



EARNINGS RELEASE  
2Q2011

BANCO PAULISTA and SOCOPA – CORRETORA PAULISTA (“SOCOPA”) hereby announce their second-quarter results.

BANCO PAULISTA is acknowledged by its foreign exchange and treasury services, as well as for the financing of medium-sized enterprises (Middle-Market), management, settlement and custody of assets.

In addition, BANCO PAULISTA offers Settlement Bank services before CETIP, SELIC, BM&F BOVESPA and CBLC for Financial Institutions and Clearing Agent services before CBLC for Brokerage Firms. SOCOPA, its wholly-owned subsidiary, a traditional stock and foreign exchange brokerage firm, operates in BOVESPA and BM&F segments, in national and international markets.

### **MESSAGE FROM THE ADMINISTRATION**

In this quarter, BANCO PAULISTA showed strong evidence of having gone back to providing banking services, for which it had been well-known, was the right decision. Although positive non-recurring tax events have influenced the quarter’s results, the strength of some of the bank’s business segments, particularly the solid performance recorded in its foreign exchange operations, is undeniable. The lingering effects of the assigned Consumer Credit portfolio (CC) are subsiding, affecting less and less the last row of result over the quarters. Additionally, the securitization agreement in connection with overdue receivables assignment is in place, reducing the burden of CC liabilities.

In addition to going back to focusing on traditional segments of corporate loan, foreign exchange, and structured products, BANCO PAULISTA has strengthened its process restructuring policy. In that regard, costs of income from gains on financial intermediation have been reducing consistently, decisively contributing to a positive performance of the three-month and six-month periods.

In June, BANCO PAULISTA’s shareholders implemented a R\$ 20 million capital increase to sustain growth of the Institution by expanding its core activities, particularly the corporate credit portfolio. Thus, the Institution’s Basel Index changed from 13% to 19%, showing there is room for considerable growth, which will occur by selecting good-quality assets. Finally, BANCO PAULISTA confirms the perspective of continuous improvement supported on solidity, transparency, and governance.

### **MAIN INDEXES**

<b>Main Indexes</b>	<b>2Q11</b>	<b>1Q11</b>	<b>Var. (%)</b>	<b>2Q10</b>	<b>Var. (%)</b>	<b>1S11</b>	<b>1S10</b>	<b>Var. (%)</b>
Financial Mediation Result	42,642	11,379	274.7%	14,760	188.9%	54,021	23,175	133.1%
Operational Result	19,123	(7,727)	-	3,694	417.7%	11,396	(11,626)	-
Net Profit (Loss)	11,747	(5,521)	-	1,165	908.3%	6,226	(8,557)	-
Adjusted (*) Net Profit (Loss)	15,419	3,673	319.7%	3,697	317.0%	19,092	8,274	130.8%
Equity	117,214	85,467	37.1%	100,941	16.1%	117,214	100,941	16.1%
Total Assets	1,570,767	1,418,535	10.7%	1,574,438	-0.2%	1,570,767	1,574,438	-0.2%
Total Loan Portfolio	362,324	354,882	2.1%	362,376	0.0%	362,324	362,376	0.0%
Total Funding	991,412	966,800	2.5%	1,009,953	-1.8%	991,412	1,009,953	-1.8%
Net Interest Margin (NIM) (% pa)	25.9%	12.2%	13.8 p.p.	13.1%	12.8 p.p.	19.0%	13.3%	5.7 p.p.
Efficiency Index	40.6%	67.0%	-26.4 p.p.	47.4%	-6.8 p.p.	48.7%	49.5%	-0.8 p.p.
Efficiency Index (*)	38.3%	49.9%	-11.6 p.p.	43.7%	-5.4 p.p.	42.5%	38.5%	3.9 p.p.
Basel Index	18.8%	12.9%	5.9 p.p.	10.1%	8.7 p.p.	18.8%	10.1%	8.7 p.p.

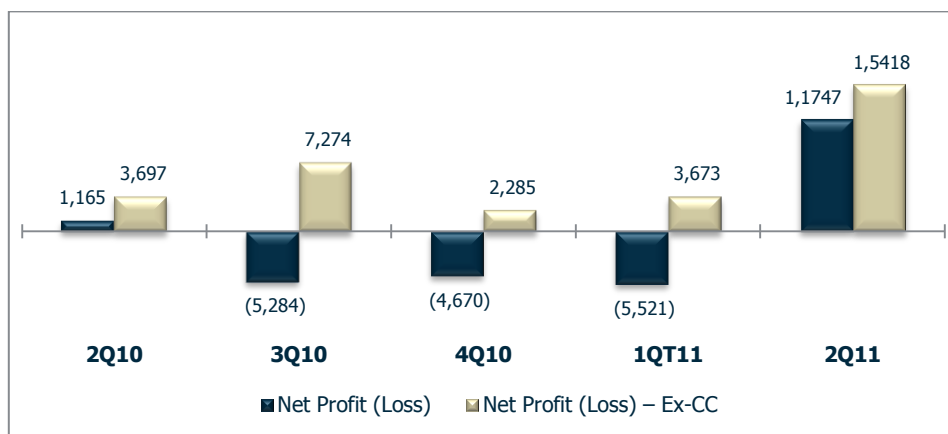
(\*) Disregards the CC effects

**PERFORMANCE**

**Net Profit**

The positive outlook launched in the previous quarters, began to materialize in 2Q11. The net income for the period reached R\$ 11.7 million, as compared to R\$ 1.2 million in the same period last year and the negative result of R\$ 5.5 million in 1Q11. Included in the main contributors to the good result, we highlight 74.4% growth in income from gains on financial intermediation as compared to 2Q10, prompted by an excellent performance of the foreign exchange operations and the increase of only 16.8% with costs of financial intermediation.

**NET PROFIT (LOSS) - R\$ thousand**



**Pro-Forma**

BANCO PAULISTA, keeping up with its commitment of transparency and governance, continues to disclose its pro forma results, which do not include the CC (Consumer Credit) operations’ effects. Without these impacts, net income for 2Q11 would have amounted to R\$ 15.4 million.

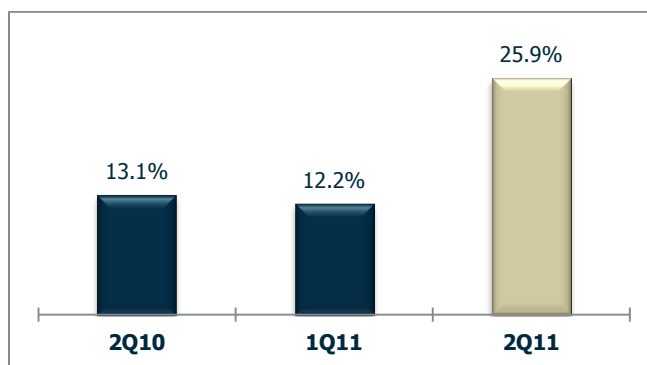
Pro-Forma Results	2Q11	1Q11	2Q10	1S11	1S10
Results before taxation on profit and profit sharing	18,308	(9,035)	2,125	9,273	(14,333)
Income tax and social contribution	(7,876)	(4)	(2,130)	(7,880)	(3,038)
deferred tax assets	1,643	3,518	1,170	5,161	8,815
Statutory profit-sharing	(328)	-	-	(328)	-
<b>Net Profit (Loss)</b>	<b>11,747</b>	<b>(5,521)</b>	<b>1,165</b>	<b>6,226</b>	<b>(8,557)</b>
<b>(-) CC Results</b>	<b>(3,672)</b>	<b>(9,194)</b>	<b>(2,532)</b>	<b>(12,866)</b>	<b>(16,831)</b>
<b>Pro-Forma Net Profit</b>	<b>15,419</b>	<b>3,673</b>	<b>3,697</b>	<b>19,092</b>	<b>8,274</b>

The impacts of the co-obligation under the assigned portfolio are gradually affecting less the results of BANCO PAULISTA, to the extent that the portfolio is approaching maturity. Additionally, the securitization agreement signed at the end of 2010 protects the profitability of the Institution by averting further provisioning. The agreement with Companhia Paulista Securitizadora de Créditos Financeiros, a related entity, aims at assigning overdue receivables under loans and financing transactions carried out by the Bank. To this end, the insurance company was paid R\$ 15.3 million concerning the price-equalization results, as assessed by considering the historical default on the portfolio subject to the grant. The amount will be adapted to the results, in the item “other operational expenses”, in the same ratio that the credits subject to the referred agreement reach their maturity, which will substantially occur by December 2012.

**Net Interest Margin**

The solid income from gains on financial intermediation result in the 2Q11 was reflected in the Net Interest Margin (NIM), that increased by 13.1 p.p., as compared to the same period last year, and 12.8 p.p. as compared to the previous quarter, reaching 25.9% in annual terms. As noted previously, the foreign exchange transactions played a determining role in such improvement. Likewise, earnings from securities showed a significant increase due to particularly the implementation of certain structured transactions.

**NET INTEREST MARGIN (NIM) (% per annum)**



**EFFICIENCY RATE**

The efficiency rate showed significant improvement in 2Q11, in line with the good overall performance of BANCO PAULISTA. The 40.6% rate represents a 6.8 p.p. reduction as compared to 2Q10. Although personnel, administrative, and tax costs have risen by 72.5%, an increase of 127% in revenues supported the positive evolution of the indicator. As compared to 1Q11, the 26.4% decrease of the index was magnified by the fragile comparison basis for that quarter, since the recognition of CC effects had more significant an impact on both 4Q10 and 1Q11, before the securitization transaction had been fully implemented.

When excluding the CC effect, the efficiency rate reached 38.3% in 2Q11, as compared to 43.7% in 2Q10 and 49.9% in 1Q11.

Efficiency Rate	2Q11	1Q11	Var. (%)	2Q10	Var. (%)	1S11	1S10	Var. (%)
<b>Expenditure</b>	<b>24,784</b>	<b>18,020</b>	<b>37.5%</b>	<b>14,367</b>	<b>72.5%</b>	<b>42,804</b>	<b>29,345</b>	<b>45.9%</b>
Personnel	7,821	8,311	-5.9%	6,746	15.9%	16,132	13,834	16.6%
administrative	11,960	8,062	48.4%	5,756	107.8%	20,022	11,805	69.6%
tax	5,003	1,647	203.8%	1,865	168.3%	6,650	3,706	79.5%
<b>Income</b>	<b>61,027</b>	<b>26,887</b>	<b>127.0%</b>	<b>30,333</b>	<b>101.2%</b>	<b>87,914</b>	<b>59,321</b>	<b>48.2%</b>
Financial-mediation Results	42,642	11,379	274.7%	14,760	188.9%	54,021	23,175	133.1%
+ Allowance for Doubtful Accounts	6,528	11,512	-43.3%	7,900	-17.4%	18,040	22,983	-21.5%
service provision	11,857	3,996	196.7%	7,673	54.5%	15,853	13,163	20.4%
<b>Efficiency Rate</b>	<b>40.6%</b>	<b>67.0%</b>	<b>-26.4 p.p.</b>	<b>47.4%</b>	<b>-6.8 p.p.</b>	<b>48.7%</b>	<b>49.5%</b>	<b>-0.8 p.p.</b>

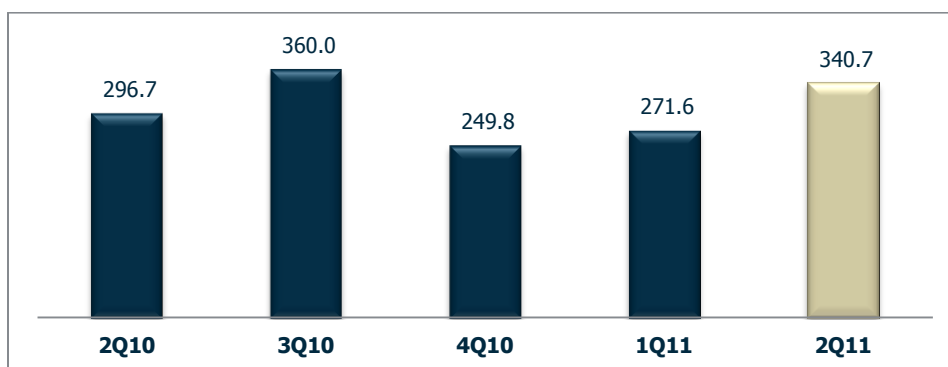
Efficiency Rate (Ex-CC)	2Q11	1Q11	Var. (%)	2Q10	Var. (%)	1S11	1S10	Var. (%)
<b>Expenditure</b>	<b>24,784</b>	<b>18,020</b>	<b>37.5%</b>	<b>14,367</b>	<b>72.5%</b>	<b>42,804</b>	<b>29,345</b>	<b>45.9%</b>
Personnel	7,821	8,311	-5.9%	6,746	15.9%	16,132	13,834	16.6%
administrative	11,960	8,062	48.4%	5,756	107.8%	20,022	11,805	69.6%
tax	5,003	1,647	203.8%	1,865	168.3%	6,650	3,706	79.5%
<b>Income</b>	<b>64,699</b>	<b>36,081</b>	<b>79.3%</b>	<b>32,865</b>	<b>96.9%</b>	<b>100,780</b>	<b>76,152</b>	<b>32.3%</b>
Financial-mediation Results	42,642	11,379	274.7%	14,760	188.9%	54,021	23,175	133.1%
+ Allowance for Doubtful Accounts	6,528	11,512	-43.3%	7,900	-17.4%	18,040	22,983	-21.5%
service provision	11,857	3,996	196.7%	7,673	54.5%	15,853	13,163	20.4%
CC effect	3,672	9,194	0.0%	2,532	0.0%	12,866	16,831	-23.6%
<b>Efficiency Rate</b>	<b>38.3%</b>	<b>49.9%</b>	<b>-11.6 p.p.</b>	<b>43.7%</b>	<b>-5.4 p.p.</b>	<b>42.5%</b>	<b>38.5%</b>	<b>3.9 p.p.</b>

**LIQUIDITY**

<b>Net Assets Distribution (R\$ thousand)</b>	<b>2Q11</b>	<b>1Q11</b>	<b>Var. (%)</b>	<b>2Q10</b>	<b>Var. (%)</b>
Cash	132,296	82,208	60.9%	81,932	61.5%
Interbank Liquidity Investments	65,829	114,352	-42.4%	103,651	-36.5%
Open Market Operations (Net)	49,170	93,511	-47.4%	75,772	-35.1%
Bank Deposit Operations	16,659	20,841	-20.1%	27,879	-40.2%
TVM and Derivatives (Own Portfolio - Available for Sale)	333,597	277,034	20.4%	305,654	9.1%
Interbank Transactions (Net)	81,807	108,500	-24.6%	204,826	-60.1%
<b>Total Net Assets</b>	<b>613,529</b>	<b>582,094</b>	<b>5.4%</b>	<b>696,063</b>	<b>-11.9%</b>

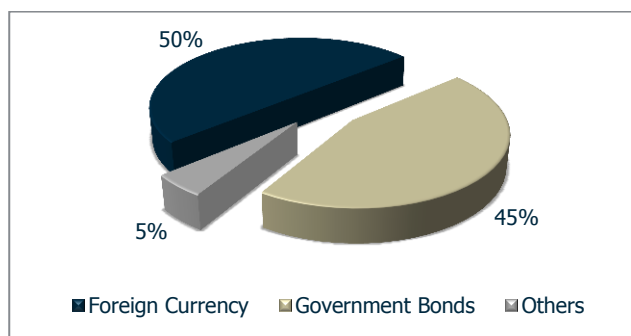
Net assets decreased 11.9% as compared to 2Q10 and increased by 5.4% as compared with 1Q11, remaining at comfortable level consisting with the institution’s needs. Worth mentioning that BANCO PAULISTA has also an additional liquidity from the Guarantee-Plus Term Deposit (“DPGE”) in the amount of R\$ 280 million that, for the time being, is unused due to its cost. However, this liquidity source may be used whenever the administration deems it beneficial for the Bank.

**CASH EVOLUTION - R\$ thousand**

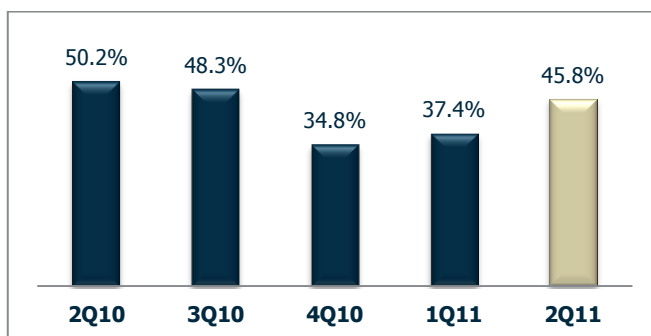


The average balance of cash in 2Q11 remained at adequate levels - R\$ 340.7 million at end of quarter – having been used primarily in short-term foreign exchange transactions of the Bank. In the quarter, cash was divided as follows: 50.0% in foreign currency, 45.0% in government bonds, and 5.0% in other applications.

**CASH BREAKDOWN**



**CASH/TOTAL DEPOSITS**

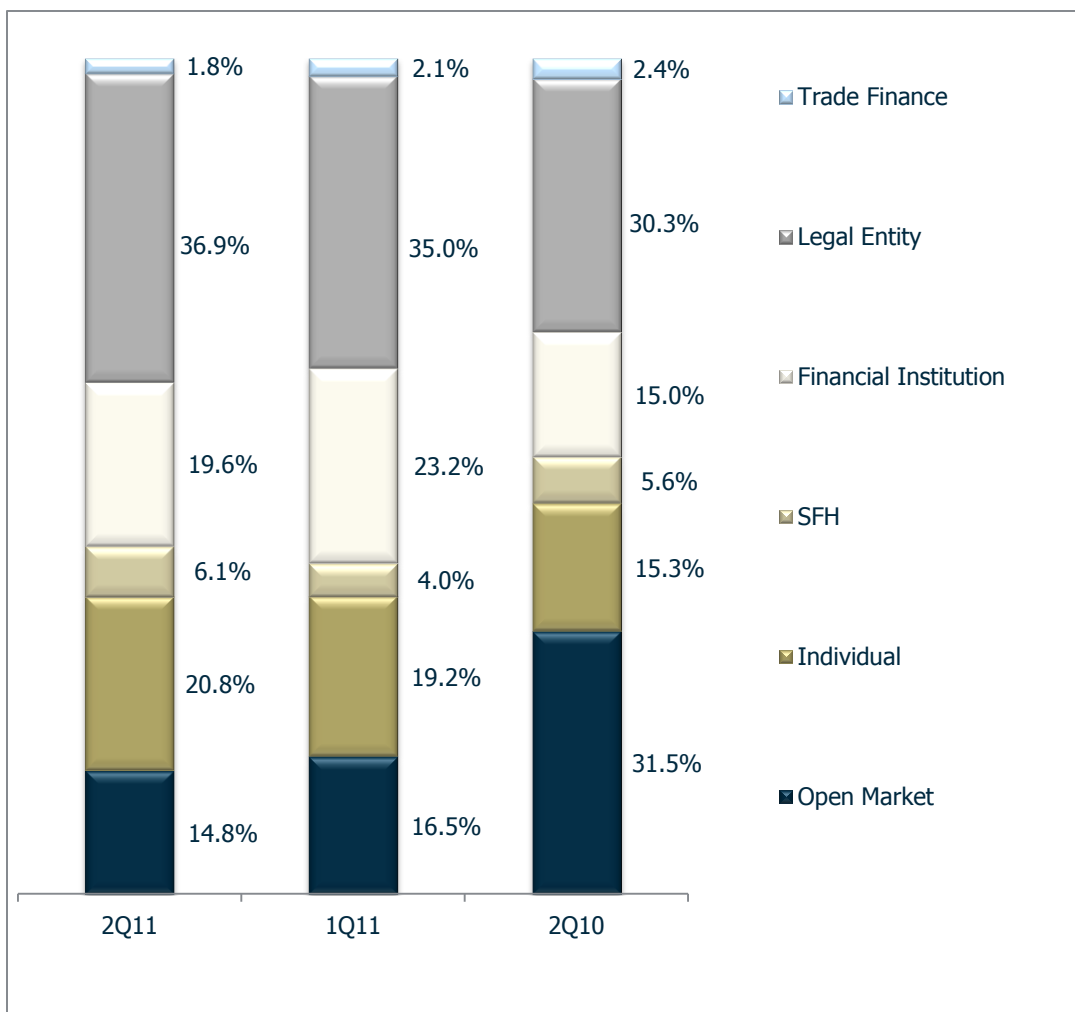


BANCO PAULISTA further tracks its liquidity level through the relationship between cash position and total deposits which, in 2Q11, reached 45.8%, as compared to 50.2% in the same quarter of the previous year. As compared to 1Q11, that ratio increased from 37.4% to 45.8%. This increase is due to management’s decision to preserve the Bank’s liquidity.

## FUNDING

In 2Q11, total funding reached R\$ 991.4 million, an amount which is virtually unchanged as compared to 1Q11 and 2Q10. Funding volume and maturities are in appropriate levels, in accordance with the Administration, thus allowing transactions to be performed with maturities that perfectly meet clients' demands.

Funding (R\$ thousand)	2Q11	1Q11	Var. (%)	2Q10	Var. (%)
Cash Deposits	63,921	46,637	37.1%	69,984	-8.7%
Time Deposits	404,450	430,754	-6.1%	343,943	17.6%
Up to 1 year	237,635	279,038	-14.8%	238,767	-0.5%
Over 1 year	166,815	151,716	10.0%	105,176	58.6%
Interbank Deposits	96,096	109,782	-12.5%	74,882	28.3%
Open-Market Funding	146,823	159,496	-7.9%	317,670	-53.8%
Bonds through Loans and Transfers Abroad	18,099	20,593	-12.1%	24,527	-26.2%
Financial Habitation System ("SFH")	60,155	38,910	54.6%	56,544	6.4%
DPGE	201,867	160,628	25.7%	122,403	64.9%
<b>Total</b>	<b>991,412</b>	<b>966,800</b>	<b>2.5%</b>	<b>1,009,953</b>	<b>-1.8%</b>



## OPERATING HIGHLIGHTS

### ❖ LOAN PORTFOLIO

The total balance of the loan portfolio reached R\$ 340.8 million at the end of 2Q11, an increase by 2.2% and 4.9% as compared to 1Q11 and 2Q10, respectively. In including assigned transactions, the loan portfolio totaled R\$ 438.7 million in the quarter, which represents decreases by 1.2% and 21.4% as compared to 1Q11 and 2Q10, respectively. Considering only the Middle-Market portfolio, growth was 3.5% in the quarter and 11.9% in the year, reaching R\$ 328.9 million.

<b>Loan Portfolio (R\$/thousand)</b>	<b>jun/11</b>	<b>mar/11</b>	<b>Var. (%)</b>	<b>jun/10</b>	<b>Var. (%)</b>
<b>Middle-Market</b>	<b>328,867</b>	<b>317,599</b>	<b>3.5%</b>	<b>293,976</b>	<b>11.9%</b>
Loans	292,171	280,163	4.3%	247,493	18.1%
Discount Securities	8,619	3,387	154.5%	3,672	134.7%
Financing Operations	12,113	15,315	-20.9%	18,165	-33.3%
Transfers	10,959	13,539	-19.1%	18,573	-41.0%
Others	5,006	5,195	-3.6%	6,073	-17.6%
<b>Retail</b>	<b>33,457</b>	<b>37,283</b>	<b>-10.3%</b>	<b>68,400</b>	<b>-51.1%</b>
Payroll Loans + CC Others (*)	1,157	1,341	-13.7%	3,115	-62.9%
Cars	32,300	35,941	-10.1%	65,284	-50.5%
<b>Total Assets</b>	<b>362,324</b>	<b>354,882</b>	<b>2.1%</b>	<b>362,376</b>	<b>0.0%</b>
PDD Middle	(13,889)	(13,123)	5.8%	(13,117)	5.9%
PDD Retail	(7,656)	(8,165)	-6.2%	(24,318)	-68.5%
<b>Total Net Assets</b>	<b>340,779</b>	<b>333,594</b>	<b>2.2%</b>	<b>324,940</b>	<b>4.9%</b>
CC (assigned)	117,835	132,588	-11.1%	259,982	-54.7%
PDD CC (assigned)	(19,926)	(22,385)	-11.0%	(26,498)	-24.8%
<b>Total Portfolio</b>	<b>438,688</b>	<b>443,797</b>	<b>-1.2%</b>	<b>558,424</b>	<b>-21.4%</b>

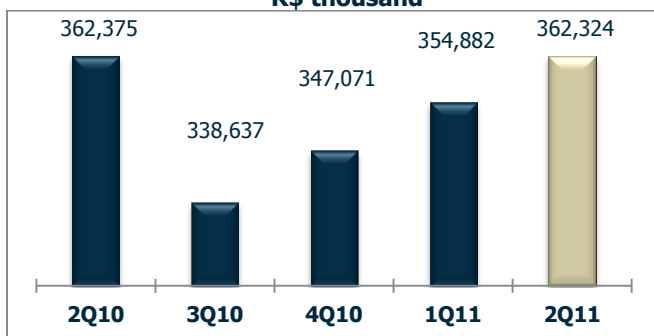
(\*) Includes CC, overdraft, factoring and others

The average Middle-Market portfolio term has been stable for 6 months as of 2Q11, while it showed a downward trend in the recent quarters as a result of the growth of loan transactions and reduction of retail transactions. From the table above, one can see the decreasing burden of CC, which will enable a clearer visualization of the growing Middle-Market transactions in relation to the total portfolio.

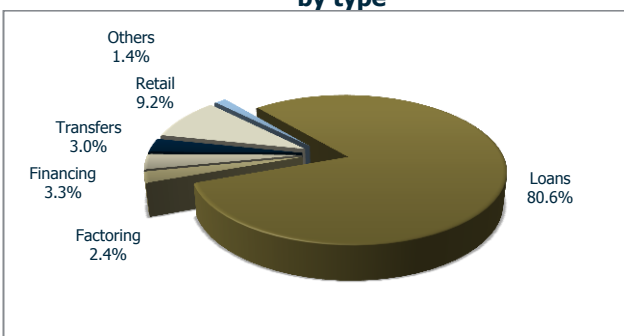
The Individuals' loan portfolio reached R\$ 151,3 million (includes CC) as of June 30, 2011, a 10.9% decrease as compared to 1Q11. At the end of 2009, BANCO PAULISTA assigned its CC portfolio interrupting the origination of that product. Thus, a substantial reduction in the volume of its portfolio was recorded.

BANCO PAULISTA still incurs in such expenses connected to the CC, which will last by the maturity of the transactions assigned with joint liability. The main expenses refer to prepayment, allowance for doubtful accounts, insurance and collection. Such expenses have been decreasing on a quarterly basis, and it is expected that by the year end they will be significantly lowered, with the quickly decreased portfolio.

**Loan Portfolio Evolution**  
R\$ thousand



**Distribution of the Loan Portfolio**  
by type





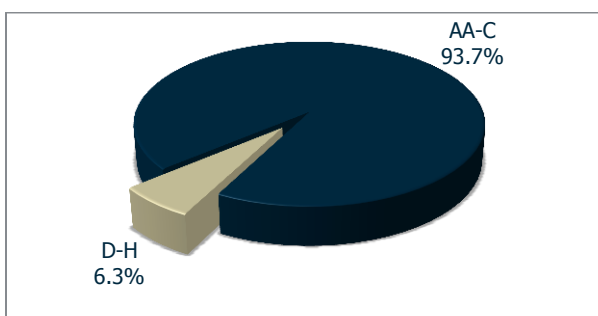
**Loans**

Current account loans aimed to meet a company’s working capital needs and allowing the principal to be partially repaid at any time, up to the maturity date. It also includes loans without a specific destination, through the types as follows: Bank Credit Bill, Trade Credit Bill, and Industrial Credit Bill. At the end of the quarter, BANCO PAULISTA has recorded a total of R\$ 292.2 million amount in loans, with a 4.3% and 18.1% increase as compared to the previous quarter and the same period last year, respectively.

**Portfolio and Allowance by Risk Levels**

Class	Required Allowance (%)	Overdue	Maturing	Total Portfolio	Relative Share (%)	Allowance Overdue	Allowance Maturing	Total Allowance	Allowance Ex-CC	Allowance CC
AA	-	-	-	-	0.00	-	-	-	-	-
A	0.5	-	27,650	27,650	7.6%	-	138	138	138	-
B	1	4,498	119,762	124,260	34.3%	45	1,198	1,243	1,065	178
C	3	4,955	182,589	187,544	51.8%	149	5,478	5,626	5,273	353
D	10	2,105	2,016	4,121	1.1%	211	202	412	238	174
E	30	3,006	74	3,080	0.9%	902	22	924	691	233
F	50	2,391	164	2,555	0.7%	1,196	82	1,278	932	346
G	70	635	3,329	3,964	1.1%	445	2,330	2,775	2,467	308
H	100	8,019	1131	9,150	2.5%	8,019	1,132	9,149	3,470	5,681
<b>Total</b>		<b>25,609</b>	<b>336,715</b>	<b>362,324</b>	<b>100.0%</b>	<b>10,965</b>	<b>10,582</b>	<b>21,545</b>	<b>14,275</b>	<b>7,272</b>

**Portfolio by Clustered Risk Levels**



**Non-Performing Loans Rate (Overdue D-H portfolio) by Type of Client**

	jun/11	mar/11	jun/10	jun/11 x mar/11	jun/11 x jun/10
Individual	1.6%	1.9%	5.6%	-0.4 p.p.	-4.1 p.p.
Legal Entity	1.2%	1.1%	1.8%	0.2 p.p.	-0.6 p.p.
<b>Total</b>	<b>1.4%</b>	<b>1.6%</b>	<b>4.7%</b>	<b>-0.2 p.p.</b>	<b>-3.3 p.p.</b>

**Non-Performing Loans Rate (Overdue portfolio for over 15 days) by Type of Client**

	jun/11	mar/11	jun/10	jun/11 x mar/11	jun/11 x jun/10
Individual	1.8%	2.2%	7.1%	-0.4 p.p.	-5.3 p.p.
Legal Entity	1.5%	1.2%	2.2%	0.3 p.p.	-0.7 p.p.
<b>Total</b>	<b>1.7%</b>	<b>1.9%</b>	<b>5.9%</b>	<b>-0.2 p.p.</b>	<b>-4.3 p.p.</b>

**Loan Portfolio Coverage Ratio by Type of Client (\*)**

	jun/11	mar/11	jun/10	jun/11 x mar/11	jun/11 x jun/10
Total	212.5%	201.6%	134.7%	10.8 p.p.	77.7 p.p.

(\*) The coverage ratio is calculated by dividing the allowance for doubtful accounts balance by the balance of operations overdue for over 90 days



## ❖ CURRENCY EXCHANGE

BANCO PAULISTA operates since 1992 in both, prompt and forward exchange for export, import, financing, and tourism activities (bank notes), mixing the most various types of operations in the area. It holds agreements with logistics companies, trading companies and international credit agencies. Its centralizing banks in foreign currency are Bank of America Merrill Lynch, Commerzbank and Standard Chartered Bank, and it is also associated to the SWIFT network.

In 1S11, the Bank's currency exchange portfolio negotiated over US\$ 11.5 billion, a significant increase by 70% as compared to the same period in 2010, reaching record negotiations in 19 years of existence. We highlighted below the material facts in the period:

- ✓ Approximately 50,000 transactions performed;
- ✓ The Bank remains among the 23 largest financial institutions in volume negotiated, and among the 12 biggest financial institutions in number of transactions, amounting to 147 financial institutions authorized to deal in foreign exchange (Source: Banco Central do Brasil);
- ✓ In the bank notes areas (import, export and distribution of foreign and national currencies in cash), BANCO PAULISTA kept custody for armored service providers in approximately 40 trading centers, spread out within Brazil, located at strategic areas, with over 50 active clients (wholesale business - large financial institutions), which made possible the negotiation in the period an amount above US\$ 2 billion, outing the Bank in the leadership of this very promising market and
- ✓ Growth of assets of more than 30% at the same period in 2010, in particular the Forward Foreign Currency Agreement ("ACC") and Adiantamento sobre Cambiais Entregues ("ACE") products for exports, and Import Financing ("FINIMP") and Credit Letter in imports.

## ❖ SOCOPA – CORRETORA PAULISTA

SOCOPA - Corretora PAULISTA, a wholly-owned subsidiary of BANCO PAULISTA, operates in Stock and Commodities Exchanges, both in the Brazilian and in the international markets, and in Currency Exchange Brokerage for financial institutions, pension and investment funds and individual legal entity investors. It also operates for individuals, by providing customized products, such as investment clubs and managed portfolios, in addition to Internet investments, through the Socopa Online, the first Brazilian Stock-Exchange real-time investment website ("home broker").

SOCOPA advises its clients in the contracting of exchange operations, both with BANCO PAULISTA and other financial institutions.

SOCOPA's equity results in the 2Q11 was R\$ 1.9 million, prompted by non-recurrent tax event and decrease in administrative costs related to full repayments agreed upon at hiring new teams last year.

## **RATINGS**

Maintenance of the ratings with the two renowned rating agencies, as it shows a vote of confidence given to the Institution during its transition period.

### **Moody's has assigned the following ratings to BANCO PAULISTA:**

- ✓ Bank's Financial Strength: E+
- ✓ Global Long-Term Local Currency Deposits: B1
- ✓ Global Short-Term Local Currency Deposits: NotPrime
- ✓ Long-Term Foreign Currency Deposits: B1
- ✓ Short-Term Foreign Currency Deposits: NotPrime
- ✓ Long-Term Nationwide Deposits in BR: Baa2.br
- ✓ Short-Term Nationwide Deposits in BR: BR-3
- ✓ Ratings Perspective: Stable

The risk agency highlights as the main vectors for positive changes in the ratings:

- ✓ Return of the Bank to its traditional business environment;
- ✓ Improvement of corporate governance and transparency practices;
- ✓ Diversification of the funding sources.

BANCO PAULISTA's transition process has incorporated the vectors as pointed by Moody's, besides reinforcing the existing positive aspects, such as services providing a uniform income source, like Currency Exchange, Services to the Market and Brokerage. With a successful restructuring process, the Institution will certainly achieve improved ratings.

**Austin has assigned the following ratings to BANCO PAULISTA:**

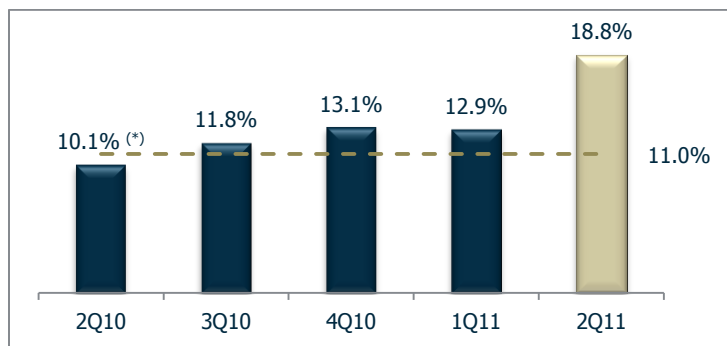
- ✓ Long-Term Credit Rating: BBB
- ✓ Short-Term Rating: A-2
- ✓ Ratings Perspective: Stable

Austin Rating's risk rating took into account BANCO PAULISTA's appropriate intrinsic financial strength as expressed in its commitment with both the minimum capitalization levels required by the Brazilian Central Bank, and with the prosecution of the banking activity, through initiatives aimed at endowing the Institution with an appropriate structure and the best corporate governance practices, better economic results, and increased credit activities, in a safe, controlled manner. It takes into account the maintenance of sound liquidity levels and the suitability of the assets and liabilities' terms match; such assets and liabilities are already strengthened with the presence of a free cash position, duly compatible to the settlement of its short-term duties.

Likewise, it takes into account the Treasury's conservative position, thus minimizing the market risk and its impact on the Bank. The rating, on the other hand, incorporates the accrued loss in the last three quarters and the sensitivity of its short-term results to the behavior of the retail portfolio which, despite its announced discontinuance, has impacted the Institution's performance in 2010.

**BASEL INDEX**

On June 30, 2011, the Basel Index as appraised in accordance with Resolution # 2099, with amendments introduced by Resolutions # 3444 and 3490, and by the Circular # 3360, was 18.8% (12.9 % in 1Q11). In June, BANCO PAULISTA's shareholders increased capital by R\$ 20 million to boost growth by expanding its core activities, particularly the Corporate Loan Portfolio.



(\*) On June 30 2010, the Basel Index, as appraised in accordance with Resolution # 2099, with amendments introduced by Resolutions # 3444 and 3490, and by the Circular # 3360, was 10.1% (14.4%, in the 1S09). Banco Paulista has raised funds in June 2010, by issuing Financial Letters, with subordination clauses, in order to be considered as capital level II, in accordance with Resolution # 3444.

On August 4 2010, the Brazilian Central Bank confirmed such transaction, considering the funding eligible as capital level II.

If such approval had occurred in June 2010, a Basel Index of 12.53% would have been granted at the data base of June 30 2010.

**EXTERNAL AUDIT**

The quarterly financial information has been audited by Ernst & Young Terco, and an opinion has been issued on August 12, 2011, without reservations.

**CONTACTS**

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**Ombudsman**

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SOCOPA: 0800-773-2009

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## SCHEDULE I – BALANCE SHEET

<b>ASSETS - R\$ thousand</b>	<b>2Q11</b>	<b>1Q11</b>	<b>2Q10</b>
<b>Current Assets</b>	<b>1,338,069</b>	<b>1,193,560</b>	<b>1,330,043</b>
Cash	132,296	82,208	81,932
Interbank Liquidity Investments	138,867	219,384	195,497
Securities and Derivatives	335,146	277,097	308,620
Interbank Accounts	83,544	109,943	206,081
Credit Operations	298,833	289,923	269,698
Foreign exchange transactions	306,141	163,352	213,403
Other Credits	37,816	35,500	34,298
<b>Other Values and Assets</b>	<b>5,426</b>	<b>16,153</b>	<b>20,514</b>
Long-Term Receivables	183,685	177,824	197,643
Short-term Interbank Investments	2,323	-	11,370
Securities and Derivatives	51,944	55,791	59,931
Credit Operations	41,946	43,671	55,242
Other Credits	73,911	72,798	68,732
Other Values and Assets	13,561	5,564	2,368
<b>Fixed Assets</b>	<b>49,013</b>	<b>47,151</b>	<b>46,752</b>
Investments	45,604	43,699	43,115
Property, Plant and Equipment	2,929	3,041	3,145
Deferred Assets	-	-	171
Intangible	480	411	321
<b>Total Assets</b>	<b>1,570,767</b>	<b>1,418,535</b>	<b>1,574,438</b>
<b>LIABILITIES - R\$ thousand</b>	<b>2Q11</b>	<b>1Q11</b>	<b>2Q10</b>
<b>Current</b>	<b>1,117,344</b>	<b>1,035,973</b>	<b>1,235,268</b>
Deposits	487,733	514,757	431,480
Deposits Received under Security	146,823	159,496	317,670
Interdependence and Interbank Accounts	8,933	13,190	10,133
Borrowings and Onlendings	85,314	117,998	194,083
Derivatives	1,270	1,218	-
Foreign exchange portfolio	294,107	148,294	201,969
Other liabilities	93,164	81,020	79,933
<b>Long-term liabilities</b>	<b>336,209</b>	<b>297,095</b>	<b>238,229</b>
Deposits	255,857	211,029	159,632
Funds from acceptance and issuance of securities	-	-	20,100
Borrowings and onlendings	2,589	5,525	7,293
Other liabilities	77,763	80,541	51,204
<b>Net Worth</b>	<b>117,214</b>	<b>85,467</b>	<b>100,941</b>
Capital - domiciled in the country	127,000	107,000	107,000
Capital Reserve	97	97	97
Revenue Reserves	2,714	2,402	2,402
Accumulated Deficit	(12,597)	(24,032)	(8,558)
<b>Total Liabilities</b>	<b>1,570,767</b>	<b>1,418,535</b>	<b>1,574,438</b>

## SCHEDULE II – QUARTERLY RESULTS STATEMENT

Quarterly Results Statement - R\$ thousand	2Q11	1Q11	Var.%	2Q10	Var.%
<b>Income from Financial Mediation</b>	<b>76,972</b>	<b>48,664</b>	<b>58.2%</b>	<b>44,146</b>	<b>74.4%</b>
Credit Operations	18,941	16,229	16.7%	16,618	14.0%
Income from Securities	23,078	14,883	55.1%	17,472	32.1%
Income from Derivatives	1,461	2,201	-33.6%	9,022	-83.8%
Income from Exchange Transactions	33,492	15,351	118.2%	1,034	3139.1%
<b>Financial Mediation Expenses</b>	<b>(34,330)</b>	<b>(37,285)</b>	<b>-7.9%</b>	<b>(29,386)</b>	<b>16.8%</b>
Funding Operations	(26,711)	(25,044)	6.7%	(20,156)	32.5%
Borrowing and Onlending	(1,091)	(729)	49.7%	(1,330)	-18.0%
Allowance for Doubtful Accounts	(6,528)	(11,512)	-43.3%	(7,900)	-17.4%
<b>Gross Profit from Financial Mediation</b>	<b>42,642</b>	<b>11,379</b>	<b>274.7%</b>	<b>14,760</b>	<b>188.9%</b>
<b>Other Operating Income (Expenses)</b>	<b>(23,519)</b>	<b>(19,106)</b>	<b>23.1%</b>	<b>(11,066)</b>	<b>112.5%</b>
Income from Services Rendered	11,857	3,996	196.7%	7,673	54.5%
Expenses with Personnel	(8,001)	(8,311)	-3.7%	(6,746)	18.6%
Other Administrative Expenses	(11,780)	(8,062)	46.1%	(5,756)	104.7%
Tax Expenses	(5,004)	(1,647)	203.8%	(1,865)	168.3%
Equity in Earnings of Associated Companies	1,905	(17)	-	(245)	-
Other Operating Income	12,034	745	-	4,052	197.0%
Other Operating Expenses	(24,530)	(5,810)	322.2%	(8,179)	199.9%
<b>Operating Income</b>	<b>19,123</b>	<b>(7,727)</b>	<b>-</b>	<b>3,694</b>	<b>417.7%</b>
Non-Operating Income	(815)	(1,308)	-37.7%	(1,569)	-48.1%
<b>Income before Tax on Profit and Gain Sharing</b>	<b>18,308</b>	<b>(9,035)</b>	<b>-</b>	<b>2,125</b>	<b>761.6%</b>
<b>Income Tax and Social Contribution</b>	<b>(6,561)</b>	<b>3,514</b>	<b>-</b>	<b>(960)</b>	<b>583.4%</b>
Allowance for Income Tax	(4,873)	(2)	-	(1,317)	270.0%
Allowance for Social Contribution	(3,003)	(2)	-	(813)	269.4%
Deferred Tax Assets	1,643	3,518	-53.3%	1,170	40.4%
Statutory profit-sharing	(328)	-	-	-	-
<b>Net Profit (Loss)</b>	<b>11,747</b>	<b>(5,521)</b>	<b>-</b>	<b>1,165</b>	<b>908.3%</b>
<b>Loss by one thousand-share lot - R\$</b>	<b>53.71</b>	<b>(27.78)</b>	<b>-</b>	<b>5.86</b>	<b>816.2%</b>

## SCHEDULE III – SEMI-ANNUAL RESULTS STATEMENT

<b>Semi-annual Results Statement - R\$ thousand</b>	<b>1S11</b>	<b>1S10</b>	<b>Var. %</b>
<b>Income from Financial Mediation</b>	<b>125,636</b>	<b>88,025</b>	<b>42.7%</b>
Credit Operations	35,170	30,272	16.2%
Income from Securities	37,961	36,197	4.9%
Income from Derivatives	3,662	9,750	-62.4%
Income from Exchange Transactions	48,843	11,806	313.7%
<b>Financial Mediation Expenses</b>	<b>(71,615)</b>	<b>(64,850)</b>	<b>10.4%</b>
Funding Operations	(51,755)	(39,062)	32.5%
Borrowing and Onlending	(1,820)	(2,805)	-35.1%
Allowance for Doubtful Accounts	(18,040)	(22,983)	-21.5%
<b>Gross Profit from Financial Mediation</b>	<b>54,021</b>	<b>23,175</b>	<b>133.1%</b>
<b>Other Operating Income (Expenses)</b>	<b>(42,625)</b>	<b>(34,802)</b>	<b>22.5%</b>
Income from Services Rendered	15,853	13,163	20.4%
Expenses with Personnel	(16,312)	(13,834)	17.9%
Other Administrative Expenses	(19,842)	(11,805)	68.1%
Tax Expenses	(6,651)	(3,706)	79.5%
Equity in Earnings of Associated Companies	1,888	424	345.7%
Other Operating Income	12,779	4,675	173.3%
Other Operating Expenses	(30,340)	(23,719)	27.9%
<b>Operating Income</b>	<b>11,396</b>	<b>(11,626)</b>	<b>-</b>
Non-Operating Income	(2,123)	(2,707)	-21.6%
<b>Income before Tax on Profit and Gain Sharing</b>	<b>9,273</b>	<b>(14,333)</b>	<b>-</b>
<b>Income Tax and Social Contribution</b>	<b>(3,047)</b>	<b>5,776</b>	<b>-</b>
Allowance for Income Tax	(4,875)	(1,877)	159.7%
Allowance for Social Contribution	(3,005)	(1,161)	158.8%
Deferred Tax Assets	5,161	8,815	-41.4%
Statutory profit-sharing	(328)	-	-
<b>Net Profit (Loss)</b>	<b>6,226</b>	<b>(8,557)</b>	<b>-</b>
<b>Loss by one thousand-share lot - R\$</b>	<b>28.46</b>	<b>(43.06)</b>	<b>-</b>