EARNINGS RELEASE

2nd Quarter of 2012

BANCO PAULISTA

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BANCO PAULISTA has announced its results for 2Q12. BANCO PAULISTA is recognized for providing foreign exchange and treasury services, in addition to funding for middle market companies and asset management, settlement and custody. In addition, it offers settlement bank services at the CETIP, SELIC, BM&FBOVESPA and the CBLC for financial institutions, in addition to being the clearing house agent for brokerage houses at the CBLC.

SOCOPA, a full subsidiary and experienced securities and foreign exchange broker, operates in these segments on the São Paulo Stock and Commodities and Futures Exchange, BM&F&BOVESPA, on the domestic and international markets.

MESSAGE FROM THE MANAGEMENT

BANCO PAULISTA has reached the end of yet another quarter with net income, for the fifth consecutive time, from which we can deduce that the changes to the Bank's strategy are working. With the results of each quarter, the benefits are increasingly evident, enabling us to look ahead to an even brighter future for the Institution.

Foreign exchange transactions once again made a sterling contribution to the positive quarterly results, further emphasizing the strength and consistency of this line of business. Given the Bank's traditional conservative approach to its business, it was decided to reduce the credit portfolio during the quarter, giving priority to liquidity in the face of the rising levels of delinquencies affecting the market. Therefore management relinquished an immediate increase in revenue from sustained mid- and long-term transactions, in preference to higher profitability. The Basel Ratio stood at 21.3% in June 2012, affording the Bank a substantial margin for available growth, but always backed up by rigorous analysis of the asset quality.

The recently-founded Riviera Investimentos (Asset Management), in which the Bank has a 51% stake, now has over R$ 600 million under management. Several structured funds – Equity Investment Funds (FIP) and a Property Investment Fund (FII) – are in the final stage of raising funding and are likely to see a substantial increase in total assets under management before the end of the year.

The effects of the assignment of Consumer Credit Rights (CDC) are wearing off, with an increasingly irrelevant impact on income. The securitization agreement for the assignment of delinquent credit rights was concluded in 2011, reducing the effect of the CDC liabilities on the balance sheet.

Finally, BANCO PAULISTA is enhancing its commitment to strength, transparency and governance, the pillars that have supported the improvements in the Bank's results over recent quarters, and which will be essential in the constant search for efficiency.

MAIN INDICATORS

Main Indicators	2Q12	1Q12	(%) Var.	2Q11	(%) Var.	1S12	1S11	(%) Var.
Income from Financial Intermediation	31,448	41,297	-23.8%	42,642	-26.3%	72,745	54,021	34.7%
Operating Income	9,185	9,043	1.6%	19,123	-52.0%	18,228	11,396	-
Net Income (Loss)	4,808	3,713	29.5%	11,747	-59.1%	8,521	6,226	-
Adjusted Net Income (Loss) (*)	8,469	6,297	34.5%	15,419	-45.1%	14,766	19,092	-22.7%
Shareholders' Equity	127,84	123,039	3.9%	117,214	9.1%	127,847	117,214	9.1%
Total Assets	1,630,344	1,612,357	1.1%	1,570,767	3.8%	1,630,344	1,570,767	3.8%
Total Credit Portfolio	220,952	285,946	-22.7%	362,324	-39.0%	220,952	362,324	-39.0%
Total Funding	866,197	1,008,755	-14.1%	991,412	-12.6%	866,197	991,412	-12.6%
Net Interest Margin (NIM) (% p.a.)	13.0%	18.3%	-5.36 p.p.	18.4%	-5.41 p.p.	11.0%	9.9%	1.14 p.p.
Efficiency Ratio	53.7%	50.7%	3.02 p.p.	40.6%	13.08 p.p.	52.1%	48.7%	3.38 p.p.
Efficiency Ratio (*)	49.7%	48.3%	1.38 p.p.	38.3%	11.40 p.p.	49.0%	42.5%	6.50 p.p.
Basel Ratio	21.3%	18.0%	3.35 p.p.	18.8%	2.48 p.p.	21.3%	18.8%	2.48 p.p.

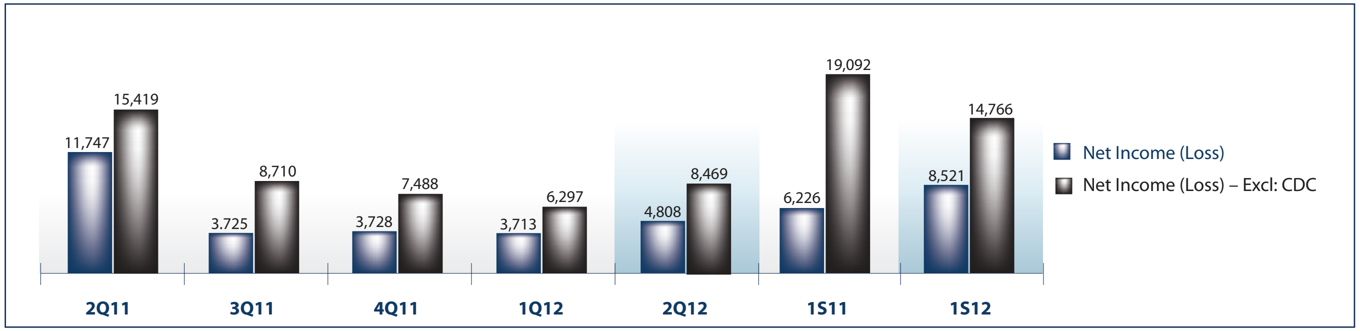
(*) *After stripping out the effects of CDC*

PERFORMANCE

Net Income

For the fifth consecutive quarter BANCO PAULISTA turned in an operating profit, reflecting the strength and the consistency of its traditional business areas. This run of positive results is evidence that the Bank's decision to restructure was the correct one to take, in addition to boosting confidence in the fact that the Institution is on the right path, where the focus is always on results. Earnings for 2Q12 stood at R$ 4,8 million, growth of 29.5% when compared to the R$ 3,7 million recorded in the previous quarter. Accumulated net income for the six-month period was R$ 8,5 million, an increase of 36.9% over the same period of 2011. Foreign exchange transactions once again played an important role in the Bank's results. The foreign exchange portfolio showed a positive balance of R$ 38,4 million for the quarter, up by 14.9% over the R$ 33,4 million in 1Q12. For the six-month period the result was even more significant, with an accumulated balance of R$ 71,9 million, or 47.2% over 1S11.

NET INCOME (LOSS) - R$ thousands



Pró-Forma

BANCO PAULISTA, maintaining its commitment to transparency and governance, continues to publish its pro-forma results, which do not take into account the effects of CDC transactions. Without those effects, net income for 2Q12 would have amounted to R$ 8,5 million, and R$ 14,8 million for the half-year.

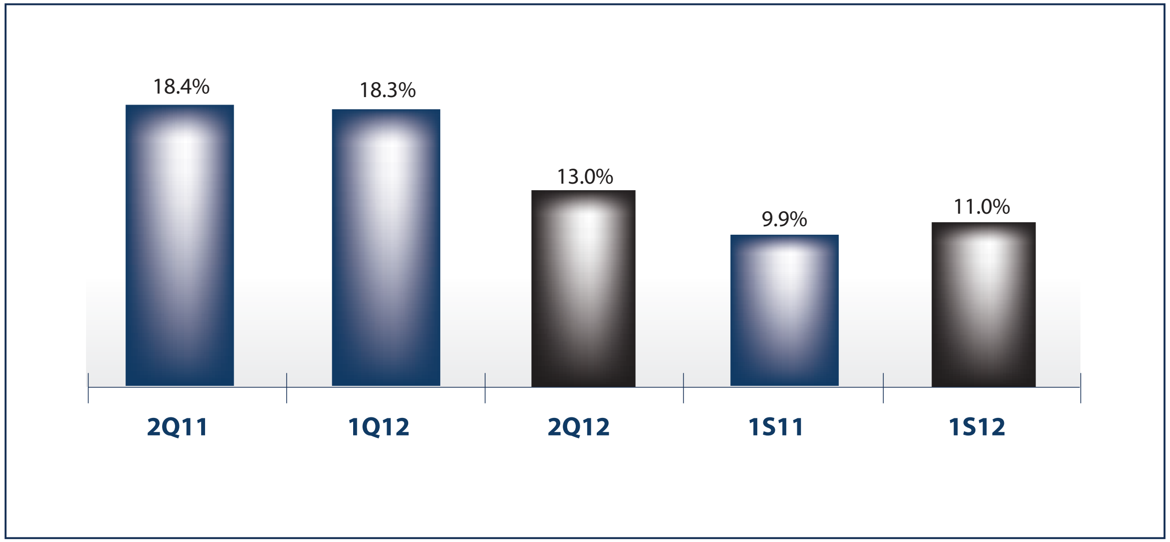
Pro Forma Result	2Q11	1Q12	2Q12	1S11	1S12
Income before taxes and minority interests	18,308	8,365	8,487	9,273	16,852
Income and social contribution taxes	(7,876)	(4,923)	(4,047)	(7,880)	(8,970)
Deferred tax assets	1,643	466	621	5,161	1,087
Statutory profit sharing	(328)	(195)	(253)	(328)	(448)
Net Income (Loss)	**11.747**	**3,712**	**4,808**	**6,226**	**8,520**
(-) Result of CDC	**(3,672)**	**(2,584)**	**(3,661)**	**(12,866)**	**(6,245)**
Pro Forma Net Income	**15,419**	**6,297**	**8,469**	**19,092**	**14,766**

The impacts of the co-obligation from the assigned portfolio are slowly having less effect on the results of BANCO PAULISTA, as the portfolio approaches maturity. Furthermore, the securitization arrangement entered into at the end of 2010 protects the Institution's profitability by avoiding new allocations of provisions. The purpose of the arrangement with Paulista Companhia Securitizadora de Créditos Financeiros, an associate entity, is to assign past-due credit rights arising from loans and financing granted by the Bank. To that end, the securitization company was paid R$ 15,3 million referring to the result of price equalization, calculated by taking into account the default track record of the assigned portfolio. The amount will be appropriated to the results as "other operating expenses" in the same proportion as the loans underlying this arrangement reach maturity, which will substantially occur by December 2012.

Interest Margin

Annualized Net Interest Margin (NIM) stood at 13.0%, and 11.0% for the first six-month period. The one-off reduction in revenue from credit transactions and non-cash losses involving currency hedge transactions adversely affected the margin for the quarter.

NET INTEREST MARGIN (NIM) (% p.a.)



EFFICIENCY RATIO

The efficiency ratio stood at 53.7%, slightly down in relation to the previous quarter, affected by the negative result from hedge transactions (securities) and by lower revenues from credit transactions on account of the strategic reduction in the portfolio in recent months.

Administration and personnel expenses declined by 3.5% and 13.4%, respectively; but this effect was not reflected in the ratio, because of the one-off loss from securities. However the Bank expects to maintain this level of expenses over forthcoming quarters, which leads us to believe that the efficiency ratio will show an improvement in future results.

After stripping out the effects of CDC, the efficiency ratio for 2Q11 stood at 49.7%, against 48.3% for the previous quarter.

Efficiency Ratio	2Q12	1Q12	(%) Var.	2Q11	(%) Var.	1S12	1S11	(%) Var.
Expenses	**24,511**	**27,032**	**-9.3%**	**24,785**	**-1.1%**	**51,543**	**42,805**	**20.4%**
Personnel	9,466	9,812	-3.5%	8,001	18.3%	19,278	16,312	18.2%
Administration	12,110	13,985	-13.4%	11,780	2.8%	26,095	19,842	31.5%
Tax	2,935	3,235	-9.3%	5,004	-41.3%	6,170	6,651	-7.2%
Revenues	**45,648**	**53,346**	**-14.4%**	**61,027**	**-25.2%**	**98,994**	**87,914**	**12.6%**
Income from financial intermediation	31,448	41,297	-23.8%	42,642	-26.3%	72,745	54,021	34.7%
+ provision for doubtful debtors	6,493	7,187	-9.7%	6,528	-0.5%	13,680	18,040	-24.2%
Income from services	7,707	4,862	58.5%	11,857	-35.0%	12,569	15,853	-20.7%
Efficiency Ratio	**53.7%**	**50.7%**	**3.0 p.p.**	**40.6%**	**13.1 p.p.**	**52.1%**	**48.7%**	**3.4 p.p.**

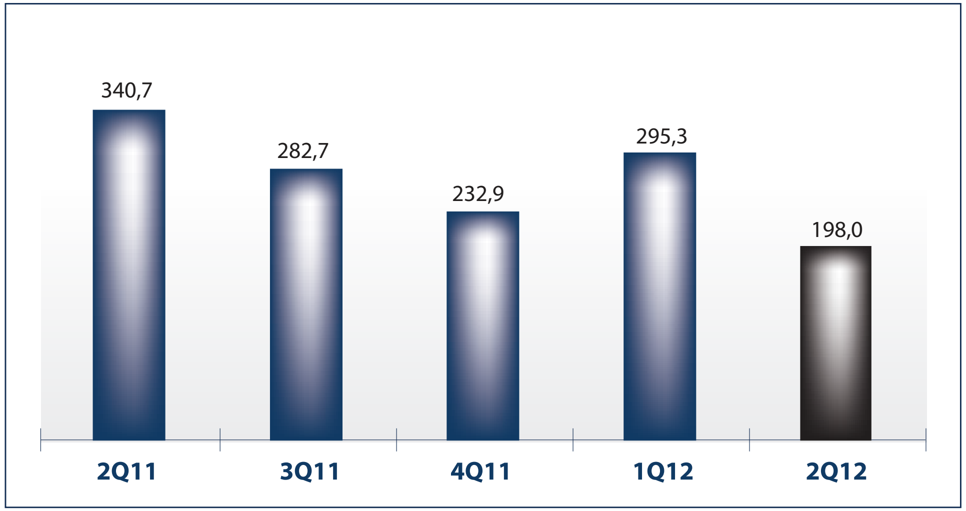
Efficiency Ratio (Excl. CDC)	2Q12	1Q12	(%) Var.	2Q11	(%) Var.	1S12	1S11	Var. (%)
Expenses	**24,511**	**27,032**	**-9.3%**	**24,785**	**-1.1%**	**51,543**	**42,805**	**20.4%**
Personnel	9,466	9,812	-3.5%	8,001	18.3%	19,278	16,312	18.2%
Administration	12,110	13,985	-13.4%	11,780	2.8%	26,095	19,842	31.5%
Tax	2,935	3,235	-9.3%	5,004	-41.3%	6,170	6,651	-7.2%
Revenues	**49,309**	**55,930**	**-11.8%**	**64,699**	**-23.8%**	**105,239**	**100,780**	**4.4%**
Income from financial intermediation	31,448	41,297	-23.8%	42,642	-26.3%	72,745	54,021	34.7%
+ provision for doubtful debtors	6,493	7,187	-9.7%	6,528	-0.5%	13,680	18,040	-24.2%
Income from services	7,707	4,862	58.5%	11,857	-35.0%	12,569	15,853	-20.7%
Effects of CDC	3,661	2,584	41.7%	3,672	-0.3%	6,245	12,866	-51.5%
Efficiency Ratio	**49.7%**	**48.3%**	**1.4 p.p.**	**38.3%**	**11.4 p.p.**	**49.0%**	**42.5%**	**6.5 p.p.**

LIQUIDITY

Distribution of Net Assets (R$ thousands)	2Q12	1Q12	(%) Var.	2Q11	(%) Var.
Cash and cash equivalents	164,222	150,635	9.0%	132,296	24.1%
Short-term interbank investments	208,970	193,150	8.2%	65,829	217.4%
Aplicações no Mercado Aberto (líquido)	134,317	179,885	-25.3%	49,170	173.2%
Investments in Interbank Deposits	74,653	13,265	462.8%	16,659	348.1%
Securities and Derivatives (Trading Book – Available for Sale)	217,114	247,689	-12.3%	333,597	-34.9%
Interbranch Business (Net)	26,959	72,141	-62.6%	81,807	-67.0%
Total Net Assets	**617,265**	**663,615**	**-7.0%**	**613,529**	**0.6%**

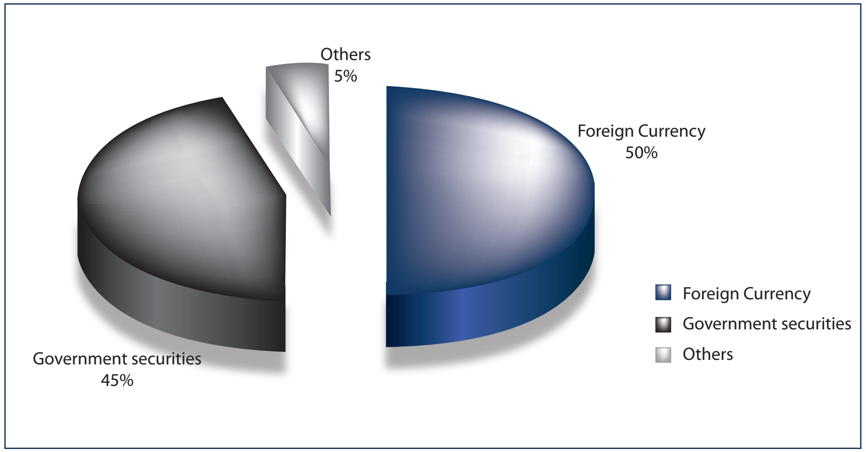
Net assets totaled R$ 617,0 million, down by 7.0% in relation to 1Q12. Liquidity remains comfortable and sufficient for the Institution's requirements. Attention should also be drawn to the fact that BANCO PAULISTA also has access to additional liquidity through the Term Deposits with Special Guarantee mechanism (DPGE), amounting to R$ 268,0 million, funds to which the Bank has access as and when management deems it to be in its interest. In addition, the Bank has adopted a more conservative approach to renewing the current DPGEs, as these involve higher costs on account of the high level of liquidity they provide.

EVOLUTION OF THE CASH POSITION - R$ thousands

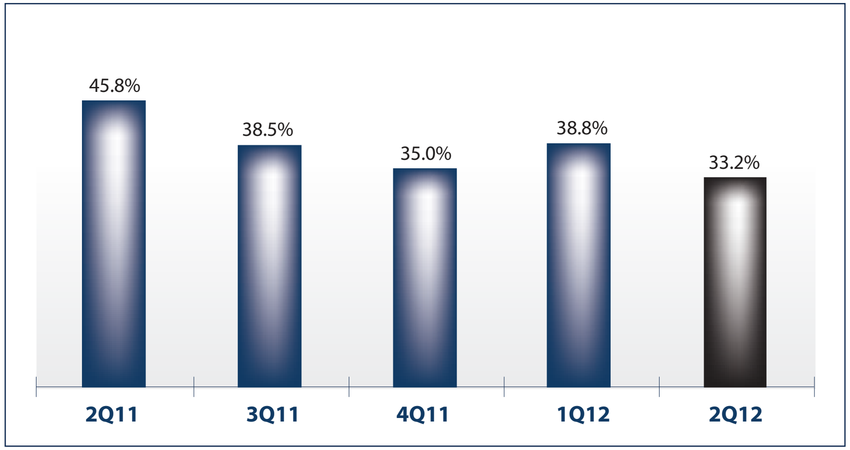


The Bank's cash position remained at a comfortable level at the close of the quarter, amounting to R$ 198,0 million. This amount was primarily channeled to meeting the demand for short-term foreign exchange transactions. During the quarter, the cash position was divided 50.0% in foreign currency; 45.5% in government securities; and 5.0% in other investments

CASH BREAKDOWN (June/12)



CASH/ TOTAL DEPOSITS



BANCO PAULISTA also monitors its liquidity level using the ratio of the cash position to total deposits, which in 2Q12 stood at 33.2%.

Asset and Liability Management

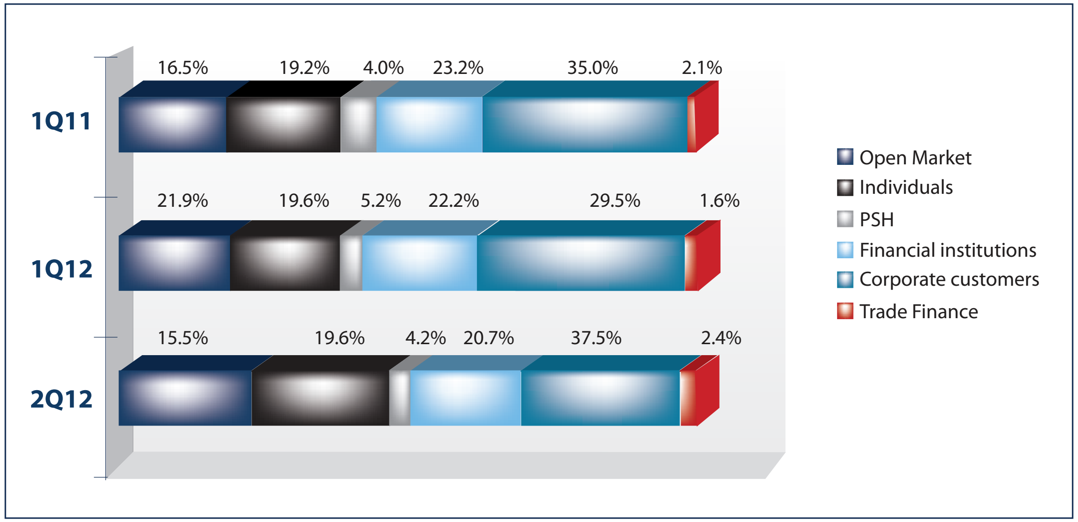
The Bank remains adequately matched in terms of assets and liabilities, enabling it to minimize exposure to occasional mismatches between rates and terms applied. The average term of (middle market) credit transactions (middle) is 186 days, while the average funding term is 205 days, creating a positive gap of 25 days.

FUNDING

In 2Q12, funding totaled R$ 866,2 million, down by 14.1% over the previous quarter. Given the comfortable cash position, the Bank has been more selective when rolling over current funding lines, leading to a decline in the balance for the quarter, but which is still at a perfectly healthy level to meet the Institution's operations in terms of both tenors and volume.

Funding (R$ thousands)	2Q12	1Q12	(%) Var.	2Q11	(%) Var.
Call deposits	55,344	84,672	-34.6%	63,921	-13.4%
Term deposits	369,881	396,226	-6.6%	404,450	-8.5%
Up to 1 year	262,258	287,349	-8.7%	237,635	10.4%
Over 1 year	107,623	108,877	-1.2%	166,815	-35.5%
Interbank deposits	98,734	136,466	-27.6%	96,096	2.7%
Open Market Funding	162,674	156,500	3.9%	146,823	10.8%
Liabilities for Loans and On-Lending Overseas	27,176	24,140	12.6%	18,099	50.1%
PSH – Social Housing Subsidized Loans	34,060	42,352	-19.6%	60,155	-43.4%
DPGE – Term Deposits with Special Guarantee	118,327	168,398	-29.7%	201,867	-41.4%
Total	**866,197**	**1,008,755**	**-14.1%**	**991,412**	**-12.6%**

FUNDING



OPERATING HIGHLIGHTS

CREDIT PORTFOLIO

The total credit portfolio stood at R$ 228,7 million at the end of 2Q11, a decline of 22.6% in relation to 1Q11, and down by 32.9% when compared to 2Q11. When assigned transactions are included, the credit portfolio totaled R$ 256,8 million, down by 23.0% and by 21.0% over 1Q12 and 2Q11, respectively. Specifically in the case of the Middle Market portfolio there was a contraction of 20.2% over 1Q12, amounting to R$ 232,5 million. The reduction in the Middle Market portfolio was part of management's strategy to protect the cash position amid the recent increase in delinquencies in the market.

Credit Portfolio (R$/thousands)	jun.12	mar.12	(%) Var.	jun.11	(%) Var.
Middle Market	**232,458**	**291,247**	**-20.2%**	**328,867**	**-29.3%**
Loans	205,647	260,898	-21.2%	292,171	-29.6%
Bills Discounted	7,683	7,272	5.7%	8,619	-10.9%
Financing	18,800	15,408	22.0%	12,113	55.2%
On-lending	-	3,269	-	10,959	-
Others	329	4,401	-92.5%	5,006	-93.4%
Retail	**16,036**	**26,626**	**-39.8%**	**33,457**	**-52.1%**
Payroll-deductible loans + CDC – Others (*)	341	566	-39.7%	1,157	-70.5%
Vehicle finance	15,695	26,061	-39.8%	32,300	-51.4%
Total Assets	**248,494**	**317,874**	**-21.8%**	**362,324**	**-31.4%**
PDD - Middle Market	(15,582)	(15,160)	2.8%	(13,889)	12.2%
PDD – Retail Market	(4,116)	(7,218)	-43.0%	(7,656)	-46.2%
Total Net Assets	228,796	295,495	-22.6%	340,779	-32.9%
CDC (Assigned)	35,812	47,544	-24.7%	117,835	-69.6%
PDD CDC (Assigned)	(7,844)	(9,549)	-17.9%	(19,926)	-60.6%
Total Portfolio	256,764	333,490	-23.0%	438,688	-41.5%

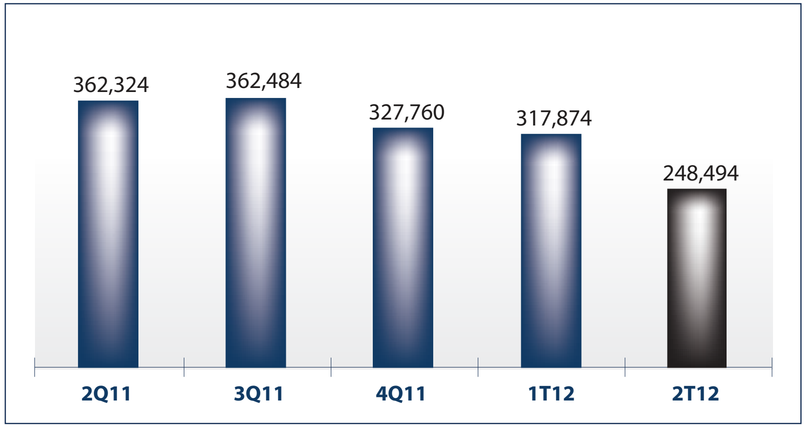
(*) *Includes CDC, overdrafts, bills discounted and others.*

The average tenor of the middle market portfolio remained stable at 6 months in 2Q12, although the decline observed over recent quarters continued, as a result of the greater proportion of loans with shorter maturities and the reduction in CDC.

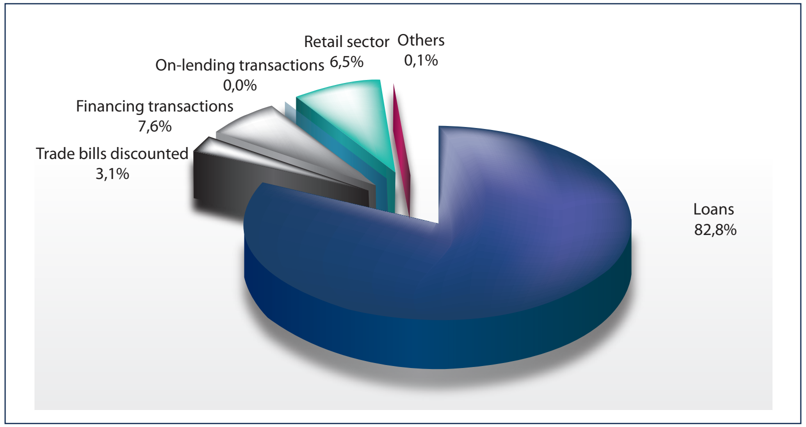
The personal loan portfolio stood at R$ 51,8 million (including CDC) at June 30, 2012, a drop of 30.1% in relation to 1Q12. This decline reflects the Bank's strategy, namely the assignment of its CDC portfolio at the end of 2009, and a complete halt to new transactions of this nature.

BANCO PAULISTA is still incurring CDC-related expenses, and this situation will prevail until the transactions assigned with co-obligation have matured. These expenses primarily involve pre-payments, provisions for doubtful loans, insurance and collection expenses. These expenses show a quarter-to-quarter decline, and they are expected to decline even more significantly by the end of the year, given the sharp reduction in the portfolio.

EVOLUTION OF THE CREDIT PORTFOLIO - R$ thousands



CREDIT PORTFOLIO DISTRIBUTION PER MODALITY



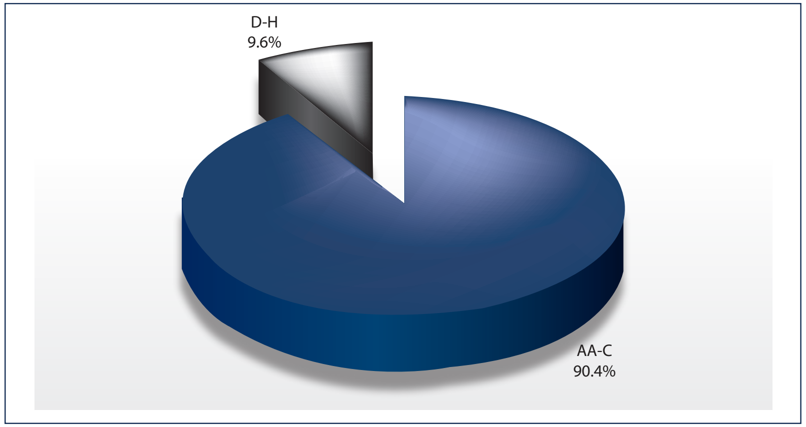
Loans

Loans via call account to meet companies' working capital requirements, with partial amortization of principal permitted at any time up to the final maturity date. These also consist of loans for no specific purpose under the following modalities: Bank Credit Notes, Commercial Credit Notes and Industrial Credit Notes. At the end of 2Q12 BANCO PAULISTA had a total loan portfolio of R$ 205,6 million.

PORTFOLIO AND RISK LEVEL-BASED PROVISIONS

Classific.	(%) Provision Required	Past due	Outstanding maturities	Total Portfolio	(%) Relative Participation	Provision for Past Dues	Provision for Outstanding Maturities	Total Provision	Provision Excl. CDC	Provision CDC
AA	-	0.0	0.0	-	0.0%	-	-	-	-	-
A	0.5	-	4,831	4,831	2.2%	-	24	24	24	-
B	1.0	889	81,800	82,689	37.4%	9	818	827	751	76
C	3.0	2,027	110,184	112,211	50.8%	61	3,306	3,366	2,953	413
D	10.0	4,269	1,482	5,751	2.6%	427	148	575	478	97
E	30.0	1,767	1,311	3,078	1.4%	530	393	923	738	185
F	50.0	2,150	5	2,155	1.0%	1.075	3	1,078	744	334
G	70.0	4,233	599	4,832	2.2%	2.963	419	3,382	3,055	327
H	100.0	4,469	936	5,405	2.4%	4.469	936	5,406	2,651	2,755
Total		**19,804**	**201,148**	**220,952**	**100.0%**	**9.534**	**6,047**	15,582	11,393	**4,188**

PORTFOLIO BY GROUPED RISK LEVELS



RATIO OF NON-PERFORMING LOANS (D-H Portfolio delinquencies) per Type of Client

	jun/12	mar/12	jun/11	jun/12 x mar/12	jun/12 x jun/11
Individuals	1.4%	1.3%	1.6%	0.1 p.p.	-0.1 p.p.
Corporate Customers	3.8%	3.5%	1.2%	0.3 p.p.	2.6 p.p.
Total	**3.2%**	**2.9%**	**1.4%**	**0.3 p.p.**	**1.8 p.p.**

RATIO OF NON-PERFORMING LOANS (Portfolio more than 15 days past due) per Type of Client

	jun/12	mar/12	jun/11	jun/12 x mar/12	jun/12 x jun/11
Individuals	1.6%	1.6%	1.8%	0.1 p.p.	-0.1 p.p.
Corporate Customers	4.5%	3.5%	1.5%	1.0 p.p.	3.0 p.p.
Total	**3.7%**	**2.9%**	**1.7%**	**0.8 p.p.**	**2.1 p.p.**

CREDIT PORTFOLIO COVERAGE RATIO (*)

	jun/12	mar/12	jun/11	jun/12 x mar/12	jun/12 x jun/11
Total	134.98%	163.80%	212.46%	-28.8 p.p.	-77.5 p.p.

(*) Coverage ratio is calculated by dividing the balance of the provision for doubtful loans by the balance of transactions more than 90 days in default

FOREIGN EXCHANGE

Since 1.992 BANCO PAULISTA has operated in the spot and future currency markets in exports, imports, financial transactions and tourism (bank notes), a combination of the extensive variety of transactions existing in this department. It has arrangements with logistics companies, trading companies and international credit agencies. Its foreign currency centralizing banks are Bank of America Merrill Lynch, Commerzbank AG and Standard Chartered Bank, and it is also a member of SWIFT.

The principal relevant facts worthy of note in the foreign exchange area in the quarter were:

- » Over 40,000 transactions, making a record total amount of approximately US$ 10,5 billion, representing growth of 17% over 1Q12;
- » For more than a year the Bank has featured among the 20 largest financial institutions in trading volume, and one of the 10 largest in number of transactions, out of a total of 147 institutions (Source: Brazilian Central Bank);
- » In the case of bank notes (imports, exports and distribution of foreign and domestic currency in cash), BANCO PAULISTA provides custody at cash delivery companies in around 50 cities strategically distributed across Brazil, with more than 80 active clients, which enabled it to trade an amount exceeding US$ 1,0 billion in the period, hoisting the Bank to the position of leader in this highly promising market.

The foreign exchange department of BANCO PAULISTA remains focused on the services segment, consolidating its excellent track record in structured transactions, thanks to proper investment and support from the technology and business areas, plus the technical knowledge and effort of its entire staff complement, whether in over-the-counter or trade-related foreign exchange transaction.

SOCOPA – SOCIEDADE CORRETORA PAULISTA

A SOCOPA, a full subsidiary of BANCO PAULISTA, operates on the domestic and international stock and commodities exchanges, in addition to brokering foreign exchange transactions for financial institutions, pension and investment funds and private and corporate investors. It also operates for private customers in general, providing personalized products such as investment clubs and managed portfolios, in addition to internet investments and home broker services through Socopa Home Broker, the first web site in Brazil offering real-time stock exchange investments.

SOCOPA advises its clients when they close foreign exchange transactions, with both BANCO PAULISTA and with other financial institutions.

The equity pick-up of SOCOPA in 2Q12 was a net loss of R$ 1,0 million, due to the decline in transaction volumes in the quarter.

SOCOPA ended the quarter with R$ 1,82 billion in funds under management, growth of 11.6% over 1Q12.

ASSET MANAGEMENT

The receivables fund (FIDC) market in which BANCO PAULISTA has a significant share is currently experiencing a period of consolidation and upgrading of the rules required by the Brazilian Securities Commission (CVM). The number of public offerings declined sharply during 1S12, reflecting the uncertainty surrounding the new regulatory structure for the segment. In early July, the CVM brought to the market a public hearing regarding the amendments to CVM Instruction 356, which focuses on improving the current instruction while increasing the level of responsibility of the players involved.

For 2S12, it is expected that consolidation of the new rules and substantial investments will continue, so as to adapt to the new reality being proposed by the CVM. In regard to results, margins continue to rise in the custody segment and in maintenance costs in the administration segment. During 2Q12 the Bank implemented a new FIDC custody system that will bring greater productivity gains, while at the same time enabling it to continue to meet the growing demand for this product.

Highlights:

» Among managed portfolios and investment funds and clubs, SOCOPA ended June 30 with approximately R$ 1,5 billion under management;

» Strong position in the FIDC segment, with R$ 2,0 billion under custody and R$ 1,2 billion under management.

RIVIERA INVESTIMENTOS

In 2011 BANCO PAULISTA invested in creating Riviera Investimentos, an asset management subsidiary of the Bank, whose focus is on meeting the demand from institutional investors for structured products. The recent scenario of falling interest rates has created the need for managers to look for fixed income assets with higher returns, a market in which Riviera is highly acknowledged.

In this quarter Riviera strengthened its position as a manager of structured funds intended for the institutional investor market, having concluded its accreditation process with the ANBIMA, ABVCAP, PRI, APIMEC and ANFIDC, while also initiating the rating process with S&P

The quarter also marked the launch of the FIP RN Naval and FIP Riviera GR Industrial Structured Funds, which have guaranteed Riviera 4th place among the dedicated pension fund managers, and 5th place in private equity and venture capital funds in the ranking of specialist magazine Institutional Investor.

The next steps are being dedicated to launching a Property Investment Fund (FII), in addition to bringing the aforementioned funds into operation.

RATINGS

Retention of the ratings from two agencies is worthy of mention, as it reflects the vote of confidence the Institution enjoyed during its transition period.

Moody's attributes the following ratings to BANCO PAULISTA:

» Standalone Rating: E+
» Long-term Global Local Currency Deposits: B1
» Short-term Global Local Currency Deposits: Not Prime;
» Long-term foreign currency deposits: B1
» Short-term foreign currency deposits: Not Prime.
» National Scale Long-term deposits in BR: Baa2.br
» National Scale Short-term national scale in BR: BR-3
» Ratings outlook: Stable

The risk agency highlights as the principal drivers of the positive changes in the ratings:

» The Bank's return to its traditional business environment;
» Enhanced corporate governance and transparency practices;
» Diversification of funding sources.

The transition process at BANCO PAULISTA incorporates the drivers indicated by Moody's, in addition to strengthening the existing strong points such as services that provide a constant revenue base, such as foreign exchange, market services and brokerage. Following the successful restructuring process, the Institution can expect further improvement in the ratings it has been allocated.

Austin attributes the following ratings to BANCO PAULISTA:

» Long-term credit rating: BBB
» Short-term rating: A-2
» Ratings outlook: Stable

The risk rating by Austin Rating took into account the adequate financial strength intrinsic to BANCO PAULISTA, evidenced by its commitment to the minimum capitalization levels required by the Central Bank and to its on-going banking business through initiatives designed to equip the Institution with a corporate governance structure and best practices, the achievement of better economic results and safe and controlled growth in lending. It takes into account the maintenance of good levels of liquidity and proper matching of asset and liability maturities, bolstered by a free cash position compatible with the payment of its short-term obligations.

Likewise, it takes into account the conservative position of the Treasury department, which keeps market risk and its impact on the Bank to a minimum. On the other hand, the rating reflects the accumulated losses over recent quarters and the sensitivity of the Bank's short-term earnings to the behavior of the retail portfolio, which in spite of having been discontinued, as announced last year, affected the Institution's performance in 2010.

BASEL RATIO

As at June 30, 2012, the Basel Ratio as ascertained in accordance with Resolution 2.099, as amended by Resolutions 3.444 and 3.490, and Circular 3.360, stood at 21.3%, (18.0% in 1Q12 and 18.8% in 2Q11). The Bank is comfortable with its Basel Ratio, and there is sufficient leeway for leveraging its operations as and when management deems this appropriate.

EXTERNAL AUDIT

The quarterly financial information (IFT) has been reviewed by Ernst & Young Terco, who issued an opinion on August 27 2012, with no reservations..

CONTACTS

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EXHIBIT I - BALANCE SHEET

ASSETS - R$ thousands	2Q12	1Q12	2T11
Current	**1,433,424**	**1,399,003**	**1,338,069**
Cash and cash equivalents	164,222	150,635	132,296
Short-term interbank investments	290,617	336,706	138,867
Securities e derivative financial instruments	217,496	249,591	335,146
Interbank relations	27,927	73,854	83,544
Credit transactions	180,335	220,975	298,833
Foreign exchange transactions	451,954	320,013	306,141
Other credits	92,038	35,251	37,816
Other valuables and assets	8,835	11,978	5,426
Long-term receivables	**114,492**	**130,013**	**183,685**
Interbank investments	-	-	2,323
Securities e derivative financial instruments	1,619	1,094	51,944
Credit transactions	25,035	42,593	41,946
Other credits	87,838	86,326	73,911
Other valuables and assets	-	-	13,561
Permanent assets	**82,428**	**83,341**	**49,013**
Investments	78,813	79,769	45,604
Fixed assets for use	3,011	2,983	2,929
Intangible Assets	604	589	480
Total Assets	**1,630,344**	**1,612,357**	**1,570,767**

LIABILITIES - R$ thousands	2Q12	1Q12	2Q11
Current	**1,263,783**	**1,218,481**	**1,117,344**
Deposits	460,145	571,315	487,733
Open market funding	162,674	156,500	146,823
Interbranch and interbank relations	17,742	12,104	8,933
Liabilities for loans and on-lending	90,655	93,881	85,314
Derivative financial instruments	-	-	1,270
Foreign exchange portfolio	453,907	314,728	294,107
Other liabilities	78,660	69,953	93,164
Long-term liabilities	**238,714**	**270,837**	**336,209**
Deposits	136,503	189,431	255,857
Acceptances and securities issued	20,007	-	-
Liabilities for loans and on-lending	-	-	2,589
Other liabilities	82,204	81,406	77,763
Shareholders' Equity	**127,847**	**123,039**	**117,214**
Capital Stock – domiciled in Brazil	127,000	127,000	127,000
Capital reserve	97	97	97
Profit reserves	426	(4,058)	2,714
Retained earnings/accumulated losses	324	-	(12,597)
Total Liabilities	**1,630,344**	**1,612,357**	**1,570,767**

EXHIBIT II – STATEMENT OF INCOME

Quarterly Statement of income - R$ thousands	2Q12	1Q12	% Var.	2Q11	% Var.	1S12	1S11	% Var.
Revenue from financial intermediation	**62,890**	**73,806**	**-14.8%**	**76,972**	**-18.3%**	**136,696**	**125,636**	**8.8%**
Credit transactions	13,137	15,484	-15.2%	18,941	-30.6%	28,621	35,170	-18.6%
Income from securities	20,149	22,441	-10.2%	23,078	-12.7%	42,590	37,961	12.2%
Income from derivative financial instruments	(8,827)	2,433	-	1,461	-	(6,394)	3,662	-
Income from foreign exchange transactions	38,431	33,449	14.9%	33,492	14.7%	71,880	48,843	47.2%
Expenses with financial intermediation	**(31,442)**	**(32,509)**	**-3.3%**	**(34,330)**	**-8.4%**	**(63,951)**	**(71,615)**	**-10.7%**
Funding transactions	(18,808)	(22,873)	-17.8%	(26,711)	-29.6%	(41,681)	(51,755)	-19.5%
Loans and on-lending transactions	(6,141)	(2,449)	-	(1,091)	-	(8,590)	(1,820)	-
Provision for doubtful debts	(6,493)	(7,187)	-9.7%	(6,528)	-0.5%	(13,680)	(18,040)	-24.2%
Gross Income from financial intermediation	**31,448**	41,297	-23.8%	42,642	-26.3%	**72,745**	54,021	34.7%
Operating revenues (expenses)	**(22,263)**	**(32,254)**	**-31.0%**	**(23,519)**	**-5.3%**	**(54,517)**	**(42,625)**	**27.9%**
Revenues from services rendered	7,707	4,862	58.5%	11,857	-35.0%	12,569	15,853	-20.7%
Personnel expenses	(9,466)	(9,812)	-3.5%	(8,001)	18.3%	(19,278)	(16,312)	18.2%
Other administrative expenses	(12,110)	(13,985)	-13.4%	(11,780)	2.8%	(26,095)	(19,842)	31.5%
Tax Expenses	(2,935)	(3,235)	-9.3%	(5,004)	-41.3%	(6,170)	(6,651)	-7.2%
Income from equity interests in associate companies and subsidiaries	(956)	(2,525)	(1)	1,905	-	(3,481)	1,888	-
Other operating revenues	2,658	3,922	(0)	12,034	-77.9%	6,580	12,779	-48.5%
Other operating expenses	(7,161)	(11,481)	-37.6%	(24,530)	-70.8%	(18,642)	(30,340)	-38.6%
Operating Result	**9,185**	**9,043**	**1.6%**	**19,123**	**-52.0%**	**18,228**	**11,396**	**60.0%**
Non operating result	(698)	(678)	-	(815)	-14.4%	(1,376)	(2,123)	-35.2%
Income before taxes and minority interests	**8,487**	**8,365**	**1.5%**	**18,308**	**-53.6%**	**16,852**	**9,273**	**81.7%**
Income and social contribution taxes	**(3,679)**	(4,652)	-20.9%	(6,561)	-43.9%	**(8,331)**	(3,047)	173.4%
Provision for income tax	(2,504)	(3,046)	(0)	(4,873)	-48.6%	(5,550)	(4,875)	13.9%
Provision for social contribution tax	(1,543)	(1,876)	(0)	(3,003)	-48.6%	(3,419)	(3,005)	13.8%
Deferred fiscal assets	621	466	33.4%	1,643	-62.2%	1,087	5,161	-78.9%
Mandatory profit sharing	(253)	(195)	0	(328)	-	(448)	(328)	0
Net Income (Loss)	**4,808**	**3,713**	**29.5%**	**11,747**	**-59.1%**	**8,521**	**6,226**	**36.9%**
Loss per 1000 shares - R$	**21.98**	**16.98**	**29.5%**	**53.71**	**-59.1%**	**38.96**	**25.93**	**50.2%**

EXHIBIT III – STATEMENT OF CASH FLOW

Quarterly and Semi-Annual Statement of Cash Flow - R$ thousands	1S12	1S11
Adjusted net income for the six-month period	**21,173**	**7,868**
Profit/Loss for the six-month period	**8,522**	**6,226**
Adjustments for reconciling net loss to net cash	**12,651**	**1,642**
Provision for doubtful debts	13,680	18,039
Provisions for deferred income and social contribution taxes	(1,087)	(5,161)
Depreciation and amortizations	**504**	**510**
Equity income from subsidiaries	3,481	(1,888)
Reversal of operating provisions	(4,943)	(11,938)
Monetary restatement of early receipt of retail credit transactions assigned	1,016	2,080
Variance in assets and liabilities	**18,283**	(38,443)
Reduction (increase) in short-term interbank investments	**2,622**	**11,006**
Reduction (increase) in securities	36,395	(68,869)
Reduction (increase) in interbank relations	52,260	92,799
Reduction (increase) in credit transaction	88,228	(30,094)
Reduction (increase) in other credits	(358,894)	(64,321)
Reduction (increase) in other valuables and assets	10,863	18,387
Reduction (increase) in derivative financial instruments – (assets) liabilities	1,242	1,979
(Reduction) increase in other liabilities	302,729	59,533
(Reduction) Increase in deposits	**(68,256)**	**25,017**
(Reduction) Increase in liabilities for repo transaction	(48,906)	(83,880)
Net cash generated from operations	**39,456**	**(30,575)**
From Investments		
Net cash (used) in investments	(358)	19,631
Increase in own equity	-	20,000
Acquisitions of fixed assets for use	(311)	(256)
Investments in intangible assets	(107)	(124)

Quarterly and Semi-Annual Statement of Cash Flow – R$ thousands	1S12	1S11
Divestment of fixed assets for use	60	11
From Financing		
Net cash (generated) used in financing	45,067	(86,999)
(Reduction) in funds from acceptances and securities issued	20,007	-
Increase (reduction) in liabilities for loans and on-lending	25,060	(86,999)
Increase in cash and cash equivalents	84,165	(97,943)
Cash and cash equivalents at the beginning of the six-month period	365,156	363,254
Cash and cash equivalents at the end of the six-month period	449,321	265,311
Increase in cash and cash equivalents	**84,165**	**(97,943)**