,592	163,451
PR - tier II	10,951	29,502
RWA calculated using the standardized approach (Cpad) - Credit	635,939	586,847
RWA using Credit Approval Memorandums (Cam) - Foreign exchange	10,005	6,863
RWA Trading - Interest, Commodities, Shares	706	234
RWA for operational risks (Opad) - Operational	224,271	197,425
RWA - Total	870,921	791,369
Minimum PR	95,801	87,050
Basel index (PR/RWA Total)	20.27%	24.38%
Tier I index (PR tier I / RWA Total)	19.01%	20.65%
Principal Capital index (CP/RWA Total)	19.01%	20.65%
Extended Basel index (PR / (RWA Total + Rban))	19.80%	24.32%

The Basel index for the Financial Conglomerate at June 30, 2015, determined in accordance with the provisions set forth in Resolution No. 2099/94, as amended by Resolutions Nos. 4192/13 and 4193/13, is 19.80%.

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Notes to financial statements (Continued)
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29. Other information

On May 21, 2015, Provisional Executive Order (MP) No. 675/15 was published, which increased the Social Contribution Tax on Net Profit (CSLL) rate of financial institutions from 15% to 20% of taxable profit, effective from September 1, 2015 onwards. The signing of said MP into Law is pending approval by the Brazil's National Congress.