

Financial Statements

Banco Rabobank International Brasil S.A.

December 31, 2012 and 2011
with Independent Auditors' Report

Banco Rabobank International Brasil S.A.

Financial statements

December 31, 2012 and 2011

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Management report

Dear Shareholders,

We submit to your analysis the financial statements of Banco Rabobank International Brasil S.A. for the years ended December 31, 2012 and 2011, 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 board, where all decisions are taken through internal and outside committees, according to duty segregations determined by the Bank. All standards and procedures are part of Rabobank group credit policy, duly approved by the Bank's local executive board.

Market risk

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

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

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

Liquidity risk

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

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

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

Operating risk

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

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

Capital management

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

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

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

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.

EXECUTIVE BOARD

São Paulo, February 18, 2013.



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

Independent auditors' report on financial statements

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

Introduction

We have audited the accompanying financial statements of Banco Rabobank International Brasil S.A. ("Bank"), which comprise the balance sheet as of December 31, 2012 and the related income statements, statements of changes in shareholders' equity and cash flow statements 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 the accompanying financial statements in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil (BACEN), and also in accordance with the internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 Bank's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal 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 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 December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

São Paulo, February 28, 2013.

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



Flávio Serpejante Peppe
Partner

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

Banco Rabobank International Brasil S.A.

Balance sheets
December 31, 2012 and 2011
(In thousands of reais)

	2012	2011
Assets		
Current	9,850,146	8,599,116
Cash and cash equivalents	433,759	123,300
Short-term interbank investments	3,378,099	2,401,500
Open market investments	3,337,584	2,257,554
Interbank deposits	40,515	143,946
Marketable securities and derivative financial instruments	1,211,245	1,905,362
Own portfolio	1,047,641	1,776,779
Subject to repurchase agreements	-	54,082
Subject to guarantees given	136,593	-
Derivative financial instruments	27,011	74,501
Interbank accounts	7,115	3,163
Restricted deposits		
Central Bank of Brazil deposits	6,979	3,158
Interbank onlending	124	-
Correspondent banks	12	5
Loans	2,778,377	2,342,595
Private sector	2,833,123	2,391,708
Allowance for loan losses	(54,746)	(49,113)
Other receivables	2,041,199	1,821,932
Foreign exchange portfolio	2,034,120	1,814,739
Unearned income	7,337	6,344
Sundry	3,063	2,795
Allowance for losses on other receivables	(3,321)	(1,946)
Other assets	352	1,264
Other assets	198	1,160
Prepaid expenses	154	104
Long-term receivables	3,400,535	2,367,687
Marketable securities and derivative financial instruments	424,015	724,567
Own portfolio	203,541	466,463
Subject to guarantees given	207,796	249,914
Derivative financial instruments	12,678	8,190
Interbank accounts	483	-
Interbank onlending	483	-
Loans	2,892,893	1,566,042
Private sector	2,950,092	1,616,501
Allowance for loan losses	(57,199)	(50,459)
Other receivables	83,144	77,078
Sundry	83,144	77,078
Permanent assets	32,312	23,287
Investments	6	6
Other investments	6	6
Property and equipment in use	14,887	11,671
Other property and equipment in use	23,816	19,743
Accumulated depreciation	(8,929)	(8,072)
Intangible assets	17,419	11,610
Intangible assets	23,171	14,653
Accumulated amortization	(5,752)	(3,043)
Total	13,282,993	10,990,090

	2012	2011
Liabilities and equity		
Current	7,931,293	6,876,451
Deposits	1,220,182	182,450
Demand deposits	2,678	19,621
Interbank deposits	1,166,569	30,029
Time deposits	50,935	132,480
Other deposits	-	320
Open market investments	210,977	551,168
Own portfolio	-	53,980
Third-party portfolio	210,977	497,188
Exchange acceptance and issuance of securities	1,416,922	1,965,474
Funds from real estate, mortgage, credit notes and other	1,416,922	1,965,474
Interdepartmental accounts	430,257	20,040
Third-party funds in transit	430,257	20,040
Borrowings	1,412,089	1,928,183
Foreign borrowings	1,412,089	1,928,183
Local onlending - Official institutions	217,564	248,320
BNDES	19,976	19,417
FINAME	93,941	73,218
Other institutions	103,647	155,685
Foreign onlending	1,652,815	640,140
Foreign onlending	1,652,815	640,140
Derivative financial instruments	40,626	67,883
Derivative financial instruments	40,626	67,883
Other liabilities	1,329,861	1,272,793
Collection of taxes and other levies	304	1,357
Foreign exchange portfolio	1,156,016	1,157,351
Social and statutory	15,976	12,558
Tax and social security	95,114	50,367
Securities trading	4,018	4,141
Subordinated debts	25,925	13,898
Sundry	32,508	33,121
Long-term liabilities	4,291,969	3,335,216
Deposits	408,168	323,415
Interbank deposits	97,401	87,092
Time deposits	310,767	236,323
Exchange acceptance and issuance of securities	218,854	64,404
Funds from real estate, mortgage, credit notes and other	218,854	64,404
Borrowings	145,126	29,631
Foreign borrowings	145,126	29,631
Local onlending - Official institutions	440,017	331,760
BNDES	88,118	86,689
FINAME	351,899	241,125
Other institutions	-	3,946
Foreign onlending	2,137,086	2,264,813
Foreign onlending	2,137,086	2,264,813
Derivative financial instruments	21,687	10,698
Derivative financial instruments	21,687	10,698
Other liabilities	921,031	310,495
Tax and social security	7,699	9,497
Subordinated debts	913,050	300,000
Sundry	282	998
Shareholders' Equity	1,059,731	778,423
Capital		
Foreign residents	617,916	476,471
Income reserve - Statutory	396,583	263,722
Income reserve - Legal	36,963	27,342
Equity valuation adjustment	8,269	10,888
Total	13,282,993	10,990,090

See accompanying notes.

Banco Rabobank International Brasil S.A.

Income statements

Six-month period ended December 31, 2012 and years ended December 31, 2012 and 2011

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

	2012		2011
	2 nd half	Year	Year
Revenue from financial intermediation	528,524	1,438,627	1,256,639
Credit operations	264,813	707,846	598,873
Result from marketable security transactions	212,115	492,184	583,966
Result from derivative financial instruments	19,532	65,022	(80,020)
Result from foreign exchange transactions	32,064	173,575	153,820
Financial intermediation expenses	(335,078)	(994,018)	(925,155)
Open market funding	(132,090)	(302,135)	(290,853)
Loans and on-lending	(182,641)	(654,530)	(569,338)
Allowance for loan losses	(20,347)	(37,353)	(64,964)
Gross income from financial intermediation	193,446	444,609	331,484
Other operating income (expenses)	(48,473)	(131,173)	(106,321)
Revenue from services rendered	46,634	71,868	49,220
Expenses with personnel	(39,021)	(96,019)	(65,958)
Expenses with executive board remuneration	(7,453)	(10,411)	(14,030)
Other administrative expenses	(35,055)	(68,566)	(57,869)
Tax expenses	(13,481)	(27,236)	(19,335)
Other operating income	65	146	3,325
Other operating expenses	(162)	(955)	(1,674)
Operating income (loss)	144,973	313,436	225,163
Non-operating income (loss)	(630)	(795)	442
Income before taxes and profit sharing	144,343	312,641	225,605
Income and social contribution taxes	(33,431)	(101,831)	(67,425)
Provision for income tax	(24,415)	(67,037)	(36,764)
Provision for social contribution tax	(15,534)	(41,017)	(22,375)
Deferred tax assets	6,518	6,223	(8,286)
Profit sharing	(15,461)	(18,386)	(29,317)
Net income for the six-month period/years	95,451	192,424	128,863
Earnings per thousand shares – R\$	160.98	324.53	281.85

See accompanying notes.

Banco Rabobank International Brasil S.A.

Statements of changes in shareholders' equity

Six-month period ended December 31, 2012 and years ended December 31, 2012 and 2011

(In thousands of reais)

	Capital	Capital increase	Income reserve - Statutory	Income reserve - Legal	Equity pick-up adjustments	Retained earnings	Total
Balances at December 31, 2010	411,962	31,222	180,463	20,899	8,133	-	652,679
Capital increase approved at Special Shareholders' Meeting (AGE) held on December 30, 2010	31,222	(31,222)	-	-	-	-	-
Capital increase according to Special Shareholders' Meeting (AGE) held on December 30, 2010	-	33,287	-	-	-	-	33,287
Equity valuation adjustment	-	-	-	-	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	-	-	-	-	-	(39,161)	(39,161)
Balances at December 31, 2011	443,184	33,287	263,722	27,342	10,888	-	778,423
Capital increase approved at Special Shareholders' Meeting (AGE) held on December 30, 2010	33,287	(33,287)	-	-	-	-	-
Capital increase according to Special Shareholders' Meeting (AGE) held on January 26, 2012	98,994	-	-	-	-	-	98,994
Capital increase according to Special Shareholders' Meeting (AGE) held on December 28, 2012	-	42,451	-	-	-	-	42,451
Equity valuation adjustment	-	-	-	-	(2,619)	-	(2,619)
Net income for the year	-	-	-	-	-	192,424	192,424
Allocations: Legal reserve	-	-	-	9,621	-	(9,621)	-
Statutory reserve	-	-	132,861	-	-	(132,861)	-
Interest on equity	-	-	-	-	-	(49,942)	(49,942)
Balances at December 31, 2012	575,465	42,451	396,583	36,963	8,269	-	1,059,731
Balances at June 30, 2012	575,465	-	263,722	32,191	6,573	92,124	970,075
Capital increase according to Special Shareholders' Meeting (AGE) held on December 28, 2012	-	42,451	-	-	-	-	42,451
Net income for the six-month period	-	-	-	-	-	95,451	95,451
Equity valuation adjustment	-	-	-	-	1,696	-	1,696
Allocations: Legal reserve	-	-	-	4,772	-	(4,772)	-
Statutory reserve	-	-	132,861	-	-	(132,861)	-
Interest on equity	-	-	-	-	-	(49,942)	(49,942)
Balances at December 31, 2012	575,465	42,451	396,583	36,963	8,269	-	1,059,731

See accompanying notes.

Banco Rabobank International Brasil S.A.

Cash flow statements

Six-month period ended December 31, 2012 and years ended December 31, 2012 and 2011

(In thousands of reais)

	2012		2011
	2 nd half	Year	Year
Cash flow from operating activities:			
Net income	95,451	192,424	128,863
Adjustment to net income:			
Adjustments to market value	1,696	(2,619)	2,755
Depreciation	1,258	2,448	2,176
Amortization	1,519	2,708	1,740
Allowance for loan losses	20,347	37,353	64,964
Provisions for impairment of non-financial assets	-	-	(2,540)
Provisions (reversals) for tax, civil and labor claims	(140)	(767)	2,167
Net income after adjustments	120,131	231,547	200,125
(Increase) in interbank deposits	(40,515)	(40,515)	-
Decrease in marketable securities and derivative financial instruments	1,122,795	978,401	15,250
(Increase) in interbank accounts	(4,323)	(4,435)	(407)
Increase (decrease) in interdepartmental accounts	397,837	410,217	(24,718)
(Increase) in loans	(1,224,271)	(1,798,611)	(1,373,504)
Increase (decrease) in other receivables	189,983	(226,709)	(936,706)
(Increase) decrease in other assets	962	962	(1,160)
(Increase) decrease in prepaid expenses	123	(50)	21
Increase in other liabilities	870,823	668,372	773,082
	1,313,414	(12,368)	(1,548,142)
Net cash provided by (used in) operating activities	1,433,545	219,179	(1,348,017)
Cash flow from investing activities			
Disposal of property and equipment in use	206	418	92
Acquisition of property and equipment	(3,071)	(6,082)	(7,846)
Acquisition of intangible asset	(7,573)	(8,517)	(4,239)
Net cash used in investing activities	(10,438)	(14,181)	(11,993)
Cash flow from financing activities			
Increase (decrease) in deposits	(63,358)	1,122,485	(3,857)
(Decrease) in open market funding	(381,378)	(340,191)	(465,679)
Increase (decrease) in funds from issuance of securities	(603,471)	(394,102)	581,003
Increase (decrease) in borrowings and onlending	(163,737)	561,850	1,775,922
Capital increase	42,451	141,445	33,287
Interest on equity	(49,942)	(49,942)	(39,161)
Net cash from financing activities	(1,219,435)	1,041,545	1,881,515
Increase in cash and cash equivalents	203,672	1,246,543	521,505
Cash and cash equivalents			
At beginning of six-month period/years	3,567,671	2,524,800	2,003,295
At end of six-month period/years	3,771,343	3,771,343	2,524,800
Increase in cash and cash equivalents	203,672	1,246,543	521,505

See accompanying notes.

Banco Rabobank International Brasil S.A.

Notes to financial statements
December 31, 2012 and 2011
(In thousands of reais)

1. Operations

Banco Rabobank International Brasil S.A. (Bank) is a subsidiary of Rabobank International Holding B.V. and its incorporation was authorized by a Presidential Decree on August 8, 1995. The entity operates as a Multiple Bank and is engaged in transactions involving assets and liabilities inherent to commercial, investment and foreign exchange portfolios.

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

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

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

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

Summary of significant accounting practices:

a) Determination of profit and loss

Revenues and expenses are recognized on an accrual basis, in light of the daily *pro rata* basis 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, 2012 and 2011
(In thousands of reais)

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

b) Cash and cash equivalents

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

c) Short-term interbank investments

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

d) Marketable securities

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

- Trading securities - acquired in order to be frequently and actively traded, these securities are marked to market. Market value adjustments are matched against P&L for the period.
- Available for sale - not qualifying as trading or held to maturity, these securities are marked to market. Market value adjustments are matched against a specific account in equity, net of tax effects, 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 said securities (BACEN Circular No. 3129/2002). They are carried at acquisition cost, plus income earned through the balance sheet date, against P&L for the period.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2012 and 2011
(In thousands of reais)

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

e) Derivative financial instruments

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

- Forward transactions - these are recorded at final contract value, less difference between this amount and price in cash of the asset or right. Income and expenses are recorded in relation to the terms of the contracts through the balance sheet date.
- Options transactions - premiums paid or received are recorded as assets or liabilities, respectively, until the option is effectively exercised. If the option is effectively exercised, it is then recorded as increase or decrease in asset or right cost; should it not be exercised, it is recorded as 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 as 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, 2012 and 2011
(In thousands of reais)

2. Presentation of the financial statements and summary of 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 tax effects. 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 that the portfolio and its classification into nine levels (AA for minimum risk and H for loss) be periodically reviewed. After six months, transactions classified as H and overdue for more than 180 days are written off to losses.

Revenue from credit transactions overdue for more than 60 days, irrespective of the risk level, is only recorded as revenue when it is effectively 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 (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 used and communication system - 10% and data processing system and vehicles - 20%.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2012 and 2011
(In thousands of reais)

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

g) Permanent assets (Continued)

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

h) Impairment of nonfinancial assets

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

Non-financial assets, except for tax credits, are reviewed at least annually 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.

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Notes to financial statements (Continued)
December 31, 2012 and 2011
(In thousands of reais)

2. Presentation of the financial statements and summary of 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 nondeductible expenses and market value adjustments of derivative instruments were computed at the rate of 25% for income tax and 15% for social contribution tax 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

Recognition, measurement and statement of contingent assets and liabilities and legal obligations are made under 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 financial statements when, based on the opinion of legal advisors 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 considered as possible losses by legal counsel are only disclosed in the notes to financial statements, while 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 amount under discussion is quantified, recorded and restated on a monthly basis.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2012 and 2011
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2. Presentation of the financial statements and summary of significant accounting practices (Continued)

l) Earnings/loss per share

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

m) Subsequent events

According to CMN Resolution No. 3973/2012 which provides for record and disclosure of subsequent events within the financial statements period, as set forth by CPC Pronouncement No. 24, on January 28, 2013 the Bank received dividends from its branch located abroad in the amount of R\$10,712.

3. Short-term interbank investments

At December 31, 2012 and 2011, redeemable 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) and by interbank deposits in other institutions.

4. Marketable securities

Breakdown of security portfolio is summarized as follows:

Description	2012		2011	
	Book value	Market value	Book value	Market value
Federal Government Bonds - National Treasury	296,534	296,534	595,567	595,567
Multicredit FIDC ⁽¹⁾	765,649	765,649	1,235,902	1,235,902
Minerva - FIDC ⁽²⁾	19,064	19,064	57,071	57,071
Tribanco-Martins – FIDC ⁽²⁾	-	-	146,792	146,792
Equity shares	-	-	14,956	14,956
Debentures	168,455	168,455	192,954	192,954
Rural Product Bill	1,480	1,480	-	-
Subtotal - own portfolio	1,251,182	1,251,182	2,243,242	2,243,242
Federal Government Bonds - National Treasury	-	-	54,082	54,082
Subtotal subject to repurchase agreements	-	-	54,082	54,082
Federal Government Bonds - National Treasury	344,389	344,389	249,914	249,914
Subtotal subject to guarantees given	344,389	344,389	249,914	249,914
	1,595,571	1,595,571	2,547,238	2,547,238

(1) Previous name: Pão de Açúcar - Credit Assignment Investment Fund and there is no benchmark.

(2) The FIDC is updated by the value of the share disclosed the administrator, who takes into account the senior share benchmark.

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Notes to financial statements (Continued)
December 31, 2012 and 2011
(In thousands of reais)

4. Marketable securities (Continued)

Classification by category and term:

Category	Restated cost	Market value	Book value	2012		
				Book value by maturity		
				Within 90 days	From 91 to 365 days	Above 365 days
LFT	6,645	6,642	6,642	-	-	6,642
LTN	417,795	419,314	419,314	119,967	250,237	49,109
NTN-F	179,714	191,981	191,981	23,914	-	168,067
Debentures	168,455	168,455	168,455	-	-	168,455
FIDC	784,713	784,713	784,713	-	765,649	19,064
CPR	1,480	1,480	1,480	-	1,480	-
Available for sale	1,558,802	1,572,585	1,572,585	143,881	1,017,366	411,337
LFT	114	114	114	-	-	114
NTN-B	22,336	22,872	22,872	-	22,872	-
Trading	22,450	22,986	22,986	-	22,872	114
	<u>1,581,252</u>	<u>1,595,571</u>	<u>1,595,571</u>	<u>143,881</u>	<u>1,040,238</u>	<u>411,451</u>
2011	2,528,556	2,547,238	2,547,238	138,076	1,692,785	716,377

Classification by category and term:

Government bonds are marked to market on bond quotation disclosed by the Brazilian Association of Capital and Financial Market Entities (ANBIMA) at the balance sheet date, 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\$8,269 (2011 - R\$10,888), 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 rated at CDI approximates market value. Debentures rated at other indices are marked to market through prices disclosed by ANBIMA.

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Notes to financial statements (Continued)
December 31, 2012 and 2011
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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 shares are under custody of Brazilian Clearing House for the Custody and Financial Settlement of Securities (CBLC).

Investments in Minerva and Tribanco-Martins Credit Assignment Investment Fund (FIDC) are related to senior shares acquired, whose book value refers to the corresponding senior share price disclosed by the fund administrator for the last working day of the month, which the Bank's management believes to be the market value. FIDC financial statements are audited on an annual basis and the past independent auditor's reports on financial statements were all unqualified. Term of these FIDC is determined and their main characteristics are summarized as follows:

<u>Administrator</u>	<u>Funds</u>	<u>Credit assignment origin</u>
<u>Concórdia S.A. Corretora de Valores Mobiliários Câmbio e Commodities:</u>		
Multicredit Credit Assignment Investment Fund		"Pão de Açúcar", "Martins" and "Minerva" Companies
Tribanco-Martins – Credit Assignment Investment Fund		"Martins" company
<u>Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.:</u>		
Minerva – Credit Assignment Investment Fund – Mercantile Credit		"Minerva" company

Managers of FIDC Multicredit and Tribanco-Martins have engaged Banco Itaú Unibanco S.A., and that of FIDC Minerva has 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.

On december 21, 2012, the restructuring of Multicredit Credit Assignment Investment Fund, formerly called Pão de Açúcar – Credit Assignment Investment Fund was approved, when the change of the Fund name, the conversion of senior shares into single series shares and the new regulation and investment policy were decided and resolved.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2012 and 2011
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4. Marketable securities (Continued)

a) The composition of FIDC Multicredit is summarized as follows:

	Balances	Term		
		Within 90 days	From 91 to 365 days	Above 365 days
Assets				
Cash and cash equivalents				
Cash	1,138	1,138	-	-
Short-term interbank investments				
Open market investments - LTN	17,159	17,159	-	-
Marketable securities				
Own portfolio - LFT	218,378	57,625	3,339	157,414
- Bank deposit certificate	11,020	-	11,020	-
- Financial bill	10,842	-	-	10,842
- FIDC	224,360	-	-	224,360
	464,600	57,625	14,359	392,616
Other receivables				
Unearned income	292,297	279,552	12,745	-
Other assets receivable	15,032	15,032	-	-
	307,329	294,584	12,745	-
Total	790,226	370,506	27,104	392,616
Liabilities and equity				
Other liabilities				
Income tax payable	23,246	23,246	-	-
Creditors – pending settlements	1,134	1,134	-	-
Other administrative expenses	197	197	-	-
	24,577	24,577	-	-
Fund's net assets	765,649	765,649	-	-
Total	790,226	790,226	-	-

5. Derivative financial instruments

Policy of use

The Bank takes part in operations involving derivative financial instruments, recorded in balance sheet and offset 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.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2012 and 2011
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5. Derivative financial instruments (Continued)

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, features of such exceeding trading limit or control are entered into a global system, as well as the explanation given by the Market Risk Control function. An approval flow is then generated so that all relevant functions are warned about such exceeding trading limit or control – from the trader in charge to the Global Risk Manager in Holland, as the case may be.
- The Bank uses the risk system designed by its head office which is based on Value-at-Risk (VaR) methodology with a 252-day horizon, through historical simulation. In case of non-parametric products, the scenario methodology is used to calculate VaR. Reliability level is 97.5%.
- The Bank considers it has been effective in using derivatives for hedge purposes.

Assessment and measurement criteria

Derivative financial instruments and hedged items are marked to market by discounting 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	2012	2011
Swap - Difference receivable	6,598	2,169
Options - premiums paid	2,992	16,092
Call back swaption	920	-
NDF - difference receivable	29,179	64,430
	39,689	82,691
Derivative financial instruments - liabilities		
Swap - difference payable	(44,064)	(19,068)
Options - premiums received	(2,501)	(10,290)
NDF - difference payable	(15,748)	(49,223)
	(62,313)	(78,581)

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

a) The swap portfolio is summarized as follows:

	2012			2011	
	Reference value	Market value		Net position	Net position
		Assets	Liabilities		
I) Index					
CDI vs. US Dollar	439,756	478,627	(510,313)	(31,686)	(16,082)
CDI vs. Index	125,000	143,523	(153,935)	(10,412)	(1,762)
US Dollar vs. CDI	75,000	85,164	(81,167)	3,997	-
US Dollar vs. Other	69,316	80,235	(78,576)	1,659	1,649
Other vs. US Dollar	69,316	78,577	(79,601)	(1,024)	(704)
	<u>778,388</u>	<u>866,126</u>	<u>(903,592)</u>	<u>(37,466)</u>	(16,899)
II) Trading place:					
OTC	778,388	866,126	(903,592)	(37,466)	(16,899)
	<u>778,388</u>	<u>866,126</u>	<u>(903,592)</u>	<u>(37,466)</u>	(16,899)
III) Maturity:					
Within 90 days	132,260	144,272	(150,053)	(5,781)	(6,046)
From 91 to 365 days	196,167	218,788	(235,006)	(16,218)	(1,987)
Above 365 days	449,961	503,066	(518,533)	(15,467)	(8,866)
	<u>778,388</u>	<u>866,126</u>	<u>(903,592)</u>	<u>(37,466)</u>	(16,899)

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

	2012			2011	
	Reference value	Market value		Net position	Net position
		Assets	Liabilities		
I) Type:					
Call option	25,672	920	-	920	-
	<u>25,672</u>	<u>920</u>	<u>-</u>	<u>920</u>	<u>-</u>
II) Trading place:					
OTC	25,672	920	-	920	-
	<u>25,672</u>	<u>920</u>	<u>-</u>	<u>920</u>	<u>-</u>
III) Maturity:					
From 91 to 365 days	25,672	920	-	920	-
	<u>25,672</u>	<u>920</u>	<u>-</u>	<u>920</u>	<u>-</u>

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

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

	2012				2011	
	Book financial value	Market Restated	Market value		Net position	Net position
			Assets	Liabilities		
I) Type:						
a) Flexible options:						
Purchase of call options	66,250	341	242	-	242	-
Sale of call options	52,312	(388)	-	(185)	(185)	-
Sale of put options	63,480	(833)	-	(666)	(666)	-
b) Standard options:						
Purchase of call options	62,375	1,134	624	-	624	16,092
Purchase of put options	110,250	1,224	2,126	-	2,126	-
Sale of call options	71,100	(951)	-	(520)	(520)	(10,290)
Sale of put options	67,875	(378)	-	(1,130)	(1,130)	-
	<u>493,642</u>	<u>149</u>	<u>2,992</u>	<u>(2,501)</u>	<u>491</u>	<u>5,802</u>
II) Trading place:						
a) Flexible options:						
OTC	182,042	(880)	242	(851)	(609)	-
b) Standard options:						
Stock exchange	311,600	1,029	2,750	(1,650)	1,100	5,802
	<u>493,642</u>	<u>149</u>	<u>2,992</u>	<u>(2,501)</u>	<u>491</u>	<u>5,802</u>
III) Maturity:						
a) Flexible options:						
Within 90 days	47,260	(31)	-	-	-	-
From 91 to 365 days	132,095	(630)	242	(736)	(494)	-
Above 365 days	2,687	(219)	-	(115)	(115)	-
b) Standard options:						
Within 90 days	223,000	1,414	2,361	(1,130)	1,231	5,153
From 91 to 365 days	86,500	(251)	389	(408)	(19)	649
Above 365 days	2,100	(134)	-	(112)	(112)	-
	<u>493,642</u>	<u>149</u>	<u>2,992</u>	<u>(2,501)</u>	<u>491</u>	<u>5,802</u>

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

	2012			2011	
	Reference value	Market value		Net position	Net position
		Amounts receivable	Amounts payable		
I) Type:					
a) Currencies:					
Purchase	994,846	24,414	(11,271)	13,143	56,069
Sale	9,520	203	-	203	(42,276)
b) Commodities:					
Purchase	52,823	421	(4,116)	(3,695)	(407)
Sale	49,707	4,141	(361)	3,780	1,821
	<u>1,106,896</u>	<u>29,179</u>	<u>(15,748)</u>	<u>13,431</u>	<u>15,207</u>
II) Trading place:					
OTC	1,106,896	29,179	(15,748)	13,431	15,207
	<u>1,106,896</u>	<u>29,179</u>	<u>(15,748)</u>	<u>13,431</u>	<u>15,207</u>
III) Maturity:					
Within 90 days	285,382	10,225	(4,675)	5,550	3,748
From 91 to 365 days	732,945	11,874	(10,678)	1,196	5,101
Above 365 days	88,569	7,080	(395)	6,685	6,358
	<u>1,106,896</u>	<u>29,179</u>	<u>(15,748)</u>	<u>13,431</u>	<u>15,207</u>

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Notes to financial statements (Continued)
December 31, 2012 and 2011
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5. Derivative financial instruments (Continued)

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

	2012		2011	
	Long position	Short position	Long position	Short position
I) Type:				
Future - DI	988,775	322,065	2,123,480	1,132,456
Future - DDI	2,155,696	1,314,281	1,402,726	661,894
Future - DOL	453,716	839,984	263,675	544,557
Future - COMMODITIES	-	4,853	-	11,863
	<u>3,598,187</u>	<u>2,481,183</u>	<u>3,789,881</u>	<u>2,350,770</u>
II) Maturity:				
Within 90 days	637,254	1,251,783	1,700,270	1,226,529
From 91 to 365 days	738,661	535,389	365,729	530,927
Above 365 days	2,222,272	694,011	1,723,882	593,314
	<u>3,598,187</u>	<u>2,481,183</u>	<u>3,789,881</u>	<u>2,350,770</u>

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

	2012	2011
Hedged items		
Amount restated under agreed-upon conditions	1,030,478	422,697
Market value	1,067,970	441,057
Adjustment value	37,492	18,360
Hedge instruments		
Market value	1,124,767	445,701

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

	2012	2011
Securing stock exchange transactions		
Government bonds		
National Treasury Bills (LTN)	96,775	226,298
National Treasury Notes – (NTN)	177,771	-
Securing OTC transactions in clearing and settlement house		
Government bonds		
National Treasury Bills (LTN)	48,344	23,616
National Treasury Notes – (NTN)	21,499	-
	<u>344,389</u>	<u>249,914</u>

For the year ended december 31, 2012, operations with derivative financial instruments resulted in gains in the amount of R\$ 2,656,407 (2011 - R\$2,957,930) and losses in the amount of R\$2,591,385 (2011 - R\$3,037,950), posted directly to P&L for the year under Results from derivative financial instruments.

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6. Loans

Loans are as follows:

Product	2012					2011	
	Rural	Manufac- ring	Trade	xxx Individual	Other services	Total	Total
Foreign fund onlending	1,741,707	-	-	657,744	4,175	2,403,626	2,009,023
Export financing	384,671	1,373,970	325,567	27,070	361	2,111,639	717,956
Advances on foreign exchange contracts (note 7)*	36,394	639,126	172,396	-	5,132	853,048	561,869
Finame	399,019	11,047	-	7,669	5,549	423,284	321,169
Working capital	150,847	36,724	16,168	80,336	-	284,075	272,694
Agribusiness credit assignment certificates	-	259,631	-	-	-	259,631	224,072
BNDES	61,266	71,518	1,305	1,117	4,092	139,298	113,885
Funcafé	84,238	10,035	-	-	5,066	99,339	98,780
Compror	1,142	2,096	22,143	1,719	-	27,100	250,630
Secured account	4,645	-	-	-	20,152	24,797	-
Vendor	-	-	1,054	9,340	-	10,394	-
Import financing	-	-	32	-	-	32	-
	2,863,929	2,404,147	538,665	784,995	44,527	6,636,263	4,570,078

(*) This includes Income receivable from advances granted.

a) Loans mature as follows:

	2012			2011
	Loans	Other receivables	Total	Total
Falling due				
Within 90 days	374,462	338,881	713,343	550,840
From 90 to 365 days	2,464,274	514,167	2,978,441	2,430,144
Above 365 days	2,895,274	-	2,895,274	1,555,841
	5,734,010	853,048	6,587,058	4,536,825
Overdue				
15 days or more	49,205	-	49,205	33,253
	49,205	-	49,205	33,253
	5,783,215	853,048	6,636,263	4,570,078

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

Risk level	% minimum	2012		2011	
		Total portfolio	Allowance	Total portfolio	Allowance
AA	-	1,205,059	-	468,308	-
A	0,5	1,905,477	9,527	1,216,986	6,085
B	1,0	3,255,485	32,555	2,644,005	26,440
C	3,0	141,809	4,254	105,336	3,160
D	10,0	42,098	4,210	54,985	5,499
E	30,0	3,954	1,186	1,448	434
F	50,0	20,630	10,315	31,429	15,715
G	70,0	28,441	19,909	11,318	7,922
H	100,0	33,310	33,310	36,263	36,263
		6,636,263	115,266	4,570,078	101,518

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

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

	2012		2011
	2 nd half	Year	Year
Opening balance	109,425	101,518	82,380
Setting up	20,347	37,353	64,964
Write-offs to loss	(14,510)	(23,659)	(45,851)
Foreign exchange variation of branch abroad	4	54	25
Closing balance	115,266	115,266	101,518
Recovery of loans written off to loss	4,930	21,414	34,341
Loan renegotiation	246,738	276,880	235,485

The amount of R\$3,824,313 (2011 - R\$2,472,039) for loans is secured by Agribusiness Credit Bills (LCA) issued. Banking Credit Bills (CCB) representing these loans are duly registered with CETIP or the Brazilian Mercantile Stock Exchange (BBM).

7. Foreign exchange portfolio

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Unsettled foreign exchange purchase	1,555,829	-	1,590,065	-
Unsettled foreign exchange sale	-	471,583	-	224,205
Rights on foreign exchange sales	467,834	-	217,427	-
Foreign exchange purchase liabilities	-	1,526,984	-	1,487,768
Advances on foreign exchange contracts	(40)	-	-	-
Income receivable from advances granted	10,497	-	7,247	-
Advances on foreign exchange contracts	-	(842,551)	-	(554,622)
	2,034,120	1,156,016	1,814,739	1,157,351

8. Other receivables - sundry

	2012	2011
Tax credits (note 9) (c)	80,029	73,806
Taxes and contributions recoverable	187	76
Other	5,991	5,991
	86,207	79,873

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

a) Statement of income and social contribution taxes calculation

	<u>2012</u>	<u>2011</u>
Net income before income taxes, less deductible profit sharing	294,255	196,288
Income and social contribution taxes at the rates of 25% and 15%, respectively	(117,702)	(78,515)
Effect of additions and exclusions from tax base:		
Interest on equity	19,977	15,664
on non-deductible expenses, net of non-taxable profit	(1,500)	(2,156)
on non-deductible interest/lending from related parties	(4,501)	(3,442)
on other amounts	1,895	1,024
Income and social contribution tax results	<u>(101,831)</u>	<u>(67,425)</u>

b) Changes in tax credit

	<u>2012</u>	<u>2011</u>
Opening balance	73,806	82,092
(Set up/reversal)		
Against P&L for the period	6,223	(8,286)
Closing balance	<u>80,029</u>	<u>73,806</u>

c) Breakdown of tax credit

	<u>2012</u>			<u>2011</u>
	<u>Income tax</u>	<u>Social contribution tax</u>	<u>Total</u>	<u>Total</u>
Temporary differences:				
Allowance for loan losses	39,283	23,570	62,853	61,532
Provision for bonus/Profit Sharing payment	6,129	5,137	11,266	10,152
Provision for contingent liabilities	1,095	657	1,752	1,294
Market value adjustment (TVM), derivative financial instruments and hedged items	2,599	1,559	4,158	828
Total tax credits	<u>49,106</u>	<u>30,923</u>	<u>80,029</u>	<u>73,806</u>

These amounts are recorded under other receivables - sundry.

d) Expected tax credit realization as of december 31, 2012

<u>Year</u>	<u>Deferred income tax</u>	<u>Deferred social contribution tax</u>	<u>Total</u>
2013	17,668	10,600	28,268
2014	15,255	10,613	25,868
2015	3,753	2,252	6,005
2016	2,902	1,741	4,643
2017	3,679	2,208	5,887
2018	2,918	1,750	4,668
2019	2,931	1,759	4,690
	<u>49,106</u>	<u>30,923</u>	<u>80,029</u>

The present value of tax credits is R\$76,004 (2011 - R\$68,297).

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Notes to financial statements (Continued)
December 31, 2012 and 2011
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9. Income and social contribution taxes (Continued)

d) Expected tax credit realization as of December 31, 2012 (Continued)

In 2012, the Bank has deferred tax obligations in the amount of R\$5,513 (2011 - R\$7,259) 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\$5,441 (2011 - R\$7,021).

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

10. Branches abroad

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

Accounts	2012	2011
Current and non-current assets	242,440	114,251
Current and non-current liabilities	230,507	99,624
Net income for the six-month period	7,417	2,193
Net income for the year	10,936	4,681

11. Exchange acceptance and issuance of securities

	Within 3 months	From 3 to 12 months	From 1 to 3 years	Total
Agribusiness credit bills	608,561	808,361	218,854	1,635,776

12. Borrowings and onlending

Borrowings abroad refer to export and import financing lines, with banks abroad, maturing through December 31, 2014, and interest rates ranging from 0.25% to 4.27% p.a., plus foreign exchange variation.

Onlending 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 0.97% to 7.50% p.a., plus foreign exchange variation, maturing through November 27, 2019. Interest rates and charges of funds raised with unrelated parties are 5.20% to 5.35% p.a., plus foreign exchange variation, maturing through January 6, 2015.

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Notes to financial statements (Continued)
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12. Borrowings and onlending (Continued)

Some borrowings and onlending abroad were considered as derivative financial instrument hedge, as stated in Note 5 (derivative financial instruments for hedge purposes).

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

Maturity of borrowings and onlending as of June 30, 2012 is as follows:

	2012					2011	
	Within 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Total	Total
Borrowings							
Abroad	725,385	686,704	104,256	40,870	-	1,557,215	1,957,814
Onlending							
Local	27,966	189,598	211,054	156,800	72,163	657,581	580,080
Abroad	50,767	1,602,048	1,279,200	546,977	310,909	3,789,901	2,904,953
	<u>804,118</u>	<u>2,478,350</u>	<u>1,594,510</u>	<u>744,647</u>	<u>383,072</u>	<u>6,004,697</u>	<u>5,442,847</u>

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

- a) Contingent assets There are no contingent assets recorded.
- b) Contingent liabilities classified as possible losses the Bank is a party to 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\$11,409 for Withholding Income Tax as the responsible payer.
 - Labor claims filed by former employees in the amount of R\$92.
 - Administrative proceedings challenging three Brazilian IRS tax notices claiming payment of R\$2,408 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.

Banco Rabobank International Brasil S.A.

Notes to financial statements (Continued)
December 31, 2012 and 2011
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13. Contingent assets and liabilities, and legal, tax and social security obligations (Continued)

- Administrative proceeding challenging Brazilian IRS tax notice claiming payment of R\$ 995 for IRPJ and CSLL on allegedly gains on IPO on BM&FBOVESPA.
 - Legal proceeding requiring the suspension of incorrect billing of telephone calls with Embratel in the amount of R\$ 141.
 - Administrative proceeding challenging eleven notices of infraction from the Municipality of São Paulo tax authorities claiming payment of R\$4,989, related to ISS on: revenues from export of services and guarantees provided. The amount mentioned relates to the legal counsel's assessment as possible loss, despite the belief that there are fairly tenable legal grounds.
 - Civil claims filed by customers in the amount of R\$81.
- 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 an amount deemed sufficient by management, according to legal counsel assessment and advice, as follows:

	Balance at 12/31/2011	(Reversal)	Monetary restatement	Balance at 12/31/2012
Provision for tax risks				
FGTS	2,238	(60)	8	2,186
Civil provision	298	(216)	25	107
Labor provision	699	(555)	31	175
	<u>3,235</u>	<u>(831)</u>	<u>64</u>	<u>2,468</u>

14. Subordinated debts

These refer to loans taken out as "Subordinated Debts", pursuant to CMN Resolution No. 3444/2007. One of these loans is denominated in reais, was taken out August 14, 2008, matures on July 15, 2016, and bears interest at the rate of 11.20% p.a. in the amount of R\$ 315,680; The other loans are denominated in US dollars, were taken out September 28, 2012 and November 06, 2012, mature on September 28, 2020 and bear interest rate of 6.20% and 6.25%, respectively, in the amount of R\$620,939.

Banco Rabobank International Brasil S.A.

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15. Other liabilities - sundry

	<u>2012</u>	<u>2011</u>
Provision for bonuses and profit sharing	18,270	-
Other personnel expenses payable	8,209	24,989
Trade accounts payable	2,165	7,091
Other administrative provisions	1,911	-
Provision for legal claims (note 13) (c)	282	997
Sundry	1,953	1,042
	<u>32,790</u>	<u>34,119</u>

16. Shareholders' Equity

a) Capital

At December 31, 2012, fully subscribed and paid-in capital is divided into 592,936,877 (2011 - 457,209,762) common registered shares, with no par value, distributed as follows:

	<u>2012</u>	<u>2011</u>
Rabobank International Holding B.V.	592,935,021	457,208,319
Rabobank Curaçao N.V.	1,856	1,443
	<u>592,936,877</u>	<u>457,209,762</u>

In accordance with Law No. 9249/1995, Bank management decided to establish a provision for interest on equity, limited pursuant to prevailing legislation. At December 2012, such amount totaled R\$49,942, of which R\$42,451 were earmarked for capital increase purposes. This operation allowed the Bank to reduce expenses on income and social contribution taxes in the amount of R\$19,977, according to the Special General Meeting (AGE) held on December 28, 2012.

During the period, there was a capital increase from R\$98,994 to R\$617,916, which resulted in issuance of 40,734,454 common shares with no par value, maintaining former proportional shareholding structure, which was approved by BACEN on March 8, 2013.

b) Income reserve - legal:

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

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Notes to financial statements (Continued)
December 31, 2012 and 2011
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17. Shareholders' Equity (Continued)

c) Income reserve - statutory

The statutory reserve balance is equivalent to up to 70% (seventy per cent) of the Company's capital and is defined by the Annual Shareholder's Meeting.

d) Minimum mandatory dividend

The Bank articles of incorporation provide for setting up of a provision for payment of minimum mandatory dividends amounting to 25% of net income for the year. By resolution of shareholders at a General Meeting, however, this provision may be disregarded and the corresponding amount may have another destination.

18. 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>2012</u>	<u>2011</u>
Compensation (management fees)	6,554	5,538
Bonuses	2,927	5,082
Supplementary private pension plans	324	945

b) Transactions with related parties

	<u>2012</u>		<u>2011</u>	
	<u>Assets (liabilities)</u>	<u>Revenues/ (expenses)</u>	<u>Assets/ (liabilities)</u>	<u>Revenues/ (expenses)</u>
Foreign currency deposits				
Rabobank Nederlands	554	(24)	601	(252)
Open market investments				
Banco de Lage Landen Brasil S.A.	-	-	-	5,949
Investments in interbank deposits				
Banco de Lage Landen Brasil S.A.	-	2,438	143,946	9,158
Interbank onlending				
Banco de Lage Landen Brasil S.A.	607	9	-	-
Foreign currency investments				
Rabobank Nederlands NY branch	-	(4,832)	-	27,867
Foreign exchange portfolio				
Rabobank Nederlands	(975)	(1,070)	8,818	8,499
Other receivables – (commissions payable)				

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Notes to financial statements (Continued)
December 31, 2012 and 2011
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18. Related parties (Continued)

b) Transactions with related parties (Continued)

	2012		2011	
	Assets (liabilities)	Revenues/ (expenses)	Assets/ (liabilities)	Revenues/ (expenses)
Rabobank Curaçao N.V.	-	15,886	-	14,763
São Paulo Partners, LLC	-	4,785	-	7,027
Interbank deposits				
Banco de Lage Landen Brasil S.A.	(97,401)	(13,856)	(117,121)	(6,395)
Open market funding				
Banco de Lage Landen Brasil S.A.	(187,520)	(6,986)	-	(5,495)
Agribusiness credit bills				
Administrative	(4,599)	(138)	-	-
Derivative financial instruments				
Banco de Lage Landen Brasil S.A.	(20,005)	(13,301)	(5,896)	(3,292)
Banco Cooperativo Sicredi S.A.	-	60	-	-
Borrowings and onlending abroad				
São Paulo Partners, LLC	(3,480,371)	(329,551)	(2,454,992)	(296,094)
Rabobank Nederlands NY branch	(1,295,554)	(72,772)	(675,777)	(40,257)
Rabobank Curaçao N.V.	(134,037)	(106,850)	(1,295,677)	(169,979)
Tullaghought Company	-	915	(46,657)	(7,999)
Rabobank Nederlands	-	-	-	66,683
Other liabilities - (commissions payable)				
Banco Cooperativo Sicredi S.A.	(343)	(252)	-	-
Banco de Lage Landen Brasil S.A.	(2)	(24)	(2)	(24)

19. Revenue from services rendered

	2012	2011
Commissioning received for advisory and transaction structuring services	44,581	21,894
Business brokerage services	20,671	21,789
Other services rendered and bank fees	6,616	5,537
	71,868	49,220

20. Other administrative expenses

	2012	2011
Data processing	14,300	13,948
Third-party services	8,422	6,273
Rentals and leases	7,753	7,332
Financial system services!	7,338	4,459
Property maintenance and upkeeping	7,284	4,548
Depreciation and amortization	5,155	3,916
Travel	4,363	4,174
Communication	3,981	4,017
Advertising, promotion and publicity	2,450	2,580
Condo fees	1,594	1,259
Donations	1,220	850
Transportation	1,081	1,048
Water and energy	564	441
Materials	400	438
Tax fine	95	27
Other administrative expenses	2,566	2,559
	68,566	57,869

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Notes to financial statements (Continued)
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21. Cash and cash equivalents

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

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents in local currency	11,043	1,482
Cash and cash equivalents in foreign currency	422,716	121,818
Total	433,759	123,300
Open market investments	3,337,584	2,257,554
Interbank deposits	-	143,946
Total cash and cash equivalents	3,771,343	2,524,800

22. Other matters

- a) Guarantees given by third parties, including collaterals, surety bonds and other joint liabilities, amount to R\$15,126 (2011 - R\$30,797), and guarantees received total R\$104,105 (2011 - R\$61,690).
- 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 and regulations. Positive margin between effective reference assets and required capital is R\$449,314 (2011 - R\$173,886), whereas Basel index is of 15.35% (2011 - 13.24%).
- 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\$4,994 (2011 - R\$ 4,516). The supplementary private pension plan is a defined contribution type plan.
- d) No share-based payments are made by the Bank to its employees.

EXECUTIVE BOARD

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

Summary of the Audit Committee Report

The statutory Audit Committee of Banco Rabobank International Brasil S.A (Rabobank) was established on March 12, 2013, and is made up of four members of the current executive board and a member of Rabobank International. This committee succeeds the Audit & Compliance Committee, the internal body responsible for addressing Audit-related aspects.

The Audit Committee met twice in 2013, and in its meeting held on March 19, 2013, the financial statements as of December 31, 2012 were examined. The committee activities and its findings are highlighted as follows:

- a) In order to review the financial statements, the committee met with management representatives and with those responsible for Rabobank accounting, considered external audit comments, reviewed internal audit work and discussed any significant issues regarding the financial statements quality, reliability and compliance with existing standards. The Audit Committee, within their responsibilities and natural limitations arising from the scope and extent of their work, ascertained the quality of and approved the financial statements of December 31, 2012;
- b) The Committee met and became aware of aspects relating to Rabobank risk management and control, including operating risk aspects. The Committee highlights the evolution of the organization internal control system;
- c) The Committee met formally with Ernst & Young to discuss scope, strategy and results of their work, also including issues and matters for recommendation. Its opinion was used as a basis for the financial statements analysis. The Committee deems the quality and extent provided by Ernst & Young work appropriate;
- d) The Committee reviewed the results of the audit examinations performed together with the Internal Audit, followed up on the effective implementation of the action plans within their terms and ruled on any exceptions. The Audit Committee approved the annual Internal Audit planning and monitors its enforcement and compliance in meetings. The Committee is also responsible for approving the performance of any unplanned work and cancellations of planned work. The Committee evaluates positively the extent and quality of the internal audit work.