Banco Industrial do Brasil S.A.

Financial statements
As of June 30, 2014 and 2013

(A free translation of the original report in Portuguese
containing financial statements prepared in accordance with accounting
practices adopted in Brazil, applicable to the
Institutions authorized to operate by Central Bank of Brazil.)

Contents

BANCO INDUSTRIAL DO BRASIL S.A.

MANAGEMENT REPORT - JUNE 2014

The Management of Banco Industrial do Brasil S.A. (Banco Industrial) hereby submits for your appreciation the Individual and Consolidated Financial Statements for the semester ended June 30, 2014, comprising the Management Report and the corresponding financial information, audited by independent auditors, without qualifications.

Economic Scenario

The first semester of 2014 was marked by divergent signs with respect to the world economy recovery. In the US, despite the negative GDP in the first quarter due to the hard winter and to the healthcare industry, there has been an increasing number of positive economic data. The figures reflecting confidence, production and mainly the rate of employment strengthen the scenario of a gradual, but consistent, recovery of the US economy.

The Fed has been gradually proceeding with the monetary normalization process. This quantitative easing is expected to end between September and October, but the US Central Bank has not yet given any hint as to when it intends to commence a process to raise interest rates. Global liquidity, for the time being, is favorable to emerging market assets and currencies.

Growth and inflation figures in Europe continue to bring negative news, thus placing the region in an uncomfortable situation of low growth accompanied by deflation risk. The European Central Bank (ECB) has performed cuts in interest rates and stated that it is ready to take other liquidity measures should the scenario show no signs of consistent recovery.

In China, the government has put into practice a series of occasional supporting measures to foster growth. The economy stability trend is positive in the short term, but the country will still have to cope with actual and growing risks posed by the real estate and credit markets.

On the local scene, the signs of economic slowdown are mounting. Highlights go to the maintenance of the low-growth economic scenario amid a general worsening process regarding businesspersons and consumer confidence indices. Inflation remains high, even after all maneuvers to keep it below the ceiling of the target range. As for the economy's growth, in addition to the poor industry performance, consumption shows signs of suffering from fatigue, and lower growth of real income and high level of household debts.

Taking into consideration the challenges faced by the productive sector, uncertainties deriving from the elections period, and the still unproven contribution of the mega sports events to federal accounts, the Management of Banco Industrial expects a defensive 2014, focusing on maintaining high levels of liquidity and a conservative profile in the granting of credit.

Performance Profile

Banco Industrial do Brasil operates essentially as a credit bank, focused on the financing of medium-sized companies, through the offering of competitive, complementary products aimed mainly at the working capital needs of its clients. It also operates in the granting of personal payroll credit and seeks to maintain a loan portfolio comprised of approximately 85% in wholesale operations and 15% in retail operations.

The Bank's Management prioritizes the high quality of its loan portfolio, adopting, therefore, a conservative policy for the granting of loans and the development of long-term relationships with clients. All transactions are submitted to approval by the Credit Committee. Clients are assessed according to objective parameters, which take into account their financial capacity, the liquidity of their guarantees, punctuality in the fulfillment of obligations, and the performance of receivables.

The Treasury department does not operate for the purpose of obtaining results, but rather to ensure competitive funding appropriate to the Bank's asset profile and to eliminate exposure to term, currency and interest rate. Cash is managed in order to maintain a comfortable level of liquidity, the balance of which at the semester-end accounted for 128% of equity. Finally, the Bank maintains a high level of capitalization, reflected in the Basel index of 18,5%.

Performance

Banco Industrial recorded net income of R$ 23.7 million in the first semester of 2014, and a rate of return on average equity (ROAE) of 10.3% for the period. Equity, at semester-end, reached the balance of R$ 468 million.

Credit

The Bank's loan portfolio totaled R$ 1,550.8 million, thus representing an 8.0% growth when compared to the same period last year. The Bank maintains coverage of more than 90% of the portfolio with receivables and collaterals of high liquidity, which contributes to the maintenance of a low rate of default, which accounted for 1.0% of the portfolio at the end of the semester, considering the loans overdue for more than 90 days.

The middle market segment accounted for 86% of the total portfolio, with a volume of R$ 1,326.2 million, of which R$ 202.4 million is related to Trade Finance operations. Such portfolios present 12.1% and 10.5% growth, respectively, when compared to the results obtained in the first semester of 2013. The middle market portfolio includes the purchase of asset operations, as described in Note 13.

The retail portfolio, comprising payroll loans, had an 11% fall, totaling R$ 224.5 million, resulting from the decision to contain the level of growth in this segment, which was defined by the Bank's Management.

Banco Industrial prioritizes the high quality of its portfolio, and adopts, therefore, a conservative policy for granting credit. The Bank approves specific credit limits for each client profile, in accordance with objective criteria, taking into account its financial capacity, the providing of highly liquid guarantees, punctuality in meeting its obligations, and an evaluation of the performance of its receivables portfolio.

Funding

The funding of Banco Industrial totaled R$ 1,801.9 million in the first semester of 2014. Domestic funding, which is the main source of the institution's funds, occurs mainly through time deposits, interbank deposits and financial treasury bills. At semester-end these portfolios reached the balance of R$ 1,380.2 million, thus representing a 10.4% growth over the same period last year.

Corporate Governance

Management: Banco Industrial is managed by a Board of Directors and an Executive Board, with powers granted by the law in force and by the Bylaws whose content is available for inspection on the Investor Relations website (www.bancoindustrial.com.br/ri). The Board of Directors consists of five members, where three are Independent Directors, and the Executive Board consists of eight members. The investiture of the Directors of Banco Industrial is conditioned to the signing of the Directors' Term of Consent, through which they personally undertake to submit to and act in accordance with the Contract of Adhesion to Level 1 of Corporate Governance and the corresponding regulations.

Code of Ethics: applicable to all officers and employees of Banco Industrial, the Code of Ethics meets the guidelines that should be observed in professional activities in order to achieve the highest standards of ethical conduct in the exercise of their activities. It reflects the cultural identity and the commitments that Banco Industrial takes before the markets in which it operates. It can be accessed through the Investor Relations website (www.bancoindustrial.com.br/ri).

Internal Controls and Compliance: The Internal Controls and Compliance System adopted by Banco Industrial consists of a structured process that covers all employees in order to permit safer, appropriate and efficient management of the Bank's activities. Prepared in accordance with best market practices, it is an important instrument in the exercise of ensuring compliance with legal standards, guidelines, plans, procedures and internal rules as well as for ensuring their periodic review and adjustment, minimizing the risk of operating losses and impairment of reputation.

Prevention of the Crime of Money Laundering: Banco Industrial has a program to prevent the crime of money laundering to combat the misuse of its products and services in favor of brokering of funds from illegal activities and the financing of terrorism. Accordingly, it has established a set of policies, processes, training and specific systems that aim at the knowledge of its clients and at the monitoring of their operations, enabling the timely identification of suspicious or atypical situations, their evaluation and notification to the competent authorities.

Operating Risk: the process of operating risk management comprises the activities of identifying and assessing risks, implementing control activities and periodically evaluating their effectiveness, monitoring financial losses resulting from the materialization of the events, taking corrective actions to correct deviations identified in the processes and communicating relevant information for decision making. It counts on the participation of all functional areas of the institution, through its Sector Compliance Officers, with direct reporting to the Board of Directors.

Market Risk: market risk is managed following the principles established by the New Agreement for Measurement of Capital - Basel III, regulated in Brazil by the Central Bank. Every day Banco Industrial monitors the exposure level of its positions by calculating the VaR (*Value at Risk*) and simulating Stress Scenarios. The exposure limits are defined by the Market Risk Committee, which is always summoned when material deviations are observed or limits are exceeded. Monitoring is performed independently by the Compliance and Risks department, and reported to the Board and the Financial Bureau.

Liquidity Risk: Banco Industrial adopts a rigorous approach to the management of liquidity risk. Accordingly, it uses a set of tools and controls which permit the measurement of adequate levels of resources. The Bank maintains a conservative minimum cash policy, monitored daily and submitted to Stress Scenarios, which guide the updating of the liquidity contingency plan.

Capital Management: Banco Industrial's capital management consists of a continuous monitoring and control of the Institution's capital layers, in order to save sufficient funds to cover different risks in connection with its activity. Additionally, the process prospectively assesses the capital requirements, considering the Bank's strategic goals and objectives, and possible changes in market conditions. Banco Industrial updates the Report “Capital Risk Management” on a yearly basis, which includes its Capital Plan and a thorough exhibition of the management process. The report is available on the website Investors Relations, section Corporate Governance > Risk Management.

Credit Risk: the management of credit risk is an ongoing and evolving process of mapping, assessing and diagnosing models, tools, policies and procedures in force. It is based on the economic scenario and its prospects, the specificities and behavior of each sector of the economy, the historical performance and the experience of the Bank in managing its loan assets. The analysis process is conducted with a high degree of discipline, integrity and independence, while approval is obtained only through a decision of the Credit Committee.

Information Security: practices adopted by Banco Industrial at all its functional levels, consisting of a set of policies, processes, organizational structures and procedures, aimed at protecting the client’s and the Bank’s information in terms of confidentiality, integrity and availability.

Policy of Transparency and Disclosure of Information: Banco Industrial provides for public consultation on its Investor Relations website (www.bancoindustrial.com.br/ri), all the information related to its history and performance profile, ownership structure, financial statements and risk assessments prepared by rating agencies. The Investor Relations site is available in Portuguese and English.

Sustainability: The Management of Banco Industrial believes that sustainable development is a determining factor for the continuity of the economic environment. In this context, the Bank acts focused on stimulating the change in the conduct of its stakeholders through implementing the methodology for assessing environmental risks as support for the decision to grant credit. Additionally, it uses exclusion lists, defined by multilateral banks with which it has business relationships, which excludes funding to companies that harm the environment, adopt illegal labor practices or produce certain classes of products.

Banco Industrial also invests in social inclusion through establishing partnerships with programs aimed at including low-income youths in the labor market and and it invests in opportunities for the professional development of its employees, by awarding scholarships for vocational training courses, university education and post-graduate courses.

Human Resources

Banco Industrial closed the semester with 251 employees, including 5 apprentices and 30 outsourced employees working in operational areas.

Ratings

Below are the ratings obtained by Banco Industrial with the major risk rating agencies:

- **Moody’s:** Ba2 (Global) / A1 (National) / Stable Outlook
- **Fitch Ratings:** BB- (Global) / A (National) / Stable Outlook
- **RiskBank:** Low Risk for Medium Term / Disclosure: Excellent

Relationship with its Auditors

In accordance with the rules of CVM Instruction 381, KPMG Auditores Independentes does not provide any other services to Banco Industrial and its related companies, other than those explicitly related to the external audit, thus preserving the independence and integrity necessary for the execution of this activity.

Acknowledgments

We wish to thank our clients, partners and suppliers for their support and their trust in us and, particularly, our employees for their commitment to strive for excellence.

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Independent auditors' report on the financial statements

To
The Board of Directors and Shareholders
Banco Industrial do Brasil S.A.
São Paulo - SP

We have audited the individual ("Parent company") and consolidated ("Consolidated") financial statements of Banco Industrial do Brasil S.A. ("Consolidated"), which comprise the balance sheet as of June 30, 2014 and the related statements of income, changes in equity and cash flows for the semester then ended for the individual financial statements and for the semester then ended for the consolidated financial statements, as well as the summary of significant accounting policies and other explanatory notes to the financial statements.

Management's responsibility for the financial statements
The Bank's Management is responsible for the fair presentation and preparation of the these individual and consolidated financial statements in accordance with Brazilian accounting practices applicable to institutions authorized to operate by the Central Bank of Brazil (Bacen) and for the internal controls considered necessary to allow the preparation of financial statements free of material misstatement, whether due to fraud or error.

Independent auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian auditing standards 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 selected to obtain audit evidence about the amounts and disclosures presented in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual and consolidated financial statements
In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Industrial do Brasil S.A. as of June 30, 2014, and the financial performance of its operations, the changes in equity, and its cash flows for the semester then ended, in conformity with Brazilian accounting practices applicable to the institutions authorized by the Central Bank of Brazil to operate.

Other matters

Statements of added value
We have also audited the individual and consolidated statement of value added (DVA), corresponding to the semester ended June 30, 2014 and prepared which are the responsibility of the Bank's Management, disclosure of which is required by the Brazilian Corporate Law for publicly-held companies. These statements were subjected to the same auditing procedures previously described and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, July 23, 2014

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Luciana Liberal Sâmia
Accountant CRC SP198502/O-8

Banco Industrial do Brasil S.A.

Balance sheets

as of June 30, 2014 and 2013

(In thousands of Reais)

	Note	Parent company		Consolidated	
Assets		**2014**	**2013**	**2014**	**2013**
Current assets		1,956,308	1,878,158	1,965,496	1,897,071
Cash and cash equivalents	4	4,885	4,178	12,050	14,468
Interbank funds applied	5	533,156	326,277	533,156	326,277
Money market		519,296	310,063	519,296	310,063
Interbank deposits		13,860	16,214	13,860	16,214
Marketable securities	6	113,522	353,878	113,522	359,056
Own portfolio		70,967	160,369	70,967	165,547
Subject to repurchase commitments		31,763	183,528	31,763	183,528
Subject to guarantees provided		10,792	9,981	10,792	9,981
Interbank accounts		2,774	2,951	2,774	2,951
Clearing services - checks and other papers		1,889	530	1,889	530
Term deposits	8	885	2,421	885	2,421
Loans	9.10	821,380	711,361	821,380	711,361
Loans - Private sector		831,518	736,813	831,518	736,813
Allowance for loan losses		(10,138)	(25,452)	(10,138)	(25,452)
Lease operations	9.11	-	-	12	919
Leases - Private Sector		2	132	12	919
Unearned lease		(2)	(132)	-	-
Other receivable		456,283	457,758	458,294	460,284
Foreign exchange portfolio	12	194,206	196,201	194,206	196,201
Amount receivable from subsidiary	13	1,409	1,257	272	111
Securities clearing accounts	13	341	610	341	610
Other	13	260,327	259,690	263,475	263,362
Tax credits	13.19	3,180	2,834	3,180	2,834
Debtors for acquisition of assets	9.13	-	4,889	-	4,889
Debtors for guarantee deposits	13	52,216	49,235	52,216	49,235
Income tax to offset		1,645	5,686	2,095	5,800
Advances to suppliers		2,055	3,884	2,058	3,887
Devedores por compra de ativos	9.13	196,900	179,208	196,900	179,208
Other debtors - Brazil/Abroad	13	7,868	13,927	10,301	17,335
Other		948	1,110	1,210	1,257
Allowance for doubtful receivable	10	(4,485)	(1,083)	(4,485)	(1,083)
Other assets	14	24,308	21,755	24,308	21,755
Assets not for own use		17,252	17,091	17,252	17,091
Prepaid expenses		7,056	4,664	7,056	4,664

Banco Industrial do Brasil S.A.

Balance sheets

as of June 30, 2014 and 2013

(In thousands of Reais)

	Note	Parent company		Consolidated	
Assets		**2014**	**2013**	**2014**	**2013**
Long-term receivables		351,493	362,291	351,493	362,302
Loans	9.10	322,587	326,486	322,587	326,486
Loans - Private sector		327,553	338,093	327,553	338,093
Allowance for loan losses		(4,966)	(11,607)	(4,966)	(11,607)
Lease operations	9.11	-	-	-	11
Leases - Private Sector			2		11
Unearned lease - Private Sector			(2)	-	-
Other receivable - other	13	28,566	30,434	28,566	30,434
Tax credits	13.19	20,429	26,660	20,429	26,660
Debtors for acquisition of assets	9.13	7,936	-	7,936	-
Options for tax incentives		271	271	271	271
Sundry debtors	10.13	-	3,503	-	3,503
Allowance for loan losses	9.13	(70)	-	(70)	-
Other assets	14	340	5,371	340	5,371
Prepaid expenses		340	5,371	340	5,371
Permanent assets		53,118	48,976	38,329	28,755
Investiments		14,419	14,875	248	248
Interests in subsidiaries	15	14,171	14,627	-	-
Other investments		248	248	248	248
Premises and equipment	16	36,810	26,823	36,810	26,823
Real estate properties		27,592	27,592	27,592	27,592
Other fixed assets		15,570	4,733	15,570	4,733
Accumulated depreciation		(6,352)	(5,502)	(6,352)	(5,502)
Leased assets	17	618	5,594	-	-
Leased assets		622	5,540	-	-
Excess Depreciation		618	5,397	-	-
Accumulated depreciation		(622)	(5,343)	-	-
Deferred charges	18	153	234	153	210
Organization and expansion expenditures		2,987	7,241	2,987	2,987
Accumulated amortization		(2,834)	(7,007)	(2,834)	(2,777)
Intangible assets	18	1,118	1,450	1,118	1,474
Intangible assets		2,953	2,725	2,953	6,979
Accumulated amortization		(1,835)	(1,275)	(1,835)	(5,505)
		2,360,919	2,289,425	2,355,318	2,288,128

See the accompanying notes to the financial statements.

Banco Industrial do Brasil S.A.

Balance sheets

as of June 30, 2014 and 2013

(In thousands of Reais)

	Note	Parent company		Consolidated	
Liabilities		**2014**	**2013**	**2014**	**2013**
Current liabilities		1,571,454	1,307,184	1,572,849	1,304,991
Deposits	20	809,132	694,072	806,021	690,749
Demand deposits		44,084	36,755	44,031	36,722
Interbank deposits		144,200	90,797	141,142	88,116
Time deposits		620,848	566,520	620,848	565,911
Money market repurchase commitments	20	31,416	183,533	31,416	183,533
Own portfolio		31,416	183,533	31,416	183,533
Acceptances and endorsements	20	446,283	129,167	446,283	129,167
Income from real estate bills, loan mortgages		446,283	129,167	446,283	129,167
Interbank accounts		253	320	253	320
Collections in transit		253	320	253	320
Interbranch accounts		3,342	1,327	3,342	1,327
Third-party funds in transit		3,342	1,327	3,342	1,327
Borrowings	20,21a	195,032	197,571	195,032	197,571
Foreign currency trade finance borrowings		195,032	197,571	195,032	197,571
Domestic onlending	20,21b	7,646	11,266	7,646	11,266
BNDES		-	742		742
FINAME		7,646	10,524	7,646	10,524
Foreign currency onlending	20,21c	616	11,093	616	11,093
Foreign currency onlending		616	11,093	616	11,093
Derivative financial instruments	7	36	-	36	-
Derivative financial instruments		36		36	
Other liabilities	23	77,698	78,835	82,204	79,965
Collection of taxes		193	453	193	453
Foreign exchange portfolio	12.23	13,814	4,529	13,814	4,529
Due to shareholders		7,707	8,509	7,707	8,509
Tax and social security	22c,23	4,948	14,641	7,176	14,680
Creditors through early payment of residual value	11.23	606	4,608	-	-
Provisions for tax risks	22.23	36,395	34,203	36,395	34,203
Provision for payments due		3,445	2,332	3,469	2,332
Provision for contingent liabilities	22.23	8,841	7,922	8,928	8,474
Subordinated debts	20.23	1,261	820	1,261	820
Other creditors-Brazil/abroad		483	813	2,394	5,316
Other		5	5	867	649

Banco Industrial do Brasil S.A.

Balance sheets

as of June 30, 2014 and 2013

(In thousands of Reais)

	Note	Parent company		Consolidated	
Liabilities		**2014**	**2013**	**2014**	**2013**
Long-term liabilities		319,841	532,298	313,680	533,604
Deposits	20	172,079	130,474	165,918	129,850
Interbank deposits		11,158	1,564	4,997	940
Time deposits		160,921	128,910	160,921	128,910
Acceptances and endorsements		5,968	337,109	5,968	337,109
Income from real estate bills, loan mortgages		5,968	337,109	5,968	337,109
Acceptances and endorsements		75,968	28,107	75,968	28,107
BNDES	20,21b	-	338	-	338
FINAME	20,21b	43,262	27,769	43,262	27,769
Foreign currency onlending		32,706	-	32,706	-
Derivative financial instruments	7	44	-	44	-
Derivative financial instruments		44	-	44	-
Other liabilities	23	65,782	36,608	65,782	38,538
Tax and social security	22c,23	-	3,386	-	5,372
Creditors through early payment of residual value	11.23	-	56	-	-
Subordinated debts	20.23	65,782	33,166	65,782	33,166
Deferred income		861	434	-	-
Minority interest		-	-	26	24
Equity	24	468,763	449,509	468,763	449,509
Updated paid-in capital:					
Domestic		367,222	367,222	367,222	367,222
Revaluation reserve		73	73	73	73
Profit reserve		101,270	82,246	101,270	82,246
Adjustment to market value of securities and derivatives		198	(32)	198	(32)
		2,360,919	2,289,425	2,355,318	2,288,128

See the accompanying notes to the financial statements.

Banco Industrial do Brasil S.A.

Statements of income

Semesters ended June 30, 2014 and 2013

(In thousands of Reais, except net income per lot of a thousand shares)

	Note	Parent company		Consolidated	
		2014	**2013**	**2014**	**2013**
Financial operations income		151,099	155,521	151,483	155,957
Loans	9e	105,842	97,464	105,842	97,464
Lease operations	9e	4,913	939	4,913	939
Securities income	6f	29,265	23,477	29,649	23,913
Income from derivative financial instruments	7d		3,737		3,737
Trade finance and foreign exchange income	12	11,079	29,904	11,079	29,904
Financial operations expenses		(103,824)	(115,963)	(98,952)	(115,744)
Deposits, money market and interbank funds	20c	(73,763)	(55,535)	(73,158)	(55,316)
Borrowings, assignments and repasses	20c	(9,220)	(32,465)	(4,953)	(32,465)
Lease operations	9e	(4,909)	(897)	(4,909)	(897)
Income from derivative financial instruments	7d	(7,815)		(7,815)	
Allowance for possible loan losses	10	(8,117)	(27,066)	(8,117)	(27,066)
Gross income on financial operations		47,275	39,558	52,531	40,213
Other operating income (expenses)		(13,273)	(18,541)	(18,472)	(19,447)
Service fee income		2,699	2,226	2,699	2,574
Income from banking fees		1,879	2,243	1,879	2,243
Equity in earnings of subsidiaries	15	(1,205)	395	-	-
Personnel expenses	25	(22,729)	(22,931)	(23,096)	(23,791)
Other administrative expenses	26	(10,179)	(10,316)	(9,989)	(10,614)
Tax expenses	27	(5,996)	(6,002)	(6,363)	(6,074)
Other operating income	28	22,474	16,155	18,231	16,785
Other operating expenses	28	(216)	(311)	(1,833)	(570)
Operating income		34,002	21,017	34,059	20,766
Non-operating results	29	389	794	389	805
Income before income taxes		34,391	21,811	34,448	21,571
Income tax and social contribution	19	(10,670)	(4,639)	(10,727)	(4,399)
Provision for income tax		1,292	(7,089)	1,261	(6,939)
Provision for social contribution		730	(4,380)	704	(4,290)
Deferred tax assets		(12,692)	6,830	(12,692)	6,830
Minority interest		-	-	-	-
Net income for the semester		23,721	17,172	23,721	17,172
Net income per lot of a thousand shares - R$		138.46	100.24		

See the accompanying notes to the financial statements.

Banco Industrial do Brasil S.A.

Statements of changes in equity

Semesters ended June 30, 2014 and 2013

(In thousands of Reais)

	Note	2014								
						Profit reserve				
		Paid-in capital	Capital increase	Capital reserve	Revaluation reserve	Legal reseve	Statutory reserves	Securities and Derivatives adjustment at market value	Retained earnings	Total
Balances at December 31, 2013		367,222	-	-	73	12,374	74,175	313	-	454,157
Securities and derivatives adjustments at market value		-	-	-	-	-	-	(115)	-	(115)
Net income for the semester		-	-	-	-	-	-	-	23,721	23,721
Distribution of net income:										
Legal reserve	24b	-	-	-	-	1,186	-	-	(1,186)	-
Statutory reserves	24b	-	-	-	-	-	13,535	-	(13,535)	-
Interest paid on equity	24d	-	-	-	-	-	-	-	(9,000)	(9,000)
Balances at June 30, 2014		367,222	-	-	73	13,560	87,710	198	-	468,763
Changes in the period		-	-	-	- -	1,186	13,535	(115)	-	14,606

	Note	2013								
						Profit reserve				
		Paid-in capital	Capital increase	Capital reserve	Revaluation reserve	Legal reseve	Statutory reserves	Securities and Derivatives adjustment at market value	Retained earnings	Total
Balances at December 31, 2012		367,222	-	-	73	10,700	64,374	46	-	442,415
Securities and derivatives adjustments at market value		-	-	-	-	-	-	(78)	-	(78)
Net income for the semester		-	-	-	-	-	-	-	17,172	17,172
Distribution of net income:										
Legal reserve	24b	-	-	-	-	859	-	-	(859)	-
Statutory reserves	24b	-	-	-	-	-	6,313	-	(6,313)	-
Interest paid on equity	24d	-	-	-	-	-	-	-	(10,000)	(10,000)
Balances at June 30, 2013		367,222	-	-	73	11,559	70,687	(32)	-	449,509
Changes in the period		-	-	-	- -	859	6,313	(78)	-	7,094

See the accompanying notes to the financial statements.

Banco Industrial do Brasil S.A.

Statements of cash flows (Indirect method)

Semesters ended June 30, 2014 and 2013

(In thousands of Reais)

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Adjusted net income for the semester	40,731	46,121	34,617	46,114
Net income for the semester	23,721	17,172	23,721	17,172
Depreciation / amortization	909	1,383	909	592
Insufficiency / supervenience	4,909	(389)	-	-
Equity in earnings of subsidiaries	1,205	(395)	-	-
Provision for tax risks and contingent liabilities	1,985	1,362	1,985	1,362
Allowance for loan losses	8,117	27,066	8,117	27,066
Securities adjustments at market value	(115)	(78)	(115)	(78)
Change in Operating Assets - (Increase) / Decrease	90,465	305,811	97,131	314,988
Interbank funds applied	1,504	(89,023)	1,504	(89,023)
Securities	(4,330)	135,559	1,164	144,334
Interbank and interbranch accounts	(1,800)	(1,329)	(1,800)	(1,329)
Loans and leases	(22,228)	49,214	(21,925)	49,827
Other receivable and other assets	117,319	211,390	118,188	211,179
Change in Operating Liabilities - Increase / (Decrease)	(10,448)	(15,374)	(5,938)	(16,280)
Interbank and interbranch accounts	(813)	(20,721)	(813)	(20,721)
Other liabilities	(9,660)	5,499	(5,185)	4,441
Derivative financial instruments	60	-	60	-
Deferred income	(35)	(152)	-	-
Net cash provided by / (used in) operating activities - Increase / (Decrease)	120,748	336,558	125,810	344,822
Net cash provided by /(used in) investment activities - Increae / Decrease	(11,688)	(961)	(11,688)	(961)
Acquisition of assets not for own use	(867)	-	(867)	-
Acquisition of fixed assets	(10,821)	(715)	(10,821)	(715)
Investments in intangible assets		(246)		(246)
Net cash (provided by)/used in financing activities - Increase / Decrease	145,948	(356,490)	140,406	(355,913)
Deposits	196,873	(269,236)	191,331	(268,659)
Repurchase operations	(42,015)	(231,133)	(42,015)	(231,133)
Acceptances and endorsements	(33,220)	205,148	(33,220)	205,148
Borrowings and onlending	33,310	(51,269)	33,310	(51,269)
Interest paid on equity	(9,000)	(10,000)	(9,000)	(10,000)
Increase / (decrease) in cash and cash equivalents	255,008	(20,893)	254,528	(12,052)
Changes in financial position				
Cash and cash equivalents				
At beginning of semester	269,173	25,071	276,818	26,520
At beginning of semester	524,181	4,178	531,346	14,468
Increase / (decrease) in cash and cash equivalents	255,008	(20,893)	254,528	(12,052)

See the accompanying notes to the financial statements.

Banco Industrial do Brasil S.A.

Statements of added value

Semesters ended June 30, 2014 and 2013

(In thousands of Reais)

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Income	147,949	133,718	148,333	134,513
Financial operations income	151,099	155,521	151,483	155,957
Service fee income	4,578	4,469	4,578	4,817
Allowance for loan losses- Reversal / (recording)	(8,117)	(27,066)	(8,117)	(27,066)
Other non operating income (expenses)	389	794	389	805
Financial operations expenses	(95,707)	(88,897)	(90,835)	(88,678)
Inputs acquired from third parties	13,453	7,502	7,812	6,835
Materials, electricity and other	(6,243)	(5,898)	(5,972)	(6,831)
Third party services.	(2,562)	(2,444)	(2,616)	(2,547)
Other operating income (expenses)	22,258	15,844	16,400	16,213
Gross added value	65,695	52,323	65,310	52,670
Depreciation, amortization and depletion	(909)	(1,383)	(909)	(592)
Net added value produced by the entity	64,786	50,940	64,401	52,078
Transferred added value	(1,205)	395	-	-
Equity in income of subsidiaries	(1,205)	395	-	-
Total added value to be distributed	63,581	51,335	64,401	52,078
Distribution of added value	63,581	51,335	64,401	52,078
Personnel	22,729	22,931	23,096	23,791
Direct remuneration	15,631	15,949	15,843	16,544
Benefits	3,262	3,113	3,345	3,233
Payroll charges	3,836	3,869	3,908	4,014
Taxes, fees and contributions	16,666	10,641	17,090	10,473
Federal	16,422	10,058	16,813	9,868
Municipal	244	583	277	605
Remuneration of third-party capital	465	591	494	642
Rents	465	591	494	642
Remuneration of shareholders' equity	23,721	17,172	23,721	17,172
Interest on shareholders' equity and dividends	9,000	10,000	9,000	10,000
Retained earnings	14,721	7,172	14,721	7,172

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais)

1 Operations

Banco Industrial do Brasil S.A. (Bank) is a publicly-held joint-stock company pursuant to its registration granted on March 7, 2008 by the Brazilian Securities Commission (CVM). To date the Bank has not made an Initial offer of shares and consequently the shares are not traded on the stock exchange.

The Bank is organized in the form of a multi-service bank authorized to operate with:
(i) commercial, (ii) investment, (iii) credit, financing and investment, (iv) foreign exchange and (v) leasing portfolios.

Its operations are conducted in the context of a set of institutions that operate in an integrated manner on the financial market, and certain transactions have the participation or intermediation of member institutions, members of the financial system, whose activities include portfolios for investment fund management, distribution and brokerage of foreign exchange and securities. The benefits of the services provided between these entities and the costs of the operating and administrative framework are absorbed according to the practicality that is attributed to them, either jointly or individually.

2 Presentation and preparation of the financial statements

The individual financial statements of Banco Industrial do Brasil SA and the consolidated financial statements of Banco Industrial do Brasil SA and its subsidiaries have been prepared in accordance with the Corporation Law, and rules of the Central Bank of Brazil (BACEN) and the Brazilian Securities Commission (CVM), where applicable.

Authorization for the conclusion of these financial statements was given by Management on July 23, 2014.

a. Consolidated financial statements

The consolidated financial statements include Banco Industrial do Brasil S.A. and its subsidiaries listed below:

		Ownership (%)	
Corporate name	**Activity**	**2014**	**2013**
Direct interest			
Industrial do Brasil Distribuidora de Títulos e Valores Mobiliários Ltda.	Securities dealer	99.64	99.64
Monceau Consultadoria e Serviços Ltd.	Service provider	100.00	100.00
Industrial do Brasil Administração de Créditos Ltda.	Credit service provider	99.99	99.99

The accounting policies were applied consistently to all the consolidated companies and are consistent with those used in previous periods.

b. Description of the main consolidation procedures

- Elimination of asset and liability account balances between the consolidated companies;

- Elimination of equity interests in the capital, reserves and retained earnings of the subsidiaries;

- Leasing operations are presented using the financial method (residual value) and the other accounts that comprise the calculation of the present value of leasing transactions were reclassified to "Leasing" in accordance with the information presented in Note 11;

- Reclassification of foreign exchange gains/losses on foreign investments to Other operating income (gains) Other operating expenses (losses).

- Elimination of minority interests in the consolidated financial statements.

3 Description of significant accounting policies

The main criteria adopted for the preparation of the financial statements are as follows:

a. Statement of income

Income and expenses are recognized on the accrual basis.

b. Cash and cash equivalents

They are represented by cash in local currency, money market investments and interbank deposits that are used by the institution to manage its short-term commitments whose maturities are equal to or less than 90 days and which present an immaterial risk of change in fair value.

c. Accounting estimates

Preparation of financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the allowance for loan losses, deferred income taxes, provision for contingencies and valuation of derivative instruments. The settlement of transactions involving these estimates may result in amounts different from those estimated due to the lack of precision inherent to the process of their determination. The estimates and underlying assumptions are reviewed at least quarterly.

d. Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into reais at the foreign exchange rate on the balance sheet date and the foreign exchange differences arising on translation were recognized in the statement of income for the period. For the subsidiary located abroad, assets and liabilities were translated into Reais at the exchange rate in force on the balance sheet date.

e. Current and non-current assets

- ***Interbank funds applied***

  They are stated at the amount invested or purchased, plus income accrued up to the balance sheet date.

- ***Marketable securities and derivative financial instruments***
According to rules established by the Central Bank of Brazil, securities and derivative financial instruments are classified and evaluated as follows:

Marketable securities

(i) Securities held for trading - Bought for the purpose of being actively and frequently traded, they are adjusted to market value, computing the appreciation or depreciation, as corresponding entries against the corresponding income or expense in the income statement.

(ii) Securities available for sale - They are securities that are not classified as trading securities nor as securities held to maturity. They are adjusted to market value as corresponding entries against a separate account of the shareholders' equity, less tax effects.

(iii) Securities held to maturity - Acquired with the intention and the financial ability to be held in portfolio until their maturity, they are valued at their cost of acquisition plus income earned as corresponding entries against the results for the period.

Derivative financial instruments
They are valued based on the market value and the resulting valuations and devaluations are recorded in the results for the period. However, in cases where the derivative financial instruments, in accordance with Circular 3082/02 the Central Bank of Brazil, are classified as cash flow hedge, the aforementioned appreciation or depreciation is totally or partially recorded in a specific account in shareholders' equity, net of tax effects. Adjustments to market value shall not be recognized in the accounting only when the derivative financial instruments are contracted in connection with the raising or investing of funds under Circular 3150/02 of the Central Bank of Brazil.

- ***Loans and allowance for loan losses***
Loans are classified in accordance with management's judgment with respect to the risk level, taking into consideration the economic situation, past experience and specific risks with respect to the loan, the borrowers and guarantors, observing the parameters established by the BACEN Resolution 2682/99, which requires periodic analyses of the portfolio and its classification into nine risk levels, where AA is a minimum risk and H is a loss. The earnings from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as revenue when effectively received.

Loans classified as level H remain in this classification for six months when they are then written off against the existing provision and are controlled for five years in memorandum accounts, but are no longer presented in the balance sheets. Renegotiated loans are held at least at the same risk level in which they were classified. Renegotiations of loans which had already been written off against the provision and which were in memorandum accounts are classified as level H, and eventual gains resulting from renegotiation are only recognized as revenue when actually received.

Provisions for overdue receivables are calculated according to the classification of the loans held in the Bank's portfolio and assigned with co-obligation in one of the nine different risk levels (from AA to H).The increase in provisions occurs due to the recording of new provisions in the accounting. The rules of the National Monetary Council (CMN) determine the minimum provision for each classification level, from 0% (for cases of transactions which are not overdue) to 100% (for loans that are more than 180 days overdue).

- ***Leases***
  Pursuant to the rules of the Central Bank, the accounting balances of leases, calculated in accordance with the provisions of Law 6099/74, are adjusted to the present value of the future flow of receipts from the respective contracts, taking as a basis the contractual rates. the difference calculated is recorded in fixed assets as an excess or shortage of depreciation and the respective tax effects are recognized In the parent company's statement.

- ***Other assets - Assets not for own use***
  They consist of assets and property available for sale, received as payments in kind on account of non-performing credits. They are adjusted to market value through the recognition of a provision, in accordance with the prevailing rules and regulations.

- ***Other assets - Prepaid expenses***
  They are basically represented by the commissions paid for the intermediation for granting of loans, which are deferred for the term of the contracts. If the loans are granted the respective commission is fully recognized in the income statement.

- ***Other current and non-current assets***
  Stated at cost, including, when applicable, the income, monetary variations (on a "pro rata" basis) and foreign exchange variations earned and the provisions for losses, when applicable.

f. Permanent assets

- ***Investments***
  Investments in subsidiaries, in the individual financial statements, are valued using the equity accounting method.

  The financial statements of foreign subsidiaries are adapted to prevailing accounting principles in Brazil and translated into reais and their effects are recognized in the income statement for the period.

  Other investments are valued at cost of acquisition and are adjusted to market value through the recognition of a provision, when applicable.

  The certificate of a full non-equity member of BM&F Bovespa S.A. is valued at the equity value, informed by the respective stock exchange, and the tax incentives and other investments are stated at cost of acquisition, less a provision for losses, when applicable.

- ***Premises and equipment***
  Premises and equipment are stated at cost of acquisition and complemented by the revaluation of a subsidiary in 2007. Depreciation is calculated using the straight-line method at annual rates that consider the economic useful lives of the assets at the rates of 4%, 10% and 20% for property, equipment and other assets, respectively.

- ***Leased assets***
  Leased assets are stated at cost of acquisition. Depreciation is calculated using the straight-line method over the useful life of the asset, considering, when applicable, a decrease of 30% in that

life, as determined by Ministry of Finance Ordinance 140/84.

- ***Deferred charges***
  Deferred charges from organization and expansion consist basically of improvements to third party properties and the acquisition and development of software, until December 3, 2008, when Circular Letter 3357 which restricted the recording of these amounts in Deferred Charges came into effect. In the consolidated statement the expenses for acquisition and development of software was reclassified to Intangible Assets. They are recorded at cost of acquisition, with amortization at the rates of 10% and 20% per annum, respectively, which take into consideration the useful life of the intangible assets (term of validity of the contractual rights).

- ***Intangible assets***
  The expenses for software development are recorded at cost of acquisition and are amortized at the rate of 20% per year, and consider the useful life of these intangible assets.

g. Current and non-current liabilities

- ***Deposits and open market funds***
  They are stated at the amounts of the liabilities and take into consideration the charges due up to the balance sheet date, recognized on a daily pro-rata basis.

- ***Other current and non-current liabilities***
  They are stated at the known or estimated amounts, plus, when applicable, the corresponding charges and monetary and/or exchange variations incurred up to the balance sheet date.

h. Contingent assets and liabilities and legal obligations

Positive and negative contingencies and legal obligations are evaluated, recognized and presented in accordance with the determinations established in CVM Resolution 594, which approved Technical Pronouncement CPC 25 of the Accounting Pronouncements Committee. In parallel, the abovementioned Technical Statement was approved by Brazilian Central Bank Resolution 3823 on December 16, 2009.

The assessment of the probability of loss of the contingencies is classified as Remote, Possible or Probable, based on the opinion of in-house or external lawyers, on the legal grounds of the cause, on the feasibility of producing proof, on the jurisprudence in question, on the possibility of appealing to higher courts and on the Bank’s past experience. This is a subjective exercise, subject to the uncertainties of a prediction of future events. Accordingly, it is understood that the assessments are subject to frequent updating and changes.

- **Contingent liabilities** - They are recognized when the opinion of legal advisors assess the likelihood of loss as probable. The cases with chances of loss classified as possible are only disclosed in a note (Note 22).

- **Legal obligations** - They are recognized and accrued in the balance sheet, regardless of the assessment of the chances of success in the course of judicial proceedings (Note 22).

i. Income tax and social contribution

Income tax and social contribution for the current and deferred period, are calculated at the rate of 15% plus a surcharge of 10% on taxable income in excess of R$120 thousand per year for income tax and 15% for social contribution, and consider the offsetting of tax loss carry forwards and negative basis of social contribution limited to 30% of taxable income.

Deferred tax assets arising from temporary differences were recorded at the rate of 25% for income tax and 15% for social contribution in accordance with Central Bank of Brazil Resolution 3059 of December 20, 2002 and the amendments introduced by Resolution 3355 of March 31, 2006 and CVM Instruction 371 of June 27, 2003, and take into consideration past profitability and expectations of generation of future taxable income based on a technical feasibility study.

j. Statements of added value

The Bank has prepared individual and consolidated statements of added value in the terms of CPC 09 - Statement of Added Value, which are presented as an integral part of this quarterly information in conformity with BR GAAP applicable to publicly-held companies.

4 Cash and cash equivalents

	Parent company		**Consolidated**	
	2014	**2013**	**2014**	**2013**
Local currency	168	126	321	294
Foreign currency	4,717	4,052	11,729	14,174
Total	4,885	4,178	12,050	14,468

5 Interbank funds applied

a. Money market

	Parent company/consolidated	
	2014	**2013**
Up to 30 days		
Own resources		
National Treasury Bills	-	310,063
National Treasury Notes	519,296	-
Total	**519,296**	**310,063**

b. Interbank deposits

	Parent company/Consolidated	
	2014	**2013**
From 1 to 30 days	10,204	1,352
From 31 to 180 days	2,655	2,323
From 181 to 360 days	1,001	12,539
Total	13,860	16,214

c. Income from interbank funds applied

Classified in the income statement as a result of transactions with securities.

	Parent company/Consolidated	
	2014	**2013**
Income from repurchase operations:	22,713	9,917
Own resources	22,686	9,917
Financed position	27	-
Income from investments in interbank deposits	290	386
Total	23,003	10,303

6 Marketable securities

a. Description of procedures for classification and evaluation

Government bonds and Debentures have their cost value updated by the income accrued up to the balance sheet date and adjusted to market value, and this adjustment is recorded in a specific account in Equity. In the case of matched LTNs, i.e., securities pegged to derivative contracts in the futures market have a mark-to-market adjustment classified in income account.

b. Diversification by type

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Marketable securities	113,522	353,878	113,522	359,056
Own portfolio	70,967	160,369	70,967	165,547
Financial Treasury Bills (LFT)	-	154,926	-	154,926
National Treasury Bills (LTN)	70,967	-	70,967	-
Shares of publicly-held companies	-	5,443	-	10,621
Subject to repurchase commitments	31,763	183,528	31,763	183,528
Financial Treasury Bills (LFT)	-	183,528	-	183,528
National Treasury Bills (LTN)	15,529	-	15,529	-
Debentures	16,234	-	16,234	-
Subject to guarantees provided	10,792	9,981	10,792	9,981
Financial Treasury Bills (LFT)	-	9,981	-	9,981
National Treasury Bills (LTN)	10,792	-	10,792	-
Total	113,522	353,878	113,522	359,056
Short-term portion	113,522	353,878	113,522	359,056
Long-term portion	-	-	-	-

The securities are book entry and are registered in the Special System for Clearance and Custody (Selic) and at Cetip SA Mercados Organizados.

c. Diversification by term

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Due between 3 and 12 months	81,759	-	81,759	-
Due within three months	31,763	348,435	31,763	348,435
With no maturity	-	5,443	-	10,621
Total portfolio	113,522	353,878	113,522	359,056

d. Classification of the securities portfolio

	2014 Available for sale	
	Parent company	**Consolidated**
National Treasury Bills - LTNs	97,288	97,288
Debentures	16,234	16,234
Total portfolio	113,522	113,522

	2013 Free for trading	
	Parent company	**Consolidated**
Shares of publicly-held companies	5,443	10,621
Total portfolio	5,443	10,621

	2013 Available for sale	
	Parent company	**Consolidated**
Financial Treasury Bills - LFTs	348,435	348,435
Total portfolio	348,435	348,435

e. Market value of securities

The values of the updated cost of the securities portfolio, compared to their respective fair values, are presented as follows:

	2014 Parent company/consolidated		
	Updated cost value	**Market value (i)**	**Mark to market**
Securities available for sale			
National Treasury Bills - LTN	97,498	97,288	(210)
Debentures	15,905	16,234	329
	113,403	113,522	119

	2013					
	Parent company			**Consolidated**		
	Updated cost value	**Market value (i)**	**Mark to market**	**Updated cost value**	**Market value (i)**	**Mark to market**
Securities available for sale						
Financial Treasury Bills - LFT	348,488	348,435	(53)	348,488	348,435	(53)
Securities free for trading						
Shares of publicly-held companies	296	5,443	5,147	509	10,621	10,112
	348,784	353,878	5,094 (i)	348,997	359,056	10,059(i)

(i) The market value is determined based on the prices of the assets disclosed by external sources such as Anbima, BM&F Bovespa S/A., and debentures.com.

f. Securities income

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Interbank funds applied	23,003	10,303	23,003	10,303
Fixed interest securities	5,594	13,710	5,594	14,657
Variable income securities	6,357	95	12,021	185
Negative adjustment to market value	(5,689)	(631)	(10,969)	(1,232)
Total	29,265	23,477	29,649	23,913

7 Derivative financial instruments

The Bank operates with derivative financial instruments for the purpose of hedging against market risk, which arise mainly from the fluctuations in the interest and exchange rates.

The management of the need for hedge is conducted based on the consolidated positions per currency. Accordingly, the positions of US dollars and reais are observed, subdivided into the various indexes (pre and long-term interest rate - TJLP).

The derivative financial instruments are the ones of of the highest liquidity, priority being given the BM&F Bovespa SA futures contracts, which are valued at market value, through daily adjustments.

The effectiveness of the hedge instruments is assured by the balance of the price fluctuations of the derivative contracts and the market values of the objects of the hedge. The hedge instruments *can* be operated in periods different from the respective objects, for the purpose of seeking the instrument's best liquidity. There is a forecast for the need for renewal or contracting of new hedge operation, in those operations where the derivative financial instrument presents maturity prior to the maturity of the hedged item.

After the implementation of the policy of a floating exchange rate, the dollar portfolio is being managed so that there is a lower mismatch between term and possible financial volume. On the other hand, those derivative financial instruments that do not meet the classification of hedge, in accordance with parameters established in Central Bank Circular 3082/02, but which are used to hedge against risks inherent to fluctuations of prices and rates, i.e. to the overall risk exposure, are recorded in the accounting at market value, with the realized and unrealized gains and losses recognized directly in the Bank's income statement.

Risk management controls

The portfolios are controlled and consolidated by the Managerial Information Department, under management of the Administrative Board, which is responsible for verifying the market value of the derivative positions and of their respective hedge objects. This information is forwarded to the Finance Bureau and the Risk Management area, which, in daily cash meetings, defines the best management of the Bank's different asset and liability portfolios, considering market and liquidity risks, providing the hedge instruments required in accordance with the policy previously established by the Management.

The uncovered positions are monitored constantly to check whether they are within the limits approved by the Market Risk Committee.

a. Position

Swaps

	Parent company and Consolidated 2014			
	Notional value	**Curve value - Assets**	**Curve value - Liabilities**	**Net amount (payable)**
CDI x IGP-M (*)	8,932	9,386	(9,466)	(80)
Total	**8,932**	**9,386**	**(9,466)**	**(80)**

During the semester ended June 30, 2013 no swaps were made.

	Parent company / Consolidated			
	2014		2013	
	Long position	Short position	Long position	Short position
Futures market (*):				
Interest rate	-	506,309	-	1,021,421
Currency	88,924	-	27,768	-
	88,924	506,309	27,768	1,021,421

(*) These transactions are used to hedge against risks inherent to fluctuations in prices and rates - see Note 7e.

b. Diversification by maturity

Derivative financial instrument contracts are distributed at BM&F Bovespa SA in the following maturities:

	Parent company and consolidated 2014					
	Up to 3 months	From 3 to 12 months	From 12 to 36 months	From 36 to 60 months	More than 60 months	Total
Swaps:						
CDI X IGP-M	17	19	22	14	8	80
Futures market:						
Long position	31,936	-	31,889	-	25,099	88,924
Short position	203,917	297,887	4,505	-	-	506,309

	Parent company and consolidated 2013					
	Up to 3 months	From 3 to 12 months	From 12 to 36 months	From 36 to 60 months	More than 60 months	Total
Futures market:						
Long position	16,712	11,056	-	-	-	27,768
Short position	670,727	341,241	9,453	-	-	1,021,421

The daily adjustments of the transactions on the future market are recorded as actual income or expense when incurred and represent their market value.

Futures operations and swaps are recorded in memorandum accounts at the contract or principal amount. These operations are performed within BM&F Bovespa S.A.

The amounts payable for swaps are recorded under "Derivative financial instruments".

c. Types of margins offered as guarantee for derivative financial instruments

The types of margins offered as guarantee for derivative financial instruments are basically represented by:

	Parent company/Consolidated	
	2014	**2013**
Financial treasury bills	-	9,281
National Treasury bills	9,788	-
Letters of guarantee	23,000	8,000
Total	32,788	17,281

d. Results of derivative financial instruments

The amount of net income and expenses, are as follows:

	Parent company/Consolidate	
	2014	**2013**
Swaps	(60)	-
Futures contracts	(7,755)	3,737
Total	(7,815)	3,737

e. Positions of financial instruments and risk sensitivity analysis

CVM Instruction 475 of December 17, 2008 governs the presentation of information on financial instruments, including hedging derivatives, which include a sensitivity analysis for each type of market risk considered material by management. This analysis included:

(1) A situation considered likely by management that considered a deterioration of 1% in the risk variable (foreign exchange and interest rate), which was intended to show a certain stability.

(2) A situation with deterioration of at least 25% (*) in the risk variable (foreign exchange and interest rate).

(3) A situation with deterioration of at least 50% (*) in the risk variable (foreign exchange and interest rate).

(*) Percentages established in CVM Instruction 475 of December 17, 2008.

(i) Table presenting the positions

We present below the derivative financial instruments outstanding as of June 30, 2014 and the respective amounts of the portfolios hedged by these instruments:

Operation / Hedged portfolio	Risk	Derivative financial instrument	Amount of hedged portfolio	Position (a)
***Hedge* (*) - Debt in foreign currency**				
Onlending from abroad / Subordinated debt	Exchange	88,924	(106,717)	(17,793)
***Hedge* (*) - Pre Trading**				
Securities	Interest rate	(97,313)	48,695	(48,618)
***Hedge* (*) - Pre Banking**				
Loans	Interest rate	(408,996)	735,029	326,033
Total		(417,385)	677,007	259,622

(a) It refers to the net position between the book balances of the hedged portfolios and the respective derivative financial instruments, and does not represent the actual exposure in each of the operations, which have different maturities.

(ii) Ilustrative Table of sensitivity analysis - Effect of changes in fair value

Operation	Risk	Scenario I *1% deterioration*	Scenario II *25% deterioration*	Scenario III *50% deterioration*
Currency hedge Debt in Foreign Currency	Derivative (risk of fall in US$)	1	(1,248)	(2,549)
	Debt (risk of increase in US$)	31	2,311	4,687
	Net effect	32	1,063	2,138
Hedge Trading PRÉ Assets in R$	Derivative (risk of fall in Selic)	25	630	1,260
	Securities + CDI (risk of increase in Selic)	(13)	(315)	(630)
	Net effect	12	315	630
Hedge Banking PRÉ Assets in R$	Derivatives (risk of fall in Selic)	84	2,088	4,177
	Credit (risk of increase in Selic)	(313)	(7,825)	(15,650)
	Net effect	(229)	(5,737)	(11,473)
	Efeito Líquido TOTAL	(185)	(4,359)	(8,705)

(iii) Ilustrative table of sensitivity analysis - Effect of changes in fair value - Consolidated

Operation	Risk	MTM Net exposure	Scenario I *1% deterioration*	Scenario II *25% deterioration*	Scenario III *50% deterioration*
Book exchange rate	Fall in foreign currency	(17,793)	32	1,063	2,138
Book Pre	Hight of the CDI	365,275	(407)	(10,172)	(20,343)
Book Index	Null (Post)	32,105	Null	Null	Null
	Net Effect TOTAL	379,587	(375)	(9,109)	(18,205)

(*) As mentioned previously, although these operations are used to hedge against risks inherent to fluctuations in price and rates, they are not recorded in the accounting as such as they did not comply with the parameters defined in the Central Bank Circular 3082/02.

8 Interbank accounts - Term deposits

a. Breakdown of the balance

The balance of term deposits was presented as follows:

	Parent company/Consolidated	
	2014	**2013**
Reserve requirements on demand deposits	560	1,515
Proceeds from microcredits	325	906
Total	885	2,421

9 Loans, leases, advances on foreign exchange contracts and operations for purchasing assets (consolidated)

a. Diversification by product

	Parent company and Consolidated	
	2014	**2013**
Private sector		
Resolution no. 63	2,639	2,753
Secured accounts	298,067	270,985
Financing in foreign currencies	15,923	8,816
Acquisition of credit rights (*)	507	978
Discount of receivables	5	2,506
BNDES	-	1,082
Working capital	525,074	447,172
Unified Health System - SUS	41,368	52,288
Direct consumer credit	224,535	252,391
Leasing (at present value)	12	930
FINAME (Government agency for financing machinery and equipment)	51,337	37,498
Other receivable:		
Advances on export contracts (**)	182,897	168,536
Purchase of assets receivable	-	4,889
Income receivable from advances granted (**)	3,576	5,863
Purchase of assets (***)	204,836	179,208
Total before allowance for loan losses and loan assignments	1,550,776	1,435,895
Assignment of receivables with co-obligation	-	(1,562)
Total before allowance for loan losses	1,550,776	1,434,333
Allowance for loan losses	(19,659)	(38,142)
Total	1,531,117	1,396,191
Short-term portion	1,013,795	1,066,748
Long-term portion	517,322	329,443

(*) Transactions with co-obligation made with other financial institutions.

(**) The advances on exchange contracts are recorded in the balance sheet under "Other Liabilities - Foreign Exchange Portfolio" and income receivable from advances granted are recorded under "Other receivable - Exchange portfolio" (see Note12).

(***) It refers to the acquisition of receivables without co-obligation with respect to commercial sales and purchases, where the income earned is recorded under other operating income. This operation is valued according to the requirements reported in Central Bank of Brazil (BACEN) Resolution 2682/99.

Loans invariably have guarantees of endorsements, sureties, mortgages, liens on vehicles, properties and other assets, trade notes, commercial pledges etc. In the FINAME and leasing transactions the guarantees are the goods that are the objects of the contracts.

b. Diversification by activity

	Parent company/Consolidated	
	2014	**2013**
Private sector:		
Industry	391,587	429,989
Commerce	298,169	174,311
Financial operators	1,833	-
Services	611,707	576,884
Individuals	247,480	254,711
Total before assignment	1,550,776	1,435,895
Assignment of receivables without co-obligation	-	(1,562)
Total portfolio	1,550,776	1,434,333

c. Diversification by term

	2014	**2013**
Private sector:		
Falling due in more than 60 months	27,422	14,782
Due between 36 and 60 months	55,921	55,635
Due between 12 and 36 months	252,187	271,190
Due between 3 and 12 months	417,860	345,744
Due in up to 3 months	770,446	689,671
Installments overdue	26,940	58,873
Total before assignment	1,550,776	1,435,895
Assignment of receivables with co-obligation	-	(1,562)
Total portfolio	1,550,776	1,434,333

d. Assignment of credit:

In the first semesters of 2014 and 2013 no credit assignment operations were carried out.

e. Loan concentration

	2014		2013	
	Risk	**Total %**	**Risk**	**Total %**
Largest debtor	30,224	1.95%	36,552	2.55%
10 largest debtors	219,308	14.14%	192,075	13.38%
20 largest debtors	331,567	21.38%	272,901	19.01%
50 largest debtors	521,093	33.60%	425,953	29.66%
100 largest debtors	679,175	43.79%	572,558	39.87%

f. Income from loans

	Parent company/Consolidated	
	2014	**2013**
Loans		
Income from loans	90,324	87,051
Income from discounted drafts	1	480
Income from financing	6,831	7,481
Income from financing in foreign currency	502	1,150
Recovery of loans written off as loss	8,184	1,302
Total income from loans	105,842	97,464
Lease operations		
Income	4,913	939
Expenses	(4,909)	(897)
Total leases	4	42

10 Allowance for loan losses

The changes in the Allowance for loan losses were as follows:

	Parent company/Consolidated	
	2014	**2013**
Balance at beginning of period	(52,407)	(18,163)
Recording of provision	(8,117)	(27,303)
Reversal of provision	-	237
Net reversal/recording	(8,117)	(27,066)
Write-off to loss	40,865	7,085
Recording/reversal of provision on assigned portfolio allocated to liabilities	-	2
Balance at end of period	(19,659)	(38,142)

We present below the breakdown of the portfolio by risk levels:

Parent company and consolidated
2014

		Total loans			Allowance for doubtful loans
Risk level	**Level of provisioning (%)**	**Performing loans**	**Late**	**Total**	**Total**
AA	0.0	704,608	-	704,608	-
A	0.5	691,914	-	691,914	3,460
B	1.0	97,478	1,392	98,870	989
C	3.0	18,560	1,553	20,113	603
D	10.0	9,588	9,153	18,741	1,874
E	30.0	1,473	2,169	3,642	1,093
F	50.0	20	1,127	1,147	573
G	70.0	131	2,114	2,245	1,571
H	100.0	64	9,432	9,496	9,496
Total portfolio		1,523,836	26,940	1,550,776	19,659

Parent company and Consolidated
2013

		Total loans			Allowance for doubtful loans
Risk level	**Level of provisioning (%)**	**Performing loans**	**Late**	**Total**	**Total**
AA	0.0	717,228	-	717,228	-
A	0.5	599,527	-	599,527	2,998
B	1.0	36,081	4,244	40,325	403
C	3.0	10,625	2,291	12,916	387
D	10.0	10,069	4,791	14,860	1,486
E	30.0	1,061	1,396	2,457	737
F	50.0	496	28,708	29,204	14,602
G	70.0	313	644	957	670
H	100.0	60	16,799	16,859	16,859
Total non-assigned portfolio		1,375,460	58,873	1,434,333	38,142
Credits assigned with co-obligation				1,562	8
Total portfolio before assignment				1,435,895	

Loans which had been written off to loss were recovered in the amount of R$ 8,184 in the 1st. semester of 2014 (R$ 1,302 in 2013). Loans were renegotiated in the amount of R$ 1,700 in the first semester of 2014 (R$ 1,098 in 2013).

11 Leases (Parent company)

The amount of the leasing contracts is represented by its respective present value, calculated based on the internal rate of return of each contract. These amounts, in compliance with the rules of the Central Bank of Brazil, are presented in various balance sheet accounts, which are summarized as follows:

	2014	**2013**
Lease receivables	2	134
Unearned lease income	(2)	(134)
Leased assets	622	5,540
Excess of depreciation	618	5,397
Accumulated depreciation	(622)	(5,343)
Anticipated residual value	(606)	(4,664)
Present value of lease contracts	12	930

In compliance with the accounting guidelines established by Central Bank Circular 1429/1989 and aiming at sharing specific accounting practices, the present value of the flows receivable from the leases was calculated using the internal rate of return of each contract. The adjustment is recognized under Shortage of or Excess Depreciation, as offsetting entries against income. In the consolidated statements the amounts of these operations are reclassified as described in note 17.

The Bank recorded a provision for insufficiency of depreciation in the amount of R$ 4,909 in the 1st. semester of 2014, classified as lease expenses (excess of depreciation in income of R$389 in 2013), equivalent to the adjustment to actual present value of future flows of the leasing portfolio, calculated based on the implicit rates of return of each operation.

The leases receivable are guaranteed by the assets that are the object of leasing, and the contracts contain a mandatory insurance clause in favor of the lessor.

12 Foreign exchange portfolio

	Parent company and consolidated	
	2014	**2013**
Assets - Other receivables		
Unsettled purchased exchanger	184,018	187,430
Rights on sale of exchange	7,255	3,496
Advances received in local currency	(643)	(588)
Income receivable	3,576	5,863
	194,206	196,201

	Parent company and consolidated	
	2014	**2013**
Liabilities - Other liabilities		
Forward foreign currency sold	7,249	3,507
Foreign exchange acquisition	189,462	169,557
Advances on export contracts - LA	(180,808)	(165,506)
Advances on export contracts - LE	(2,089)	(3,029)
	13,814	4,529
Income from exchange operations		
Exchange income	35,322	39,122
Exchange expenses	(24,243)	(9,218)
Total	11,079	29,904

The responsibilities for loans opened for importing in the amount of R$ 19,640 in June 2014 (R$ 3,328 in 2013), are recorded in memorandum accounts.

13 Other receivable

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Foreign exchange portfolio	194,206	196,201	194,206	196,201
Securities clearing accounts	341	610	341	610
Debtors for acquisition of assets (Note 9 a)	-	4,889	-	4,889
Debtors for guarantee deposits	52,216	49,235	52,216	49,235
Tax assets (Note 19)	23,609	29,494	23,609	29,494
Tax incentive options	271	271	271	271
Income tax to offset	1,645	5,686	2,095	5,800
Other debtors - In Brazil /abroad	7,868	17,430	10,301	20,838
Debtors for acquisition of assets (*)	204,836	179,208	204,836	179,208
Advances for payments to suppliers	2,055	3,884	2,058	3,887
Income receivable (**)	1,409	1,257	272	111
Other	948	1,110	1,210	1,257
(-) Allowance for other doubtful receivable (Note 10)	(4,555)	(1,083)	(4,555)	(1,083)
Total	484,849	488,192	486,860	490,718
Short-term portion	456,283	457,758	458,294	460,284
Long-term portion	28,566	30,434	28,566	30,434

(*) It refers to the acquisition of credit rights without co-obligation with respect to commercial sales and purchases, where the income earned is recorded under Other operating income. This operation is valued using the same parameters reported in the National Monetary Council (CMN) Resolution 2682/99 which has a provision recorded for doubtful debts of R$1,796 in June 2014 (R$29 in 2013).

(**) It refers to the amount receivable for the decrease in capital in the subsidiary Monceau Consultancy and Services Ltd. (See Note 15.) The funds will be internalized at the time when the Central Bank approves the process for opening the foreign branch.

14 Other assets

a. Assets not for own use

	Parent company and Consolidated	
	2014	**2013**
Real estate	8,702	8,318
Vehicles	5,449	5,672
Machinery and equipment	3,101	3,101
Total	17,252	17,091

b. Prepaid expenses

	2014	**2013**
Commissions and premiums	55	14
Prepaid expenses (i)	7,341	10,021
Total	7,396	10,035
Short-tem portion	7,056	4,664
Long-term portion	340	5,371

(i) Represented basically by commissions paid for the intermediation for granting of loans, and which are deferred for the term of the contracts. If the loans are granted the respective commission is fully recognized in the income statement.

15 Interests in subsidiaries

	2014			
Information on Investments	**D.T.V.M**	**Monceau**	**IB Adm. Créditos**	**Total**
Paid-in capital	4,116	2,158	1,482	
Equity	7,499	6,438	261	
Net profit/loss - for the 1st. semester of 2014	521	(1,111)	(115)	
Quotas/shares	683,500	5,031,674	1,482,436	
Ownership %	99.64	100.00	99.99	
Equity in income of Subsidiary - 1st. semester 2014	519	(*) (1,609)	(115)	(1,205)
Carrying value of investments	7,472	6,438	261	14,171
Operations in subsidiaries				
Assets				
Cash and cash equivalents	8	-	45	53
Interbank deposits	9,219	-	-	9,219
Liabilities				
Accounts payable	-	1,137	-	1,137
Income for the semester:				
Securities income	322	-	4	326
Service fee income	280	-	391	671

	2013			
Information on investments	**D.T.V.M**	**Monceau**	**IB Adm. Créditos**	**Total**
Paid-in capital	4,116	2,176	1,482	
Equity	6,513	7,859	278	
Net profit/loss - for the 1st. semester of 2014	(477)	688	(427)	
Quotas/shares	683,500	5,031,674	1,482,436	
Ownership %	99.64	100.00	99.99	
Equity in income of Subsidiary - 1st. semester 2014	(476)	(*)1,298	(427)	395
Carrying value of investments	6,490	7,859	278	14,627
Operations in subsidiaries				
Assets:				
Cash and cash equivalents	5	-	28	33
Interbank deposits	3,305	-	-	3,305
Securities	-	-	609	609
Liabilities				
Accounts payable	-	1,146	-	1,146
Income for the semester:				
Securities income	112	-	27	139
Service fee income	80	-	295	375

(*) Equity in income of subsidiaries and associated companies includes exchange gains in the amount of R$ (498) in the 1st. semester of 2014 and R$ 610 in 2013.

16 Premises and equipment

		Parent company/ Consolidated			
		2014		2013	
Other investments in fixed assets	**Annual rate of depreciation (%)**	**Cost of acquisition**	**Accumulated depreciation**	**Cost of acquisition**	**Accumulated depreciation**
Real estate properties					
Land	-	21,559	-	21,559	-
Buildings	4	6,033	(2,353)	6,033	(2,112)
Subtotal		**27,592**	**(2,353)**	**27,592**	**(2,112)**
Furniture and equipment	10	1,387	(1,034)	1,254	(978)
Communication system	20	342	(234)	342	(229)
Data processing system	20	2,572	(2,176)	2,406	(2,061)
Security system	10	40	(39)	40	(38)
Transport system	20	11,229	(516)	691	(84)
Subtotal		**15,570**	**(3,999)**	**4,733**	**(3,390)**
Total		**43,162**	**(6,352)**	**32,325**	**(5,502)**

17 Leased assets (Parent company)

	Annual rate of depreciation (%)	2014	2013
Vehicles and similar	20	622	5,540
Accumulated depreciation	-	(622)	(5,343)
Excess of depreciation	-	618	5,397
Total		618	5,594

The accounting item Leased Assets is one of the accounts that comprises the calculation of the present value of leasing operations, which are reclassified to the "Leases" in Consolidated (see Note 11).

18 Deferred charges / Intangible assets

	Parent company				
		2014		2013	
Deferred charges	**Annual rate of amortization (%)**	**Cost of acquisition**	**Accumulated amortization**	**Cost of acquisition**	**Accumulated amortization**
Leasehold improvements	20	2,987	(2,834)	2,987	(2,777)
Software development expenditures	20	-	(-)	4,254	(4,230)
Total		**2,987**	**(2,834)**	**7,241**	**(7,007)**

	Consolidated				
		2014		2013	
Deferred charges	**Annual rate of amortization (%)**	**Cost of acquisition**	**Amortization accumulated**	**Cost of acquisition**	**Amortization accumulated**
Leasehold improvements	20	2,987	(2,834)	2,987	(2,777)
Total		**2,987**	**(2,834)**	**2,987**	**(2,777)**

	Parent company				
		2014		2013	
Intangible assets	**Annual rate of amortization (%)**	**Cost of acquisition**	**Amortization accumulated**	**Cost of acquisition**	**Amortization accumulated**
Intangible assets - Software	20	2,953	(1,835)	2,725	(1,275)
Total		**2,953**	**(1,835)**	**2,725**	**(1,275)**

	Consolidated				
		2014		2013	
Intangible assets	**Annual rate of amortization (%)**	**Cost of acquisition**	**Amortization accumulated**	**Cost of acquisition**	**Amortization accumulated**
Intangible assets - Software	20	2,953	(1,835)	6,979	(5,505)
Total		**2,953**	**(1,835)**	**6,979**	**(5,505)**

As permitted by the prevailing legislation, the balances of deferred assets recognized until 03 December 2008, will be maintained until their total amortization.

19 Deferred tax assets - parent company and consolidated

The Bank and its subsidiaries adopt procedures for recognizing Income Tax (IR) and social contribution (CS) credits on temporary differences, tax losses and negative basis of social contribution, based on the prevailing rates of 25% and 15% respectively. As of June 30, 2014 and 2013, tax credits are shown in the table below.

a. Nature and source of deferred tax assets

	Parent company and Consolidated					
	2014			2013		
	IR	CS	Total	IR	CS	Total
Temporary differences:						
Allowance for loan losses	6,574	3,945	10,519	10,516	6,310	16,826
Contingent liabilities	8,538	4,552	13,090	8,274	4,394	12,668
Total	15,112	8,497	23,609	18,790	10,704	29,494

b. Expectations of realization

Based on a technical study prepared by Management, the expectations for realization of the tax credits as of June 30, 2014 are as follows:

Years	Expected realization per year	Present value (i)
2014	3,180	3,027
2015	994	858
2016	1,565	1,225
2017	1,595	1,132
2018 (ii)	16,275	10,471
	23,609	16,713

(i) To discount the deferred tax assets to the present value, the Interbank deposit rate of June 30, 2014 (0.82% per month) was used.

(ii) Estimate for closing of the judicial process that gave rise to the provision for tax contingencies.

c. Changes in deferred tax assets in the period

	2014	2013
Balance at beginning of semester	36,290	22,659
Recording for the semester	3,609	11,068
Reversal for the semester	(16,290)	(4,233)
Balance at end of semester	23,609	29,494
Representativeness of tax credits over equity (%)	5.04%	6.56%

d. Expense with income tax (IR) and social contribution (CS) - Parent Company (accumulated)

	2014		2013	
	IR	CS	IR	CS
Net income before taxation	34,391	34,391	21,811	21,811
Interest paid on shareholders' equity (JCP)	(9,000)	(9,000)	(10,000)	(10,000)
Net income before income tax and social contribution	25,391	25,391	11,811	11,811
Additions/exclusions	(19,797)	(24,672)	17,660	18,024
Profit determined abroad	-	-	687	687
Equity in income of subsidiaries and associated companies	1,205	1,205	(395)	(395)
Loans written off as loss	(40,729)	(40,729)	(10,582)	(10,582)
Excess/shortfall of depreciation	4,909	-	(389)	-
Allowance for loan losses	8,117	8,117	27,066	27,066
Mark-to-market of securities and derivatives	5,689	5,689	631	631
Tax, civil and labor contingent liabilities	906	906	603	603
Other inclusions/exclusions	106	140	39	14
Calculation basis	5,594	719	29,471	29,835
Charges at 15% (IR) and 15% (CS) rates	839	108	4,421	4,475
Income tax surcharge at 10% on the amount in excess of R$120	548	-	2,935	-
Tax incentives	(44)	-	(202)	-
Income tax/social contribution	1,343	108	7,154	4,475
Deferred income tax	(2,635)	(838)	(65)	(95)
Income tax/social contribution	(1,292)	(730)	7,089	4,380
Realization (recording) of tax credit	7,926	4,766	(4,272)	(2,558)
Total income and social contribution tax charges	6,634	4,036	2,817	1,822

20 Funding

a. Diversification by product

	Parent company		Consolidated	
	2014	2013	2014	2013
Demand deposits	44,084	36,755	44,031	36,722
Interbank deposits	155,358	92,361	146,139	89,056
Time deposits	781,769	695,430	781,769	694,821
Money market repurchase commitment (*)	31,416	183,533	31,416	183,533
Acceptances and endorsements (**)	452,251	466,276	452,251	466,276
Borrowings	195,032	197,571	195,032	197,571
Domestic onlending	50,908	39,373	50,908	39,373
Foreign currency onlending (***)	33,322	11,093	33,322	11,093
Subordinated debts (****)	67,043	33,986	67,043	33,986
Total	1,811,183	1,756,378	1,801,911	1,752,431

(*) The repurchase commitments for securities at fixed prices, with settlement on July 1, 2014 and September 30, 2014, are backed by National Treasury Bills (LTNs) maturing on October 1, 2014, in the total amount of R$15,529 and Debentures maturing on July 1, 2016, in the amount of R$16,234.

(**) Funding via Financial Treasury Bills R$379,656, Real Estate Credit Notes R$72,595.

(***) On December 30, 2010, Banco Industrial subscribed to a line of credit with IFC International Financ(***) e Corporation of up to US$ 60 million with a term of payment in up to 5 years.

(****) On 8 Januar(***) y 2007, Banco Industrial signed with DEG - Deutsche Investitions-u nd Entwicklungsgesellschaft mbH a subordinated long-term loan - 10 years - in the amount of US$ 15 million, indexed to the LIBOR + 4.41% p.a. DEG is a wholly owned subsidiary of KfW - Kreditanstalt für Wiederaufbau with its head office in Germany. On January 28, 2008, the Central Bank of Brazil approved the classification of the aforementioned transaction as a Subordinated Debt in accordance with Resolution 2837. Accordingly, the US$ 15 million can be considered as additional Tier II capital, thus increasing the Equity of Banco Industrial do Brasil S/A by R$ 13,474 as of June 30, 2014. On August 26, 2013 we received from DEG a new senior loan in the amount of US$ 15 million maturing in 8 years, indexed to the LIBOR + 5.47% p.a. These contracts require the maintenance of minimum financial ratios (financial *covenants)*, which are monitored quarterly.

b. Diversification by term

	Parent company		Consolidated	
	2014	2013	2014	2013
Falling due in more than 60 months	41,145	-	41,145	-
Falling due between 36 and 60 months	7,493	33,282	7,493	33,282
Falling due between 12 and 36 months	271,159	495,574	262,101	494,950
Falling due between 3 and 12 months	755,628	455,153	755,467	452,471
Falling due within 3 months	691,674	735,614	691,674	735,006
With no maturity (*)	44,084	36,755	44,031	36,722
Total	1,811,183	1,756,378	1,801,911	1,752,431

c. Funding, loan, assignment and onlending expenses

	Parent company		Consolidated	
	2014	2013	2014	2013
Deposits, money market and interbank funds				
Interbank deposits	6,389	6,304	6,067	6,192
Time deposits	38,057	26,016	37,774	25,909
Money market repurchase commitments	1,806	7,714	1,806	7,714
Other	27,511	15,501	27,511	15,501
Subtotal	73,763	55,535	73,158	55,316
Borrowings and repass borrowings				
Foreign banker liability expenses	8,449	26,570	8,449	26,570
Repass borrowings - Local	771	724	771	724
Foreign currency repass borrowings	-	5,171	(4,267)	5,171
Subtotal	9,220	32,465	4,953	32,465
Total	82,983	88,000	78,111	87,781

d. DPGE - Resolution 3692

Banco Industrial raised funds in DPGE (Time Deposits with Special Guarantees) established by Resolution 3692 of March 26, 2009 in the amount of R$ 79 million at a rate of up to 105.5% of the DI, for the period of 1,096 days. As of June 30, 2014, the balance of these operations is R$91,035.

21 Borrowings and onlending

a. Foreign currency trade finance borrowings

They basically comprise financing of imports with letters of credit, falling due up till December 2014.

b. Local currency borrowings

They refer to local currency borrowings from FINAME, maturing in June 2023, and updated by the long-term interest rate (TJLP).

c. Foreign currency onlending from abroad

- ***Trade Finance - Limits with Multilateral Organizations***

  In September 2006 Banco Industrial signed with the IDB (Inter-American Development Bank) a contract through which the IDB extends to Banco Industrial Bank do Brasil S.A. a line with an initial value of US$ 6 million for Trade Finance operations for a period of up to 3 years guaranteed by the Trade Finance Facilitation Program. This line was increased to US$ 20 million in April 2010. In November 2009, Banco Industrial signed with IFC (International Finance Corporation), the financing arm for the private sector of the World Bank, a line with an initial value of US$ 10 million, increased to US$ 30 million in April 2012, under the guarantee of the Global Trade Finance Program. These lines are available and effective as of June 30, 2014.

- ***IFC International Finance Corporation***

  In March 2014 Banco Industrial raised US$15 million, for three years, by means of A Loans with IFC. These funds will be directed to companies which have the active participation of women in their management.

22 Provisions, liabilities, positive and negative contingencies

The Bank and its subsidiary are parties to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of their operations, involving tax, labor, civil and other issues.

a. Negative contingencies and legal liabilities:

Provisions recognized for accounting purposes are represented by: (i) Labor Actions aiming at recognition of labor rights such as overtime and ancillary allowances, among others, and (ii) tax and social security - a provision for tax risks represented by processes where the constitutionality or legality of various taxes and contributions is challenged. When required by law, deposits are made in court, presented under “Other receivable - Guarantee deposits receivable”.

There are 21 cases of labor grievances and 1,338 civil claims classified as possible by our legal advisors.

The Bank and its subsidiaries, based on the opinion of its legal counsel, does not expect to incur losses on the outcome of these processes, beyond those already recorded as provisions.

b. Breakdown of the provisions

Based on information from its legal advisers, an analysis of the pending legal proceedings and previous experience with regards to amounts claimed, Management recorded a provision in an amount considered sufficient to cover the estimated losses from the lawsuits in progress, as follows:

	Parent company	
	2014	**2013**
Provision for tax risks (*)	36,395	34,203
Contingent liabilities	8,841	7,922
Civil (**)	7,180	7,002
Labor	1,661	920
	45,236	**42,125**

	Consolidated	
	2014	**2013**
Provision for tax risks (*)	36,395	34,203
Contingent liabilities	8,928	8,474
Civil (**)	7,180	7,002
Labor	1,748	1,472
	45,323	**42,677**

(*) Contingent liabilities recorded under "Taxes and Social Security" include the criteria for determining the calculation basis of COFINS and the increase in rates of social contribution, among others.

(**) It represents the Bank's historical loss in relation to the ongoing lawsuits. Legal questioning on indexation of contracts among others. The provision is made by taking as basis the actual disbursement of agreements entered into historically.

c. Changes in the provisions

	Parent company				
	12/2013	**06/2014**			
	Closing balance	**Addition to the provision**	**Use/ reversal**	**Selic correction**	**Final balance**
Provision for tax risks	35,244	72	-	1,079	36,395
Contingent liabilities:	8,007	834	-	-	8,841
Civil	7,058	122	-	-	7,180
Labor	949	712	-	-	1,661
Total provision	**43,251**	**906**	**-**	**1,079**	**45,236**

	Consolidated				
	12/2013	**06/2014**			
	Closing balance	**Addition to the provision**	**Use/ reversal**	**Selic correction**	**Final balance**
Provision for tax risks	35,244	72	-	1,079	36,395
Contingent liabilities:	8,094	834	-	-	8,928
Civil	7,058	122	-	-	7,180
Labor	1,036	712	-	-	1,748
Total provision	**43,338**	**906**	**-**	**1,079**	**45,323**

	Parent company				
	12/2012	**06/2013**			
	Closing balance	**Addition to the provision**	**Use/ reversal**	**Selic correction**	**Final balance**
Provision for tax risks	33,412	32	-	759	34,203
Contingent liabilities:	7,351	571	-	-	7,922
Civil	6,711	291	-	-	7,002
Labor	640	280	-	-	920
Total provision	**40,763**	**603**	**-**	**759**	**42,125**

	Consolidated				
	12/2012	06/2013			
	Closing balance	**Addition to the provision**	**Use/ reversal**	**Selic correction**	**Final balance**
Provision for tax risks	33,412	32	-	759	34,203
Contingent liabilities:	7,903	571	-	-	8,474
Civil	6,711	291	-	-	7,002
Labor	1,192	280	-	-	1,472
Total provision	**41,315**	**603**	**-**	**759**	**42,677**

23 Other liabilities

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Collection of taxes	193	453	193	453
Exchange portfolio (Note 12)	13,814	4,529	13,814	4,529
Due to shareholders	7,707	8,509	7,707	8,509
Tax and social security	41,343	52,230	43,571	54,255
Taxes payable on profits	1,450	11,630	3,618	11,630
Taxes payable	3,296	3,011	3,356	3,050
Provision for deferred income tax	202	3,386	202	5,372
Provision for Tax Risks (Note 22)	36,395	34,203	36,395	34,203
Creditors through advance of residual values (Note 11)	606	4,664	-	-
Provision for payments due	3,445	2,332	3,469	2,332
Provision for contingent liabilities (Note 22)	8,841	7,922	8,928	8,474
Subordinated debts (Note 20)	67,043	33,986	67,043	33,986
Other creditors - Brazil / abroad (*)	483	813	2,394	5,316
Other	5	5	867	649
Total	143,480	115,443	147,986	118,503
Short-term portion	77,698	78,835	82,204	79,965
Long-term portion	65,782	36,608	65,782	38,538

(*) In the Consolidated Balance Sheet the balance of deferred income was reclassified to Other Creditors Brazil in June 2014 and 2013 (R$ 861 and R$ 434, respectively).

24 Equity

a. Capital

The Bank's fully paid-in capital is represented by registered shares with no par value, where 113,735,909 are common shares and 57,581,392 are preferred shares. Shareholders are assured a minimum dividend of 25% on the adjusted net income pursuant to the legislation in force.

b. Reserves

Profit reserve - Legal reserve
The legal reserve is recorded in accordance with the prevailing law by the allocation of 5% of net income, limited to 20% of the realized capital, or 30% of the capital plus capital reserves.

Profit retention - Statutory reserves
The statute of Banco Industrial establishes the allocation of reserves and the provision of the statutory bodies, for future investments in the portion of profits not distributed to shareholders.

c. Dividends

Shareholders are assured a minimum dividend of 25% on the adjusted net income pursuant to the legislation in force.

In the first semester of 2014, the Bank paid interest on shareholders' equity (ISE) to its shareholders, calculated on the equity accounts, based on the variation of the long-term interest rate (TJLP), pursuant to Law 9249, of December 26, 1995, in the amount of R$ 9,000 (R$ 10,000 distributed in the first semester of 2014).

25 Personnel expenses

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Fees - Executive Board and Board of Directors.	2,238	1,981	2,238	2,151
Benefits (i)	3,262	3,113	3,345	3,233
Payroll charges	3,836	3,869	3,908	4,013
Remuneration	13,271	13,849	13,483	14,275
Other	122	119	122	119
Total	**22,729**	**22,931**	**23,096**	**23,791**

(i) It includes the following benefits: medical care, food allowance and transport voucher, among others.

26 Other administrative expenses

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Water, electricity and gas	189	198	193	203
Rent	465	591	494	642
Leasing of assets	210	1,182	210	1,182
Communications	1,074	1,138	1,097	1,175
Maintenance and upkeep of assets	782	541	784	543
Materials	206	153	208	158
Data processing	2,459	1,738	2,518	1,791
Public relations	414	476	417	481
Publications	1	2	5	7
Insurance	-	91	-	91
Financial system services	299	252	313	266
Third party services	1,128	1,289	1,138	1,300
Specialized technical services	1,134	902	777	996
Transport	238	212	242	216

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Foreign travel expenses	164	356	164	356
Domestic travel expenses	157	304	157	304
Other administrative expenses	350	299	363	311
Amortization and depreciation	909	592	909	592
Total	**10,179**	**10,316**	**9,989**	**10,614**

27 Tax expenses

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Federal / Municipal Taxes	309	368	317	375
ISS (Service tax)	243	223	277	245
Cofins (Turnover tax on gross profits)	3,755	4,002	4,033	4,038
PIS (Contribution for social integration)	610	650	657	657
Other - (Contingent liability correction)	1,079	759	1,079	759
Total	**5,996**	**6,002**	**6,363**	**6,074**

28 Other operating income / Expenses

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Other operating income	22,474	16,155	18,231	16,785
Correction of asset purchase (*)	16,675	14,836	16,675	14,836
Monetary gains	1,532	1,056	1,545	1,057
Exchange variation of lines (fall in the share price)	4,267	-	-	-
Recovery of administrative expenses	-	174	2	174
Exchange variation Monceau Consultadoria Ltd	-	89	9	699
Other	-	-	-	19
Other operating expenses	(216)	(311)	(1,833)	(570)
Other	(94)	(19)	(94)	(278)
Provisions for contingencies	(122)	(292)	(122)	(292)
Exchange variation Monceau Consultadoria Ltd	-	-	(1,617)	-
Total	22,258	15,844	16,398	16,215

(*) It refers to the purchase of credit rights without co-obligation, with respect to trade sales and purchases, whose income earned is recorded under other operating income as a corresponding entry against Purchase of Assets Receivable - Other receivables - Note 13.

29 Non-operating income

	Parent company	
	2014	**2013**
Non-operating income	389	812
Profit on the disposal of assets	389	812
Non-operating expenses	-	(18)
Donations	-	(18)
Total	**389**	**794**

	Consolidated	
	2014	**2013**
Non-operating income	389	823
Profit on the disposal of assets	389	812
Other	-	11
Non-operating expenses	-	(18)
Donations	-	(18)
Total	**389**	**805**

30 Risk indicators (Basel) and operating limits

The index of exposure of the equity to the transaction risk is 18.51% as of June 30, 2014 (19.92% as of December 31, 2013).

	Consolidated	
	2014	**2013**
Equity	**468,791**	**449,509**
Decrease in intangible/ deferred assets in conformity with the CMN Resolution 4192	(7)	(234)
Decrease in revaluation reserves	-	(73)
Minorities / Other	-	24
Reference equity - Level I	**468,784**	**449,226**
Subordinated debt instruments	13,474	20,391
Reference equity - Level II	**13,474**	**20,391**
Total reference equity (Level I + Level II)	**482,258**	**469,617**
Reference equity (a)	**482,258**	**469,617**
Allocation of capital by risk		
RWAcpad - Credit	251,286	226,173
RWAjur - Market	12,266	6,937
RWAopad - Operational	20,826	19,035
RWAacs -Shares	-	1,699

	Consolidated	
	2014	**2013**
RWAcam - Exchange	2,181	5,450
Required reference equity(b)	**286,559**	**259,294**
Margin (a- b)	**195,699**	**210,323**
Rban - Non-negotiable interest portfolio	(17,128)	(40,761)
Margin (a- b)	**178,571**	**169,562**
Assets weighted by risk (c)	**2,605,080**	**2,357,218**
Basel ratio (a/c)	**18.51 %**	**19.92 %**

(I) As of October 1, 2013, through CMN Resolution 4192 a new methodology was implemented for calculating 11% of the RWA (Risk Weighted Asset) based on the Reference Equity

31 Market value of financial instruments

The financial statements are prepared based on accounting policies which assume the normal continuity of operations of the Bank and its subsidiaries. The carrying value of financial instruments, recorded or not in equity accounts, closely approximates the value that might be obtained by them through trading on an active market or, in the absence thereof, closely approximates the present value of the cash flows adjusted by the rate of interest prevailing on the market.

This does not apply to the following items, for which we present the carrying value and their value that would be obtained in an active market or the present value of the cash flow, which we call market value.

The estimated realization amounts of the Bank's financial assets and liabilities were calculated through information available on the market and appropriate valuation methodologies. However, considerable judgment was required to interpret the market data in order to produce the most appropriate estimated realization value. Accordingly, the estimates presented below do not necessarily represent the amounts that would be realized on the current exchange market. The use of different market methodologies may have a material effect on the estimated realization amounts.

The management of these instruments is performed through operating strategies aiming at liquidity, profitability and security. The control policy consists of permanently monitoring the contracted rates versus prevailing market rates. The Company and its subsidiaries do not invest in derivative instruments or any other risky assets on a speculative basis.

a. Breakdown of the balances

	2014		
	Carrying value	**Market value**	**Potential gain (loss)**
Assets			
Loans	1,550,776	1,611,551	60,775
Liabilities			
Deposits	1,389,378	1,397,354	(7,976)
Endorsements and repass borrowings in the country	84,230	81,558	2,672
Subordinated debts	67,043	60,735	6,308
Total			61,779

	2013		
	Carrying value	**Market value**	**Potential gain (loss)**
Assets			
Loans	1,434,333	1,499,207	64,874
Liabilities			
Deposits	1,254,067	1,272,667	(18,600)
Endorsements and repass borrowings in the country	50,466	50,210	256
Subordinated debts	33,986	33,048	938
Total			47,468

b. Criteria, assumptions and limitations used in the calculation of market values

Securities and derivative financial instruments, investments and subordinated debt are based on quoted market prices on the balance sheet date. If there is no market price quotation available, the values are estimated based on quotations of distributors, price definition models, price quotation models or price quotations for instruments with similar characteristics.

Fixed rate loans were determined by discounting the estimated cash flows, adopting the interest rates charged by the Bank and its subsidiaries in new contracts with similar characteristics. These rates are consistent with the market at the balance sheet date.

Term deposits, funds from issuing bonds and liabilities for borrowings and onlending were calculated by discounting the difference between cash flows under the contract terms and the prevailing market rates at the balance sheet date.

Limitations: The market values were estimated at the balance sheet date, based on "relevant market information". Changes in assumptions could significantly affect these estimates.

c. Guarantees

The Bank and its subsidiaries in the formalization of their financial instruments do not count on guarantees that can be sold or re-pledged without the occurrence of default by the debtor, as established in item 15 of CPC 40.

32 Related party transactions

For the Bank, related parties are defined as its controllers and shareholders with a material interest, companies related to them, their directors and other members of the key management personnel and their families. The man balances of assets and liabilities as of June 30, 2014, as well as the transactions that affected the results of the periods, are summarized in Note 15 (Investments in subsidiaries).

In addition to these values, time deposits and real estate credit notes with related parties total R$ 42,884 in June 2014 (R$ 52,575 in 2013), whose rates range from 95% to 107% of ID (interbank deposit), with maturities until July 2016.

In the first semester of 2014, funding expenses of these operations totaled R$2,110 (R$1,861 in the first semester of 2013).

Remuneration of the Officers and the Board of Directors: (i) the Directors are the Company's legal representatives, responsible mainly for its daily operations and implementing the general policies and guidelines established by the Board of Directors. They are all Brazilians resident in Brazil. According to the Bank's bylaws, the Board must consist of 3 to 12 members (article 6 of the Bank's bylaws). In the first semester of 2014, the remuneration of the directors amounted to R$ 4,358, divided into: (i) salaries for the current year, and (ii) sharing in the Company's results for the semester. In the first semester of 2013, the remuneration of the Directors amounted to R$ 2,150 divided into: (i) salaries and (ii) sharing in the Company's results for the semester, in accordance with the program approved by the Board of Directors.

Expenditure on remuneration of the Officers is recorded in the book account "Fees - Officers and Board of Directors." The remuneration of the Officers was set at R$ 6,000 at the Annual General Meeting of April 30, 2014.

The officers are not shareholders of the Company and had no share purchase options granted by the Company.

33 Commitments and responsibilities

Guarantees given to third parties, including endorsements, guarantees and others, total R$ 177,800 as of June 30, 2014 (R$ 55,746 in 2013).

34 Insurance

The Bank has a policy of taking out insurance coverage for assets subject to risks in amounts considered sufficient to cover eventual losses, considering the nature of its activity. The risk assumptions adopted, given their nature, are not part of the scope of a review of financial statements and, accordingly, were not examined by our independent auditors. The insurance policy was contracted with Tokio Marine Seguradora S/A, valid from June 17, 2014 to June 17, 2015, embodying two distinct policies: Head office / Branches.

The policy also includes sub-limits as follows:

Insurance coverage	**Sub-limits - (Head office)**
Fire/lightning/explosions/implosions/smoke	R$23,000
Loss of earnings (net income _+ fixed expenses)	R$12,000
Wind storms/hurricanes/impacts of vehicles/aircraft crashes/hail/tornado	R$2,500
Civil liability transactions	R$2,000
Flooding	R$500
Electronic equipment	R$500
Theft and robbery of goods	R$500
Electrical damages	R$300
Contingent liabilities	R$300
Garage civil liability/fire/robbery	R$300
Breakage of windows	R$100
Theft within the establishment	R$30
Theft outside the establishment	R$10

Branches and Shops

The policy also includes sub-limits as described below:

Insurance coverage	**Sub-limits - (Branches)**
Fire/lightning/explosions/implosions/smoke	R$ 1,000
Loss of earnings (net income + fixed expenses)	R$ 1,000
Wind storms/hurricanes/impacts of vehicles/aircraft crashes/hail/tornado	R$ 150
Civil liability transactions	R$ 1,000
Rupture and/or leakage of pipelines.	R$ 150
Electronic equipment	R$ 200
Robbery and theft of goods	R$ 300
Electrical damages	R$ 100
Breakage of windows	R$ 50
Loss or payment of rent deriving from basic coverage	R$300

In the case of leased assets the tenant is responsible for taking out the insurance, pursuant to the contractual clauses of the lease transactions.

35 Other information

a. The Bank does not offer a pension plan and/or any type of post-employment benefits to employees and Management.

b. The Bank has a single shareholder, Mr. Carlos Alberto Mansur, who also accumulates the positions of Chief Executive Officer (CEO) and Chairman of the Board of Directors.

36 Breakdown of cash and cash equivalents

	Parent company		Consolidated	
Description	**2014**	**2013**	**2014**	**2013**
At beginning of period	**269,173**	**246,431**	**276,818**	**247,880**
Cash and cash equivalents	8,075	25,071	15,720	26,520
Interbank funds applied (*)	261,098	221,360	261,098	221,360
At end of period	**524,181**	**314,241**	**531,346**	**324,531**
Cash and cash equivalents	4,885	4,178	12,050	14,468
Interbank funds applied (*)	519,296	310,063	519,296	310,063

(*) The interbank funds applied (investments in the money market, interbank deposits and foreign currency), are characterized by transactions maturing within 90 days, thus configuring cash equivalents.