

Financial Statements

Banco Rabobank International Brasil S.A.

June 30, 2011 and 2010
with Independent Auditor's Report

Banco Rabobank International Brasil S.A.

Financial statements

June 30, 2011 and 2010

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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 six-month periods ended June 30, 2011 and 2010, and related notes to financial statements and independent auditor's 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 Management, where all decisions are taken through internal and outside committees, according to duty segregations determined by the Entity. 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 Entity's executive management seeking safe business operations for the Bank.

Operating risk

Operating risk is defined as the likelihood of losses arising from weakness, deficiencies or inappropriateness in internal processes, people, systems or outside 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 Entity'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 Entity's CEO, as defined in CMN Resolution No. 3380/2006.

Market and credit risk management activities are represented by Risk Executive Management, statutory executive management reporting to the Entity'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 for their dedication and talent which supported us to achieve all of our goals. We also acknowledge our customers and shareholders for their believing in us.

São Paulo, July 20, 2011.

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

Independent auditor's report on financial statements

To the Board of Directors, Shareholders 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 at June 30, 2011, and related statement of income, statement of changes in shareholders' equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit performed 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 preparation and fair presentation of the Banco Rabobank International Brasil S.A. 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 Banco Rabobank International Brasil S.A. internal controls. 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 audit 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 of June 30, 2011, and its financial performance and its cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil that are applicable to institutions authorized to operate by Central Bank of Brazil.

São Paulo, August 15, 2011.

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

Eduardo Wellichen
Accountant CRC-1SP184050/O-6

Banco Rabobank International Brasil S.A.

Balance sheets June 30, 2011 and 2010 (In thousands of reais)

	2011	2010
Assets		
Current assets	6,958,513	5,611,438
Cash and cash equivalents	249,615	99,232
Short-term interbank investments	1,590,913	2,351,722
Open market investments	1,539,262	2,274,104
Interbank deposits	51,651	-
Foreign currency investments	-	77,618
Marketable securities and derivative financial instruments	2,197,605	894,650
Own portfolio	1,852,498	685,665
Subject to repurchase agreements	35,843	2,176
Subject to guarantees given	249,093	169,804
Derivative financial instruments	60,171	37,005
Interbank accounts	2,815	1,979
Unsettled payments and receipts	1	8
Restricted deposits:		
Central Bank of Brazil	2,755	1,644
Correspondent banks	59	327
Loans	1,403,764	1,419,082
Private sector	1,436,502	1,445,527
Allowance for loan losses	(32,738)	(26,445)
Other receivables	1,513,796	844,563
Foreign exchange portfolio	1,497,988	832,901
Income receivable	6,323	6,972
Sundry	11,172	8,113
Allowance for other loan losses	(1,687)	(3,423)
Other assets	5	210
Prepaid expenses	5	210
Non-current assets	2,881,431	2,637,346
Marketable securities and derivative financial instruments	1,523,562	1,350,584
Own portfolio	1,513,632	1,348,971
Derivative financial instruments	9,930	1,613
Loans	1,279,885	1,157,833
Private sector	1,335,139	1,225,849
Allowance for loan losses	(55,254)	(68,016)
Other receivables	77,984	128,929
Foreign exchange portfolio	-	45,018
Sundry	83,203	83,911
Allowance for other loan losses	(5,219)	-
Permanent assets	16,429	13,282
Investments	6	565
Other investments	6	565
Property and equipment in use	6,515	6,264
Other property and equipment in use	15,230	13,256
Accumulated depreciation	(8,715)	(6,992)
Intangible assets	9,908	6,453
Intangible assets	12,104	7,420
Accumulated amortization	(2,196)	(967)
Total	9,856,373	8,262,066

	2011	2010
Liabilities and equity		
Current liabilities	7,091,590	5,546,614
Deposits	112,389	137,770
Demand deposits	17,918	4,536
Interbank deposits	-	16
Time deposits	94,276	133,204
Other deposits	195	14
Open market funding	948,391	1,124,609
Own portfolio	35,730	2,175
Third-party portfolio	912,661	1,122,434
Funds from acceptance and issue of securities	1,800,005	1,432,210
Real estate, mortgage, credit an similar notes	1,800,005	1,432,210
Interbank accounts	72	53
Unsettled receipts and payments	72	53
Interdepartmental accounts	22,511	82,376
Third-party funds in transit	22,511	82,376
Borrowings	1,238,308	555,741
Foreign borrowings	1,238,308	555,741
Local on-lending – official institutions	117,257	124,350
BNDES	21,614	15,698
FINAME	52,939	77,398
Other institutions	42,704	31,254
Foreign on-lending	1,546,494	1,594,758
Foreign on-lending	1,546,494	1,594,758
Derivative financial instruments	113,541	26,246
Derivative financial instruments	113,541	26,246
Other liabilities	1,192,622	468,501
Collection of taxes and other contributions	927	595
Foreign exchange portfolio	1,092,824	371,551
Social and statutory	1,981	1,981
Tax and social security	32,765	33,256
Securities trading and brokerage	4,809	5,571
Subordinated debts	30,583	30,169
Sundry	28,733	25,378
Non-current liabilities	2,063,116	2,127,723
Deposits	332,288	302,481
Interbank deposits	82,106	-
Time deposits	250,182	302,481
Funds from acceptance and issue of securities	1,291	41,024
Real estate, mortgage, credit an similar notes	1,291	41,024
Borrowings	34,982	93,165
Foreign borrowings	34,982	93,165
Local on-lending – official institutions	282,657	215,464
BNDES	99,658	109,351
FINAME	175,193	96,642
Other institutions	7,806	9,471
Foreign on-lending	1,101,552	1,082,851
Foreign on-lending	1,101,552	1,082,851
Derivative financial instruments	3,857	2,811
Derivative financial instruments	3,857	2,811
Other liabilities	306,489	389,927
Tax and social security	6,267	45,115
Foreign exchange portfolio	-	44,299
Subordinated debts	300,000	300,000
Sundry	222	513
Equity	701,667	587,729
Capital:		
Foreign residents	443,184	411,962
Capital reserve	-	3,573
Income reserve - statutory	180,463	66,388
Income reserve - legal	23,349	17,797
Equity pickup	8,118	-
Retained earnings	46,553	88,009
Total	9,856,373	8,262,066

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of income

Six-month periods ended June 30, 2011 and 2010

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

	<u>2011</u>	<u>2010</u>
Interest income	<u>154,868</u>	<u>408,282</u>
Credit operations	30,515	195,801
Marketable security transactions income (loss)	297,921	187,795
Derivative financial instruments income (loss)	(173,568)	9,998
Income on foreign exchange transactions	-	14,688
Interest expenses	<u>(9,286)</u>	<u>(292,524)</u>
Open market funding	(140,506)	(98,026)
Loan, assignments and on-lending	200,227	(187,804)
Losses on foreign exchange transactions	(42,923)	-
Allowance for loan credit losses	(26,084)	(6,694)
Gross interest result	<u>145,582</u>	<u>115,758</u>
Other operating income (expenses)	<u>(42,578)</u>	<u>(31,828)</u>
Revenue from services rendered	20,375	21,668
Personnel expenses	(24,787)	(26,353)
Management remuneration	(5,843)	(2,351)
Other administrative expenses	(23,439)	(15,735)
Tax expenses	(8,596)	(7,888)
Other operating income	889	348
Other operating expenses	(1,177)	(1,517)
Operating income	<u>103,004</u>	<u>83,930</u>
Non-operating income (loss)	10	(10)
Income before taxes and profit sharing	<u>103,014</u>	<u>83,920</u>
Income and social contribution tax	<u>(37,074)</u>	<u>(31,613)</u>
Provision for income tax	(17,919)	(19,048)
Provision for social contribution tax	(10,648)	(11,430)
Deferred tax charges	(8,507)	(1,135)
Profit sharing	<u>(16,937)</u>	<u>(12,305)</u>
Net income for the six-month period	<u>49,003</u>	<u>40,002</u>
Earnings per thousand shares – R\$	<u>115.23</u>	<u>101.19</u>

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of changes in shareholders' equity
Six-month periods ended June 30, 2011 and 2010
(In thousands of reais)

	<u>Capital</u>	<u>Capital increase</u>	<u>Capital reserve</u>	<u>Income reserve Statutory</u>	<u>Income reserve Legal</u>	<u>Equity pickup</u>	<u>Retained earnings</u>	<u>Total</u>
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 held on December 30, 2009	38,343	(38,343)	-	-	-	-	-	-
Net income for the six-month period	-	-	-	-	-	-	40,002	40,002
Allocations:								
Legal reserve	-	-	-	-	2,000	-	(2,000)	-
Balances at June 30, 2010	<u>411,962</u>	<u>-</u>	<u>3,573</u>	<u>66,388</u>	<u>17,797</u>	<u>-</u>	<u>88,009</u>	<u>587,729</u>
Balances at December 31, 2010	411,962	31,222	-	180,463	20,899	8,133	-	652,679
Capital increase approved in special shareholders' meeting held on December 30, 2010	31,222	(31,222)	-	-	-	-	-	-
Market value adjustment – marketable securities and derivative financial instruments	-	-	-	-	-	(15)	-	(15)
Net income for the six-month period	-	-	-	-	-	-	49,003	49,003
Allocations:								
Legal reserve	-	-	-	-	2,450	-	(2,450)	-
Balances at June 30, 2011	<u>443,184</u>	<u>-</u>	<u>-</u>	<u>180,463</u>	<u>23,349</u>	<u>8,118</u>	<u>46,553</u>	<u>701,667</u>

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of cash flows
Six-month periods ended June 30, 2011 and 2010
(In thousands of reais)

	<u>2011</u>	<u>2010</u>
Cash flow from operating activities:		
Net income	49,003	40,002
Adjustments to net income:		
Adjustments to market value	(15)	-
Depreciation	1,100	1,119
Amortization	700	540
Allowance for loan losses	26,084	6,694
Provisions for civil, labor and tax claims	9	6,340
Net income after adjustments	<u>76,881</u>	<u>54,695</u>
(Increase) decrease in marketable securities and derivative financial instruments	(1,037,171)	130,346
(Increase) decrease in interbank accounts	13	(227)
Increase/(decrease) in interdepartmental accounts	(22,247)	9,452
(Increase) in loans	(109,895)	(357,769)
(Increase) in other receivables	(631,757)	(514,721)
(Increase) decrease in prepaid expenses	120	(74)
Increase in other liabilities	<u>691,063</u>	<u>343,352</u>
	<u>(1,109,874)</u>	<u>(389,641)</u>
Net cash used in operating activities	<u>(1,032,993)</u>	<u>(334,946)</u>
Cash flow from investment activities:		
Disposal of property and equipment in use	3	24
Acquisition of property and equipment in use	(1,525)	(475)
Acquisition of intangible assets	(1,497)	(1,985)
Net cash used in investment activities	<u>(3,019)</u>	<u>(2,436)</u>
Cash flow from financing activities:		
(Decrease) in deposits	(65,045)	(37,930)
Increase (decrease) in open market funding	(68,456)	148,996
(Decrease) in funds from issue of securities	352,421	333,796
Increase in borrowings and on-lending	654,325	463,166
Net cash from financing activities	<u>873,245</u>	<u>908,028</u>
Increase in cash and cash equivalents	<u>(162,767)</u>	<u>570,646</u>
Cash and cash equivalents		
At the beginning of the six-month period	2,003,295	1,880,308
At the end of the six-month period	<u>1,840,528</u>	<u>2,450,954</u>
Increase in cash and cash equivalents	<u>(162,767)</u>	<u>570,646</u>

See accompanying notes.

Banco Rabobank International Brasil S.A.

Notes to financial statements
June 30, 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 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 financial statements of the Bank.

These financial statements were prepared in accordance with accounting practices adopted in Brazil and require that Management uses 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.

A summary of significant accounting practices is described below:

a) Determination of P&L

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)
June 30, 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 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) 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. 3.068/2001 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, which are transferred to P&L for the period when they are effectively realized;
- *Held to maturity* – those securities the Bank intends and has the financial capacity to hold to maturity. Financial capacity is defined in a cash flow project, disregarding the likelihood of selling these 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)
June 30, 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 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 exercised, when is accounted for as an increase or a 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 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 the customers' request 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 their appreciation or depreciation is recorded as follows:

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

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
June 30, 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 of 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. 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 periodic assessment of the portfolio and its classification into nine levels (AA for minimum risk and H for loss). After six months, transactions classified as H and overdue over 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 received. These transactions were classified as non-current assets.

Allowance for loan losses, considered sufficient by Management, is set up for the amount established in the aforementioned Resolution, as stated in 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)
June 30, 2011 and 2010
(In thousands of reais)

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

g) Permanent assets (Continued)

For disclosure purposes, expenses with system acquisition were reclassified from Deferred Assets to Intangible Assets, and leasehold improvements from Deferred Assets to Property and Equipment in Use, thus remaining no balance recorded as Deferred Assets. 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 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 generating cash flows substantially independent from the other assets and groups. Impairment is recognized in P&L for the period.

Non-financial assets, except for tax credits, are reviewed at least 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, published 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)
June 30, 2011 and 2010
(In thousands of reais)

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

j) Income and social contribution tax

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, as stated in 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 against.
- *Contingent liabilities* – these are recognized in financial statements when, based on the opinion of legal counsel and management, the likelihood of an unfavorable outcome for a lawsuit or administrative proceeding is considered probable, with a probable outflow of financial resources for the settlement of obligations and the amounts involved can be reliably measured. Contingent liabilities whose likelihood of an unfavorable outcome is rated as possible by legal counsels are only disclosed in 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 lawfulness and constitutionality of some taxes and contributions have been challenged. The discussed amount is quantified, recorded and restated on a monthly basis.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
June 30, 2011 and 2010
(In thousands of reais)

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

l) Subsequent events

CMN Resolution No. 3973/2011 provides for record and disclosure of subsequent events within the financial statements period, as set forth by CPC Pronouncement No. 24. No subsequent events under such requirements were identified by management since the approval of these financial statements on August 12, 2011.

3. Short-term interbank investments

In 2011, short-term interbank investments are represented 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 foreign currency investments.

4. Marketable securities

Summary of security portfolio breakdown

Description	2011		2010	
	Book value	Market Value	Book value	Market Value
Federal Government bonds – National Treasury	1,828,444	1,828,444	431,793	431,793
Pão-de-Açúcar – Credit rights investment fund (FIDC)	1,162,503	1,162,503	1,126,675	1,126,675
Concórdia – Credit rights investment fund (FIDC)	-	-	248,287	248,287
Tribanco-Martins – Credit rights investment fund	95,596	95,596	85,079	85,079
Minerva – Credit rights investment fund	53,257	53,257	44,446	44,446
Nutriplant – Credit rights investment fund	4,561	4,561	3,412	3,412
Stocks	13,630	13,630	-	-
Debentures	197,715	197,715	89,359	89,359
Rural product bill	10,424	10,424	5,585	5,585
Subtotal own portfolio	3,366,130	3,366,130	2,034,636	2,034,636
Federal government bonds – National Treasury	35,843	35,843	2,176	2,176
Subtotal subject to repurchase agreements	35,843	35,843	2,176	2,176
Federal government bonds – National Treasury	249,093	249,093	169,804	169,804
Subtotal subject to guarantees given	249,093	249,093	169,804	169,804

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
June 30, 2011 and 2010
(In thousands of reais)

<u>3,651,066</u>	<u>3,651,066</u>	<u>2,206,616</u>	<u>2,206,616</u>
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Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
June 30, 2011 and 2010
(In thousands of reais)

4. Marketable securities (Continued)

Classification by category and term

Category	2011					
	Amortized cost	Market Value	Book value	Book value by maturity		
				Up to 90 days	From 91 to 365 days	Over 365 days
FIDC	1,315,917	1,315,917	1,315,917	-	-	1,315,917
Stocks	84	13,630	13,630	13,630	-	-
Debentures	197,731	197,715	197,715	-	-	197,715
CPR	10,424	10,424	10,424	-	10,424	-
Available for sale	1,524,156	1,537,686	1,537,686	13,630	10,424	1,513,632
LFT	17,933	17,932	17,932	17,932	-	-
LTN	1,966,349	1,965,159	1,965,159	1,965,159	-	-
NTN-B	20,610	20,418	20,418	20,418	-	-
NTN-F	110,194	109,871	109,871	109,871	-	-
Trading	2,115,086	2,113,380	2,113,380	2,113,380	-	-
	3,639,242	3,651,066	3,651,066	2,127,010	10,424	1,513,632
2010	2,206,942	2,206,616	2,206,616	851,718	5,927	1,348,971

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

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

Market value adjustment of marketable securities classified as available for sale, in the amount of R\$ 8,118 (2010 – nil), 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 measured by each related rate and/or index. The restated value of the debentures indexed to CDI approximates the market value and for other indexes the mark to market is calculated based on quotation published by ANBIMA.

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Notes to financial statements (Continued)
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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 stocks are under custody of Brazilian Clearing House for the Custody and Financial Settlement of Securities (CBLC).

Investments in FIDCs are related to senior shares acquired, whose book value refers to the corresponding senior share price informed by the fund manager for the last working day of the month. FIDCs financial statements are audited on an annual basis and the past independent auditor's reports on financial statements were all unqualified. The term of these FIDCs is pre-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>		
	Concórdia – Credit rights investment fund	“Sadia” Companies
	Pão-de-Açúcar – Credit rights investment fund	“Pão-de-Açúcar” Companies
	Tribanco-Martins – Credit rights investment fund	“Martins” Company
<u>Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.</u>		
	Nutriplant – Agricultural industry credit rights investment fund	“Nutriplant” Company
	Minerva – Credit rights investment fund – Mercantile credit	“Minerva” Company

Managers of FIDC Concórdia, 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 FIDCs, in accordance with legal and regulatory standards.

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Notes to financial statements (Continued)
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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 department 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. No items have exceeded for the six-month period.
- 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. Confidence level is at 97.5%.
- The Bank considers it has been effective in using derivatives for hedging purposes.

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Notes to financial statements (Continued)
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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 cash flows to present value, based on interest rate curves built by own methodology, which is mainly based on data published by BM&FBOVESPA.

Derivative financial instruments reflecting on assets and liabilities accounts are:

<u>Derivative financial instruments - Assets</u>	<u>2011</u>	<u>2010</u>
Swap – net receivable	42,761	5,333
Options – premiums paid	7,428	19,886
NDF – net receivable	19,912	13,399
	<u>70,101</u>	<u>38,618</u>
<u>Derivative financial instruments - Liabilities</u>		
Swap – net payable	(10,783)	(2,406)
Options – premiums received	(6,819)	(1,181)
NDF – net payable	(99,796)	(25,470)
	<u>(117,398)</u>	<u>(29,057)</u>

a) Summary of swap portfolio is as follows

	2011			2010	
	Reference value	Assets	Liabilities	Net position	Net position
I) Index:					
CDI x Dollar	601,312	614,280	(573,096)	41,184	2,587
CDI x Index	55,000	57,007	(57,111)	(104)	-
Dollar x CDI	263,490	256,780	(266,770)	(9,990)	-
Dollar x Other	188,336	181,562	(180,127)	1,435	1,448
Other x Dollar	188,336	180,127	(180,674)	(547)	(1,108)
	<u>1,296,474</u>	<u>1,289,756</u>	<u>(1,257,778)</u>	<u>31,978</u>	<u>2,927</u>
II) Trading place:					
Over-the-counter	1,296,474	1,289,756	(1,257,778)	31,978	2,927
	<u>1,296,474</u>	<u>1,289,756</u>	<u>(1,257,778)</u>	<u>31,978</u>	<u>2,927</u>
III) Maturity:					
Up to 90 days	677,968	672,929	(662,440)	10,489	2,140
From 91 to 365 days	337,286	330,914	(317,644)	13,270	457
Over 365 days	281,220	285,913	(277,694)	8,219	330
	<u>1,296,474</u>	<u>1,289,756</u>	<u>(1,257,778)</u>	<u>31,978</u>	<u>2,927</u>

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

b) Portfolio of contracts and premiums of dollar options is summarized as follows

	Contract financial value	Cost value	2011			2010
			Market value		Net position	Net position
			Assets	Liabilities		
I) Type:						
a) <i>Flexible options:</i>						
Purchase of call options	166,143	1,996	70	-	70	-
Purchase of put options	55,125	661	862	-	862	-
Sale of call options	158,802	(1,855)	-	(161)	(161)	-
Sale of put options	6,838	(175)	-	(491)	(491)	-
b) <i>Standard options:</i>						
Purchase of call options	605,975	8,275	4,678	-	4,678	36
Purchase of put options	179,250	731	1,818	-	1,818	19,850
Sale of call options	681,200	(7,858)	-	(4,657)	(4,657)	(711)
Sale of put options	248,813	(1,224)	-	(1,510)	(1,510)	(470)
	<u>2,102,146</u>	<u>551</u>	<u>7,428</u>	<u>(6,819)</u>	<u>609</u>	<u>18,705</u>
II) Trading place:						
a) <i>Flexible options:</i>						
Over-the-counter	386,908	627	932	(652)	280	-
b) <i>Standard options:</i>						
Stock exchange	1,715,238	(76)	6,496	(6,167)	329	18,705
	<u>2,102,146</u>	<u>551</u>	<u>7,428</u>	<u>(6,819)</u>	<u>609</u>	<u>18,705</u>
III) Maturity:						
a) <i>Flexible options:</i>						
Up to 90 days	340,447	124	303	(417)	(114)	-
From 91 to 365 days	46,461	503	629	(235)	394	-
b) <i>Standard options:</i>						
Up to 90 days	1,132,800	(212)	2,428	(2,359)	69	18,705
From 91 to 365 days	582,438	136	4,068	(3,808)	260	-
	<u>2,102,146</u>	<u>551</u>	<u>7,428</u>	<u>(6,819)</u>	<u>609</u>	<u>18,705</u>

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

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

	2011			2010	
	Reference value	Amounts receivable	Amounts payable	Net position	Net position
I) Type:					
a) Currencies:					
Purchase - dollar	1,094,633	822	(95,661)	(94,839)	(16,743)
Sale - dollar	385,007	14,931	-	14,931	1,814
b) Commodities:					
Purchase	113,461	3,827	(852)	2,975	(3,984)
Sale	47,816	332	(3,283)	(2,951)	6,842
	<u>1,640,917</u>	<u>19,912</u>	<u>(99,796)</u>	<u>(79,884)</u>	<u>(12,071)</u>
II) Trading place:					
Over-the-counter	1,640,917	19,912	(99,796)	(79,884)	(12,071)
	<u>1,640,917</u>	<u>19,912</u>	<u>(99,796)</u>	<u>(79,884)</u>	<u>(12,071)</u>
III) Maturity:					
Up to 90 days	661,808	8,150	(39,763)	(31,613)	(353)
From 91 to 365 days	864,359	10,265	(56,390)	(46,125)	(10,190)
Over 365 days	114,750	1,497	(3,643)	(2,146)	(1,528)
	<u>1,640,917</u>	<u>19,912</u>	<u>(99,796)</u>	<u>(79,884)</u>	<u>(12,071)</u>

d) Futures contracts portfolio – BM&FBOVESPA (notional amounts) is summarized as follows

	2011		2010	
	Long position	Short position	Long position	Short position
I) Type:				
Future – DI	1,468,826	481,741	1,000,604	549,678
Future – DDI	1,384,335	1,197,662	911,187	48,719
Future – DOL	656,683	1,105,240	327,260	136,866
Future – COMMODITIES	-	71,567	-	34,703
	<u>3,509,844</u>	<u>2,856,210</u>	<u>2,239,051</u>	<u>769,966</u>
II) Maturity:				
Up to 90 days	1,426,970	1,414,576	904,180	124,961
From 91 to 365 days	1,062,971	355,060	400,600	482,269
Over 365 days	1,019,903	1,086,574	934,271	162,736
	<u>3,509,844</u>	<u>2,856,210</u>	<u>2,239,051</u>	<u>769,966</u>

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

- e) In order to hedge funds raised under Borrowings and On-lending, the Bank took out derivative financial instruments (futures DDI contracts) as hedge, 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	350,504	465,966
Market value	366,511	492,457
Adjustment value	16,007	26,491
Hedge instruments		
Market value	370,052	485,374

- f) The following Federal Government bonds secure stock exchange are subject to guarantees given:

	<u>2011</u>	<u>2010</u>
<u>Securing stock exchange transactions</u>		
<u>Government bonds</u>		
National Treasury Bills (LTN)	62,961	55,479
National Treasury Notes (NTN)	107,963	98,794
<u>Securing OTC transactions</u>		
<u>Government bonds</u>		
National Treasury Bills (LTN)	76,262	13,627
National Treasury Notes (NTN)	1,907	1,904
	<u>249,093</u>	<u>169,804</u>

For the six-month period ended June 30, 2011, operations with derivative financial instruments resulted in gains in the amount of R\$ 1,077,829 (2010 – R\$ 872,747) and losses R\$ 1,251,397 (2010 – R\$ 862,749), posted directly to P&L for the year under Derivative Financial Instruments Income (Loss).

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6. Loans

Loans are as follows:

Product	2011						2010
	Rural	Manufacturing	Trade	Individual	Other services	Total	Total
External fund onlending	1,257,668	30,073	-	273,575	-	1,561,316	1,548,121
Advances on foreign exchange contracts (Note 7) *	31,420	260,719	164,376	-	-	456,515	463,277
Working capital	111,534	89,201	2,609	52,145	22,633	278,122	340,742
Export financing	7,815	247,141	-	-	-	254,956	335,134
Finame	226,024	15,162	-	-	5,451	246,637	170,486
Agribusiness credit right certificates	-	171,015	-	-	-	171,015	51,001
BNDES	28,338	94,726	-	-	-	123,064	127,230
Compror	1,861	-	61,814	15,069	2,102	80,846	53,881
Funcafé	50,549	5,136	-	-	-	55,685	44,781
Other receivables	657	5,219	-	-	-	5,876	-
	<u>1,715,866</u>	<u>918,392</u>	<u>228,799</u>	<u>340,789</u>	<u>30,186</u>	<u>3,234,032</u>	<u>3,134,653</u>

* This includes Income receivable from advances granted.

a) Loans mature as follows

	2011			2010
	Loans	Other receivables	Total	Total
<u>Falling due</u>				
Up to 90 days	427,618	160,280	587,898	775,471
From 90 to 365 days	1,005,281	296,892	1,302,173	1,137,350
Over 365 days	1,305,639	-	1,305,639	1,185,996
	<u>2,738,538</u>	<u>457,172</u>	<u>3,195,710</u>	<u>3,098,817</u>
<u>Overdue</u>				
15 days or more	33,103	5,219	38,322	35,836
	<u>33,103</u>	<u>5,219</u>	<u>38,322</u>	<u>35,836</u>
	<u>2,771,641</u>	<u>462,391</u>	<u>3,234,032</u>	<u>3,134,653</u>

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

b) Loans by sector and their corresponding risk level and allowance set up

Risk level	%	2011						2010		
		Economic sector						Total portfolio	Allowance	
minimum	Rural	Manufacturing	Trade	Individual	Other services	Total portfolio	Allowance	Total portfolio	Allowance	
AA	-	2,237	267,158	52,269	2,214	-	323,878	-	540,900	-
A	0.5	217,063	446,079	68,875	13,026	13,750	758,793	3,794	644,797	3,224
B	1.0	1,335,599	160,614	107,655	284,100	2,102	1,890,070	18,901	1,585,481	15,855
C	3.0	86,637	34,594	-	28,562	-	149,793	4,494	188,495	5,655
D	10.0	24,193	-	-	7,280	-	31,473	3,147	96,755	9,675
E	30.0	1,357	-	-	-	-	1,357	407	9,655	2,897
F	50.0	11,812	-	-	1,586	14,334	27,732	13,866	12,314	6,157
G	70.0	1,935	-	-	221	-	2,156	1,509	6,118	4,283
H	100.0	35,033	9,947	-	3,800	-	48,780	48,780	50,138	50,138
		1,715,866	918,392	228,799	340,789	30,186	3,234,032	94,898	3,134,653	97,884

c) Changes in allowance for loan losses

	2011	2010
Initial balance	82,380	129,172
Constitution	26,084	6,694
Write-off to loss	(13,520)	(38,012)
Foreign exchange variation of agency abroad	(46)	30
Final balance	94,898	97,884
Recovery of loans written off to loss	19,195	17,413
Loan renegotiation	101,124	142,169

The amount of R\$ 1,834,284 (2010 – R\$ 1,642,347) 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).

7. Foreign exchange portfolio

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Unsettled foreign exchange purchase	1,289,529	-	707,687	-
Unsettled foreign exchange sale	-	201,093	-	161,293
Rights on foreign exchange sales	202,993	-	161,413	-
Foreign exchange purchase payable	-	1,342,780	-	709,831
Income receivable from advances granted	5,466	-	8,819	-
Advances on foreign exchange contracts	-	(451,049)	-	(454,458)
	1,497,988	1,092,824	877,919	416,666

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8. Other receivables - Sundry

	<u>2011</u>	<u>2010</u>
Tax credits (Note 9 (c))	73,585	81,350
Other loan-like receivables	5,876	-
Taxes recoverable	7,921	6,580
Other	6,993	4,094
	<u>94,375</u>	<u>92,024</u>

9. Income and social contribution taxes

a) Statement of income and social contribution tax calculation

	<u>2011</u>	<u>2010</u>
Net income before income taxes, less deductible profit sharing	86,077	71,615
Income and social contributions taxes at the rates of 25% and 15%, respectively	(34,431)	(28,646)
Effect of additions to an exclusions from tax base:		
on non-deductible expenses, net of non-taxable profit	(1,590)	(993)
on other amounts	(1,053)	(1,974)
Income and social contribution tax result	<u>(37,074)</u>	<u>(31,613)</u>

b) Changes in tax credit

	<u>2011</u>	<u>2010</u>
Initial balance	82,092	82,485
Constitution/(reversion): against P&L for the period	(8,507)	(1,135)
Final balance	<u>73,585</u>	<u>81,350</u>

c) Breakdown of tax credits

	<u>2011</u>			<u>2010</u>
	<u>Income tax</u>	<u>Social contribution</u>	<u>Total</u>	<u>Total</u>
<u>Temporary differences:</u>				
Allowance for loan losses	36,102	21,661	57,763	64,304
Provision for bonus payment	1,926	1,155	3,081	5,696
Provision for other expenses	1,281	1,414	2,695	2,258
Provision for impairment	635	381	1,016	616
Market value adjustment – Marketable securities, derivative financial instruments and hedged items	5,644	3,386	9,030	8,476
Total tax credit	<u>45,588</u>	<u>27,997</u>	<u>73,585</u>	<u>81,350</u>

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9. Income and social contribution taxes (Continued)

c) Breakdown of tax credits (Continued)

These amounts are stated under Other Receivables – Sundry.

d) Expected tax credit realization as of June 30, 2011

<u>Year</u>	<u>Deferred income tax</u>	<u>Deferred social contribution tax</u>	<u>Total</u>
2011	11,494	6,896	18,390
2012	17,908	11,391	29,299
2013	6,085	3,651	9,736
2014	3,009	1,806	4,815
2015	1,708	1,025	2,733
2016	2,001	1,200	3,201
2017	3,382	2,029	5,411
	<u>45,587</u>	<u>27,998</u>	<u>73,585</u>

Tax credit present value is R\$ 67,376 (2010 - R\$ 76,071).

There are non-recorded tax credits on provisions for contingencies in the amount of R\$ 431 (2010 - R\$ 17,720), due to uncertainties as to their realization in a period earlier than 10 years.

The Bank has deferred tax obligations in the amount of R\$ 6,407 (2010 – R\$ 1,563) as regards to income and social contribution taxes on market value adjustments of marketable securities available for sale and equity instruments, as well as on earnings from Cayman Branch. Present value of deferred tax obligations amounts to R\$ 6,246 (2010 – R\$ 1,541).

In order to calculate present value of deferred tax obligations and tax credits, market fixed income curve rates 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	78,169	138,485
Current and non-current liabilities	67,405	132,878

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P&L for the six-month period	2,488	3,434
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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 0.18% 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 0.56% to 5.67% p.a., plus foreign exchange variation, maturing through June 30, 2014, and from 0.00% to 2.00% p.a. plus Libor interest rate and foreign exchange variation, maturing on April 10, 2018. Interest rates and charges of funds raised with unrelated parties are 1.14% to 5.35% p.a., plus foreign exchange variation, maturing through January 6, 2015, and Libor interest rate plus foreign exchange variation, maturing on December 15, 2011.

Some borrowings and on-lending abroad were considered as derivative financial instrument hedge, as stated in Note 5 (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 November 16, 2020, 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 ends on December 31, 2013 for Fixed Income Funcafé Pré.

Maturity of borrowings and on-lendings as of June 30, 2011 is as follows:

	2011					Total	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
Borrowings							
Abroad	608,691	629,617	27,856	7,126	-	1,273,290	648,906
On-lending							
Local	22,175	95,082	128,984	101,304	52,369	399,914	339,814
Abroad	898,548	647,946	643,474	442,749	15,329	2,648,046	2,677,609
	<u>1,529,414</u>	<u>1,372,645</u>	<u>800,314</u>	<u>551,179</u>	<u>67,698</u>	<u>4,321,250</u>	<u>3,666,329</u>

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Notes to financial statements (Continued)
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12. Contingent assets and liabilities, and legal, tax and social security obligations

- a) Contingent assets: There are no contingent assets recorded in the Bank's books.
- 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 counsels. No related provisions have been set up. Major claims are:
- Administrative proceeding challenging of Brazilian IRS tax notice claiming payment of R\$ 10,496 for Withholding Income Tax as the responsible payer.
 - Challenging, at the administrative level, tax notice issued by the City of São Paulo requiring payment of R\$ 356 for Service Tax (ISS) on certain services.
 - Labor claim filed by a former employee of an outsourced company, in the amount of R\$ 66.
 - Administrative proceedings challenging three Brazilian IRS tax notices claiming payment of R\$ 2,221 for Social Security Contribution Tax (INSS), Work Accident Insurance (SAT), Education Allowance, Brazilian Institute of Land Reform (Incra) and FGTS Payment and Social Security Information Form (GFIP) Accessory Obligations.
 - Administrative proceeding challenging Brazilian IRS tax notice claiming payment of R\$ 889 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\$ 250, as well as its applicability.
 - Judicial proceeding challenging Labor Ministry tax notice No. NFGC 505231689 claiming payment of R\$ 2,163 for FGTS. That tax notice refers to FGTS claims on alleged amounts considered as labor expenses. However, our legal counsels understand that sound arguments may still be presented to the court due to lack of rulings on this matter by superior courts. Therefore, they consider the likelihood of loss as possible. Following our legal counsels' recommendations and management assessment, we made a judicial deposit totaling the same amount of this proceeding in the first half of 2011. A partial provision for tax risks – FGTS was set up for this proceeding, as mentioned in letter "c".

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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 counsels assessment and advice, as follows:

	<u>Balance at 12/31/2010</u>	<u>Reversion</u>	<u>Monetary restatement</u>	<u>Balance at 06/30/2011</u>	<u>Balance at 06/30/2010</u>
Provision for tax risks					
COFINS	-	-	-	-	43,254
FGTS	855	-	-	855	855
Civil provision					
Other claims	213	(4)	13	222	191
	<u>1,068</u>	<u>(4)</u>	<u>13</u>	<u>1,077</u>	<u>44,300</u>

Provision for contingent COFINS was reversed due to full payment on December 30, 2010, as decided by Management. We point out that, in spite of the mentioned payment, the Bank is still challenging such claim, grounded on its legal counsel's advice and Management's assessment, and considers the likelihood of a favorable outcome as possible.

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.

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14. Other liabilities - sundry

	<u>2011</u>	<u>2010</u>
Provision for civil claims (Note 12 (c))	222	191
Provision for bonuses and profit sharing	7,704	14,240
Other personnel expenses payable	14,243	9,432
Other administrative provisions	329	321
Trade accounts payable	1,660	873
Sundry	4,797	834
	<u>28,955</u>	<u>25,891</u>

15. Capital

Capital fully subscribed and paid-in as of June 30, 2011 comprised 425,268,759 (2010 – 395,308,237) common registered shares, with no par value, distributed as follows:

	<u>2011</u>	<u>2010</u>
Rabobank International Holding B.V.	425,267,406	395,306,970
Rabobank Curaçao N.V.	1,353	1,267
	<u>425,268,759</u>	<u>395,308,237</u>

On December 2010, it was capital increased of R\$ 27,934 and there were other capital increases through: Capital Reserve Capitalization of which, R\$ 431 from Tax Incentive Reserve and R\$ 2,857 from Equity Pickup Reserve purposes, in accordance with Special Shareholders' Meeting held on December 30, 2010.

Capital increased from R\$ 411,962 to R\$ 443,184 and resulted in the issuance of 29,960,522 common shares, with no par value, maintaining former proportional shareholding structure, which was approved by BACEN April 11, 2011.

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Notes to financial statements (Continued)
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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

	<u>2011</u>	<u>2010</u>
Compensation (Management remuneration)	2,672	2,351
Bonuses	4,256	2,125
Supplementary private pension plan	765	427

b) Related-party transactions

	<u>2011</u>		<u>2010</u>	
	<u>Assets/ (liabilities)</u>	<u>Revenues/ (expenses)</u>	<u>Assets/ (liabilities)</u>	<u>Revenues/ (expenses)</u>
Foreign currency deposits				
Rabobank Netherlands	7	-	-	-
Open market investments				
Banco de Lage Landen Brasil S.A.	121,673	3,474	-	-
Interbank deposits				
Banco de Lage Landen Brasil S.A.	51,651	6,059	-	-
Foreign currency investments				
Rabobank Netherlands – NY branch	-	4,735	72,028	9,011
Derivative financial instruments				
Banco de Lage Landen Brasil S.A.	7,153	8,410	(154)	(580)
Foreign exchange portfolio				
Rabobank Netherlands	(2,226)	(6,269)	684	1,668
Other receivables - (commissioning payable)				
Rabobank Curaçao N.V.	-	5,451	-	5,174
São Paulo Partners, LLC	-	1,435	-	613
Interbank deposits				
Banco de Lage Landen Brasil S.A.	(82,106)	(1,381)	-	(512)
Open market funding				
Banco de Lage Landen Brasil S.A.	(20,132)	(4,372)	(166,936)	(6,962)
Borrowings and on-lending abroad				
São Paulo Partners, LLC	(1,727,689)	100,542	(1,467,379)	(76,011)
Rabobank Curaçao N.V.	(877,667)	36,372	(516,029)	(15,268)
Rabobank Netherlands	(470,258)	66,693	-	-
Rabobank Netherlands – NY branch	(469,170)	6,447	(839,883)	(26,546)
Tullaghought Company	(37,597)	1,061	(86,738)	(5,403)
Other liabilities – (commissioning payable)				
Banco de Lage Landen Brasil S.A.	(2)	(12)	(2)	(12)

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Notes to financial statements (Continued)
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17. Revenue from services rendered

	<u>2011</u>	<u>2010</u>
Commissioning received for advisory and transaction structuring services	11,410	5,788
Business brokerage services	6,886	14,362
Other services rendered and bank fees	2,079	1,518
	<u>20,375</u>	<u>21,668</u>

18. Other administrative expenses

	<u>2011</u>	<u>2010</u>
Data processing	4,000	2,786
Rentals and leases	3,707	1,748
Third-party services	3,570	2,415
Communication	1,945	1,159
Depreciation and amortization	1,800	1,659
Travel	1,752	1,225
Financial system services	1,504	1,550
Advertising, promotion and publicity	1,035	418
Maintenance of assets	661	472
Condominium	580	370
Transportation	507	450
Water and energy	221	196
Materials	203	168
Other administrative expenses	1,954	1,119
	<u>23,439</u>	<u>15,735</u>

19. Cash and cash equivalents

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

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents in local currency	686	370
Cash and banks in foreign currency	248,929	98,862
Total cash and cash equivalents	249,615	99,232
Open market investments	1,539,262	2,274,104
Interbank deposits	51,651	-
Investments in foreign currency	-	77,618
Total cash and cash equivalents	1,840,528	2,450,954

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Notes to financial statements (Continued)
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20. Other matters

- a) Guarantees given by third parties, including collaterals, surety bonds and other co-liabilities, amount to R\$ 11,541 (2010 – R\$ 37,800), and guarantees received total R\$ 90,450 (2010 – R\$ 352,276).
- 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\$ 273,145 (2010 – R\$ 93,441), whereas Basel index is of 14.96% (2010 – 12.30%).
- 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\$ 4,516 (2010 – R\$ 3,388). The supplementary private pension plan is a defined contribution plan.
- d) No share-based payments are made by the Bank to its employees.

EXECUTIVE MANAGEMENT

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