

Financial Statements

Banco Rabobank International Brasil S.A.

December 31, 2011 and 2010
with Independent Auditors' Report

Banco Rabobank International Brasil S.A.

Financial statements

December 31, 2011 and 2010

Contents

Management report	1
Independent auditors' report	3
Audited financial statements	
Balance sheets	5
Statements of income	7
Statements of changes in equity	8
Statements of cash flows	9
Notes to financial statements	10

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, 2011 and 2010, 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 risk is measured and managed by specific function under the responsibility of the Risk Management Executive Management, 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 management.

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 Stop-Loss mechanisms), by crosschecking daily values of these metrics against prudent limits stipulated by Bank's executive management seeking safe business operations for the Bank.

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.

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 and with the contingency plan for stress situations.

Operating risk

Operating risk is defined as the risk of loss arising from failure, weakness or inadequacy in internal processes, human behavior and 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 policy sets guidelines, methodologies and procedures compatible with the nature and complexity of 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.

Operating risk management activities are represented by the Financial Executive Management, statutory executive management reporting to the Bank's CEO, as defined in the National Monetary Board (CMN) Resolution No. 3380/2006.

Market and credit risk management activities are represented by Risk Executive Management, statutory executive management reporting to the Bank's CEO, as defined in CMN Resolutions No. 3464/2007 and No. 3721/2009.

Credit, market and operating risk management structure is described at www.rabobank.com.br.

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

São Paulo, March 10, 2012.

A free translation from Portuguese into English of Independent Auditors' Report on financial statements 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 Board of Directors and Officers
Banco Rabobank International Brasil S.A.

Introduction

We have audited the accompanying financial statements of Banco Rabobank International Brasil S.A., which comprise the balance sheet as at December 31, 2011 and the related statements of income, statements of changes in equity and statements of 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 entities 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, which were conducted in accordance with 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 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 control relevant to the Bank's preparation and fair presentation of the financial statements of Banco Rabobank International Brasil S.A. 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 have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the abovementioned financial statements present fairly, in all material respects, the financial position of Banco Rabobank International Brasil S.A. as at December 31, 2011, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil that are applicable to institutions authorized to operate by the Central Bank of Brazil.

São Paulo, March 23, 2012.

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

Eduardo Wellichen
Accountant CRC-1SP184050/O-6

A free translation from Portuguese into English of financial statements 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, 2011 and 2010
(In thousands of Reais)

	2011	2010
Assets		
Current	8,599,116	5,976,547
Cash and cash equivalents	123,300	222,584
Short-term interbank investments	2,401,500	1,780,711
Open market investments	2,257,554	1,610,372
Interbank deposits	143,946	161,811
Transactions denominated in foreign currency	-	8,528
Marketable securities and derivative financial instruments	1,905,362	1,414,485
Own portfolio	1,776,779	1,238,289
Subject to repurchase agreements	54,082	26,305
Subject to guarantees given	-	126,056
Derivative financial instruments	74,501	23,835
Interbank accounts	3,163	2,756
Restricted deposits:		
Central Bank of Brazil	3,158	2,750
Correspondent banks	5	6
Loans	2,342,595	1,682,142
Private sector	2,391,708	1,707,216
Allowance for loan losses	(49,113)	(25,074)
Sundry	1,821,932	873,744
Foreign exchange portfolio	1,814,739	864,608
Income receivable	6,344	7,583
Securities trading	-	792
Sundry	2,795	2,960
Allowance for other loan losses	(1,946)	(2,199)
Other assets	1,264	125
Other assets	1,160	-
Prepaid expenses	104	125
Non-current assets	2,367,687	2,244,182
Marketable securities and derivative financial instruments	724,567	1,240,207
Own portfolio	466,463	1,239,694
Subject to guarantees given	249,914	-
Derivative financial instruments	8,190	513
Loans	1,566,042	917,696
Private sector	1,616,501	970,193
Allowance for loan losses	(50,459)	(52,497)
Sundry	77,078	86,279
Sundry	77,078	88,889
Allowance for other loan losses	-	(2,610)
Permanent assets	23,287	15,210
Investments	6	6
Other investments	6	6
Property and equipment in use	11,671	6,093
Other property and equipment in use	19,743	13,710
Accumulated depreciation	(8,072)	(7,617)
Intangible assets	11,610	9,111
Intangible assets	14,653	10,606
Accumulated amortization	(3,043)	(1,495)
Total	10,990,090	8,235,939

	2011	2010
Liabilities		
Current	6,876,451	5,671,413
Deposits	182,450	81,886
Demand deposits	19,621	1,215
Interbank deposits	30,029	16
Time deposits	132,480	80,392
Other deposits	320	263
Open market funding	551,168	1,016,847
Own portfolio	53,980	26,260
Third-party portfolio	497,188	990,587
Funds from acceptance and issue of securities	1,965,474	1,442,926
Real estate, mortgage, credit and similar notes	1,965,474	1,442,926
Interdepartmental accounts	20,040	44,758
Third-party funds in transit	20,040	44,758
Borrowings	1,928,183	564,500
Foreign borrowings	1,928,183	564,500
Local on-lending – Official Institutions	248,320	147,793
BNDES	19,417	18,789
FINAME	73,218	52,048
Other institutions	155,685	76,956
Foreign on-lending	640,140	1,785,065
Foreign on-lending	640,140	1,785,065
Derivative financial instruments	67,883	86,088
Derivative financial instruments	67,883	86,088
Other liabilities	1,272,793	501,550
Collection of taxes and other contributions	1,357	1,197
Foreign exchange portfolio	1,157,351	430,184
Social and statutory	12,558	2,761
Income and social security taxes	50,367	16,465
Securities trading and brokerage	4,141	-
Subordinated debts	13,898	13,484
Sundry	33,121	37,459
Non-current liabilities	3,335,216	1,911,847
Deposits	323,415	427,836
Interbank deposits	87,092	-
Time deposits	236,323	427,836
Funds from acceptance and issue of securities	64,404	5,949
Real estate, mortgage, credit and similar notes	64,404	5,949
Borrowings	29,631	69,019
Foreign borrowings	29,631	69,019
Local on-lending – Official Institutions	331,760	252,503
BNDES	86,689	104,458
FINAME	241,125	139,035
Other institutions	3,946	9,010
Foreign on-lending	2,264,813	848,045
Foreign on-lending	2,264,813	848,045
Derivative financial instruments	10,698	2,006
Derivative financial instruments	10,698	2,006
Other liabilities	310,495	306,489
Income and social security taxes	9,497	6,277
Subordinated debts	300,000	300,000
Sundry	998	212
Equity	778,423	652,679
Capital :		
Foreign residents	476,471	443,184
Income reserve - Statutory	263,722	180,463
Income reserve – Legal	27,342	20,899
Equity pick-up	10,888	8,133
Total	10,990,090	8,235,939

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of income

Six-month period ended December 31, 2011 and years ended
December 31, 2011 and 2010

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

	2011		2010
	2 nd half-year	Year	Year
Interest income	1,144,694	1,256,639	513,724
Credit operations	568,358	598,873	228,854
Result from marketable security transactions	286,045	583,966	414,399
Result from derivative financial instruments	93,548	(80,020)	(129,529)
Result from foreign exchange transactions	196,743	153,820	-
Interest expenses	(958,792)	(925,155)	(273,893)
Open market funding	(150,347)	(290,853)	(218,081)
Loans and on-lending	(769,565)	(569,338)	(17,578)
Result from foreign exchange transactions	-	-	(12,916)
Allowance for loan credit losses	(38,880)	(64,964)	(25,318)
Gross income interest	185,902	331,484	239,831
Other operating income (expenses)	(63,743)	(106,321)	(98,947)
Revenue from services rendered	28,845	49,220	39,553
Expenses with personnel	(41,171)	(65,958)	(63,976)
Expenses with executive remuneration	(8,187)	(14,030)	(6,935)
Other administrative expenses	(34,430)	(57,869)	(48,646)
Tax expenses	(10,739)	(19,335)	(15,311)
Other operating income	2,436	3,325	550
Other operating expenses	(497)	(1,674)	(4,182)
Operating income/expenses	122,159	225,163	140,884
Non-operating income (loss)	432	442	(1,058)
Income before taxes and profit sharing	122,591	225,605	139,826
Income and social contribution taxes	(30,351)	(67,425)	(23,372)
Provision for income tax	(18,845)	(36,764)	(14,265)
Provision for social contribution tax	(11,727)	(22,375)	(8,714)
Deferred tax assets	221	(8,286)	(393)
Profit sharing	(12,380)	(29,317)	(14,421)
Net income for the six-month period/years	79,860	128,863	102,033
Earnings per thousand shares – R\$	174.67	281.85	239.93

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of changes in equity
Six-month period ended December 31, 2011 and years ended
December 31, 2011 and 2010
(In thousands of Reais)

	Capital	Capital increase	Capital reserve	Income reserve - Statutory	Income reserve – Legal	Equity pick-up	Retained earnings (accumulated losses)	Total
Balances at December 31, 2009	373,619	38,343	3,573	66,388	15,797	-	50,007	547,727
Capital increase approved in Special Shareholders' Meeting (AGE) held on 12/30/2009	38,343	(38,343)	-	-	-	-	-	-
Capital increase approved in Special Shareholders' Meeting (AGE) held on 12/30/2010	-	31,222	(3,288)	-	-	-	-	27,934
Equity pick-up	-	-	-	-	-	8,133	-	8,133
Other:								
Other	-	-	(285)	-	-	-	-	(285)
Net income for the year	-	-	-	-	-	-	102,033	102,033
Allocations: Legal reserve	-	-	-	-	5,102	-	(5,102)	-
Statutory reserve	-	-	-	114,075	-	-	(114,075)	-
Interest on equity capital	-	-	-	-	-	-	(32,863)	(32,863)
Balances at December 31, 2010	411,962	31,222	-	180,463	20,899	8,133	-	652,679
Capital increase approved in Special Shareholders' Meeting (AGE) held on 12/30/2010	31,222	(31,222)	-	-	-	-	-	-
Capital increase approved in Special Shareholders' Meeting (AGE) held on 12/30/2011	-	33,287	-	-	-	-	-	33,287
Equity pick-up	-	-	-	-	-	2,755	-	2,755
Net income for the year	-	-	-	-	-	-	128,863	128,863
Allocations: Legal reserve	-	-	-	-	6,443	-	(6,443)	-
Statutory reserve	-	-	-	83,259	-	-	(83,259)	-
Interest on equity capital	-	-	-	-	-	-	(39,161)	(39,161)
Balances at December 31, 2011	443,184	33,287	-	263,722	27,342	10,888	-	778,423
Balances at June 30, 2011	443,184	-	-	180,463	23,349	8,118	46,553	701,667
Capital increase approved in Special Shareholders' Meeting (AGE) held on 12/30/2011	-	33,287	-	-	-	-	-	33,287
Equity pick-up	-	-	-	-	-	2,770	-	2,770
Net income for the six-month period	-	-	-	-	-	-	79,860	79,860
Allocations: Legal reserve	-	-	-	-	3,993	-	(3,993)	-
Statutory reserve	-	-	-	83,259	-	-	(83,259)	-
Interest on equity capital	-	-	-	-	-	-	(39,161)	(39,161)
Balances at December 31, 2011	443,184	33,287	-	263,722	27,342	10,888	-	778,423

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of cash flows

Six-month period ended December 31, 2011 and years ended

December 31, 2011 and 2010

(In thousands of Reais)

	2011		2010
	2 nd half-year	Year	Year
Cash flow from operating activities:			
Net income	79,860	128,863	102,033
Adjustment to net income:			
Adjustments to market value	2,770	2,755	8,133
Depreciation	1,076	2,176	2,155
Amortization	1,040	1,740	1,085
Allowance for loan losses	38,880	64,964	25,318
Provisions for impairment of non-financial assets	(2,540)	(2,540)	1,000
Provisions (reversals) for tax, civil and labor claims	2,158	2,167	(36,892)
Other	-	-	(285)
Net income after adjustments	123,244	200,125	102,547
(Increase) decrease in marketable securities and derivative financial instruments	1,052,421	15,250	(220,075)
(Increase) in interbank accounts	(420)	(407)	(1,057)
(Decrease) in interdepartmental accounts	(2,471)	(24,718)	(28,166)
(Increase) in loans	(1,263,609)	(1,373,504)	(399,316)
(Increase) in other receivables	(304,949)	(936,706)	(502,252)
(Increase) in other receivables and assets	(1,160)	(1,160)	-
(Increase) decrease in prepaid expenses	(99)	21	11
Increase in other liabilities	82,019	773,082	336,195
	(438,268)	(1,548,142)	(814,660)
Net cash used in operating activities	(315,024)	(1,348,017)	(712,113)
Cash flow from investing activities:			
Disposal of property and equipment in use	89	92	85
Disposal of investments	-	-	559
Acquisition of property and equipment in use	(6,321)	(7,846)	(1,401)
Acquisition of intangible assets	(2,742)	(4,239)	(5,188)
Net cash used in investing activities	(8,974)	(11,993)	(5,945)
Cash flows from financing activities:			
Increase (decrease) in deposits	61,188	(3,857)	31,541
Increase (decrease) in open market funding	(397,223)	(465,679)	41,234
Increase in funds from issue of securities	228,582	581,003	309,437
Increase in borrowings and on-lending	1,121,597	1,775,922	463,762
Capital increase	33,287	33,287	27,934
Interest on equity capital	(39,161)	(39,161)	(32,863)
Cash flow from financing activities	1,008,270	1,881,515	841,045
Increase in cash and cash equivalents	684,272	521,505	122,987
Cash and cash equivalents			
At the beginning of the six-month period/years	1,840,528	2,003,295	1,880,308
At the end of the six-month period/years	2,524,800	2,524,800	2,003,295
Increase in cash and cash equivalents	684,272	521,505	122,987

See accompanying notes.

Banco Rabobank International Brasil S.A.

Notes to financial statements
December 31, 2011 and 2010
(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.

2. Presentation of the financial statements and significant accounting practices

These 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 its best assumption and judgment to determine adequate amount and record accounting estimates, such as allowance for loan losses, deferred income tax, provision for contingencies and valuation allowance for derivative assets and liabilities. Settlement of these transactions involving these estimates may result in amounts significantly different from those estimated, due to inaccuracies underlying their determination process.

The main significant accounting practices are the following:

a) Determination of profit or loss

Revenues and expenses are recognized on an accrual basis, in light of the pro rata criteria for financial transactions. Asset and liability transactions with foreign exchange variation clauses are restated at applicable foreign currency purchase and 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, 2011 and 2010
(In thousands of reais)

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

b) Cash and cash equivalents

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

c) Short-term interbank investments

Fixed-income investments are recorded at redemption value, less deferred income, and floating operations at the cost value, plus yields 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, classified 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, which are transferred to P&L for the period when they are effectively realized;
- *Held-to-maturity* – these are securities which the Bank intends to and has the financial capacity to hold to maturity. Financial capacity is defined in a cash flow project, disregarding the likelihood of selling said securities (BACEN Circular No. 3129/2002). They are carried at acquisition cost, plus yields through the balance sheet date, against P&L for the period.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

2. Presentation of the financial statements and 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 and 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. If the option is exercised, it is then recorded as increase or decrease in asset or right cost; should it not be exercised, it is recorded as a revenue or an expense;
- Futures transactions – daily adjustments are recorded as assets or liabilities and daily allocated as revenues or expenses;
- *Swap transactions* – the difference receivable or payable is recorded as an asset or liability, respectively, and then allocated as revenues or expenses on a pro-rata basis through the balance sheet date.

Transactions with derivative financial instruments carried out at customers' request or on 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 their appreciation or depreciation is recorded as follows:

- Derivative financial instruments not considered hedge in a revenue 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, 2011 and 2010
(In thousands of reais)

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

e) Derivative financial instruments (Continued)

Market risk hedge is intended to offset risks arising from exposure to market value variation of the hedged item, and its appreciation or depreciation is matched against revenues and expenses 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 taxes. The corresponding hedged items are also marked to market as of the balance sheet date.

f) Credit and foreign exchange transactions

Credit transactions, including advances on export 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 the portfolio and its classification into nine levels (AA for minimum risk and H for loss) to be periodically reviewed. After six months, transactions classified as H and overdue for more than 180 days are written-off to losses.

Revenue from credit transactions overdue over 60 days, irrespective of the risk level, is only recorded as revenue when it is effectively received. These transactions are classified as non-current assets.

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

g) Permanent assets

Property and equipment in use is 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%.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

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

g) Permanent (Continued)

For disclosure purposes, expenses with system acquisition were reclassified from Deferred Charges to Intangible Assets, and leasehold improvements from Deferred Charges to Property and Equipment in Use, thus remaining no balance recorded as Deferred Charges. Such reclassifications arose from first-time adoption of Law No. 11941/2009 and CMN Resolutions No. 3617/2008 and No. 3642/2008.

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

h) Impairment of non-financial assets

Impairment loss is recognized when the book value of an asset or its cash generating unit is higher than 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 last annually so as to determine whether there is any indication of impairment.

i) Liabilities measurement criteria

Liabilities, charges and risks recognized or subject to calculation, including taxes charges calculated based on income for the period, are carried at restated value through 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 balance sheet date.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

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

j) Income and social contribution taxes

Income tax is calculated at 15%, with a 10% surtax on taxable income exceeding R\$ 240 (R\$ 120 for a 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 non-deductible expenses and market value adjustments of derivative instruments were computed at the rate of 25% for income tax and 15% for social contribution tax purposes and are carried as Other Receivables - Sundry (Note 9).

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

Contingent assets and liabilities and legal, tax and social security obligations are recognized, measured and disclosed in accordance with 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 rated as possible by legal advisors are only disclosed in the notes to financial statements, whereas those rated as remote require neither provision nor disclosure.
- *Legal, tax and social security obligations* - these refer to lawsuits in which the lawfulness and constitutionality of some taxes and contributions have been challenged. The amount under dispute is measured, recorded and restated on a monthly basis.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

3. Short-term interbank investments

Short-term interbank investments are represented in 2011 by repurchase agreements, secured by Federal Government bonds, under custody of BACEN's Brazilian Special System for Settlement and Custody (SELIC), by interbank deposits and by foreign currency investments; in 2010, they were represented by repurchase agreements, secured by Federal Government bonds, under custody of BACEN's SELIC, and by interbank deposits and foreign currency investments.

4. Marketable securities

Breakdown of security portfolio is summarized as follows:

Description	2011		2010	
	Book value	Market value	Book value	Market value
Federal Government Bonds – National Treasury	595,567	595,567	1,132,973	1,132,973
Pão de Açúcar – Credit Right Investment Fund (FIDC)	1,235,902	1,235,902	1,096,130	1,096,130
Tribanco-Martins – Credit Right Investment Fund	146,792	146,792	90,039	90,039
Minerva – Credit Right Investment Fund	57,071	57,071	49,841	49,841
Nutriplant – Credit Right Investment Fund	-	-	4,230	4,230
Equity shares	14,956	14,956	13,639	13,639
Debentures	192,954	192,954	89,493	89,493
Rural Product Bill	-	-	1,638	1,638
Subtotal – own portfolio	2,243,242	2,243,242	2,477,983	2,477,983
Federal Government Bonds – National Treasury	54,082	54,082	26,305	26,305
Subtotal subject to repurchase agreements	54,082	54,082	26,305	26,305
Federal Government Bonds – National Treasury	249,914	249,914	126,056	126,056
Subtotal subject to guarantees given	249,914	249,914	126,056	126,056
	2,547,238	2,547,238	2,630,344	2,630,344

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

4. Marketable securities (Continued)

Classification by category and term:

Category	2011					
	Restated cost	Market value	Book value	Book value by maturity		
				Up to 90 days	From 91 to 365 days	Over 365 days
FIDC	1,439,765	1,439,765	1,439,765	-	1,292,973	146,792
Equity shares	84	14,956	14,956	14,956	-	-
Debentures	193,002	192,954	192,954	-	-	192,954
National Treasury Bill (LTN)	773,106	776,443	776,443	-	399,812	376,631
National Treasury Note - F	101,497	101,483	101,483	101,483	-	-
Trading	2,507,454	2,525,601	2,525,601	116,439	1,692,785	716,377
National Treasury Note - B	21,102	21,637	21,637	21,637	-	-
trading	21,102	21,637	21,637	21,637	-	-
	2,528,556	2,547,238	2,547,238	138,076	1,692,785	716,377
2010	2,617,108	2,630,344	2,630,344	1,298,973	91,677	1,239,694

(*) FIDCs are updated by rate disclosed by each Manager, taking into account senior rate benchmark.

Government bonds are marked to market on bond quotation disclosed by the Brazilian Association of Capital and Financial Market Entities (ANBIMA) at balance sheet date, whereas equity shares are marked to market based on quotations disclosed by BM&FBOVESPA.

Market value adjustments of marketable securities classified as Securities Available for Sale, in the amount of R\$ 10,888 (2010 – R\$ 13,555), net of tax effects, is recognized in a specific account under Equity.

Securities classified as Trading are marked to market against P&L for the period and are carried in the balance sheet, under current assets, irrespective of their maturity dates.

Debentures are restated by the respective related rate and/or index. Restated cost value of debentures indexed to CDI approximates market value. Debentures indexed to other indices are marked to market through prices disclosed by ANBIMA.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

4. Marketable securities (Continued)

Classification by category and term: (Continued)

Fixed-income private bonds, except for FIDC Pão de Açúcar, which is under custody of Banco Itaú Unibanco S.A., are under custody of Brazilian OTC Clearing House (CETIP), Government Bonds are under custody of SELIC, and equity shares are under custody of Brazilian Clearing House for the Custody and Financial Settlement of Securities (CBLC).

Investments in FIDC are related to senior shares acquired, whose book value refers to the corresponding senior share price disclosed by fund managers for the last working day of the month. FIDC financial statements are audited on an annual basis and the past independent auditors' reports on financial statements were all unqualified. Term of these FIDC is determined and their main characteristics are summarized as follows:

<u>Manager</u>	<u>Funds</u>	<u>Credit right origin</u>
<u>Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities</u>		
	Pão de Açúcar – Credit Right Investment Fund	“Pão de Açúcar” Companies
	Tribanco-Martins – Credit Right Investment Fund	“Martins” Company
<u>Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.</u>		
	Minerva – Credit Right Investment Fund – Mercantile Credit	“Minerva” Company
	Nutriplant – Agricultural Industry Credit Right Investment Fund	“Nutriplant” Company

Managers of FIDC Pão de Açúcar and Tribanco-Martins have engaged Banco Itaú Unibanco S.A., and those of FIDC Nutriplant and Minerva have engaged Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A. to render treasury, custody, asset and liability control services related to abovementioned FIDC, in accordance with legal and regulatory standards.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

5. Derivative financial instruments

Policy of use

The Bank takes part in operations involving derivative financial instruments, recorded in balance sheet and off-balance accounts, for the purpose of meeting its customers' and its own needs to hedge against market risks, mainly arising from interest rate fluctuation, current and foreign exchange coupon risks. Hedge instruments efficiency is ensured by balance between derivative financial instrument price fluctuation and market value of hedged items. An asset item is hedged in order to balance future amounts upon maturity of the transaction. The Bank has a portfolio which can be considered extensive when compared to the market. Therefore, the duration methodology is used for hedge to be effective.

Strategies and parameters to manage risk and market participation

- The Bank has a specific function 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 upon every new operation added. Should there not be sufficient limits, the operation is not carried out or a 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 operation desk 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 Bank's top management and, should they detect an exceeded trading limit or control, a report is generated stating such event, which should be signed by the desk manager and may even be submitted to the Bank's International Risk Committee depending on what item is exceeded and what the value is.
- 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, 2011 and 2010
(In thousands of reais)

5. Derivative financial instruments (Continued)

Assessment and measurement criteria

Derivative financial instruments and hedged items are marked to market by discounting deferred income 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:

Derivative financial instruments – Assets	2011	2010
Swap - difference receivable	2,169	7,405
Options - premiums paid	16,092	1,331
NDF - difference receivable	64,430	15,612
	82,691	24,348
Derivative financial instruments – Liabilities		
Swap - difference payable	(19,068)	(1,540)
Options - premiums received	(10,290)	(82)
NDF - difference payable	(49,223)	(86,472)
	(78,581)	(88,094)

a) The swap portfolio is summarized as follows:

	2011		2010	
	Reference value	Market value	Net position	Net position
	Assets	Liabilities		
I) Index:				
CDI vs. Dollar	304,991	(342,368)	(16,082)	6,102
CDI vs. Index	125,000	(134,147)	(1,762)	-
Dollar vs. Pre	-	-	-	(445)
Dollar vs. Other	158,597	(176,862)	1,649	1,293
Other vs. Dollar	158,596	(177,566)	(704)	(1,085)
	747,184	(830,943)	(16,899)	5,865
II) Trading place:				
OTC	747,184	(830,943)	(16,899)	5,865
	747,184	(830,943)	(16,899)	5,865
III) Maturity:				
Within 90 days	199,803	(219,094)	(6,046)	4,362
From 91 to 365 days	190,208	(217,812)	(1,987)	1,460
Over 365 days	357,173	(394,037)	(8,866)	43
	747,184	(830,943)	(16,899)	5,865

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

5. Derivative financial instruments (Continued)

Assessment and measurement criteria (Continued)

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

	Contract financial value	Cost value	2011		2010	
			Assets	Liabilities	Net position	Net position
I) Type:						
a) Flexible options:						
Purchase of put options	-	-	-	-	-	1,206
Sale of put options	306	15	-	-	-	(59)
b) Standard options:						
Purchase of call options	241,775	8,979	16,092	-	16,092	125
Purchase of put options	41,250	215	-	-	-	-
Sale of call options	344,750	(3,966)	-	(10,290)	(10,290)	(23)
Sale of put options	133,750	(2,042)	-	-	-	-
	761,831	3,201	16,092	(10,290)	5,802	1,249
II) Trading place:						
a) Flexible options:						
OTC	306	15	-	-	-	1,147
b) Standard options:						
Stock exchange	761,525	3,186	16,092	(10,290)	5,802	102
	761,831	3,201	16,092	(10,290)	5,802	1,249
III) Maturity:						
a) Flexible options:						
Within 90 days	306	15	-	-	-	1,147
b) Standard options:						
Within 90 days	750,125	2,112	15,443	(10,290)	5,153	102
From 91 to 365 days	11,400	1,074	649	-	649	-
	761,831	3,201	16,092	(10,290)	5,802	1,249

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

5. Derivative financial instruments (Continued)

Assessment and measurement criteria (Continued)

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

	2011			2010	
	Reference value	Market value		Net position	Net position
		Amounts receivable	Amounts payable		
I) Type:					
a) Currencies:					
Purchase - dollar	862,520	59,372	(3,303)	56,069	(74,109)
Sale - dollar	682,344	1,426	(43,702)	(42,276)	3,260
b) Commodities:					
Purchase	39,648	1,576	(1,983)	(407)	10,741
Sale	29,191	2,056	(235)	1,821	(10,752)
	1,613,703	64,430	(49,223)	15,207	(70,860)
II) Trading place:					
OTC	1,613,703	64,430	(49,223)	15,207	(70,860)
	1,613,703	64,430	(49,223)	15,207	(70,860)
III) Maturity:					
Within 90 days	715,737	18,191	(14,443)	3,748	(20,942)
From 91 to 365 days	853,352	39,881	(34,780)	5,101	(48,382)
Over 365 days	44,614	6,358	-	6,358	(1,536)
	1,613,703	64,430	(49,223)	15,207	(70,860)

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

	2011		2010	
	Long position	Short position	Long position	Short position
I) Type:				
Future – DI	2,123,480	1,132,456	1,140,059	336,047
Future – DDI	1,402,726	661,894	1,434,737	160,391
Future – DOL	263,675	544,557	274,052	1,067,380
Future – COMMODITIES	-	11,863	-	3,321
	3,789,881	2,350,770	2,848,848	1,567,139
II) Maturity:				
Within 90 days	1,700,270	1,226,529	1,160,881	709,743
From 91 to 365 days	365,729	530,927	400,954	803,311
Over 365 days	1,723,882	593,314	1,287,013	54,085
	3,789,881	2,350,770	2,848,848	1,567,139

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

5. Derivative financial instruments (Continued)

Assessment and measurement criteria (Continued)

- e) In order to hedge the funds raised under Borrowings and On-lending, the Bank entered into derivative financial instruments (futures DDI contracts) classified as hedge accounting, measured under the terms of BACEN Circular No. 3082/2002, as follows:

	<u>2011</u>	<u>2010</u>
Hedged items		
Amount restated under agreed-upon conditions	422,697	434,055
Market value	441,057	452,270
Adjustment value	18,360	18,215
Hedge instruments		
Market value	445,701	454,263

- f) The following Federal Government bonds secure stock exchange and OTC transactions, to wit:

	<u>2011</u>	<u>2010</u>
<u>Securing stock exchange transactions</u>		
<u>Government bonds</u>		
National Treasury Bills (LTN)	226,298	9,469
National Treasury Notes (NTN)	-	96,663
<u>Securing OTC transactions</u>		
<u>Government bonds</u>		
National Treasury Bills (LTN)	23,616	17,991
National Treasury Notes (NTN)	-	1,933
	<u>249,914</u>	<u>126,056</u>

For the year ended December 31, 2011, operations with derivative financial instruments resulted in gains in the amount of R\$ 2,957,930 (2010 – R\$ 1,522,788) and losses in the amount of R\$ 3,037,950 (2010 – R\$ 1,652,317), posted directly to P&L for the year under Results from derivative financial instruments.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

6. Loans

Loans are as follows:

Produto	2011					Total	2010
	Rural	Manufac- turing	Whole- sale	Individual	Other services		Total
External fund onlending	1,542,761	-	-	466,262	-	2,009,023	1,391,493
Export financing	178,865	514,192	22,740	2,159	-	717,956	343,175
Advances on foreign exchange contracts (Note 7) *	22,872	372,879	166,118	-	-	561,869	453,589
Finame	302,157	13,849	-	-	5,163	321,169	210,167
Working capital	113,976	92,476	-	53,291	12,951	272,694	310,956
Compror	2,230	-	218,915	29,485	-	250,630	203,559
Agribusiness credit right certificates	-	224,072	-	-	-	224,072	40,511
BNDES	45,636	68,249	-	-	-	113,885	125,017
Funcafé	93,472	5,308	-	-	-	98,780	52,531
Other receivables	-	-	-	-	-	-	5,219
	2,301,969	1,291,025	407,773	551,197	18,114	4,570,078	3,136,217

* This includes Income receivable from advances granted.

a) Loans mature as follows:

	2011		Total	2010
	Loans	Other receivables		Total
<u>Falling due</u>				
Within 90 days	464,640	86,200	550,840	437,696
From 90 to 365 days	1,958,931	471,213	2,430,144	1,738,278
Over 365 days	1,555,841	-	1,555,841	932,781
	3,979,412	557,413	4,536,825	3,108,755
<u>Overdue</u>				
15 days or more	28,797	4,456	33,253	27,462
	28,797	4,456	33,253	27,462
	4,008,209	561,869	4,570,078	3,136,217

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

6. Loans (Continued)

- b) Loans by sector and their corresponding risk level and allowance set up are summarized as follows:

Risk level	% minimum	2011		2010	
		Total portfolio	Allowance	Total portfolio	Allowance
AA	-	468,308	-	246,766	-
A	0.5	1,216,986	6,085	776,028	3,880
B	1.0	2,644,005	26,440	1,784,071	17,841
C	3.0	105,336	3,160	209,970	6,299
D	10.0	54,985	5,499	42,804	4,281
E	30.0	1,448	434	3,623	1,087
F	50.0	31,429	15,715	43,372	21,686
G	70.0	11,318	7,922	7,590	5,313
H	100.0	36,263	36,263	21,993	21,993
		4,570,078	101,518	3,136,217	82,380

- c) Changes in the allowance for loan losses are as follows:

	2011		2010
	2 nd Half-year	Year	Year
Opening balance	94,898	82,380	129,172
Setting up	38,880	64,964	25,318
Write-offs to loss	(32,331)	(45,851)	(72,084)
Foreign exchange variation of branch abroad	71	25	(26)
Closing balance	101,518	101,518	82,380
Recovery of loans written off to loss	15,146	34,341	39,110
Loan renegotiation	134,361	235,485	332,347

The amount of R\$ 2,472,039 (2010 – R\$ 1,494,814) for loans is secured by Agribusiness Credit Bills (LCA) issued. Banking Credit Bills (CCB) representing these loans are duly registered with CETIP of Brazilian Mercantile Stock Exchange (BBM).

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

7. Foreign exchange portfolio

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Unsettled foreign exchange purchase	1,590,065	-	609,672	-
Unsettled foreign exchange sale	-	224,205	-	246,979
Rights on foreign exchange sales	217,427	-	250,077	-
Foreign exchange purchase payable	-	1,487,768	-	631,935
Income receivable from advances granted	7,247	-	4,859	-
Advances on foreign exchange contracts	-	(554,622)	-	(448,730)
	1,814,739	1,157,351	864,608	430,184

8. Other receivables - Sundry

	2011	2010
Tax credits (Note 9 (c))	73,806	82,092
Other loan-like receivables	-	5,219
Taxes recoverable	76	54
Other	5,991	4,484
	79,873	91,849

9. Income and social contribution taxes

a) Statement of income and social contribution tax base

	2011	2010
Net income before income taxes less deductible profit sharing	196,288	125,405
Income and social contribution taxes at the rates of 25% and 15%, respectively	(78,515)	(50,162)
Effect of additions and exclusions from tax base:		
on Interest on own equity capital	15,664	13,145
on Non-deductible expenses, net of non-taxable profit	(2,156)	(1,312)
on payment of provision for COFINS contingency	-	17,450
on non-deductible interests/on-lending from related parties	(3,442)	-
on other amounts	1,024	(2,493)
Income and social contribution tax results	(67,425)	(23,372)

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

9. Income and social contribution taxes (Continued)

b) Changes in tax credits

	<u>2011</u>	<u>2010</u>
Opening balance	82,092	82,485
(Reversal):		
against P&L for the period	(8,286)	(393)
Closing balance	<u>73,806</u>	<u>82,092</u>

c) Breakdown of tax credits

	<u>2011</u>		<u>2010</u>
	Income tax	Social contribution	Total
<u>Temporary differences</u>			<u>Total</u>
Allowance for loan losses	38,457	23,075	61,532
Provision for bonus/Profit Sharing payment	5,520	4,632	10,152
Provision for contingent liabilities	809	485	1,294
Provision for impairment	-	-	-
Market value adjustment (TVM), derivative financial instruments and hedged items	518	310	828
Total tax credits	<u>45,304</u>	<u>28,502</u>	<u>73,806</u>

These amounts are recorded under Other receivables – sundry.

d) Expected tax credit realization at December 31, 2011

<u>Year</u>	<u>Deferred income tax</u>	<u>Deferred social contribution tax</u>	<u>Total</u>
2012	24,138	15,803	39,941
2013	6,410	3,846	10,256
2014	4,385	2,630	7,015
2015	2,358	1,415	3,773
2016	3,042	1,825	4,867
2017	4,971	2,983	7,954
	<u>45,304</u>	<u>28,502</u>	<u>73,806</u>

The present value of tax credits is R\$ 68,297 (2010 - R\$ 77,479).

There are non-activated tax credits on provisions for contingencies in the amount of R\$ nihil (2010 - R\$ 427), due to uncertainties as to their realization in a period earlier than 10 years.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

9. Income and social contribution taxes (Continued)

d) Expected tax credit realization at December 31, 2011 (Continued)

The Bank has deferred tax obligations in the amount of R\$ 7,259 (2010 – R\$ 5,422) as regards income and social contribution taxes on market value adjustments of marketable securities available for sale. Present value of deferred tax obligations amounts to R\$ 7,021 (2010 – R\$ 5,274).

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

10. Branches abroad

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

<u>Accounts</u>	<u>2011</u>	<u>2010</u>
Current and non-current assets	114,251	169,395
Current and non-current liabilities	99,624	160,561
Net income for the six-month period	2,193	3,649
Net income for the year	4,681	6,824

11. Borrowings and on-lending

Borrowings abroad refer to export and import financing lines, with banks abroad, maturing through December 31, 2014, and interest rates ranging from 0.23% to 4.27% p.a., plus foreign exchange variation.

On-lending abroad refers to outside loans taken out in US dollar, based on CMN and BACEN regulation. Interest rates and charges of funds raised with related parties range from 0.66 % to 7.50% p.a., plus foreign exchange variation, maturing through September 13, 2019. Interest rates and charges of funds raised with unrelated parties range from 5.20% and 5.35% p.a., plus foreign exchange variation, maturing through January 6, 2015, and Libor interest rate plus foreign exchange variation, maturing on June 15, 2012.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

11. Borrowings and on-lending (Continued)

Some borrowings and on-lending abroad were considered as hedged item of derivative financial instruments, as stated in Note 5 e) (derivative financial instruments for hedge purposes).

Local on-lending refers to funds raised with Government Agency for Machinery and Equipment Financing (FINAME), intended to agribusiness and investment financing, maturing through July 15, 2022, as well as funds from National Bank for Economic and Social Development (BNDES) "Venture Financing" program, whose amortization finishes on September 16, 2019, and funds from Ministry of Agriculture, Livestock and Supply "Funcafé" program, whose amortization finishes on December 31, 2013 for Funcafé Pré and on February 28, 2012 for Funcafé Selic.

Maturity of borrowings and on-lending as of December 31, 2011 is as follows:

	2011					2010	
	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	882,585	1,045,598	29,631	-	-	1,957,814	633,519
On-lending Local	83,451	164,869	156,602	116,023	59,135	580,080	400,296
On-lending Abroad	216,160	423,980	1,614,121	603,105	47,587	2,904,953	2,633,110
	1,182,196	1,634,447	1,800,354	719,128	106,722	5,442,847	3,666,925

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

12. 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 loss": the Bank is a party to claims whose likelihood of an unfavorable outcome is rated as possible by management and its legal counsel. No related provisions have been set up. Major claims are:
- Administrative proceeding challenging of Brazilian IRS tax notice claiming payment of R\$ 10,691 for Withholding Income Tax as the responsible payer.
 - Labor claim filed by a former employee of an outsourced company, in the amount of R\$ 195.
 - Administrative proceedings challenging three Brazilian IRS tax notices claiming payment of R\$ 2,296 for Social Security Contribution Tax (INSS), Work Accident Insurance (SAT), Education Allowance, Brazilian Institute of Land Reform (Incra) and Social Security Information Form (GFIP) Accessory Obligations.
 - Administrative proceeding challenging the Brazilian IRS tax notice claiming payment of R\$ 932 for IRPJ and CSLL on allegedly gains on IPO on BM&FBOVESPA.
 - Challenging the methodology used to compute Prevention Accident Factor (FAP)/INSS related to payment of R\$ 263.
 - Legal proceeding requiring the suspension of incorrect billing of telephone calls with Embratel in the amount of R\$ 119.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

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

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

	Balance at 12/31/2010	Provision	Monetary restatement	Balance at 12/31/2011
Provision for Tax Risks				
FGTS	855	1,383	-	2,238
Civil provision	213	55	30	298
Labor provision	-	699	-	699
	1,068	2,137	30	3,235

13. Subordinated debts

These refer to loans taken out from third-parties as "Subordinated Debts", pursuant to CMN Resolution No. 3444/2007. Such loan is in reais and was taken out on August 14, 2008, maturing on July 15, 2016, and bearing interest at the rate of 11.20% p.a.

14. Other liabilities – sundry

	2011	2010
Provision for civil/labor claims (Note 12 (c))	997	213
Provision for bonuses and profit sharing	-	19,215
Other personnel expenses payable	24,989	13,913
Trade accounts payable	7,091	2,779
Sundry	1,042	1,551
	<u>34,119</u>	<u>37,671</u>

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

15. Equity

At December 31, 2011, fully subscribed and paid-in capital is divided into 457,209,762 (2010 – 425,268,759) common registered shares, with no par value, distributed as follows:

	2011	2010
Rabobank International Holding B.V.	457,208,319	425,267,406
Rabobank Curaçao N.V.	1,443	1,353
	457,209,762	425,268,759

Under the provisions of Law No. 9249/1995, Management decided for the accrual of interest on own equity capital, in accordance with legislation currently in force. In December 2011, the total amount accrued was R\$ 39,161, and the amount of R\$ 33,287 was allocated to capital increase. This operation rendered it possible to reduce the income and social contribution tax expenses by R\$ 15,664, as approved by the Special Shareholders' Meeting (AGE) held on December 30, 2011.

Capital increased from R\$ 443,184 to R\$ 476,471, which resulted in issuance of 31,941,003 common shares with no par value, maintaining former proportional shareholding structure, which was approved by BACEN on January 26, 2012.

16. Related parties

Related-party transactions are carried out under normal market rates and conditions in force on transaction date, pursuant to CMN Resolution No. 3750/2009.

a) Management fees

	2011	2010
Compensation (management fees)	5,538	4,724
Bonuses	5,082	2,125
Supplementary private pension plans	945	562

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

16. Related parties (Continued)

b) Related-party transactions

	2011		2010	
	Assets (liabilities)	Revenues/ (expenses)	Assets/ (liabilities)	Revenues/ (expenses)
Foreign currency deposits				
Rabobank Nederlands	601	(252)	71	-
Open market investments				
Banco de Lage Landen Brasil S.A.	-	5,949	161,811	5,001
Interbank deposits				
Banco de Lage Landen Brasil S.A.	143,946	9,158	-	-
Foreign currency investments				
Rabobank Nederlands – NY branch	-	27,867	-	5,372
Derivative financial instruments				
Banco de Lage Landen Brasil S.A.	(5,896)	(3,292)	363	1,695
Foreign exchange portfolio				
Rabobank Nederlands	8,818	8,499	(625)	(366)
Other receivables – (commissions receivable)				
Rabobank Curaçao N.V.	-	14,763	-	12,146
São Paulo Partners, LLC	-	7,027	-	1,131
Interbank deposits				
Banco de Lage Landen Brasil S.A.	(117,121)	(6,395)	-	(512)
Open market funding				
Banco de Lage Landen Brasil S.A.	-	(5,495)	(118,244)	(10,085)
Borrowings and on-lending				
São Paulo Partners, LLC	(2,454,992)	(296,094)	(1,678,014)	4,547
Rabobank Curaçao N.V.	(1,295,677)	(169,979)	(472,958)	14,798
Rabobank Nederlands	-	66,683	-	5,266
Rabobank Nederlands – NY branch	(675,777)	(40,257)	(670,340)	23,880
Tullaghought Company	(46,657)	(7,999)	(82,819)	(1,484)
Other liabilities – (commissions payable)				
Banco de Lage Landen Brasil S.A.	(2)	(24)	(2)	(24)

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

17. Revenue from services rendered

	2011	2010
Commissions received for advisory and transaction structuring services	21,894	22,739
Business brokerage services	21,789	13,277
Other services rendered and bank fees	5,537	3,537
	49,220	39,553

18. Other administrative expenses

	2011	2010
Data processing	13,948	7,729
Rentals and leases	7,332	4,125
Third-party services	6,273	5,670
Maintenance of assets	4,548	1,010
Financial system services	4,459	2,866
Travel	4,174	2,977
Communication	4,017	2,481
Depreciation and amortization	3,916	3,239
Advertising, promotion and publicity	2,580	1,364
Condo fees	1,259	768
Transportation	1,048	1,001
Water and energy	441	415
Materials	438	389
Late-payment fine	27	8,078
Legal charges – Decree-Law No. 1025/1969	-	4,041
Other administrative expenses	3,409	2,493
	57,869	48,646

19. Cash and cash equivalents

Cash and cash equivalents used when preparing the Statements of Cash Flows are as follows:

	2011	2010
Cash and cash equivalents in local currency	1,482	10,267
Cash and banks in foreign currency	121,818	212,317
Total	123,300	222,584
Open market investments	2,257,554	1,610,372
Interbank deposits	143,946	161,811
Foreign currency investments	-	8,528
Total	2,524,800	2,003,295

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2011 and 2010
(In thousands of reais)

20. Other matters

- a) Guarantees given by third parties, including collaterals, surety bonds and other co-liabilities, amount to R\$ 30,797 (2010 – R\$ 14,127), and guarantees received total R\$ 61,690 (2010 – R\$ 243,789).
- b) The Bank computes its minimum equity limits within parameters established by CMN Resolutions No. 2099/1994, No. 3444/2007 and No. 3490/2007, and supplementary standards. Positive margin between effective reference assets and minimum capital requirements is R\$ 173,886 (2010 – R\$ 284,163), whereas Basel index is 13.24% (2010 – 15.58%).
- 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\$ 5,816 (2010 – R\$ 4,217). The supplementary private pension plan is a defined contribution type plan.
- d) No share-based payments are made by the Bank to its employees.

21. Subsequent events

- a) On January 17, 2012, the Bank received dividends amounting to R\$ 7,309 from its branch abroad.
- b) On January 26, 2012, the Special Shareholders' Meeting approved a capital increase in cash in the amount of R\$ 98,994. As such, capital increased from R\$ 476,471 to R\$ 575,465, with issue of 94,992,661 common shares with no par value, maintaining former proportional shareholding structure. This process was approved by BACEN on February 28, 2012.

EXECUTIVE MANAGEMENT

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