

Financial statements

Banco Rabobank International Brasil S.A.

December 31, 2013 and 2012
with Independent Auditors' Report

Banco Rabobank International Brasil S.A.

Financial statements

December 31, 2013 and 2012

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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 years ended December 31, 2013 and 2012, 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 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.

Operating 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 Capital (PRE) in relation to Reference Assets (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.

The description of the credit, market and operating risk management structure and the capital management structure are described at 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, March 20, 2014.



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

Independent auditors' report on financial statements

The Shareholders, Board of Directors and Officers
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") as of December 31, 2013, which comprise the balance sheet and the statements of income, changes in equity and cash flows for the year 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.

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 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 these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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.



Building a better
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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 December 31, 2013, and its financial performance and cash flows for the year 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, March 20, 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

A free translation from Portuguese into English of financial statements prepared in Reais and in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by Central Bank of Brazil

Banco Rabobank International Brasil S.A.

Balance sheets
December 31, 2013 and 2012
(In thousands of reais)

| | 2013 | 2012 |
|--|-------------------|------------|
| Assets | | |
| Current assets | 10,611,806 | 9,850,146 |
| Cash and cash equivalents | 75,552 | 433,759 |
| Interbank investments | 2,858,003 | 3,378,099 |
| Open market investments | 2,567,595 | 3,337,584 |
| Investment in interbank deposits | 290,408 | 40,515 |
| Marketable securities and derivative financial instruments | 727,995 | 1,211,245 |
| Bank portfolio | 526,182 | 1,047,641 |
| Derivative financial instruments | 49,314 | 27,011 |
| Subject to guarantees given | 152,499 | 136,593 |
| Interbank accounts | 7,106 | 7,115 |
| Linked credits: | | |
| Brazilian Central Bank Deposits | 6,873 | 6,979 |
| Interbank onlending | 142 | 124 |
| Correspondent banks | 91 | 12 |
| Loans | 3,534,298 | 2,778,377 |
| Private sector | 3,589,550 | 2,833,123 |
| Allowance for loan losses | (55,252) | (54,746) |
| Other receivables | 3,408,091 | 2,041,199 |
| Foreign exchange portfolio | 3,405,640 | 2,034,120 |
| Unearned income | 2,316 | 7,337 |
| Securities trading and brokerage | 4,972 | - |
| Sundry | 2,527 | 3,063 |
| Allowance for losses on other receivables | (7,364) | (3,321) |
| Other receivables and assets | 761 | 352 |
| Other receivables and assets | 427 | 198 |
| Prepaid expenses | 334 | 154 |
| Long-term receivables | 5,007,990 | 3,400,535 |
| Marketable securities and derivative financial instruments | 902,817 | 424,015 |
| Bank portfolio | 689,298 | 203,541 |
| Derivative financial instruments | 54,228 | 12,678 |
| Subject to guarantees given | 159,291 | 207,796 |
| Interbank accounts | 415 | 483 |
| Interbank onlending | 415 | 483 |
| Loans | 3,995,926 | 2,892,893 |
| Private sector | 4,069,382 | 2,950,092 |
| Allowance for loan losses | (73,456) | (57,199) |
| Other receivables | 108,832 | 83,144 |
| Sundry | 108,832 | 83,144 |
| Permanent | 34,673 | 32,312 |
| Investments | 6 | 6 |
| Other investments | 6 | 6 |
| Property and equipment in use | 16,693 | 14,887 |
| Other property and equipment in use | 27,710 | 23,816 |
| Accumulated depreciation | (11,017) | (8,929) |
| Intangible assets | 17,974 | 17,419 |
| Intangible assets | 28,393 | 23,171 |
| Accumulated amortization | (10,419) | (5,752) |
| Total | 15,654,469 | 13,282,993 |

| | 2013 | 2012 |
|--|-------------------|------------|
| Liabilities and equity | | |
| Current liabilities | 9,279,365 | 7,931,293 |
| Deposits | 167,464 | 1,220,182 |
| Demand deposits | 4,498 | 2,678 |
| Interbank deposits | 106,291 | 1,166,569 |
| Time deposits | 56,675 | 50,935 |
| Open market funding | 308,816 | 210,977 |
| Third-party portfolio | 308,816 | 210,977 |
| Exchange acceptance and issuance of securities | 1,249,926 | 1,416,922 |
| Funds from real estate, mortgage and credit notes and the like | 1,249,926 | 1,416,922 |
| Interbank accounts | 495,351 | 430,257 |
| Unsettled payments and receipts | 495,351 | 430,257 |
| Borrowings | 2,587,289 | 1,412,089 |
| Loans abroad | 2,587,289 | 1,412,089 |
| Local onlending – official institutions | 268,428 | 217,564 |
| BNDES | 20,195 | 19,976 |
| FINAME | 154,577 | 93,941 |
| Other institutions | 93,656 | 103,647 |
| Foreign onlending | 1,544,300 | 1,652,815 |
| Foreign onlending | 1,544,300 | 1,652,815 |
| Derivative financial instruments | 90,074 | 40,626 |
| Derivative financial instruments | 90,074 | 40,626 |
| Other obligations | 2,567,717 | 1,329,861 |
| Collection and transfer of taxes and the like | 626 | 304 |
| Foreign exchange portfolio | 2,422,701 | 1,156,016 |
| Social and statutory | 17,483 | 15,976 |
| Income and social security taxes | 66,886 | 95,114 |
| Securities trading and brokerage | - | 4,018 |
| Subordinated debts | 27,856 | 25,925 |
| Sundry | 32,165 | 32,508 |
| Long-term payables | 5,200,250 | 4,291,969 |
| Deposits | 66,899 | 408,168 |
| Interbank deposits | - | 97,401 |
| Time deposits | 66,899 | 310,767 |
| Exchange acceptance and issuance of securities | 504,211 | 218,854 |
| Funds from real estate, mortgage and credit notes and the like | 504,211 | 218,854 |
| Borrowings | 177,728 | 145,126 |
| Loans abroad | 177,728 | 145,126 |
| Local onlending – official institutions | 905,688 | 440,017 |
| BNDES | 115,300 | 88,118 |
| FINAME | 790,388 | 351,899 |
| Foreign onlending | 2,551,887 | 2,137,086 |
| Foreign onlending | 2,551,887 | 2,137,086 |
| Derivative financial instruments | 14,510 | 21,687 |
| Derivative financial instruments | 14,510 | 21,687 |
| Other obligations | 979,327 | 921,031 |
| Income and social security taxes | 2,190 | 7,699 |
| Subordinated debts | 976,524 | 913,050 |
| Sundry | 613 | 282 |
| Equity | 1,174,854 | 1,059,731 |
| Capital: | | |
| Foreign residents | 762,954 | 617,916 |
| Income reserve - Statutory | 372,880 | 396,583 |
| Income reserve - Legal | 43,767 | 36,963 |
| Equity valuation adjustments | (4,747) | 8,269 |
| Total | 15,654,469 | 13,282,993 |

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of income

Six-month period ended December 31, 2013 and years ended December 31, 2013 and 2012
(In thousands of reais, except for earnings per thousand shares)

| | 2013 | | 2012 |
|---|------------------|--------------------|-----------|
| | Six-month period | Year | Year |
| Financial income | 865,508 | 1,792,969 | 1,438,627 |
| Loans | 555,864 | 1,125,899 | 707,846 |
| Income from operations with marketable securities | 203,186 | 443,982 | 492,184 |
| Income (loss) from derivative financial instruments | 12,115 | (39,278) | 65,022 |
| Foreign exchange transactions | 94,343 | 262,366 | 173,575 |
| Financial expenses | (655,419) | (1,414,212) | (994,018) |
| Open market funding | (108,932) | (215,556) | (302,135) |
| Borrowings and onlending | (503,871) | (1,140,119) | (654,530) |
| Allowance for loan losses | (42,616) | (58,537) | (37,353) |
| Gross financial income | 210,089 | 378,757 | 444,609 |
| Other operating income (expenses) | (81,056) | (163,825) | (131,173) |
| Income from services rendered | 30,357 | 62,047 | 71,868 |
| Personnel expenses | (50,263) | (112,051) | (96,019) |
| Management compensation | (7,232) | (10,677) | (10,411) |
| Other administrative expenses | (39,671) | (77,342) | (68,566) |
| Tax expenses | (14,095) | (24,910) | (27,236) |
| Other operating income | 692 | 780 | 146 |
| Other operating expenses | (844) | (1,672) | (955) |
| Operating income | 129,033 | 214,932 | 313,436 |
| Non-operating income (loss) | 1 | (54) | (795) |
| Income before taxes on profit and profit sharing | 129,034 | 214,878 | 312,641 |
| Income and social contribution taxes | (24,591) | (58,211) | (101,831) |
| Provision for income tax | (26,602) | (47,301) | (67,037) |
| Provision for social contribution tax | (16,818) | (28,908) | (41,017) |
| Deferred tax assets | 18,829 | 17,998 | 6,223 |
| Profit sharing | (15,915) | (20,580) | (18,386) |
| Net income for the six-month period/years | 88,528 | 136,087 | 192,424 |
| Earnings per thousand shares – R\$ | 120.92 | 185.88 | 324.53 |

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of changes in equity

Six-month period ended December 31, 2013 and years ended December 31, 2013 and 2012

(In thousands of reais)

| | Capital | Capital increase | Income reserve - Statutory | Income reserve - Legal | Equity adjustment | Retained earnings | Total |
|---|----------------|-------------------------|-----------------------------------|-------------------------------|--------------------------|--------------------------|------------------|
| Balances at December 31, 2011 | 443,184 | 33,287 | 263,722 | 27,342 | 10,888 | - | 778,423 |
| Capital increase approved at Special General Meeting held on 12/30/2011 | 33,287 | (33,287) | - | - | - | - | - |
| Capital increase approved at Special General Meeting held on 01/26/2012 | 98,994 | - | - | - | - | - | 98,994 |
| Capital increase approved at Special General Meeting held on 12/28/2012 | - | 42,451 | - | - | - | - | 42,451 |
| Equity valuation adjustments | - | - | - | - | (2,619) | - | (2,619) |
| Net income for the year | - | - | - | - | - | 192,424 | 192,424 |
| Allocations: Legal reserve | - | - | - | 9,621 | - | (9,621) | - |
| Statutory reserve | - | - | 132,861 | - | - | (132,861) | - |
| Interest on equity | - | - | - | - | - | (49,942) | (49,942) |
| 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) | - | - | - | - | - |
| Capital increase approved at Special General Meeting held on 12/02/2013 | - | 100,000 | (100,000) | - | - | - | - |
| Capital increase approved at Special General Meeting held on 12/30/2013 | - | 45,038 | - | - | - | - | 45,038 |
| Equity valuation adjustments | - | - | - | - | (13,016) | - | (13,016) |
| Net income for the year | - | - | - | - | - | 136,087 | 136,087 |
| Allocations: Legal reserve | - | - | - | 6,804 | - | (6,804) | - |
| Statutory reserve | - | - | 76,297 | - | - | (76,297) | - |
| Interest on equity | - | - | - | - | - | (52,986) | (52,986) |
| Balances at December 31, 2013 | 617,916 | 145,038 | 372,880 | 43,767 | (4,747) | - | 1,174,854 |
| Balances at June 30, 2013 | 617,916 | - | 396,583 | 39,341 | (1,522) | 45,181 | 1,097,499 |
| Capital increase approved at Special General Meeting held on 02/12/2013 | - | 100,000 | (100,000) | - | - | - | - |
| Capital increase approved at Special General Meeting held on 12/30/2013 | - | 45,038 | - | - | - | - | 45,038 |
| Equity valuation adjustments | - | - | - | - | (3,225) | - | (3,225) |
| Net income for the six-month period | - | - | - | - | - | 88,528 | 88,528 |
| Allocations: Legal reserve | - | - | - | 4,426 | - | (4,426) | - |
| Statutory reserve | - | - | 76,297 | - | - | (76,297) | - |
| Interest on equity | - | - | - | - | - | (52,986) | (52,986) |
| Balances at December 31, 2013 | 617,916 | 145,038 | 372,880 | 43,767 | (4,747) | - | 1,174,854 |

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of cash flows

Six-month period ended December 31, 2013 and years ended December 31, 2013 and 2012

(In thousands of reais)

| | 2013 | | 2012 |
|---|------------------|-------------|-------------|
| | Six-month period | Year | Year |
| Cash flow from operating activities: | | | |
| Net income | 88,528 | 136,087 | 192,424 |
| Net income adjustments: | | | |
| Market value adjustments | (3,226) | (13,016) | (2,619) |
| Depreciation | 1,703 | 3,273 | 2,448 |
| Amortization | 2,505 | 4,667 | 2,708 |
| Allowance for doubtful accounts | 42,616 | 58,537 | 37,353 |
| Provisions (reversals) for civil, labor and tax suits | 312 | 334 | (767) |
| Net income after adjustments | 132,438 | 189,882 | 231,547 |
| (Increase) decrease in interbank deposits | - | 40,515 | (40,515) |
| (Increase) decrease in marketable securities and derivative financial instruments | (570,883) | 46,719 | 978,401 |
| Increase (decrease) in interbank accounts | 2,590 | 77 | (4,435) |
| Increase in interdepartmental accounts | 485,280 | 65,094 | 410,217 |
| (Increase) in loans | (1,102,930) | (1,913,449) | (1,798,611) |
| (Increase) in other receivables | (642,615) | (1,396,622) | (226,709) |
| (Increase) decrease in other assets | (217) | (229) | 962 |
| (Increase) in prepaid expenses | (29) | (180) | (50) |
| Increase in other liabilities | 1,140,174 | 1,295,818 | 668,372 |
| | (688,630) | (1,862,257) | (12,368) |
| Net cash used in operating activities | (556,192) | (1,672,375) | 219,179 |
| Cash flow from investing activities: | | | |
| Disposal of property and equipment in use | 16 | 173 | 418 |
| Acquisition of property and equipment in use | (3,719) | (5,252) | (6,082) |
| Acquisition of intangible assets | (4,191) | (5,222) | (8,517) |
| Net cash used in investing activities | (7,894) | (10,301) | (14,181) |
| Cash flow from financing activities: | | | |
| Increase (decrease) in deposits | (1,223,557) | (1,393,987) | 1,122,485 |
| Increase (decrease) in the open market | 7,353 | 97,839 | (340,191) |
| Increase (decrease) in funds from issue of securities | 381,713 | 118,361 | (394,102) |
| Increase in borrowing and onlending liabilities | 421,160 | 2,030,623 | 561,850 |
| Capital increase | 45,038 | 45,038 | 141,445 |
| Interest on equity | (52,986) | (52,986) | (49,942) |
| Net cash from financing activities | (421,279) | 844,888 | 1,041,545 |
| Increase (decrease) in cash and cash equivalents | (985,365) | (837,788) | 1,246,543 |
| Cash and cash equivalents | | | |
| At the beginning of the six-month period/years | 3,918,920 | 3,771,343 | 2,524,800 |
| At the end of the six-month period/years | 2,933,555 | 2,933,555 | 3,771,343 |
| Increase (decrease) in cash and cash equivalents | (985,365) | (837,788) | 1,246,543 |

See accompanying notes.

Banco Rabobank International Brasil S.A.

Notes to financial statements
December 31, 2013 and 2012
(In thousands of reais)

1. Operations

Banco Rabobank International Brasil S.A. (Bank) is a subsidiary of Rabobank International Holding B.V. and its incorporation was authorized by a Presidential Decree on August 8, 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 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 and loss (P&L)

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.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
(In thousands of reais)

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

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.

c) Interbank investments

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

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
(In thousands of reais)

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

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;

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 pro rata basis through the 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.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
(In thousands of reais)

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

e) Derivative financial instruments (Continued)

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 overdue for more than 60 days, regardless of the risk level, is only recognized when effectively received. These transactions are classified as noncurrent 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)
December 31, 2013 and 2012
(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.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
(In thousands of reais)

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

j) Income and social contribution 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.

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, in the opinion of legal counsel and management, the likelihood of loss on judicial or administrative proceedings is deemed probable, implying a probable outflow of funds for settlement of obligations, and when the amounts are measurable in a sufficiently reliable manner. Contingent liabilities classified by legal advisors as possible losses are only disclosed in notes, whereas those classified as remote losses do not require provision or 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.

Banco Rabobank International Brasil S.A.

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

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

Under CMN Resolution No. 3973/2011, which provides for the recording and disclosure of subsequent events to the financial statements date, as set forth by Technical Pronouncement CPC 24, on January 29, 2014, the Bank received dividends amounting to R\$ 14,902 from its foreign branch.

3. Short-term interbank investments

Breakdown of short-term interbank investments is as follows:

| | <u>2013</u> | <u>2012</u> |
|-------------------------|----------------------|------------------|
| | <u>Up to 90 days</u> | |
| Open market investments | 2,567,595 | 3,337,584 |
| Interbank deposits | 290,408 | 40,515 |
| | <u>2,858,003</u> | <u>3,378,099</u> |

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
(In thousands of reais)

4. Marketable securities

a) Breakdown of the securities portfolio is as follows

| Description | 2013 | | 2012 | |
|--|------------|--------------|------------|--------------|
| | Book value | Market value | Book value | Market value |
| Federal government bonds – National Treasury | 389,385 | 389,385 | 296,534 | 296,534 |
| Receivables Investment Funds | | | | |
| Pine Agro - Fundo Investimentos Direitos Creditórios | 412,429 | 412,429 | - | - |
| Martins - Fundo Investimentos Direitos Creditórios (2) | 176,646 | 176,646 | - | - |
| Minerva - Fundo Investimentos Direitos Creditórios | 82,840 | 82,840 | 19,064 | 19,064 |
| Multicredit - Fundo Investimentos Direitos Creditórios (1) | 16,000 | 16,000 | 765,649 | 765,649 |
| Debentures | 120,117 | 120,117 | 168,455 | 168,455 |
| Agribusiness Receivables Certificate (CRA) | 16,850 | 16,850 | - | - |
| Rural Product Bill (CPR) | 1,213 | 1,213 | 1,480 | 1,480 |
| Subtotal – own portfolio | 1,215,480 | 1,215,480 | 1,251,182 | 1,251,182 |
| Federal government bonds – National Treasury | 311,790 | 311,790 | 344,389 | 344,389 |
| Subtotal - subject to guarantees given | 311,790 | 311,790 | 344,389 | 344,389 |
| | 1,527,270 | 1,527,270 | 1,595,571 | 1,595,571 |

(1) Previous name: Pão de Açúcar – Fundo de Investimentos Direitos Creditórios.

(2) Previous name: Tribanco-Martins – Fundo Investimentos Direitos Creditórios.

b) Classification by category and term

| Category | 2013 | | | | | |
|--------------------|---------------|--------------|------------|------------------------|---------------------|---------------|
| | Restated cost | Market value | Book value | Book value by maturity | | |
| | | | | Up to 90 days | From 91 to 365 days | Over 365 days |
| LFT | 7,189 | 7,187 | 7,187 | - | - | 7,187 |
| LTN | 536,994 | 534,821 | 534,821 | 38,576 | 438,604 | 57,641 |
| NTN-F | 164,904 | 159,167 | 159,167 | 7,642 | - | 151,525 |
| FIDC | 687,915 | 687,915 | 687,915 | 16,000 | 176,646 | 495,269 |
| Debentures | 120,117 | 120,117 | 120,117 | - | - | 120,117 |
| CRA | 16,850 | 16,850 | 16,850 | - | - | 16,850 |
| CPR | 1,213 | 1,213 | 1,213 | - | 1,213 | - |
| Available for sale | 1,535,182 | 1,527,270 | 1,527,270 | 62,218 | 616,463 | 848,589 |
| | 1,535,182 | 1,527,270 | 1,527,270 | 62,218 | 616,463 | 848,589 |
| 2012 | 1,581,252 | 1,595,571 | 1,595,571 | 143,881 | 1,040,238 | 411,451 |

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
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4. Marketable securities (Continued)

b) Classification by category and term (Continued)

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 available for sale, in the amount of R\$(4,747) (2012 – R\$8,269), net of tax effects, is recognized in a specific equity account.

Debentures are restated by the respective related rate and/or index. Debentures are indexed to the CDI and restated cost approximates market value, while 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.

Investments in Receivables Investment Fund (FIDC), except for FIDC Multicredit, are related to senior shares acquired, whose book value refers 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:

| Administrator | Fund | Origin of receivables |
|--|--|------------------------------|
| Concórdia S.A. Corretora de Valores Mobiliários Câmbio e Commodities: | | |
| | Multicredit - Fundo Investimentos Direitos Creditórios | "Pão de Açúcar" companies |
| | Martins - Fundo Investimentos Direitos Creditórios | "Martins" company |
| Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.: | | |
| | Minerva - Fundo Investimentos Direitos Creditórios – Crédito Mercantil | "Minerva" company |
| | Pine Agro - Fundo Investimento Direitos Creditórios | "Pine" bank |

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

b) Classification by category and term (Continued)

The Multicredit and Martins FIDCs administrator engaged Itaú Unibanco S.A., and the Minerva FIDC 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.

c) FIDC Multicredit is broken down as follows:

| | Balances | Term | | | |
|---|---------------|---------------|---------------|---------------------|---------------|
| | | No maturity | Up to 90 days | From 91 to 365 days | Over 365 days |
| Assets | | | | | |
| Cash and cash equivalents | | | | | |
| Cash | 10 | - | 10 | - | - |
| Short-term interbank investments | | | | | |
| Open market investments – NTN-F | 643 | - | 643 | - | - |
| Marketable securities | | | | | |
| Own portfolio - LFT | 47 | - | - | - | 47 |
| | 700 | - | 653 | - | 47 |
| Other receivables | | | | | |
| Amounts receivable | 99 | - | 99 | - | - |
| Other receivables | 15,246 | - | - | 15,246 | - |
| | 15,345 | - | 99 | 15,246 | - |
| Total | 16,045 | - | 752 | 15,246 | 47 |
| Liabilities and equity | | | | | |
| Other obligations | | | | | |
| Other administrative expenses payable | 45 | - | 45 | - | - |
| | 45 | - | 45 | - | - |
| Equity | 16,000 | 16,000 | - | - | - |
| Total | 16,045 | 16,000 | 45 | - | - |

FIDC Multicredit is planned to be liquidated during the first semester of 2014.

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Notes to financial statements (Continued)
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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 own 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.

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 The Netherlands, 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.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
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5. Derivative financial instruments (Continued)

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.

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

| Derivative financial instruments - assets | 2013 | 2012 |
|---|------------------|-----------------|
| Swap – difference receivable | 37,431 | 6,598 |
| Options – premium paid | 1,405 | 2,992 |
| Call back swaption | 2,696 | 920 |
| NDF – difference receivable | 62,010 | 29,179 |
| | 103,542 | 39,689 |
| Derivative financial instruments - liabilities | | |
| Swap – difference payable | (59,339) | (44,064) |
| Options – premiums received | (733) | (2,501) |
| NDF – difference payable | (44,512) | (15,748) |
| | (104,584) | (62,313) |

a) The swap portfolio is summarized as follows:

| | 2013 | | 2012 | | |
|-----------------------|------------------------|---------------------|--------------------|---------------------|---------------------|
| | Reference value | Market value | | Net position | |
| | | Assets | Liabilities | | Net position |
| I) Index: | | | | | |
| CDI x US dollar | 623,008 | 665,642 | (714,353) | (48,711) | (31,686) |
| CDI x Index | 60,000 | 73,896 | (79,544) | (5,648) | (10,412) |
| CDI x pre-fixed | 50,000 | 50,569 | (50,590) | (21) | - |
| CDI x other | 11,670 | 12,910 | (12,760) | 150 | - |
| US dollar x CDI | 167,220 | 217,444 | (183,673) | 33,771 | 3,997 |
| US dollar x other | 176,570 | 195,299 | (193,629) | 1,670 | 1,659 |
| Other x US dollar | 45,382 | 58,403 | (59,216) | (813) | (1,024) |
| Pre-fixed x CDI | 180,000 | 182,173 | (183,691) | (1,518) | - |
| Pre-fixed x US dollar | 9,411 | 9,840 | (10,628) | (788) | - |
| | 1,323,261 | 1,466,176 | (1,488,084) | (21,908) | (37,466) |
| II) Trading: | | | | | |
| OTC | 1,058,556 | 1,186,545 | (1,202,708) | (16,163) | (37,466) |
| Stock Market | 264,705 | 279,631 | (285,376) | (5,745) | - |
| | 1,323,261 | 1,466,176 | (1,488,084) | (21,908) | (37,466) |
| III) Maturity: | | | | | |
| Up to 90 days | 238,444 | 266,483 | (298,141) | (31,658) | (5,781) |
| From 91 to 365 days | 488,815 | 507,160 | (518,456) | (11,296) | (16,218) |
| Over 365 days | 596,002 | 692,533 | (671,487) | 21,046 | (15,467) |
| | 1,323,261 | 1,466,176 | (1,488,084) | (21,908) | (37,466) |

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Notes to financial statements (Continued)
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5. Derivative financial instruments (Continued)

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

| | 2013 | | | 2012 | |
|---------------------|-----------------|--------------|-------------|--------------|--------------|
| | Reference value | Assets | Liabilities | Net position | Net position |
| Market value | | | | | |
| I) Type: | | | | | |
| Call option | 46,518 | 2,696 | - | 2,696 | 920 |
| | 46,518 | 2,696 | - | 2,696 | 920 |
| II) Trading: | | | | | |
| OTC | 46,518 | 2,696 | - | 2,696 | 920 |
| | 46,518 | 2,696 | - | 2,696 | 920 |
| III) Maturity: | | | | | |
| Up to 90 days | 10,094 | 1,068 | - | 1,068 | - |
| From 91 to 365 days | 36,424 | 1,628 | - | 1,628 | 920 |
| | 46,518 | 2,696 | - | 2,696 | 920 |

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

| | Contract financial value | Cost value | 2013 | | 2012 | |
|-----------------------------|--------------------------|------------|--------------|--------------|--------------|--------------|
| | | | Assets | Liabilities | Net position | Net position |
| Market value | | | | | | |
| I) Type: | | | | | | |
| a) Flexible options: | | | | | | |
| Purchase of call options | 25,925 | 1,023 | 1,405 | - | 1,405 | 242 |
| Sale of call options | 2,687 | (219) | - | (241) | (241) | (185) |
| Sale of put options | 8,086 | (316) | - | (250) | (250) | (666) |
| b) Standard options: | | | | | | |
| Purchase of call options | 60,000 | 113 | - | - | - | 624 |
| Purchase of put options | - | - | - | - | - | 2,126 |
| Sale of call options | 2,100 | (134) | - | (242) | (242) | (520) |
| Sale of put options | - | - | - | - | - | (1,130) |
| | 98,798 | 467 | 1,405 | (733) | 672 | 491 |
| II) Trading: | | | | | | |
| a) Flexible options: | | | | | | |
| OTC | 36,698 | 488 | 1,405 | (491) | 914 | (609) |
| b) Standard options: | | | | | | |
| Stock exchange | 62,100 | (21) | - | (242) | (242) | 1,100 |
| | 98,798 | 467 | 1,405 | (733) | 672 | 491 |
| III) Maturity: | | | | | | |
| a) Flexible options: | | | | | | |
| Within 90 days | 2,687 | (219) | - | (241) | (241) | - |
| From 91 to 365 days | 34,011 | 707 | 1,405 | (250) | 1,155 | (494) |
| Over 365 days | - | - | - | - | - | (115) |
| b) Standard options: | | | | | | |
| Up to 90 days | 62,100 | (21) | - | (242) | (242) | 1,231 |
| From 91 to 365 days | - | - | - | - | - | (19) |
| Over 365 days | - | - | - | - | - | (112) |
| | 98,798 | 467 | 1,405 | (733) | 672 | 491 |

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Notes to financial statements (Continued)
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5. Derivative financial instruments (Continued)

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

| | 2013 | | | 2012 | |
|---------------------|------------------|--------------------|-----------------|------------------------------|---------------|
| | Reference value | Amounts receivable | Amounts payable | Market value Net position | Net position |
| I) Type: | | | | | |
| a) Currencies: | | | | | |
| Purchase | 585,591 | 44,114 | (2,224) | 41,890 | 13,143 |
| Sale | 1,072,034 | 12,484 | (38,189) | (25,705) | 203 |
| b) Commodities: | | | | | |
| Purchase | 107,563 | 1,378 | (3,297) | (1,919) | (3,695) |
| Sale | 105,431 | 4,034 | (802) | 3,232 | 3,780 |
| | 1,870,619 | 62,010 | (44,512) | 17,498 | 13,431 |
| II) Trading: | | | | | |
| OTC | 1,865,972 | 61,932 | (44,453) | 17,479 | 13,431 |
| Stock exchange | 4,647 | 78 | (59) | 19 | - |
| | 1,870,619 | 62,010 | (44,512) | 17,498 | 13,431 |
| III) Maturity: | | | | | |
| Up to 90 days | 694,901 | 16,659 | (9,083) | 7,576 | 5,550 |
| From 91 to 365 days | 1,093,323 | 26,679 | (35,429) | (8,750) | 1,196 |
| Over 365 days | 82,395 | 18,672 | - | 18,672 | 6,685 |
| | 1,870,619 | 62,010 | (44,512) | 17,498 | 13,431 |

e) The futures contracts portfolio – BM&FBOVESPA (reference values) is summarized as follows:

| | 2013 | | 2012 | |
|----------------------|------------------|------------------|------------------|------------------|
| | Long position | Short position | Long position | Short position |
| I) Type: | | | | |
| Future - DI | 1,104,731 | 1,042,381 | 988,775 | 322,065 |
| Future - DDI | 2,709,948 | 2,701,388 | 2,155,696 | 1,314,281 |
| Future - DOL | 1,164,858 | 72,038 | 453,716 | 839,984 |
| Future - COMMODITIES | - | 4,204 | - | 4,853 |
| | 4,979,537 | 3,820,011 | 3,598,187 | 2,481,183 |
| II) Maturity: | | | | |
| Up to 90 days | 2,010,187 | 1,132,047 | 637,254 | 1,251,783 |
| From 91 to 365 days | 907,237 | 1,434,445 | 738,661 | 535,389 |
| Over 365 days | 2,062,113 | 1,253,519 | 2,222,272 | 694,011 |
| | 4,979,537 | 3,820,011 | 3,598,187 | 2,481,183 |

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Notes to financial statements (Continued)
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5. Derivative financial instruments (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>2013</u> | <u>2012</u> |
|--|-------------|-------------|
| Hedged items | | |
| Amount restated under agreed-upon conditions | 1,185,211 | 1,030,478 |
| Market value | 1,181,677 | 1,067,970 |
| Adjustment value | (3,534) | 37,492 |
| Hedge instruments | | |
| Market value | 1,254,139 | 1,124,767 |

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

| | <u>2013</u> | <u>2012</u> |
|---|----------------|----------------|
| Securing stock exchange transactions | | |
| <u>Government bonds</u> | | |
| National Treasury Bills (LTN) | 152,623 | 96,775 |
| National Treasury Notes (NTN) | 139,768 | 177,771 |
| Securing OTC transactions | | |
| <u>Government bonds</u> | | |
| National Treasury Bills (LTN) | - | 48,344 |
| National Treasury Notes (NTN) | 19,399 | 21,499 |
| | <u>311,790</u> | <u>344,389</u> |

For the year ended December 31, 2013, transactions with derivative financial instruments resulted in gains of R\$3,394,806 (2012 – R\$2,656,407) and losses of R\$3,434,084 (2012 - R\$2,591,385) posted directly to P&L for the year under income (loss) on derivative financial instruments.

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Notes to financial statements (Continued)
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6. Loans

Loans are summarized as follows:

| Product | 2013 | | | | | 2012 | |
|---|------------------|------------------|----------------|------------------|----------------|------------------|------------------|
| | Rural | Manufacturing | Trade | Individuals | Other services | Total | Total |
| Foreign fund onlending | 2,269,952 | 119,118 | - | 1,011,677 | 4,691 | 3,405,438 | 2,403,626 |
| Export financing | 510,056 | 1,727,525 | 274,241 | 9,041 | 965 | 2,521,828 | 2,111,639 |
| FINAME | 855,371 | 60,905 | 8,034 | 18,959 | 15,390 | 958,659 | 423,284 |
| Advances on foreign exchange contracts (Note 7) (*) | 9,881 | 861,454 | 54,130 | - | 13,719 | 939,184 | 853,048 |
| Working capital | 155,907 | 37,488 | 15,699 | 78,485 | - | 287,579 | 284,075 |
| Agribusiness receivables certificates | - | 203,074 | - | - | - | 203,074 | 259,631 |
| BNDES | 96,981 | 31,787 | 8,029 | - | - | 136,797 | 139,298 |
| Funcafé | 75,212 | - | - | - | 3,235 | 78,447 | 99,339 |
| Compror | 16,410 | - | - | - | 20,206 | 36,616 | 27,100 |
| Guaranteed account | 2,907 | 966 | 12,759 | 2,156 | - | 18,788 | 24,797 |
| Vendor | - | - | 11,706 | - | - | 11,706 | 10,394 |
| Import financing | - | - | - | - | - | - | 32 |
| | 3,992,677 | 3,042,317 | 384,598 | 1,120,318 | 58,206 | 8,598,116 | 6,636,263 |

(*) Includes income receivable from advances granted.

a) The loan aging list is as follows:

| | 2013 | | 2012 | |
|---------------------|------------------|-------------------|------------------|------------------|
| | Loans | Other receivables | Total | Total |
| <u>Falling due</u> | | | | |
| Up to 90 days | 405,257 | 287,188 | 692,445 | 713,343 |
| From 90 to 365 days | 3,198,257 | 651,996 | 3,850,253 | 2,978,441 |
| Over 365 days | 3,987,442 | - | 3,987,442 | 2,895,274 |
| | 7,590,956 | 939,184 | 8,530,140 | 6,587,058 |
| <u>Overdue</u> | | | | |
| 15 days or more | 67,976 | - | 67,976 | 49,205 |
| | 67,976 | - | 67,976 | 49,205 |
| | 7,658,932 | 939,184 | 8,598,116 | 6,636,263 |

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

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

| Risk level | % minimum | 2013 | | 2012 | |
|------------|-----------|------------------|----------------|------------------|----------------|
| | | Total portfolio | Provision | Total portfolio | Provision |
| AA | - | 759,941 | - | 1,205,059 | - |
| A | 0.5 | 2,662,229 | 13,311 | 1,905,477 | 9,527 |
| B | 1.0 | 4,680,520 | 46,805 | 3,255,485 | 32,555 |
| C | 3.0 | 245,999 | 7,380 | 141,809 | 4,254 |
| D | 10.0 | 176,545 | 17,655 | 42,098 | 4,210 |
| E | 30.0 | 29,694 | 8,908 | 3,954 | 1,186 |
| F | 50.0 | 1,536 | 768 | 20,630 | 10,315 |
| G | 70.0 | 1,356 | 949 | 28,441 | 19,909 |
| H | 100.0 | 40,296 | 40,296 | 33,310 | 33,310 |
| | | 8,598,116 | 136,072 | 6,636,263 | 115,266 |

c) Changes in allowance for loan losses

| | 2013 | | 2012 |
|---|------------------|----------------|----------------|
| | Six-month period | Year | Year |
| Opening balance | 111,370 | 115,266 | 101,518 |
| Allowance | 42,616 | 58,537 | 37,353 |
| Write-off to loss | (18,002) | (37,872) | (23,659) |
| Foreign exchange variation of branch abroad | 88 | 141 | 54 |
| Closing balance | 136,072 | 136,072 | 115,266 |
| Recovery of loans written-off to loss | 17,603 | 31,962 | 21,414 |
| Loan renegotiation | 94,895 | 141,142 | 276,880 |

Loans amounting to R\$4,614,671 (2012 – R\$3,824,313) are secured by Agribusiness Credit Bills (LCA) issued. Bank Credit Bills (CCB) representing these loans are duly registered with CETIP or the Brazilian Mercantile Stock Exchange (BBM).

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
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7. Foreign exchange portfolio

| | 2013 | | 2012 | |
|---|------------------|------------------|------------------|------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Foreign exchange purchases pending settlement | 2,980,170 | - | 1,555,829 | - |
| Foreign exchange sales pending settlement | - | 449,288 | - | 471,583 |
| Rights on foreign exchange sales | 449,284 | - | 467,834 | - |
| Foreign exchange purchase payable | - | 2,899,115 | - | 1,526,984 |
| Advances received in local currency | (37,296) | - | (40) | - |
| Income receivable from advances granted | 13,482 | - | 10,497 | - |
| Advances on exchange contracts | - | (925,702) | - | (842,551) |
| | 3,405,640 | 2,422,701 | 2,034,120 | 1,156,016 |

8. Other receivables – sundry

| | 2013 | 2012 |
|--------------------------|----------------|---------------|
| Tax credits – Note 9 (c) | 101,192 | 80,029 |
| Taxes to be offset | 114 | 187 |
| Other | 10,053 | 5,991 |
| | 111,359 | 86,207 |

9. Income and social contribution taxes

a) Statement of income and social contribution tax calculation

| | 2013 | 2012 |
|---|-----------------|------------------|
| Net income before income taxes, less deductible profit sharing | 194,297 | 294,255 |
| Income and social contribution taxes at 25% and 15%, respectively | (77,719) | (117,702) |
| Effect of additions and exclusions on tax calculations: | | |
| on interest on equity | 21,194 | 19,977 |
| on nondeductible expenses, net of nontaxable revenue | (1,953) | (1,500) |
| on nondeductible interest of loans/onlending from related parties | (1,917) | (4,501) |
| on other amounts | 2,184 | 1,895 |
| Income and social contribution taxes | (58,211) | (101,831) |

Banco Rabobank International Brasil S.A.

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

b) Changes in tax credit:

| | 2013 | 2012 |
|----------------------------|----------------|-------------|
| Opening balance | 80,029 | 73,806 |
| Set up: | | |
| Against P&L for the period | 17,998 | 6,223 |
| Against equity | 3,165 | - |
| Closing balance | 101,192 | 80,029 |

c) Breakdown of tax credit:

| | 2013 | | 2012 | |
|--|-------------------|--------------------------------|----------------|--------------|
| | Income tax | Social contribution tax | Total | Total |
| I) Temporary differences: | 60,439 | 37,588 | 98,027 | 80,029 |
| Allowance for loan losses | 47,468 | 28,480 | 75,948 | 62,853 |
| Provision for rewards/bonus/profit sharing | 6,863 | 5,444 | 12,307 | 11,266 |
| Provision for contingent liabilities | 701 | 420 | 1,121 | 1,752 |
| MTM - marketable securities, derivative financial instruments and hedged items | 5,407 | 3,244 | 8,651 | 4,158 |
| II) MTM – securities available for sale | 1,978 | 1,187 | 3,165 | - |
| Total tax credits | 62,417 | 38,775 | 101,192 | 80,029 |

These amounts are recorded under other receivables – sundry.

d) Expected tax credit realization as of December 31, 2013

| Year | Deferred income tax | Deferred social contribution tax | Total |
|-------------|----------------------------|---|----------------|
| 2014 | 37,646 | 23,914 | 61,560 |
| 2015 | 4,811 | 2,886 | 7,697 |
| 2016 | 3,127 | 1,876 | 5,003 |
| 2017 | 6,146 | 3,688 | 9,834 |
| 2018 | 3,938 | 2,363 | 6,301 |
| 2019 | 3,927 | 2,357 | 6,284 |
| 2020 | 2,822 | 1,691 | 4,513 |
| | 62,417 | 38,775 | 101,192 |

The present value of tax credits is R\$ 79,763 (2012 – R\$76,004).

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Notes to financial statements (Continued)
December 31, 2013 and 2012
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9. Income and social contribution taxes (Continued)

d) Expected tax credit realization as of December 31, 2013 (Continued)

The Bank has no deferred tax obligations in 2013 (2012 – R\$ 5,513) referring to income and social contribution taxes on adjustments to marketable securities available for sale. Present value of deferred tax obligations in 2012 is R\$ 5,441.

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

At December 31, 2013, no tax credits were recognized.

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:

| <u>Accounts</u> | <u>2013</u> | <u>2012</u> |
|------------------------------------|----------------|-------------|
| Current and noncurrent assets | 346,608 | 242,440 |
| Current and noncurrent liabilities | 331,076 | 230,507 |
| P&L for the six-month period | 5,565 | 7,417 |
| P&L for the period | 14,390 | 10,936 |

11. Exchange acceptance and issuance of securities

| | <u>2013</u> | | | <u>2012</u> | |
|---------------------------|-----------------------|----------------------------|--------------------------|--------------|--------------|
| | <u>Up to 3 months</u> | <u>From 3 to 12 months</u> | <u>From 1 to 3 years</u> | <u>Total</u> | <u>Total</u> |
| Agribusiness Credit Bills | 465,067 | 784,859 | 504,211 | 1,754,137 | 1,635,776 |

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
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12. Borrowings and onlending

Borrowings and onlending as of December 31, 2013 mature as follows:

| | 2013 | | | | | 2012 | |
|------------|----------------|---------------------|-------------------|-------------------|--------------------|------------------|------------------|
| | Up to 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 | 541,379 | 2,045,910 | 171,221 | 6,507 | - | 2,765,017 | 1,957,814 |
| Onlending | | | | | | | |
| Local | 54,155 | 214,273 | 370,808 | 293,080 | 241,800 | 1,174,116 | 580,080 |
| Abroad | 176,863 | 1,367,437 | 1,578,317 | 819,353 | 154,217 | 4,096,187 | 2,904,953 |
| | <u>772,397</u> | <u>3,627,620</u> | <u>2,120,346</u> | <u>1,118,940</u> | <u>396,017</u> | <u>8,035,320</u> | <u>5,442,847</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:
- Administrative proceeding that challenges tax notice served by the Brazilian IRS (RFB) claiming payment of Withholding Income Tax totaling R\$10,310 as the responsible payer;
 - Labor claims filed by former employees totaling R\$48;
 - Administrative proceedings that challenge two Brazilian IRS tax notices claiming payment of R\$2,510 for Social Security Contribution Tax (INSS), Work Accident Insurance (SAT), Education Funding Tax, Brazilian Institute of Land Reform (INCRA);
 - Administrative proceeding that challenges Brazilian IRS tax notice claiming payment of R\$1,052 for IRPJ and CSLL on alleged gains on demutualization of BM&FBOVESPA;

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
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13. Contingent assets and liabilities and legal, tax and social security claims (Continued)

b) Contingent liabilities classified as possible losses (Continued)

- Administrative proceeding that challenges seven tax notices served by the São Paulo local government claiming payment of R\$6,122 related to ISS on revenues from export of services and guarantees provided;
- Civil suits filed by customers in the amount of R\$33;
- Administrative proceeding that challenges Brazilian IRS tax notice claiming payment of R\$473 for IRPJ and CSLL on alleged gains on demutualization of CETIP.

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 12/31/2012 | Set up | Monetary restatement | Balance at 12/31/2013 |
|--|----------------------------------|---------------|---------------------------------|----------------------------------|
| Provision for tax risks | | | | |
| Unemployment Compensation Fund (FGTS) | 2,186 | - | 4 | 2,190 |
| Civil provision | 107 | 205 | 110 | 422 |
| Labor provision | 175 | - | 16 | 191 |
| | <u>2,468</u> | <u>205</u> | <u>130</u> | <u>2,803</u> |

14. Subordinated debts

These refer to subordinated debt loans, pursuant to CMN Resolutions No. 4192/2013 as from October 01, 2013 and No. 3444/2007 prior to October 01, 2013. The loan taken out on August 14, 2008 of R\$314,728 is denominated in reais, maturing on July 15, 2016 and bearing interest at 11.20% p.a.; the other loans taken out on September 28, 2012 and November 06, 2012 are denominated in US dollars, maturing on September 28, 2020 and bearing interest at 6.20% p.a. and 6.25% p.a., respectively, in the amount of R\$689,652.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
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15. Other liabilities - sundry

| | 2013 | 2012 |
|---|---------------|-------------|
| Provision for bonus and profit sharing | 18,811 | 18,270 |
| Other personnel expenses payable | 9,234 | 8,209 |
| Trade accounts payable | 3,813 | 2,165 |
| Other administrative provisions | - | 1,911 |
| Provision for legal proceedings – Note 13 (c) | 613 | 282 |
| Sundry | 307 | 1,953 |
| | 32,778 | 32,790 |

16. Equity

a) Capital

At December 31, 2013, fully subscribed and paid-in capital is divided into 732,111,746 (2012 – 592,936,877) common registered shares, with no par value, distributed as follows:

| | 2013 | 2012 |
|-------------------------------------|--------------------|-------------|
| Rabobank International Holding B.V. | 732,109,471 | 592,935,021 |
| Rabobank Curaçao N.V. | 2,275 | 1,856 |
| | 732,111,746 | 592,936,877 |

Capital increase was approved at the 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. This capital increase transaction was approved by the Brazilian Central Bank (BACEN) on March 18, 2014.

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 capital increase transaction is pending approval from the Brazilian Central Bank (BACEN).

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Notes to financial statements (Continued)
December 31, 2013 and 2012
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16. Equity (Continued)

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.

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>2013</u> | <u>2012</u> |
|----------------------------|-------------|-------------|
| Management fees | 7,320 | 6,554 |
| Bonus | 4,246 | 2,927 |
| Supplementary pension plan | 302 | 324 |

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Notes to financial statements (Continued)
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17. Transaction with related parties (Continued)

b) Transactions with related parties

| | 2013 | | 2012 | |
|---|-------------------------|------------------------|-------------------------|------------------------|
| | Assets (liabilities) | Revenues (expenses) | Assets (liabilities) | Revenues (expenses) |
| Foreign currency deposits | | | | |
| Rabobank Nederlands | 42,714 | - | 554 | (24) |
| Interbank deposits | | | | |
| Banco de Lage Landen Brasil S.A. | - | - | - | 2,438 |
| Intebank onlending | | | | |
| Banco de Lage Landen Brasil S.A. | 557 | 18 | 607 | 9 |
| Foreign currency investments | | | | |
| Rabobank Nederlands - NY branch | 290,408 | 168 | - | (4,832) |
| Foreign exchange portfolio | | | | |
| Rabobank Nederlands | (593) | - | (975) | (1,070) |
| Other receivables - (commissions receivable) | | | | |
| Rabobank Curaçao N.V. | - | 12,998 | - | 15,886 |
| São Paulo Partners, LLC | - | 6,966 | - | 4,785 |
| Interbank deposits | | | | |
| Banco de Lage Landen Brasil S.A. | (105,653) | (8,252) | (97,401) | (13,856) |
| Open market funding | | | | |
| Banco de Lage Landen Brasil S.A. | (179,020) | (15,631) | (187,520) | (6,986) |
| Banco Cooperativo Sicredi S.A. | - | (107) | - | - |
| Agribusiness Credit Bills | | | | |
| Administrators | (4,268) | (334) | (4,599) | (138) |
| Derivative financial instruments | | | | |
| Banco de Lage Landen Brasil S.A. | (16,519) | (4,156) | (20,005) | (13,301) |
| Banco Cooperativo Sicredi S.A. | (78) | (813) | - | 60 |
| Foreign loans and onlending | | | | |
| São Paulo Partners, LLC | (3,934,512) | (105,414) | (3,480,371) | (329,551) |
| Rabobank Nederlands - NY branch | (2,223,675) | (10,781) | (1,295,554) | (72,772) |
| Rabobank Nederlands | (27,669) | (162) | - | - |
| Rabobank Curaçao N.V. | - | (114) | (134,037) | (106,850) |
| Tullaghought Company | - | - | - | 915 |
| Other liabilities (commissions payable) | | | | |
| Banco Cooperativo Sicredi S.A. | - | (482) | (343) | (252) |
| Banco de Lage Landen Brasil S.A. | (2) | (24) | (2) | (24) |

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2013 and 2012
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18. Revenue from services rendered

| | <u>2013</u> | <u>2012</u> |
|--|---------------|---------------|
| Commissions received for advisory on transaction structuring | 32,816 | 44,581 |
| Business brokerage services | 19,964 | 20,671 |
| Other services rendered and bank charges | 9,267 | 6,616 |
| | <u>62,047</u> | <u>71,868</u> |

19. Other administrative expenses

| | <u>2013</u> | <u>2012</u> |
|--|---------------|---------------|
| Data processing | 19,630 | 14,300 |
| Rental and lease | 8,751 | 7,753 |
| Third-party services | 7,953 | 8,422 |
| Depreciation and amortization | 7,941 | 5,155 |
| Financial system services | 6,973 | 7,338 |
| Travel | 5,325 | 4,363 |
| Communication | 5,166 | 3,981 |
| Property maintenance and upkeep | 3,832 | 7,284 |
| Advertisement, promotion and publicity | 3,284 | 2,450 |
| Condominium fees | 1,939 | 1,594 |
| Transportation | 1,516 | 1,081 |
| Donations | 940 | 1,220 |
| Water and electricity | 438 | 564 |
| Materials | 404 | 400 |
| Tax fine | 29 | 95 |
| Other administrative expenses | 3,221 | 2,566 |
| | <u>77,342</u> | <u>68,566</u> |

20. Cash and cash equivalents

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

| | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|
| Cash and cash equivalents in local currency | 10,662 | 11,043 |
| Cash and cash equivalents in foreign currency | 64,890 | 422,716 |
| Total | <u>75,552</u> | <u>433,759</u> |
| Open market investments | 2,567,595 | 3,337,584 |
| Investment in interbank deposits | 290,408 | - |
| Total cash and cash equivalents | <u>2,933,555</u> | <u>3,771,343</u> |

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
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21. Other matters

- a) Guarantees provided to third parties, including collaterals, surety bonds and other joint liabilities, amount to R\$30,010 (2012 – R\$15,126), and guarantees received total R\$197,808 (2012 – R\$104,105).
- b) The Bank computes its minimum equity limits within parameters established by CMN Resolutions No. 2099/1994, No. 4192/2013 and No. 4193/2013, and supplementary standards and regulations as from October 01, 2013. Prior to October 01, 2013, the Bank applied CMN Resolutions No. 3444/2007 and No. 3490/2007. Positive margin between effective reference assets and required capital is R\$544,747 (2012 – R\$449,314) and Basel index is 15.55% (2012 – 15.35%).
- 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\$6,731 (2012 – R\$6,261). The supplementary private pension plan is a defined contribution type plan.
- d) No share-based payments are made by the Bank to its employees.
- e) On November 12, 2013, Provision Executive Order (MP) No. 627/2013 was published, to:
 - (i) repeal the Transition Tax Regime (RTT) as from 2015 and create a new tax model; and
 - (ii) amend Decree-Law No. 1598/1977, with respect to income tax calculation for legal entities, to the legislation concerning social contribution on net profit and to the concept of gross revenue.

MP 627/2013, regarding which a significant number of amendments was proposed, is under analysis by Brazil's National Congress. Additionally, the Brazilian IRS shall decide on various legal provisions introduced by said Provisional Executive Order; therefore, some of these provisions are likely to be changed, suppressed or clarified.

Based on MP 627/13 current wording, Management understands that no significant adjustments deriving from this provisional measure should be recognized in the financial statements. The new tax model provided for in MP 627/2013 comes into effect as from year 2015, unless the Bank decides on early adoption in 2014. Management does not intend to opt for early adoption and will await any amendments to the original wording in order to analyze future effects thereof.

Executive Board

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

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
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Summary of the Audit Committee Report

The statutory Audit Committee of Banco Rabobank International Brasil S.A. (Rabobank) was organized on 03/12/2013, being currently composed of three members belonging to the Bank's current executive board. This committee is part of the internal Audit & Compliance Committee, which is in charge of addressing audit-related aspects.

The Audit Committee has held four meetings during 2013 and on the meeting dated March 20, 2013 the financial statements were reviewed. We highlight below the following committee activities and conclusions:

- a) For the analysis of the financial statements, it held a meeting with Management members and with Rabobank's accounting professionals, it analyzed the independent auditors' comments, examined internal audit work and discussed any relevant aspects for the conclusion about the quality, reliability and compliance of the financial statements with rulings standards. The Audit Committee, within its prerogatives and natural limitations resulting from the scope of its activities, confirmed the quality of and approved the financial statements as of 12/31/2013;
- b) It held a meeting in which it got abreast of the aspects referring to management and control of Rabobank's risks, including those related to operational risks. The Committee highlighted the evolution of the organization's internal control system;
- c) The Committee held a formal meeting with Ernst & Young to discuss the scope, strategy and results of its audit work, including items of attention and recommendations. The independent auditors' report served as a base for the analysis of the financial statements. The Committee considered the quality and scope of the audit conducted by Ernst & Young to be adequate;
- d) It reviewed together with the Internal Audit area the result from the audits performed; it accompanied effective and timely implementation of the action plans and decided about exceptions. The Audit Committee approved the annual Internal Audit planning and monitors in its meetings compliance therewith. The Committee is also responsible for approving the realization of any unplanned work or the cancellation of any scheduled work. The Committee evaluated positively the scope and quality of the Internal Audit work.

Audit Committee

São Paulo, March 20, 2014.