

# **Financial Statements**

## **Banco Rabobank International Brasil S.A.**

June 30, 2014 and 2013  
with Independent Auditors' Report

# **Banco Rabobank International Brasil S.A.**

## Financial statements

June 30, 2014 and 2013

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## **Management Report**

Dear Shareholders,

We submit to your analysis the financial statements of Banco Rabobank International Brasil S.A. for the for the six-month periods ended June 30, 2014 and 2013, and related notes to financial statements and independent auditors' report.

### **Risk management structure**

#### Credit risk

Credit risk is defined by measuring repayment capacity of each customer, and such risks are measured and managed by specific function under the responsibility of the Risk Management executive board, where all decisions are taken through internal and outside committees, according to duty segregations determined by the Bank. All standards and procedures are part of Rabobank group credit policy, duly approved by the Bank's local executive board.

#### Market risk

Market risk is defined as the risk of loss resulting from changes in rates, indexes, prices and other macroeconomic and microeconomic variables that may impact assets and financial derivatives in portfolio.

Market risk is controlled through a system that computes traditional market risk metrics (VaR, Stress Test and sensitivities), by crosschecking daily values of these metrics against prudent limits stipulated by Bank's executive board seeking safe business operations for the Bank.

The area of Market Risk Control is the responsibility of the Risk Management executive board.

#### Liquidity risk

Liquidity Risk is defined as the risk of mismatch in the Bank's cash flow, deriving from the difficulty in rapidly disposing of an asset or obtaining funds, which renders it impossible to settle financial positions without affecting their daily operations and without incurring in significant losses.

The management process regarding liquidity risk is conducted in a corporate and centralized manner, which comprises monitoring the funds available, compliance with a minimum liquidity level, generation and disclosure of liquidity risk statements to Central Bank of Brazil (BACEN), contingency plan for stress situations, anticipated monitoring of liquidity attention level indicators, and stress tests on the Bank's major funding products and loan.

Procedures, measurement methodologies and processes to identify, assess, monitor and control exposure to liquidity risk are formalized in the liquidity risk management policy.

### Operational risk

Operating risk is defined as the possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people or systems or from external events. Legal risk is included in this definition, but not business or reputational risk.

The operating risk management structure defined above is formalized in the operating risk policy. This operating risk policy sets guidelines, methodologies and procedures compatible with the nature and complexity of the Bank's products, services, activities, processes and systems, and is to be applied to all Bank's people. The structure provides for procedures to identify, assess, monitor, control and mitigate operating risks, defines roles and responsibilities of each professional and presents a structured communication process.

Market, credit and operating risk management activities are represented by risk executive board, statutory executive board reporting to the Bank's CEO, as defined in CMN resolutions No. 3464/2007, No. 3721/2009 and No. 3380/2006.

### Capital management

The capital management process aims to provide the Bank with the necessary support to achieve its strategic objectives, and considers the economic environment and the specific characteristics of their products and the markets in which it operates.

The Bank periodically prepares capital budgets based on the information and estimates available and daily monitors the adequacy of its Required Referential Equity (PRE) in relation to Referential Equity (PR), thus providing information on risk required for the organization to conduct its business properly regarding existing risks.

The Central Bank of Brazil (BACEN) determines that the PRE should be permanently compatible with the Bank's PR, thus ensuring that the capital held by shareholders is sufficient to at least cover credit, market and operating risks.

Credit, market, operating and liquidity risk management structure and capital management are described at [www.rabobank.com.br](http://www.rabobank.com.br).

We acknowledge our employees for their dedication and talent which supported us to achieve all of our goals. We also acknowledge our customers and shareholders for their trust in us.

### **Executive Board**

São Paulo, August 15, 2014.



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

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## **Independent auditors' report on financial statements**

The Shareholders, Board of Directors and Officers of  
**Banco Rabobank International Brasil S.A.**  
São Paulo - SP

### **Introduction**

We have audited the accompanying financial statements of Banco Rabobank International Brasil S.A. ("Bank"), which comprise the balance sheet as at June 30, 2014, and the related income statements, statements of changes in equity, and statements of cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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



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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Rabobank International Brasil S.A. as of June 30, 2014, and its financial performance and cash flows for the six-month period then ended in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

São Paulo, August 15, 2014.

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

Flávio Serpejante Peppe  
Accountant CRC-1SP172167/O-6

Kátia Sayuri Teraoka Kam  
Accountant CRC-1SP272354/O-1

## Banco Rabobank International Brasil S.A.

### Balance sheets June 30, 2014 and 2013 (In thousands of reais)

	2014	2013
Assets		
Current assets	<b>8,890,856</b>	9,584,657
Cash and cash equivalents	<b>274,507</b>	45,608
Short-term interbank investments	<b>2,242,585</b>	3,873,312
Open market investments	<b>2,242,585</b>	3,000,602
Interbank deposits	-	872,710
Marketable securities and derivative financial instruments	<b>427,071</b>	323,042
Bank portfolio	<b>167,189</b>	273,360
Derivative financial instruments	<b>109,752</b>	42,039
Subject to guarantees given	<b>150,130</b>	7,643
Interbank accounts	<b>8,412</b>	9,589
Unsettled payables and receivables	1	-
Linked credits:		
Central Bank deposits	<b>8,190</b>	9,360
Interbank onlending	<b>141</b>	144
Correspondent banks	<b>80</b>	85
Loans	<b>3,090,600</b>	2,552,918
Private sector	<b>3,139,170</b>	2,590,949
Allowance for loan losses	<b>(48,570)</b>	(38,031)
Other receivables	<b>2,847,098</b>	2,779,673
Foreign exchange portfolio	<b>2,838,360</b>	2,763,440
Unearned income	4	6
Negotiation and intermediation of securities	<b>11,036</b>	7,698
Sundry	<b>16,945</b>	12,303
Allowance for losses on other receivables	<b>(19,247)</b>	(3,774)
Other assets	<b>583</b>	515
Other assets	<b>208</b>	210
Prepaid expenses	<b>375</b>	305
Long-term assets	<b>5,780,534</b>	4,754,174
Marketable securities and derivative financial instruments	<b>1,389,927</b>	742,024
Bank portfolio	<b>1,167,066</b>	337,366
Derivative financial instruments	<b>38,521</b>	54,913
Subject to guarantees given	<b>184,340</b>	349,745
Interbank accounts	<b>390</b>	524
Interbank onlending	<b>390</b>	524
Loans	<b>4,274,709</b>	3,915,041
Private sector	<b>4,385,032</b>	3,982,967
Allowance for loan losses	<b>(110,323)</b>	(67,926)
Other receivables	<b>115,508</b>	96,585
Foreign exchange portfolio	-	5,750
Unearned income	-	6,268
Sundry	<b>115,508</b>	86,206
Allowance for losses on other receivables	-	(1,639)
Permanent assets	<b>34,240</b>	30,987
Investments	<b>6</b>	6
Other investments	<b>6</b>	6
Property and equipment (P&E) in use	<b>17,810</b>	14,693
Other P&E items in use	<b>30,707</b>	24,262
Accumulated depreciation	<b>(12,897)</b>	(9,569)
Intangible assets	<b>16,424</b>	16,288
Intangible assets	<b>29,343</b>	24,202
Accumulated amortization	<b>(12,919)</b>	(7,914)
Total	<b>14,705,630</b>	14,369,818

	2014	2013
Liabilities and equity		
Current liabilities	<b>8,793,981</b>	8,662,490
Deposits	<b>394,370</b>	1,396,505
Demand deposits	155,959	28,502
Interbank deposits	123,848	1,251,139
Time deposits	114,563	116,864
Open market funding	<b>331,665</b>	301,463
Third-party portfolio	331,665	301,463
Funds from acceptance and issue of securities	<b>1,980,016</b>	1,207,358
Funds from real estate, mortgage, credit and similar notes	1,980,016	1,207,358
Interbank accounts	-	2
Unsettled payments and receipts	-	2
Interbranch accounts	<b>53,897</b>	10,071
Third-party funds in transit	53,897	10,071
Borrowings	<b>2,886,995</b>	2,272,447
Borrowings abroad	2,886,995	2,272,447
Local onlending – official institutions	<b>268,601</b>	205,058
BNDES	36,662	15,928
FINAME	178,118	120,455
Other institutions	53,821	68,675
Foreign onlending	<b>1,847,447</b>	1,738,475
Foreign onlending	1,847,447	1,738,475
Derivative financial instruments	<b>35,721</b>	97,420
Derivative financial instruments	35,721	97,420
Other liabilities	<b>995,269</b>	1,433,691
Collection of taxes and other contributions	508	1,294
Foreign exchange portfolio	848,954	1,325,364
Social and statutory	10,141	4,162
Tax and social security	63,814	39,581
Negotiation and intermediation of securities	4,837	-
Subordinated debts	32,728	26,461
Sundry	34,287	36,829
Long-term payables	<b>4,662,788</b>	4,609,829
Deposits	<b>11,475</b>	61,415
Time deposits	11,475	61,415
Funds from acceptance and issue of securities	<b>477,399</b>	165,066
Funds from real estate, mortgage, credit and similar notes	477,399	165,066
Borrowings	<b>140,026</b>	291,074
Borrowings abroad	140,026	291,074
Local onlending - official institutions	<b>1,086,322</b>	704,710
BNDES	173,656	99,572
FINAME	894,034	605,138
Other institutions	18,632	-
Foreign onlending	<b>1,975,848</b>	2,402,396
Foreign onlending	1,975,848	2,402,396
Derivative financial instruments	<b>8,154</b>	12,301
Derivative financial instruments	8,154	12,301
Other liabilities	<b>963,564</b>	972,867
Foreign exchange portfolio	-	5,697
Tax and social security	2,198	2,186
Subordinated debts	960,750	964,680
Sundry	616	304
Equity	<b>1,248,861</b>	1,097,499
Capital:		
Foreign residents	762,954	617,916
Income reserve - statutory	372,880	396,583
Income reserve - legal	47,326	39,341
Equity valuation adjustments	(1,915)	(1,522)
Retained earnings	67,616	45,181
Total	<b>14,705,630</b>	14,369,818

See accompanying notes.



## Banco Rabobank International Brasil S.A.

### Income statements

Six-month periods ended June 30, 2014 and 2013

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

	<b>2014</b>	<b>2013</b>
Financial income	<b>251,258</b>	927,461
Loans	<b>28,030</b>	570,035
Income from marketable securities transactions	<b>202,693</b>	240,796
Loss (gain) on derivative financial instruments	<b>20,535</b>	(51,393)
Foreign exchange transactions	-	168,023
Financial expenses	<b>(34,803)</b>	(758,793)
Open market funding	<b>(117,753)</b>	(106,624)
Borrowings and onlending	<b>325,168</b>	(636,248)
Foreign exchange transactions	<b>(185,495)</b>	-
Allowance for doubtful accounts	<b>(56,723)</b>	(15,921)
Gross financial income	<b>216,455</b>	168,668
Other operating income (expenses)	<b>(87,855)</b>	(82,769)
Service revenues	<b>30,983</b>	31,690
Personnel expenses	<b>(62,031)</b>	(61,788)
Executive board compensation	<b>(5,679)</b>	(3,445)
Other administrative expenses	<b>(36,023)</b>	(37,671)
Tax expenses	<b>(14,890)</b>	(10,815)
Other operating income	<b>887</b>	88
Other operating expenses	<b>(1,102)</b>	(828)
Operating income	<b>128,600</b>	85,899
Non-operating income (expenses)	<b>(148)</b>	(55)
Income before income taxes and profit sharing	<b>128,452</b>	85,844
Income and social contributions taxes	<b>(48,303)</b>	(33,620)
Provision for income tax	<b>(35,334)</b>	(20,699)
Provision for social contribution tax	<b>(21,392)</b>	(12,090)
Deferred tax asset	<b>8,423</b>	(831)
Profit sharing	<b>(8,974)</b>	(4,665)
Net income for the six-month period	<b>71,175</b>	47,559
Earnings per thousand shares - R\$	<b>97.22</b>	80.21

See accompanying notes.

## Banco Rabobank International Brasil S.A.

Statements of changes in equity  
Six-month periods ended June 30, 2014 and 2013  
(In thousands of reais)

	Capital	Capital increase	Income reserve - statutory	Income reserve - legal	Equity valuation adjustments	Retained earnings	Total
Balances at December 31, 2012	575,465	42,451	396,583	36,963	8,269	-	1,059,731
Capital increase approved at Special General Meeting held on 12/28/2012	42,451	(42,451)	-	-	-	-	-
Adjustments to market value - Marketable securities and derivative financial instruments	-	-	-	-	(9,791)	-	(9,791)
Net income for the six-month period	-	-	-	-	-	47,559	47,559
Allocations:							
Legal reserve	-	-	-	2,378	-	(2,378)	-
Balances at June 30, 2013	617,916	-	396,583	39,341	(1,522)	45,181	1,097,499
Balances at December 31, 2013	<b>617,916</b>	<b>145,038</b>	<b>372,880</b>	<b>43,767</b>	<b>(4,747)</b>	-	<b>1,174,854</b>
Capital increase approved at Special General Meeting held on 12/02/2013	<b>100,000</b>	<b>(100,000)</b>	-	-	-	-	-
Capital increase approved at Special General Meeting held on 12/30/2012	<b>45,038</b>	<b>(45,038)</b>	-	-	-	-	-
Adjustments to market value - Marketable securities and derivative financial instruments	-	-	-	-	2,832	-	2,832
Net income for the six-month period	-	-	-	-	-	71,175	71,175
Allocations:							
Legal reserve	-	-	-	3,559	-	(3,559)	-
Balances at June 30, 2014	<b>762,954</b>	-	<b>372,880</b>	<b>47,326</b>	<b>(1,915)</b>	<b>67,616</b>	<b>1,248,861</b>

See accompanying notes.

## Banco Rabobank International Brasil S.A.

Statements of cash flows  
Six-month periods ended June 30, 2014 and 2013  
(In thousands of reais)

	<b>2014</b>	<b>2013</b>
Cash flow from operating activities		
Net income	71,175	47,559
Adjustments to net income:		
Market value adjustments	2,832	(9,791)
Depreciation	1,882	1,570
Amortization	2,500	2,162
Allowance for doubtful accounts	56,723	15,921
Provision for civil, tax and labor claims, and other guarantees	272	22
Net income after adjustments	<b>135,384</b>	57,443
Decrease in interbank deposits	-	40,515
(Increase) decrease in marketable securities and derivative financial instruments	<b>(246,895)</b>	617,602
(Increase) in interbank accounts	<b>(1,281)</b>	(2,513)
(Decrease) in interbank accounts	<b>(441,454)</b>	(420,186)
(Increase) decrease in loans	<b>120,075</b>	(810,519)
(Increase) decrease in other receivables	<b>542,434</b>	(754,006)
(Increase) decrease in other assets	<b>219</b>	(12)
(Increase) in prepaid expenses	<b>(41)</b>	(151)
Increase (decrease) in other liabilities	<b>(1,588,483)</b>	155,644
	<b>(1,615,426)</b>	(1,173,626)
Net cash from (used in) operating activities	<b>(1,480,042)</b>	(1,116,183)
Cash flow from investing activities:		
Disposal of property and equipment in use	<b>14</b>	157
Acquisition of property and equipment in use	<b>(3,013)</b>	(1,533)
Acquisition of intangible assets	<b>(950)</b>	(1,031)
Net cash (used in) investing activities	<b>(3,949)</b>	(2,407)
Cash flow from financing activities:		
Increase (decrease) in deposits	<b>171,482</b>	(170,430)
Increase in the open market	<b>22,849</b>	90,486
Increase (decrease) in funds from issue of securities	<b>703,278</b>	(263,352)
Increase in borrowing and onlending liabilities	<b>169,919</b>	1,609,463
Net cash from (used in) financing activities	<b>1,067,528</b>	1,266,167
Increase/(decrease) in cash and cash equivalents	<b>(416,463)</b>	147,577
Cash and cash equivalents		
At the beginning of the six-month period	<b>2,933,555</b>	3,771,343
At the end of the six-month period	<b>2,517,092</b>	3,918,920
Increase/(decrease) in cash and cash equivalents	<b>(416,463)</b>	147,577

See accompanying notes.

# **Banco Rabobank International Brasil S.A.**

Notes to financial statements  
June 30, 2014 and 2013  
(In thousands of reais)

## **1. Operations**

Banco Rabobank International Brasil S.A. (the “Bank” or “financial institution”) is a subsidiary of Rabobank International Holding B.V. and its incorporation was authorized by a Presidential Decree on August 08, 1995. The entity operates as a Multiple Bank and is engaged in transactions involving assets and liabilities inherent to commercial, investment and foreign exchange portfolios.

## **2. Presentation of financial statements and summary of significant accounting practices**

The financial statements are the responsibility of the Bank’s management and were prepared in accordance with accounting practices contained in Brazilian Corporation Law, in conjunction with standards and guidelines from the Central Bank of Brazil (BACEN).

In accordance with BACEN Circular No. 2804/1998, transactions carried out by the foreign branch (Cayman) are presented together with the Bank’s financial statements.

These financial statements were prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions which are authorized by the Brazilian Central Bank to carry out their operations, and require that management use assumptions and judgments to determine adequate amount and record accounting estimates, such as allowance for loan losses, deferred income tax, provision for contingencies and valuation of derivative instruments receivable and payable. Settlement of transactions involving these estimates may result in amounts different from the estimates due to inaccuracies inherent to the estimate process.

Significant accounting practices are summarized below:

### a) Determination of profit or loss

Revenues and expenses are recognized on an accrual basis, in light of the daily pro rata criterion for financial transactions. Asset and liability transactions with foreign exchange variation clauses are restated at applicable foreign currency purchase or selling rate as of the balance sheet date, in accordance with contractual provisions.

### b) Cash and cash equivalents

Cash and cash equivalents are represented by cash in local and foreign currency, open market investments and interbank deposits, maturing within no longer than 90 days from investment date, and with insignificant risk of change in fair value, which are used by the Bank to manage its short-term commitments.

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 2. Presentation of financial statements and summary of significant accounting practices (Continued)

#### c) Short-term interbank investments

Fixed-rate investments are recorded at redemption value, less deferred income, and floating operations at the cost value, plus income earned through balance sheet date.

#### d) Marketable securities

In accordance with BACEN Circular No. 3068/2001 and supplementary regulation, marketable securities are stated under the following accounting recording and valuation criteria, into the categories below:

*Trading securities* - acquired in order to be frequently and actively traded, these securities are marked to market. Market value adjustments are matched against the income (loss) (P&L) for the period;

*Available for sale* - not qualifying as trading or held to maturity, these securities are marked to market. Market value adjustments are matched against a specific account in equity, net of tax effects, and transferred to P&L for the period when effectively realized;

*Held to maturity* - those securities the Bank intends and has the financial capacity to hold to maturity. The financial capacity is defined by cash flow projections, not considering the possibility of selling said securities (BACEN Circular No. 3129/2002). They are carried at acquisition cost, plus income earned through the balance sheet date, against P&L for the period.

#### e) Derivative financial instruments

Pursuant to BACEN Circular No. 3082/2002 and subsequent regulations, transactions with derivative financial instruments comprise forward, options, futures and swap transactions are carried under the following criteria:

*Forward transactions* - these are recorded at final contract value, less difference between this amount and price in cash of the asset or right. Income and expenses are recorded in relation to the terms of the contracts through the balance sheet date;

*Options transactions* - premiums paid or received are recorded as assets or liabilities, respectively, until the option is effectively exercised, and recorded as increase or decrease in asset or right cost; if not exercised, it is recorded as revenue or expense;

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 2. Presentation of financial statements and summary of significant accounting practices (Continued)

#### e) Derivative financial instruments (Continued)

*Futures transactions* - daily adjustments are recorded as assets and liabilities and recognized daily as revenue or expense;

*Swaps* - differences receivable or payable are recorded as assets or liabilities, respectively, and recognized as income or expense on a daily pro rata basis through balance sheet date.

Transactions with derivative financial instruments carried out at customers' requests or on the Bank's own account, whether meeting or not criteria of hedge against global risk exposure and not qualifying as transactions related to assumptions disclosed by BACEN Circular No. 3150/2002, are marked to market, and appreciation or depreciation is recorded as follows:

- Derivative financial instruments not considered hedge are recorded in an income and expense account, under P&L for the period; and
- Derivative financial instruments considered hedge are classified as market risk hedge and cash flow hedge.

Hedge against market risk is intended to offset risks arising from exposure to market value variation of the hedged item, and its appreciation or depreciation is matched against income and expense accounts in P&L for the period. Cash flow hedge is intended to offset estimated future cash flow variation, and the effective portion of its appreciation or depreciation is matched against equity, net of tax effects. The corresponding hedged items are also marked to market as of the balance sheet date.

#### f) Loans and foreign exchange transactions

Loans, including advances on foreign exchange contracts, are classified according to management's judgment by risk level, considering economic situation, past experience and specific risks related to transactions, debtors and guarantors, in light of the parameters established by CMN Resolution No. 2682/1999 and supplementary standards, which require that the portfolio and its classification into nine levels (AA for minimum risk and H for loss) be periodically reviewed. After six months, transactions classified as H and overdue for more than 180 days are written off to loss.

Income from loans over 60 days past due, regardless of the risk level, is only recognized as income when realized. These transactions are classified as long-term assets.

Allowance for loan losses, considered sufficient by Management, is set up for the amount established in the aforementioned Resolution (Note 6b).

## **Banco Rabobank International Brasil S.A.**

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### **2. Presentation of financial statements and summary of significant accounting practices (Continued)**

#### g) Permanent assets

Property and equipment items in use are stated at acquisition cost, less accumulated depreciation. Depreciation is calculated under the straight-line method, based on the asset useful life, at the following annual rates: furniture and equipment in use and communication system - 10% and data processing system and vehicles - 20%.

Intangible assets correspond to expense with systems acquisition, amortized on a straight-line basis at the annual rate of 20%.

#### h) Impairment of non-financial assets

Impairment is recognized if the book value of an asset or of its cash-generating unit exceeds its recoverable value. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in P&L for the period.

Non-financial assets, except for tax credits, are reviewed at least annually to determine whether there is any indication of impairment.

#### i) Liabilities measurement criteria

Liabilities, charges and risks that are known or may be calculated, including tax charges calculated based on income for the period, are carried at restated value through the balance sheet date.

Foreign currency liabilities are translated into local currency at the exchange rates in force as of the balance sheet date, as disclosed by BACEN, whereas liabilities subject to monetary restatement based on contractual provisions are carried at restated value through the balance sheet date.

#### j) Income and social contributions taxes

Income tax is calculated at a rate of 15%, plus 10% surtax on taxable profit exceeding R\$ 240 (R\$120 in the six-month period), adjusted by additions and exclusions provided for in legislation. Social contribution tax payable is computed on profit adjusted in accordance with legislation in force, at the rate of 15%.

Income and social contribution tax losses, temporarily nondeductible expenses and market value adjustments of derivative instruments were computed at the rate of 25% for income tax and 15% for social contribution tax, carried as Other receivables - sundry, as stated in Note 9.

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 2. Presentation of financial statements and summary of significant accounting practices (Continued)

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

Contingent assets and liabilities, as well as legal obligations, are recognized, measured and disclosed according to the following criteria:

*Contingent assets* - these are only recognized in financial statements upon existence of evidence guaranteeing their realization, on which no further appeals can be filed.

*Contingent liabilities* - these are recognized in the financial statements when, based on the opinion of legal advisors and management, the likelihood of an unfavorable outcome of a legal or administrative proceeding is considered probable, implying a probable cash outflow for their settlement, and when the amounts involved can be reliably measured. Contingent liabilities whose likelihood of an unfavorable outcome is assessed as possible by legal advisors are only disclosed in the notes to financial statements, whereas those assessed as remote require neither a provision nor disclosure.

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

l) Earnings (loss) per share

Earnings (loss) per share are calculated based on the number of outstanding shares at the financial statements date, considering the value per thousand shares.

m) Subsequent events

According to CMN Resolution No. 3973/2011, which provides for recording and disclosure of subsequent events within the financial statements period, as set forth by CPC No. 24, no subsequent events were identified that require disclosure upon final approval of these financial statements by the Bank management on August 15, 2014.



## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### 3. Short-term interbank investments

Breakdown of short-term interbank investments is as follows:

	<u>2014</u>	
	Within 90	2013
	days	
Open market investments	2,242,585	3,000,602
Interbank deposits	-	872,710
	<u>2,242,585</u>	<u>3,873,312</u>

### 4. Marketable securities

a) Breakdown of the securities portfolio is as follows:

Description	<u>2014</u>		<u>2013</u>	
	Book value	Market value	Book value	Market value
Federal government bonds - National Treasury	246,130	246,130	151,899	151,899
Receivables Investment Funds:				
Pine Agro - Fundo Investimentos Direitos Creditórios	436,411	436,411	-	-
Martins - Fundo Investimentos Direitos Creditórios	186,884	186,884	167,833	167,833
MRFG - Fundo Investimentos Direitos Creditórios	136,000	136,000	-	-
Nufarm Brasil - Fundo Investimentos Direitos Creditórios	101,124	101,124	-	-
Minerva - Fundo Investimentos Direitos Creditórios	87,676	87,676	85,383	85,383
Multicredit - Fundo Investimentos Direitos Creditórios	5,151	5,151	71,296	71,296
Debentures	105,244	105,244	125,136	125,136
Agribusiness Receivables Certificate (CRA)	23,842	23,842	-	-
Rural Product Bill (CPR)	5,793	5,793	9,179	9,179
<b>Subtotal - own portfolio</b>	<u>1,334,255</u>	<u>1,334,255</u>	610,726	610,726
Federal government bonds - National Treasury	334,470	334,470	357,388	357,388
<b>Subtotal - subject to guarantees given</b>	<u>334,470</u>	<u>334,470</u>	357,388	357,388
	<u>1,668,725</u>	<u>1,668,725</u>	968,114	968,114

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 4. Marketable securities (Continued)

b) Classification by category and term:

Category	2014					
	Restated cost	Market value	Book value	Book value by maturity		
				Within 90 days	From 91 to 365 days	Over 365 days
LFT	7,789	7,788	7,788	-	7,788	-
LTN	262,109	261,771	261,771	22,461	10,326	228,984
NTN-F	165,322	162,468	162,468	7,642	-	154,826
FIDC	953,246	953,246	953,246	41,563	-	911,683
Debentures	105,244	105,244	105,244	-	49,331	55,913
CRA	23,842	23,842	23,842	23,842	-	-
CPR	5,793	5,793	5,793	5,793	-	-
<b>Available for sale</b>	<b>1,523,345</b>	<b>1,520,152</b>	<b>1,520,152</b>	<b>101,301</b>	<b>67,445</b>	<b>1,351,406</b>
LFT	56	56	56	-	56	-
LTN	146,413	146,486	146,486	3,999	-	142,487
NTN-F	1,996	2,031	2,031	96	-	1,935
<b>Trading</b>	<b>148,465</b>	<b>148,573</b>	<b>148,573</b>	<b>4,095</b>	<b>56</b>	<b>144,422</b>
	<b>1,671,810</b>	<b>1,668,725</b>	<b>1,668,725</b>	<b>105,396</b>	<b>67,501</b>	<b>1,495,828</b>
2013	970,652	968,114	968,114	9,056	271,947	687,111

Government bonds are marked to market on bond quotation disclosed by the Brazilian Association of Capital and Financial Market Entities (ANBIMA) at the balance sheet date.

Market value adjustments of marketable securities classified as "Securities available for sale", in the amount of R\$(1,915) (2013 - R\$(1,522)), net of tax effects, is recognized in a specific equity account.

Debentures are restated by the respective related rate and/or index. For debentures indexed to CDI rate, the restated cost approximates market value, whilst those indexed to other indices are marked to market through unit price informed by ANBIMA.

Fixed-income private bonds, except for FIDC Multicredit, which is under custody of Itaú Unibanco S.A., are under custody of the Brazilian OTC Clearing House (CETIP) and government bonds are under custody of SELIC.

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 4. Marketable securities (Continued)

#### b) Classification by category and term (Continued)

Investments in Receivables Investment Fund (FIDC), except for FIDC Multicredit, refer to the corresponding senior share price disclosed by the fund administrator for the last working day of the month, which the Bank's management believes to be the market value. The term of these FIDC is determined and their main characteristics are summarized as follows:

<u>Administrator</u>	<u>Funds</u>	<u>Originating credit</u>
<b>Concórdia S.A. Corretora de Valores Mobiliários Câmbio e Commodities:</b>		
Multicredit - Fundo Investimentos Direitos Creditórios		"Pão de Açúcar" companies
Martins - Fundo Investimentos Direitos Creditórios		"Martins" company
<b>Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.:</b>		
Minerva - Fundo Investimento Direitos Creditórios - Crédito Mercantil		"Minerva" company
Pine Agro - Fundo Investimento Direitos Creditórios		"Pine" bank
Nufarm Brasil - Fundo Investimento Direitos Creditórios		"Nufarm" company
MRFG - Fundo Investimento Direitos Creditórios		"Marfrig" company

The Multicredit and Martins FIDCs administrator engaged Itaú Unibanco S.A., and the Pine Agro, Nufarm Brazil, MRFG and Minerva FIDCs administrator engaged Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A. to render treasury, custody, asset and liability control services related to the abovementioned FIDCs, in accordance with legal and regulatory standards. The FIDCs' financial statements are audited on an annual basis and the recent audit opinions thereon do not present qualifications.

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### 4. Marketable securities (Continued)

c) Multicredit FIDC is broken down as follows:

	Balance	No maturity	Term		
			Within 90 days	From 91 to 365 days	Over 365 days
<b>Assets</b>					
<b>Cash and cash equivalents</b>					
Cash	10	-	10	-	-
<b>Short-term interbank investments</b>					
Open market investments - NTN	230	-	230	-	-
<b>Marketable securities</b>					
Own portfolio - LFT	50	-	-	50	-
	<b>290</b>	-	<b>240</b>	<b>50</b>	-
<b>Other receivables</b>					
Receivables	4,023	-	-	4,023	-
Other receivables	840	-	-	840	-
	<b>4,863</b>	-	-	<b>4,863</b>	-
<b>Total</b>	<b>5,153</b>	-	<b>240</b>	<b>4,913</b>	-
<b>Liabilities</b>					
<b>Other liabilities</b>					
Other administrative expenses payable	2	-	2	-	-
	<b>2</b>	-	<b>2</b>	-	-
<b>Equity</b>	<b>5,151</b>	<b>5,151</b>	-	-	-
<b>Total</b>	<b>5,153</b>	<b>5,151</b>	<b>2</b>	-	-

FIDC Multicredit is in run off , expected to be complete in the second half of 2014.

### 5. Derivative financial instruments

#### Policy on use

The Bank takes part in operations involving derivative financial instruments, recorded in balance sheet and memorandum accounts, for the purpose of meeting its customers' and needs to hedge against market risks mainly arising from interest rate fluctuation, currency, foreign exchange coupon and commodities risks. Hedge instruments efficiency is ensured by the balance between price fluctuations of derivative financial instruments and market value of hedged items. Hedging is made so that future amounts may correspond to the amounts upon maturity of the transaction. The Bank has a portfolio that can be considered extensive when compared to the market. Therefore, the duration methodology is used for hedge effectiveness.

## **Banco Rabobank International Brasil S.A.**

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### **5. Derivative financial instruments (Continued)**

#### Strategies and parameters to manage risk and market participation

- The Bank has a specific area in charge of risk management. Trading limits and controls for assuming each type of risk are defined. In order to guarantee that maximum values are met, simulations are conducted for every new operation. Should there not be sufficient limit, the operation is not carried out or hedge is taken out against such risk. Among the limits established locally and approved by the Bank's head office, the decision to take out hedge is made by the Treasury executive officer.
- A report stating the limits and positions of all risk and cash flow books is generated on a daily basis. This report is monitored by the Bank senior management and, should they detect an exceeded trading limit or control, features of such exceeding trading limit or control are entered into a global system, as well as the explanation given by the Market Risk Control function. An approval flow is then generated so that all relevant functions are warned about such exceeding trading limit - from the trader in charge to the Global Risk Manager in Holland, as the case may be.
- The Bank uses the risk system designed by its head office, which is based on Value-at-Risk (VaR) methodology with a 252-day horizon, through historical simulation. In case of non-parametric products, the scenario methodology is used to calculate VaR. Reliability level is 97.5%.
- The Bank considers it has been effective in using derivatives for hedge purposes.

#### Assessment and measurement criteria

Derivative financial instruments and hedged items are marked to market by discounting future amounts to present value, through interest rate curves built by own methodology, which is mainly based on data disclosed by BM&FBOVESPA. As from the first half of 2014, the Bank started taking the average settlement cost of outstanding derivative positions into consideration for the pricing process, in addition credit risk components which are implied in such types of financial instruments.

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 5. Derivative financial instruments (Continued)

#### Assessment and measurement criteria (Continued)

Derivative financial instruments reflecting on assets and liabilities accounts are as follows:

Derivative financial instruments - assets	2014	2013
Swap - difference receivable	65,466	28,688
Options - premium paid	17	2,026
Call back swaption	685	3,109
NDF - difference receivable	82,105	63,129
148,273	96,952	
Derivative financial instruments - liabilities	2014	2013
Swap - difference payable	(15,348)	(53,978)
Options - premiums received	(1,211)	(631)
NDF - difference payable	(27,316)	(55,112)
(43,875)	(109,721)	

a) *The swap portfolio is summarized as follows:*

	Reference value	2014		2013	
		Market value			
		Assets	Liabilities	Net position	Net position
I) Index:					
CDI x US Dollar	603,505	633,740	(591,785)	41,955	(44,439)
CDI x Index	60,000	77,568	(83,990)	(6,422)	(5,556)
CDI x Pre	22,878	23,649	(23,694)	(45)	5
CDI x Others	11,670	12,912	(12,695)	217	-
US Dollar x CDI	148,982	181,955	(167,682)	14,273	27,278
US Dollar x Others	194,706	227,539	(227,142)	397	(158)
Outros x US Dollar	63,518	97,048	(96,893)	155	(866)
Pre x CDI	234,091	238,557	(239,537)	(980)	(909)
Pre x US Dollar	5,853	6,222	(5,654)	568	(645)
	1,345,203	1,499,190	(1,449,072)	50,118	(25,290)
II) Trading location:					
OTC	1,032,146	1,164,249	(1,110,135)	54,114	(25,290)
Stock Market	313,057	334,941	(338,937)	(3,996)	-
	1,345,203	1,499,190	(1,449,072)	50,118	(25,290)
III) Maturity:					
Within 90 days	187,192	227,024	(223,118)	3,906	(12,617)
From 91 to 365 days	529,206	570,765	(548,615)	22,150	(31,251)
Over 365 days	628,805	701,401	(677,339)	24,062	18,578
	1,345,203	1,499,190	(1,449,072)	50,118	(25,290)

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### 5. Derivative financial instruments (Continued)

#### Assessment and measurement criteria (Continued)

b) *The call back swaption portfolio is summarized as follows:*

	Reference value	2014		2013	
		Market Value			
		Assets	Liabilities	Net position	Net position
i) Type					
Option purchase	22,612	685	-	685	3,109
	<u>22,612</u>	<u>685</u>	<u>-</u>	<u>685</u>	<u>3,109</u>
ii) Trading location					
OTC	22,612	685	-	685	3,109
	<u>22,612</u>	<u>685</u>	<u>-</u>	<u>685</u>	<u>3,109</u>
iii) Maturity:					
Within 90 days	15,942	211	-	211	67
From 91 to 365 days	4,252	275	-	275	2,071
Over 365 days	2,418	199	-	199	971
	<u>22,612</u>	<u>685</u>	<u>-</u>	<u>685</u>	<u>3,109</u>

c) *The portfolio of contracts and premiums of dollar options is summarized as follows:*

	Contract financial value	Cost value	2014		2013	
			Market value			
			Assets	Liabilities	Net position	Net position
I) Type:						
a) <b>Flexible options:</b>						
Acquisition of call options	7,708	374	17	-	17	1,448
Sale of call options	-	-	-	-	-	(366)
Sale of put options	13,156	(517)	-	(1,211)	(1,211)	(49)
b) <b>Standardized options:</b>						
Acquisition of put options	-	-	-	-	-	578
Sale of call options	-	-	-	-	-	(216)
	<u>20,864</u>	<u>(143)</u>	<u>17</u>	<u>(1,211)</u>	<u>(1,194)</u>	<u>1,395</u>
II) Trading location:						
a) <b>Flexible options:</b>						
OTC	20,864	(143)	17	(1,211)	(1,194)	1,033
b) <b>Standardized options:</b>						
Stock Market	-	-	-	-	-	362
	<u>20,864</u>	<u>(143)</u>	<u>17</u>	<u>(1,211)</u>	<u>(1,194)</u>	<u>1,395</u>
III) Maturity:						
a) <b>Flexible options:</b>						
Within 90 days	10,511	(143)	3	(727)	(724)	(110)
From 91 to 365 days	10,353	-	14	(484)	(470)	1,143
b) <b>Standardized options:</b>						
Within 90 days	-	-	-	-	-	578
From 91 to 365 days	-	-	-	-	-	(216)
	<u>20,864</u>	<u>(143)</u>	<u>17</u>	<u>(1,211)</u>	<u>(1,194)</u>	<u>1,395</u>

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
 June 30, 2014 and 2013  
 (In thousands of reais)

### 5. Derivative financial instruments (Continued)

#### Assessment and measurement criteria (Continued)

d) *The NDF contract portfolio traded at CETIP is summarized as follows:*

	Reference value	2014		2013	
		Amounts receivable	Amounts payable	Net position	Net position
I) Type:					
a) <b>Currencies:</b>					
Purchase	265,052	10,806	(9,417)	1,389	54,754
Sale	770,047	51,676	(1,915)	49,761	(48,722)
b) <b>Commodities:</b>					
Purchase	229,959	10,224	(8,298)	1,926	(5,168)
Sale	193,184	9,399	(7,686)	1,713	7,153
	<b>1,458,242</b>	<b>82,105</b>	<b>(27,316)</b>	<b>54,789</b>	<b>8,017</b>
II) Trading location:					
OTC	1,458,242	82,105	(27,316)	54,789	8,017
	<b>1,458,242</b>	<b>82,105</b>	<b>(27,316)</b>	<b>54,789</b>	<b>8,017</b>
III) Maturity:					
Within 90 days	741,237	39,789	(16,243)	23,546	1,170
From 91 to 365 days	571,659	29,895	(4,758)	25,137	(16,216)
Over 365 days	145,346	12,421	(6,315)	6,106	23,063
	<b>1,458,242</b>	<b>82,105</b>	<b>(27,316)</b>	<b>54,789</b>	<b>8,017</b>

e) *Future contract portfolio - BM&FBOVESPA (reference amounts) is summarized as follows:*

	2014		2013	
	Purchased position	Sold position	Purchased position	Sold position
I) Type:				
Future - DI	699,380	1,337,406	2,748,110	1,231,264
Future - DDI	2,429,961	1,510,506	2,538,689	896,961
Future - DOL	220,504	65,524	1,156	1,258,262
Future - COMMODITIES	-	46,091	-	27,603
	<b>3,349,845</b>	<b>2,959,527</b>	<b>5,287,955</b>	<b>3,414,090</b>
II) Maturity:				
Within 90 days	988,801	722,372	723,103	1,512,511
From 91 to 365 days	1,205,762	512,798	2,682,882	8,155
Over 365 days	1,155,282	1,724,357	1,881,970	1,893,424
	<b>3,349,845</b>	<b>2,959,527</b>	<b>5,287,955</b>	<b>3,414,090</b>



## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
 June 30, 2014 and 2013  
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### 5. Derivative financial instruments (Continued)

#### Assessment and measurement criteria (Continued)

- f) *In order to hedge the funds raised under “Borrowings and Onlending” and “Subordinated debts”, the Bank entered into derivative financial instruments (futures DDI contracts) for hedging purposes, measured under the terms of BACEN Circular No. 3082/2002, as follows:*

	<u>2014</u>	<u>2013</u>
<b>Hedged items</b>		
Restate amount under agreed conditions	1,114,150	1,120,942
Market value	1,117,814	1,133,188
Mark to market adjustment	3,664	12,246
<b>Hedging instruments</b>		
Market value	1,188,880	1,195,264

- g) *Federal Government bonds were given as guarantees to the stock exchange and OTC transactions, as follows:*

	<u>2014</u>	<u>2013</u>
<b>Securing stock exchange transactions</b>		
Government securities		
National Treasury Bills (LTN)	159,243	129,811
National Treasury Notes (NTN)	142,668	143,733
<b>Securing OTC transactions</b>		
Government securities		
National Treasury Bills (LTN)	12,758	63,895
National Treasury Notes (NTN)	19,801	19,949
	<u>334,470</u>	<u>357,388</u>

For the semester ended June 30, 2014, transactions with derivative financial instruments resulted in gains of R\$1,292,550 (2013 - R\$1,462,222) and losses of R\$1,272,015 (2013 - R\$1,513,616) posted directly to P&L for the period under income (loss) on derivative financial instruments.

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)

June 30, 2014 and 2013

(In thousands of reais)

### 6. Loans

Loans are summarized as follows:

Product	2014					2013	
	Rural	Manufacturing	Retail	Individuals	Other services	Total	Total
Foreign fund onlending	2,247,994	112,020	-	944,652	-	3,304,666	2,692,993
Export financing	412,962	1,641,778	147,286	22,696	69	2,224,791	2,383,902
Advances on foreign exchange contracts (Note 7) (*)	9,226	1,665,029	442,423	-	12,920	2,129,598	1,274,625
FINAME	961,654	75,563	13,585	25,661	15,265	1,091,728	740,468
Working capital	177,533	32,198	200	84,367	-	294,298	298,647
Agribusiness receivables certificates	-	227,367	-	-	-	227,367	213,449
BNDES	161,532	43,229	8,146	-	-	212,907	117,499
Funcafé	64,990	5,117	5,667	-	1,662	77,436	72,377
Guaranteed account	21,697	504	1,523	-	20,210	43,934	33,986
Import financing	-	36,294	-	-	-	36,294	-
Vendor	-	-	7,438	-	-	7,438	10,762
Compror	-	-	1,239	2,103	-	3,342	9,833
Other receivables	-	-	-	-	-	-	3,278
	<b>4,057,588</b>	<b>3,839,099</b>	<b>627,507</b>	<b>1,079,479</b>	<b>50,126</b>	<b>9,653,799</b>	<b>7,851,819</b>

(\*) Includes income receivable from advances granted.

a) The loan aging list is as follows:

	2014			2013
	Loans	Other receivables	Total	Total
Falling due				
Within 90 days	1,117,048	835,126	1,952,174	1,392,058
From 90 to 365 days	2,043,809	1,294,472	3,338,281	2,475,858
Over 365 days	4,284,797	-	4,284,797	3,940,292
	<b>7,445,654</b>	<b>2,129,598</b>	<b>9,575,252</b>	<b>7,808,208</b>
Overdue				
From 15 days	78,547	-	78,547	43,611
	<b>78,547</b>	<b>-</b>	<b>78,547</b>	<b>43,611</b>
	<b>7,524,201</b>	<b>2,129,598</b>	<b>9,653,799</b>	<b>7,851,819</b>

b) Loans by risk level and allowance set up are summarized as follows:

Risk level	% - Minimum	2014		2013	
		Total portfolio	Provision	Total portfolio	Provision
AA	-	1,197,286	-	1,580,642	-
A	0.5	3,079,786	15,399	2,145,202	10,726
B	1.0	4,841,428	48,414	3,777,489	37,775
C	3.0	281,401	8,442	240,431	7,213
D	10.0	79,676	7,968	46,566	4,657
E	30.0	99,613	29,884	2,760	828
F	50.0	12,706	6,353	4,991	2,495
G	70.0	742	519	20,208	14,146
H	100.00	61,161	61,161	33,530	33,530
		<b>9,653,799</b>	<b>178,140</b>	<b>7,851,819</b>	<b>111,370</b>

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 6. Loan transactions (Continued)

c) Changes in the allowance for losses on other doubtful accounts:

	<u>2014</u>	<u>2013</u>
Opening balance	136,072	115,266
Allowance	56,723	15,921
Write-off to loss	(14,512)	(19,869)
Foreign exchange variation of branch abroad	(143)	52
<b>Closing balance</b>	<b>178,140</b>	<b>111,370</b>
Recovery of loans written off as losses	11,628	14,359
Loan renegotiation	89,358	46,247

Bank Credit Bills (CCB) representing loan transactions amounting to R\$4,190,724 (2013 - R\$4,035,574) are duly recorded with CETIP or the Brazilian Mercantile Stock Exchange (BBM), and available for issuance of Agribusiness Credit Bills (LCA).

### 7. Foreign exchange portfolio

	<u>2014</u>		<u>2013</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Foreign exchange purchases pending settlement	2,729,806	-	2,297,480	-
Foreign exchange sales pending settlement	-	107,392	-	466,445
Rights on foreign exchange sales	107,541	-	459,006	-
Foreign exchange purchase payable	-	2,857,877	-	2,126,190
Advances received in local currency	(12,270)	-	(347)	-
Income receivable from advances granted	13,283	-	13,051	-
Advances on exchange contracts	-	(2,116,315)	-	(1,261,574)
	<b>2,838,360</b>	<b>848,954</b>	<b>2,769,190</b>	<b>1,331,061</b>

### 8. Other receivables - sundry

	<u>2014</u>	<u>2013</u>
Tax credits - Note 9 (c)	107,727	80,213
Taxes and contributions to offset	13,485	9,141
Receivables with loan characteristics	-	3,278
Others	11,241	5,877
	<b>132,453</b>	<b>98,509</b>

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 9. Income and social contribution taxes

#### a) Statement of income and social contribution taxes calculation

	<u>2014</u>	<u>2013</u>
Net income before income taxes, less deductible profit sharing	119,478	81,179
Income and social contribution tax burden at 25% and 15% rates, respectively	(47,791)	(32,471)
Effect of additions and exclusions on tax calculations:		
On deductible expenses, net of nontaxable income	(470)	(1,299)
On deductible interest of loans/onlending to related parties	(90)	(1,424)
On other values	48	1,574
Income and social contribution taxes	<u>(48,303)</u>	<u>(33,620)</u>

#### b) Changes in tax credit

	<u>2014</u>	<u>2013</u>
Opening balance	101,192	80,029
Set up/(reversal)		
Against P&L for the period	8,423	(831)
Against equity	(1,888)	1,015
Closing balance	<u>107,727</u>	<u>80,213</u>

#### c) Breakdown of tax credit

	<u>2014</u>		<u>2013</u>	
	<u>Income tax</u>	<u>Social contribution tax</u>	<u>Total</u>	<u>Total</u>
<b>I) Temporary differences:</b>	<b>65,706</b>	<b>40,744</b>	<b>106,450</b>	79,198
Allowance for doubtful accounts	54,896	32,938	87,834	63,128
Provision for rewards/bonus/profit sharing	4,224	3,854	8,078	8,524
Provision for contingent liabilities	1,112	667	1,779	1,559
MTM - marketable securities, derivative financial instruments and hedged items	5,474	3,285	8,759	5,987
<b>II) MTM adjustment of securities available for sale</b>	<b>798</b>	<b>479</b>	<b>1,277</b>	1,015
<b>Total tax credits</b>	<b><u>66,504</u></b>	<b><u>41,223</u></b>	<b><u>107,727</u></b>	<b><u>80,213</u></b>

These amounts are recorded under "Other receivables - sundry".

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### 9. Income and social contribution taxes (Continued)

d) Expected tax credit realization as of June 30, 2014

Year	Deferred income tax	Deferred social contribution tax	Total
2014	31,528	20,237	51,766
2015	12,026	7,216	19,242
2016	2,217	1,330	3,547
2017	2,985	1,791	4,775
2018	5,628	3,377	9,005
2019	4,859	2,915	7,774
2020	7,261	4,357	11,618
	<b>66,504</b>	<b>41,223</b>	<b>107,727</b>

The present value of tax credits is R\$ 86,249 (2013 - R\$76,712).

The Bank has no deferred tax obligations in 2014 (2013 - R\$3,339) referring to income and social contribution taxes on adjustments to marketable securities available for sale. There is no present value of deferred tax obligations in 2014 (2013 - R\$3,318).

In order to calculate present value of deferred tax obligations and tax credits, fixed interest rate curves were used.

At June 30, 2014, there are no unrecorded tax credits.

### 10. Foreign branches

Transactions carried out by the foreign branch (Cayman) are translated at the exchange rate as of the balance sheet date. Summary of balances is as follows:

Accounts	2014	2013
Current and noncurrent assets	395,247	315,082
Current and noncurrent liabilities	395,557	305,654
Income for the six-month period	(1,385)	8,347

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### 11. Funds from acceptance and issue of securities

	2014			2013	
	Within 3 months	From 3 to 12 months	From 1 to 3 years	Total	Total
Agribusiness credit bills	392,536	1,587,480	477,399	2,457,415	1,372,424

### 12. Borrowings and onlending

Borrowings and onlending as of June 30, 2014 mature as follows:

	2014					2013	
	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Total
Borrowings							
Abroad	1,423,662	1,463,333	140,026	-	-	3,027,021	2,563,521
Onlending							
In Brazil	76,896	191,705	430,669	346,595	309,058	1,354,923	909,768
Abroad	456,407	1,391,040	1,169,759	692,462	113,627	3,823,295	4,140,871
	<u>1,956,965</u>	<u>3,046,078</u>	<u>1,740,454</u>	<u>1,039,057</u>	<u>422,685</u>	<u>8,205,239</u>	<u>7,614,160</u>

### 13. Contingent assets and liabilities, and legal, tax, and social security obligations

- a) Contingent assets: there are no contingent assets recorded.
- b) Contingent liabilities classified as possible losses: the Bank is a party to suits for which the likelihood of an unfavorable outcome is rated as possible by management and its legal counsel. No related provisions have been set up. The major suits are as follows:
  - Labor claims filed by former employees totaling R\$21.
  - Administrative proceedings that challenge two Brazilian IRS tax notices claiming payment of R\$2,574 for Social Security Contribution Tax (INSS), Work Accident Insurance (SAT), Education Funding Tax, and Brazilian Institute of Land Reform (INCRA);
  - Administrative proceeding that challenges Brazilian IRS tax notice claiming payment of R\$1,089 for IRPJ and CSLL on alleged gains on demutualization of BM&FBOVESPA.
  - Administrative proceeding challenging seven tax delinquency notices issued by the city of São Paulo requiring payment of R\$6,616 for ISS on: Income from service export and guarantees provided.

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
 June 30, 2014 and 2013  
 (In thousands of reais)

### 13. Contingent assets and liabilities and legal, tax and social security obligations (Continued)

b) Contingent liabilities classified as possible losses (Continued)

- Civil suits filed by customers in the amount of R\$10.
- Administrative proceeding that challenges Brazilian IRS tax notice claiming payment of R\$492 for IRPJ and CSLL on alleged gains on demutualization of CETIP.
- Administrative proceeding that challenges Brazilian IRS tax notice claiming payment of R\$12,945 for IRPJ and CSLL on interest on equity for calendar year 2005 paid in 2009.
- Administrative proceedings challenging Brazilian IRS tax notice claiming payment of R\$3,211 referring to INSS on profit sharing (PLR) of managers for years 2009 and 2011.
- Injunction relief filed by Bank in order to suspend payment of tax debts (COFINS) recorded in the Outstanding Debt under No. 80.6.10.053556-94, provided that these debts are discussed in Administrative Proceeding No. 16327.001358/2007-91, as well as in a specific judicial proceeding. This injunction was denied, without judgment on the merits, and Bank was ordered to pay attorney's fees amounting to R\$20. The Bank filed an appeal to this decision, which awaits judgment.

- c) Contingent liabilities rated as probable loss and legal obligations: the Bank set up provision for contingent liabilities and tax risks to cover probable losses and legal obligations in an amount deemed sufficient by Management, according to legal counsel assessment and advice, as follows:

	Balance at 12/31/2013	(Reversal)	Monetary restatement	Balance at 06/30/2014	Balance at 06/30/2013
<b>Provision for tax risks</b>					
FGTS	2,190	-	8	2,198	2,186
<b>Provision for civil claims</b>	422	(40)	34	416	121
<b>Provision for labor claim</b>	191	-	9	200	183
	<b>2,803</b>	<b>(40)</b>	<b>51</b>	<b>2,814</b>	<b>2,490</b>

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### 14. Subordinated debts

These refer to loans characterized as “Subordinated debts”, pursuant to CMN Resolution No. 4192/2013 as from October 1, 2013, and the CMN Resolution No. 3444/2007, prior to October 1, 2013; one loan, amounting to R\$ 332,667, was taken out in reais on August 14, 2008, maturing on July 15, 2016, at an interest rate of 11.20% p.a.; other loans, amounting to R\$ 672,747, were taken out in US Dollars on September 28, 2012 and November 6, 2012, maturing on September 28, 2020, at an interest rate of 6.20 p.a., and 6.25 p.a., respectively.

### 15. Other liabilities - sundry

	<u>2014</u>	<u>2013</u>
Provision for bonus and profit sharing	15,555	20,565
Other personnel expenses payable	12,502	10,647
Trade accounts payable	2,548	1,568
Other administrative provisions	1,374	1,408
Provision for legal proceedings Note 13 (c)	616	304
Sundry	2,308	2,641
	<u>34,903</u>	<u>37,133</u>

### 16. Equity

#### a) Capital

At June 30, 2014, fully subscribed and paid-in capital is divided into 732,111,746 (2013 - 592,936,877) common registered shares, with no par value, distributed as follows:

	<u>2014</u>	<u>2013</u>
Rabobank International Holding B.V.	732,109,471	592,935,021
Rabobank Curaçao N.V.	2,275	1,856
	<u>732,111,746</u>	<u>592,936,877</u>

Capital increase was approved by Special General Meeting held on December 2, 2013 by means of statutory reserve amounting to R\$100,000, going from R\$617,916 to R\$717,916, with issuance of 95,957,521 common shares with no par value, maintaining the previous proportion.



## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### 16. Equity (Continued)

a) Capital (Continued)

According to Law No. 9249/1995, the Bank's management decided to set up provision for interest on equity, limited according to the legislation in force. In December 2013, this provision amounted to R\$52,986, and the amount of R\$45,038 was used to increase capital. This transaction decreased income and social contribution tax expenses by R\$ 21,194, as determined by the Special General Meeting held on December 30, 2013.

Capital went from R\$717,916 to R\$762,954, with issuance of 43,217,348 common shares with no par value, maintaining the previous proportion. This was approved by the Brazilian Central Bank (BACEN) on April 3, 2014.

b) Income reserve - legal

The legal reserve is set up in the amount of 5% of net income before any other allocation, up to the limit provided for by law.

c) Income reserve - statutory

The statutory reserve balance is equivalent to up to 70% of the Bank's capital and is defined at the Annual Shareholders' Meeting.

d) Mandatory minimum dividends

The Bank's articles of incorporation establish that a provision for payment of mandatory minimum dividends be set up of 25% of net income for the year. By resolution of shareholders at the General Meeting, however, this provision may be disregarded and the corresponding amount may be allocated otherwise.

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
 June 30, 2014 and 2013  
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### 17. Transactions with related parties

Related-party transactions are carried out at normal market rates and conditions effective at the transaction date, pursuant to CMN Resolution No. 3750/2009.

a) Management compensation:

	<u>2014</u>	<u>2013</u>
Management fees	4,517	3,462
Bonus	4,449	4,247
Supplementary pension plan	172	155

b) Transactions with related parties:

	<u>2014</u>		<u>2013</u>	
	<u>Assets/ (liabilities)</u>	<u>Income/ (expenses)</u>	<u>Assets/ (liabilities)</u>	<u>Income/ (expenses)</u>
Foreign currency deposits				
Rabobank Netherlands	18,668	-	29,840	-
Investments in foreign currency				
Rabobank Netherlands - NY branch	-	11	872,710	77
Derivative financial instruments				
Banco de Lage Landen Brasil S.A.	12,592	11,585	(14,059)	(1,696)
Banco Cooperativo Sicredi S.A.	356	752	5	(734)
Interbank onlending				
Banco de Lage Landen Brasil S.A.	531	7	680	10
Foreign exchange portfolio				
Rabobank Netherlands	(91)	-	74	-
Other receivables (commissions receivable)				
Rabobank Curaçao N.V.	-	5,401	-	6,275
Rio Partners B.V. (1)	-	2,755	-	3,384
Interbank deposits				
Banco de Lage Landen Brasil S.A.	(123,177)	(14,062)	(101,140)	(3,530)
Open market funding				
Banco de Lage Landen Brasil S.A.	(314,915)	(4,491)	(150,203)	(7,077)
Banco Cooperativo Sicredi S.A.	-	-	-	(107)

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
(In thousands of reais)

### 17. Transactions with related parties (Continued)

#### b) Transactions with related parties (Continued)

	2014		2013	
	Assets/ (liabilities)	Income/ (expenses)	Assets/ (liabilities)	Income/ (expenses)
Agribusiness credit bills				
Key management personnel	(4,829)	(198)	4,952	142
Loans and onlendings abroad				
Rio Partners B.V. (1)	(3,621,515)	(43,845)	(3,934,747)	(51,956)
Rabobank Nederlands - NY branch	(2,472,001)	(4,515)	(2,092,663)	(5,185)
Rabobank Nederlands	(245,492)	(241)	(98,026)	(43)
Rabobank Chile	(36,294)	-	-	-
Rabobank Curaçao N.V.	-	-	-	(114)
Other liabilities (commissions payable)				
Banco Cooperativo Sicredi S.A.	(6)	(27)	(667)	(343)
Banco de Lage Landen Brasil S.A.	(2)	(12)	(2)	(12)

(1) Prior corporate name: São Paulo Partners, LLC.

### 18. Service revenues

	2014	2013
Commissions received for advisory on transaction structuring	17,662	18,341
Business brokerage services	8,156	9,659
Other services rendered and bank charges	5,165	3,690
	<b>30,983</b>	<b>31,690</b>

### 19. Other administrative expenses

	2014	2013
Data processing	9,946	9,789
Rental and lease	4,754	4,244
Depreciation and amortization	4,382	3,733
Third-party services	3,730	3,742
Communications	2,649	2,591
Travel	2,331	2,472
Financial system services	1,665	5,029
Property maintenance and upkeep	1,560	1,359
Advertisement, promotion and publicity	1,121	1,151
Condominium fees	967	958
Transportation	717	714
Water and electricity	228	221
Materials	162	164
Other administrative expenses	1,811	1,504
	<b>36,023</b>	<b>37,671</b>

## Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### 20. Cash and cash equivalents

Cash and cash equivalents used when preparing the statements of cash flows are as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents in local currency	1,074	599
Cash and cash equivalents in foreign currency	273,433	45,009
<b>Total</b>	<b>274,507</b>	45,608
Open market investments	2,242,585	3,000,602
Interbank deposits	-	872,710
<b>Total cash and cash equivalents</b>	<b>2,517,092</b>	3,918,920

### 21. Other information

- a) Guarantees provided to third parties, including collaterals, surety bonds and other joint liabilities, amount to R\$43,591 (2013 - R\$21,851), provision on guarantees provided total R\$262 (2013 - nil), and guarantees received total R\$183,865 (2013 - R\$94,280).
- b) The Bank computes its minimum equity limits within the standards provided for by CMN Resolutions No. 2099/1994, No. 4192/2013, and No. 4193/2013, and supplementary standards as from October 1, 2013, and prior to October 1, 2013, according to CMN Resolutions No. 3444/2007 and No. 3490/2007. Positive margin between effective reference equity and required capital is R\$483,373 (2013 - R\$281,188) and Basel index is 14.76% (2013 - 13.26%).
- c) The Bank sponsors a supplementary private pension plan to its employees and management members, which ensures that funds are accumulated over their professional career. Both the Bank and participants contribute to such plan. Matching contribution amounted to R\$5,710 (2013 - R\$5,302). The supplementary private pension plan is a defined contribution type plan.
- d) No share-based payments are made by the Bank to its employees.

## **Banco Rabobank International Brasil S.A.**

Notes to financial statements (Continued)  
June 30, 2014 and 2013  
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### **21. Other information (Continued)**

- e) On May 14, 2014, Law 12973 was enacted as the conversion of Provisional Executive Order No. 627/2013, which mainly:
  - (i) Revokes the Transition Tax Regime (RTT) as from 2015, with introduction of the new taxation regime; and
  - (ii) Amends Decree-Law No. 1598/1977, referring to computation of corporate income tax and the legislation on social contribution tax on net income and the gross income concept.

Management has analyzed the effects of the application of Law No. 12973/2014 and concluded there will be no significant impacts to the Bank's financial statements as at June 30, 2014 and December 31, 2013, concluding it will not be opting for its early adoption.

Executive Board

Cláudio Rodrigues Figueiredo  
Accountant CRC-1SP159075/O-7

## Summary of the Audit Committee Report

The statutory Audit Committee of Banco Rabobank International Brasil S.A. (Rabobank) was assembled on March 12, 2013, and currently includes three members of the current Bank's management.

The Audit Committee held four meetings in 2014 and, in the meeting held on August 15, 2014 analyzed the financial statements for the period ended June 30, 2014. We highlight the following activities carried out by the committee and the respective conclusions:

- a) To assess the financial statements, the Audit Committee held a meeting with Management representatives and with the professionals in charge of Rabobank's accounting, analyzed the external audit comments, checked the internal audit works, and discussed any significant aspects in order to draw a conclusion on the financial statements' quality, reliability, and compliance with the standards in force. The Audit Committee, according to its responsibilities and the limitations of its work scope, approved the financial statements for the period ended June 30, 2014 and attested to their quality;
- b) The Audit Committee was informed about the aspects of Rabobank's management and risk control, including the operating risks. The Audit Committee highlights the progress of Rabobank's internal control system;
- c) The Audit Committee held a formal meeting with Ernst & Young to discuss the scope, strategy, and results thereof, including aspects for attention and recommendations. The external auditor opinion served as a basis for its financial statements analysis. The Audit Committee considers the quality and extent of Ernst & Young's work adequate;
- d) The Audit Committee reviewed the result of the audit works conducted with the Internal Audit team, monitored the effective implementation of the action plans within their schedule and set out procedures to be followed in the event of exceptions. The Audit Committee approved the Internal Audit annual planning, which is monitored in its meetings. The Audit Committee is also responsible for approving and conducting unplanned works, and for cancelling planned works. The Audit Committee considers that the scope and quality of the Internal Audit work is acceptable.

Audit Committee

São Paulo - August 15, 2014.