

Around the world in 2010



**Rabobank Foundation
Annual Report**

Rabobank Foundation Annual Report



2010

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What to do with profit?

Banking with a mission

Like Rabobank itself, Rabobank Foundation operates on the philosophy of Friedrich Raiffeisen, one of the founding fathers of the cooperative. The cooperative approach is based on cooperation, assuming responsibility and showing commitment. We use our knowledge and experience to give as many people around the world possible the opportunity to live an independent and fulfilling life.

Sharing profit

The fund of Rabobank Foundation is financed by the local Rabobanks, who annually donate a portion of their profits to the Foundation. The Rabobank Group tops up this amount to one half per cent of the Group's net profit. In 2010, this total donation to Rabobank Foundation was EUR 11.5 million.

Mission

Rabobank Foundation is dedicated to support economically disadvantaged people – both in the Netherlands and in developing countries – in achieving their financial ambitions. And those are not just lofty ideals, either - we actually put our money where our mouth is.

Cooperation

Our background enables us to use our extensive knowledge and our Rabobank network to make a difference for large numbers of people around the world. We have been doing this for over 35 years, and we intend to continue doing so in the future. We are also looking to expand our scale, because we see that our cooperative approach works; that it drives social-economic developments and helps make the food supply more sustainable.

Growth

A growing number of organisations are applying to Rabobank Foundation for support, while at the same time an increasing number of local Rabobanks, Rabobank employees and customers are looking to get involved in our activities. The amount of funds available is increasing as well: from the Rabobank Group, from customers who become donors, and – of course – from repayments of the loans provided. This allows us to support even more new initiatives and reach even more people.

Policy

Growth must be managed, and the sustainability we aim for calls for responsible action, transparency, risk management and a long-term vision. In 2010, the Board and employees reassessed Rabobank Foundation's long-term plan. In order to continue operating as effectively and efficiently as possible, we need to make policy decisions. The following three keywords, which are central to all our actions and practices, help us to make the right decisions:

Focus

International: savings and credit cooperatives and farmers' organisations in a maximum of 25 countries
The Netherlands: vulnerable and economically disadvantaged people

Cooperating

With internal and external partners interested in helping us

Connecting

Within the Rabobank Group: with local Rabobanks, business units and employees
Outside the Group: with members and customers

The idea

In 2010, we supported 189 projects with more than EUR 26 million. All our projects, in the Netherlands and internationally, are aimed at providing people with the opportunity to build an independent life. Providing support to vulnerable groups in the Netherlands and small farmers and businesses in developing countries: that was, and continues to be, our objective. Those are the substantial gains to which Rabobank Foundation is committed.

Key figures

	2010	2009	
Funding			
Local Rabobanks and contributions from Rabobank Nederland	11,500,000	13,770,000	-16%
Allocations to projects (amounts)	26,785,321	24,941,086	7%
Netherlands	2,936,275	3,155,650	-7%
International	23,849,046	21,785,436	9%
Allocations outside the Netherlands, per instrument			
Donation	7,120,829	5,796,210	23%
Technical assistance	3,560,405	2,203,357	62%
Trade finance	5,722,822	6,184,085	-7%
Microfinance	3,709,767	6,756,076	-45%
Guarantees	3,735,223	845,707	342%
International allocations by region			
Asia	9,237,716	7,426,407	24%
Africa	8,386,644	6,138,047	37%
Latin America	6,224,686	8,220,982	-24%
Allocations to projects (amounts)	189	172	10%
Netherlands	29	50	-42%
International	160	122	31%

Please see page 51 for details on the key figures



'Cooperative principles and actions are more current now than ever'

This has been a good year for Rabobank Foundation. Director Pierre van Hedel and Chairman of the Board Kees Bruinstroop discuss four issues: the world and the global economy, Rabobank, Rabobank Foundation and their personal motivation.

On the world and the global economy

Van Hedel: 'We are heading for a global population of 9 billion, which has made food security a major challenge. It's important to have a well-organised food chain in place, and Rabobank Foundation makes an important contribution by organising small farmers in cooperatives.'

Bruinstroop: 'If we look at the economy and the banking industry, we see that the cooperative model is becoming more popular – the word 'cooperation' has taken on a positive meaning again.'

On Rabobank

Bruinstroop: 'Rabobank emerged from the crisis relatively unscathed. Customers, employees and other stakeholders feel that our commitment to social causes sets us apart from other banks.'

Van Hedel: 'Many people want to donate their money to worthy causes, but they are – justifiably – critical. We are aware that Rabobank and the Foundation are known for their reliability and quality, which is why a growing number of customers choose to support the Rabo Foundation Customer Fund.'

Bruinstroop: 'I should add here that our projects are all well organised: we have our own Credit Committee, we maintain an active monitoring policy together with local employees, and our auditors were also pleased with the results for 2010.'

Van Hedel: 'Our local Rabobanks like to be involved in the work of Rabobank Foundation. Our adoption programme gives them the opportunity to commit to one of our projects for a period of several years. More than 60 banks have 'adopted' one of our projects to date: that way, they see the tangible results of their annual contribution to the Foundation. The work of Rabobank Foundation really brings our cooperative philosophy to life. Local Rabobanks want to communicate that and they like to get their employees, customers and members involved in their projects.'

On the Foundation

Van Hedel: 'We've been supporting people for more than 35 years, both in the Netherlands and abroad. In 2010 we saw a spike in interest in the cooperative way of working, which is how Rabobank Foundation operates.'

Bruinstroop: 'What makes us different from other development organisations is that we both give donations and provide loans. We believe in that approach, which may seem very business-like but which is certainly also intended to be educational. We teach the beneficiaries to conduct business, which includes managing loans.'

On themselves

Bruinstroop: 'After the 2004 tsunami, I was concerned about how the aid money was spent. I lived abroad for a long period of time, and I know that things are sometimes handled differently than over here. I shared my concerns with Rabobank, after which they asked me to join Rabobank Foundation, where, as Board Chairman, I can use my financial knowledge and experience.'

Van Hedel: 'I've been working for Rabobank for 32 years now, and time and again I see that the cooperative philosophy is extremely valuable to a lot of people. And it goes both ways: we have a lot to learn from people in developing countries, because no matter how little they have, they're always willing to share and find creative ways to solve problems. In that sense, they can teach Western societies a thing or two.'

Final note

Van Hedel & Bruinstroop: As the Management and Board of Rabobank Foundation, we would like to take this opportunity to thank everyone who donated their time and resources to Rabobank Foundation in 2010, often without compensation.



Rabobank Foundation International



Focus countries 2010

Africa

Ethiopia
Kenya
Uganda
Rwanda
Zambia
Mozambique
Tanzania
Mali
Ivory Coast
Ghana
Senegal

Asia

India
Sri Lanka
Indonesia
Philippines
Laos
Vietnam
Cambodia

Latin

America
Ecuador
Peru
Brazil
Mexico
Nicaragua
Honduras



Africa: a differentiated approach



As the African countries in which Rabobank Foundation operates are all vastly different, the Foundation maintains a different focus for each country. In Ghana and Ivory Coast, for example – which currently produce more than 60% of the world’s cocoa – we primarily support cocoa farmers. In Senegal, Mali and Rwanda, where small farmers have little access to financial services, we provide assistance support to savings and credit cooperatives.

In Tanzania, Rwanda, Mozambique and Zambia, we work closely with partner banks of Rabo Development, which offer guarantee schemes for loans to medium-sized start-up cooperatives. Despite the significant challenges Africa faces, we have found that effective support is possible, through a clear focus based on Rabobank’s background, expertise and networks.

2010

Highlights

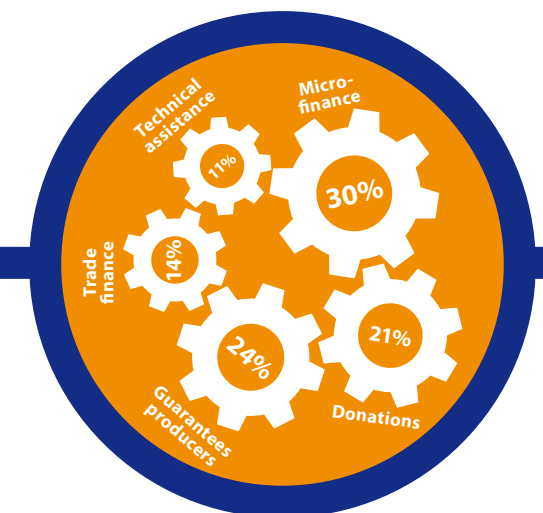
- In 2010 we extended and intensified our collaboration with other Rabobank divisions. A good example is the cooperation with Rabobank International customers. In this cooperation, the interest of the farmers is in line with these companies’ interests, creating opportunities for long-term partnerships.
- The cooperation with local banks ensures a stronger local presence for Rabobank Foundation in rural Africa, allowing the Foundation to reach groups that were until recently inaccessible. A good example is the development of a financing product for small-scale cashew farmers in Southern Tanzania, although similar projects have also been set up in Rwanda and Mozambique.
- A major milestone in 2010 was the launch of the NMB Foundation in Tanzania, of which Rabobank Foundation is a partner. This local foundation provides much-needed training to local product cooperatives. Training courses make cooperatives fundable by banks, after which they can invest in further growth and raise their members’ incomes. In Tanzania, five trainers are dedicated to giving cooperative training courses.

Results

- The number of donations, loans and guarantees provided in the African region once again increased substantially. In 2010, the size of the portfolio increased from EUR 6.1 million to EUR 8.4 million.
- A key priority was finding new partners, and currently, in 40 of the total of 57 allocations, a new partner is involved.
- A total of 14 local Rabobanks are involved in projects in Africa as part of our adoption programme.

Developments

- Africa has a very small-scale agricultural sector that is not productive enough. In addition to its focus on small holders Rabobank Foundation therefore also focuses on African farmers with the potential to grow. For example, we are committed to building a middle class of local farmers and thereby contribute to rural employment and food security.
- The demand for sustainable products is on the rise. Rabobank Foundation works with customers of the bank to achieve certification and improve productivity. This brings profit to farmers, while our banking customers are guaranteed a steady supply of sustainably produced products, including cocoa.
- Mobile telephones and other technological developments are rapidly gaining popularity in Africa. ICT offers great benefits in terms of transparency and efficiency, and ultimately also improves the quality of the management. In 2010 Rabobank Foundation began cooperating with employees of Rabobank’s ICT department. This resulted in two missions and an investment in the Kenyan microfinance organisation Musoni. Musoni customers have the option to pay back their microloans by mobile phone, saving them a great deal of time. We are also involved in setting up IT operations for a cocoa cooperative based in Ghana. When the cocoa is delivered, this is communicated to a central credit system, which makes it possible to immediately credit the proceeds to a savings account.



Mozambique chilli pepper project

A partnership between farmers, a company and a bank

The agricultural sector in Mozambique is marginal, with farmers lacking both the knowledge and the capital to grow crops that provide them with more than their own food. One problem is that all land in Mozambique is government owned; theoretically, anyone can use it for farming purposes. However, since farmers do not actually own the land, they often lack the financial incentive to turn a profit from it.

MOL

Thanks to the efforts of a married couple that established the company Mozambique Organicos Lda. (MOL), a group of farmers is currently working on producing more profitable products. MOL produces, processes and exports high-quality chilli peppers, which are used as ingredients for TA-BASCO®. Farmers also grow baby corn, and will soon start growing green beans. MOL provides the plants, compost and fertiliser, as well as providing training to the farmers. Profits from production and revenues are set to increase due to the farmers' expanding knowledge of agriculture. With more than 60 people currently involved in the processing of the products, the project has boosted employment as well.

Higher margin

In order to involve local farmers in MOL, they first needed to be convinced of the benefits. Farmers who have switched from producing corn and beans to growing chilli peppers are benefiting from much higher margins, with an annual return per hectare that is several thousands of dollars higher.

Guarantee

Rabobank Foundation is the main guarantor for a loan provided by Banco Terra (in which Rabobank Group holds a stake) to MOL. The purpose of the loan is to optimise business operations and purchase materials for the farmers.



Asia: increased focus on sustainability



Rabobank Foundation is active in seven Asian countries, all of which are vastly different. India and Vietnam, for example, with their strong economic growth, are clear leaders in the region. Still, India, with 300 million people living on or below the poverty line, is also home to the largest number of poor people in the world. Laos, which might

be regarded as Vietnam's little brother, has begun to take a number of important steps. For example, farmers are now permitted to formally organise themselves and undertake activities together. Indonesia has vast natural resources and is gradually becoming aware of the importance of sustainable farming.

2010

Highlights

- In collaboration with partners including the Dutch Ministry of Economic Affairs, Agriculture and Innovation and the Douwe Egberts Foundation, we support coffee farmers in the Central Highlands of Vietnam. The work focuses on improving production methods and setting up cooperatives.
- In Indonesia, Rabobank Foundation has been supporting the TapWorld foundation in testing special 'containers' for sugar palm farmers. These containers supply clean water, electric power and natural fertiliser. Additionally, the palms' juice is used to produce sugar and ethanol. The sugar palm is a good alternative to other biofuels.
- In the Philippines, Rabobank Foundation funds small cooperatives of farmers who produce seeds for the company East-West Seed Philippines. By collaborating with the Philippine Central Fund (PCF), we provide the cooperatives with the opportunity to build a local track record. The exit scenario is for PCF to start funding the cooperatives independently after two years.
- In partnership with a development organisation and the Dutch Embassy, we support a biogas programme in Indonesia. Biogas systems are of interest to small farmers who own two or three cows: they allow them to generate clean energy. In addition, the biogas system also produces a residual that can be used as natural fertiliser. It takes three years for farmers to earn back their investment in the system, saving them the equivalent of EUR 10 per month. As part of this project, Rabobank Foundation provides loans to farmers' cooperatives, which then re-lend the funds to their members

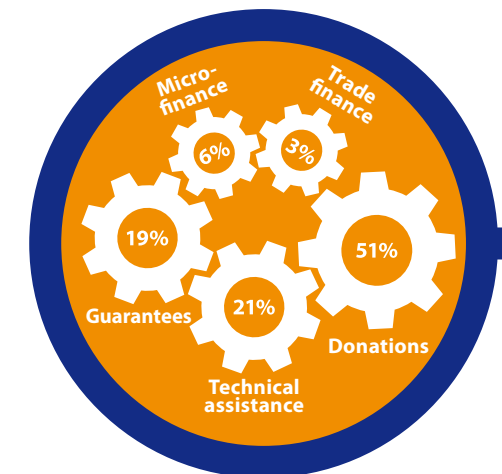
Results

- The total amount in donations, technical assistance and loans increased to EUR 9.2 million. We supported a total of 68 new projects in 2010.
- The portfolio in India was increased with different projects for farmers' organisations.
- We link Rabobank customers to projects based in Asia, including a successful partnership with Friesland Campina, Ecom Agroindustrial Corporation Ltd. and Marks & Spencer.
- We notice more balance in the portfolios between the themes of microfinance and support from farmers' organisations. In addition, we took steps to extend the portfolio in Laos and Cambodia.

- Linking our local Rabobanks in the Netherlands to projects gained commitment. More than 30 local Rabobanks are involved in projects in Sri Lanka, India, Indonesia and the Philippines.

Developments

- In Vietnam, we notice awareness of the importance of sustainable agricultural production. Rabobank Foundation has responded to this by launching a number of projects where coffee and cocoa farmers are trained in sustainable production. In addition, they also receive support to organise themselves more effectively.
- The Indian State of Andhra Pradesh has been affected by a crisis in the microfinance sector. A number of institutions operating in this region are looking to make a quick profit at the expense of their customers. However, we guarantee that Rabobank Foundation only supports community-owned and managed organisations, where all profits actually benefit the customers.
- In Sri Lanka, the government appears to be trying to steady its grip on society, making it more difficult for our partner organisations to receive loans from foreign organisations. Rabobank Foundation is considering alternatives in order to continue to support these partners as well as possible.



Vietnam coffee project

A new type of cooperative

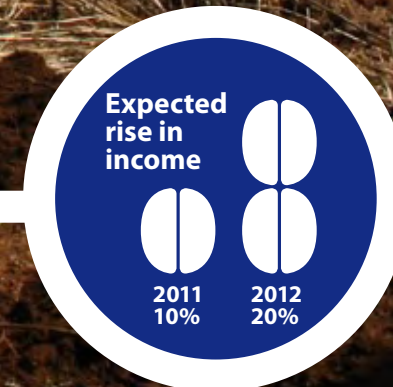
While Vietnam is no stranger to cooperatives, problem is that they are used for private purposes only, making them a far cry from the cooperative philosophy. Rabobank Foundation is therefore involved in establishing 'new-style business' cooperatives.

Profit for farmers

In collaboration with partners including the Dutch Ministry of Economic Affairs, Agriculture and Innovation and the Douwe Egberts Foundation, we support coffee farmers in establishing cooperatives based on economic principles. This means that the profits will benefit the members – that is, the farmers themselves – and that the services are cost-effective. After two or three years, the cooperatives are able to function completely independently.

Seed capital for Lam Vien

It is naturally important that cooperatives have enough capital to meet the needs of their members. In November 2010, a EUR 400,000 guarantee was approved to provide working capital finance to the Lam Vien coffee cooperative. This cooperative can now, for example, provide high-quality fertiliser to its members, thereby increasing productivity. In addition, farmers are trained in sustainable production. They learn how to use fewer chemicals and – if necessary – how to use them correctly. The farmers will see their income rise by 10 to 20%. However, in addition to earning more money, the fact that they are organised also allows them to increase their bargaining power due to their much stronger position in the coffee chain as a whole.



Latin America: Focus on rural savings and credit cooperatives



In 2010, Rabobank Foundation operated projects in six Latin American countries. Our activities in these countries are remarkably diverse, due in large part to the geographic location of the operating area. For example, the Andes Mountains have a major impact on the population in this region. In the Peruvian Highlands, we support potato farmers in exporting their products to

Europe. Further north in Peru, as well as in Nicaragua, Ecuador and Mexico, conditions are favourable in particular for coffee and cocoa producers. Rabobank Foundation helps them to improve and market their products. Besides producer organisations, we also increasingly support savings and credit cooperatives with a rural focus.

2010

Highlights

- Together with the French-based development organisation AVSF-CICDA, Rabobank Foundation is involved in various countries in improving cocoa farming, fermentation and the drying of cocoa beans, increasing capacity, and management (including financial management).
- Peru exports one-third of the global trade volume in organic coffee, and the cooperative CECOVASA focuses on these quality coffees. One of its members produces the brand Tunki Coffee, for which it won the 2010 People's Choice Award at the leading coffee fair in the United States.
- The year 2010 revolved around the preparation for the transfer of the trade financing portfolio to the newly established Rabo Rural Fund, which includes a large portion of the Latin American trade financing portfolio. The Rural Fund was established to provide producers' organisations with an alternative that allows them access to finance. The Rural Fund will start out by focussing on a small number of countries and the following commodities: coffee, cocoa, cotton, sugar/sugar cane and nuts. The Fund can then be extended to other production chains at a later stage.
- People living high up in the Andes Mountains are unable to grow food. To obtain food elsewhere, they trade the meat and wool of their alpacas (a type of llama) for potatoes and other crops. Rabobank Foundation supports the programme, which is aimed at genetically improving the alpaca species and producing better-quality wool.

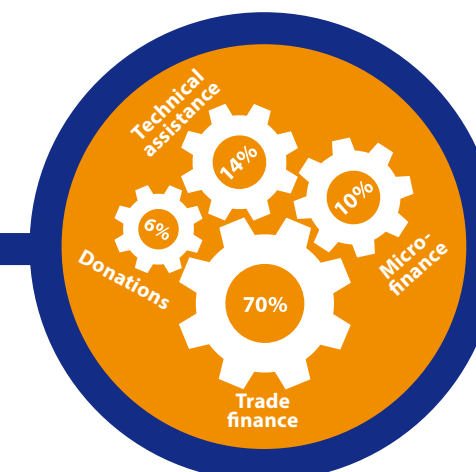
Results

- In 2010, Rabobank Foundation and the Progreso Fund together funded 44 organisations. There was a good distribution: 17 larger organisations, 17 medium-sized organisations and 10 smaller, new, or high-risk cooperatives. Total trade financing in 2010 amounted to EUR 4.4 million.
- In the past year, Rabobank Foundation's Latin American portfolio was further expanded with more rural savings and credit cooperatives.

- There are a total of 16 local Rabobanks involved in projects, including in Ecuador, Peru and Nicaragua.
- In 2010, Rabobank Foundation supported 35 new projects in Latin America. The total amount paid in allocations was EUR 6.2 million.

Developments

- In Peru, Rabobank Foundation expects to expand its rural microfinance activities. It had a good start in 2010 with CIDERURAL, an organisation that is expanding to include 18 member organisations with 140,000 individual members.
- In Ecuador, we are working at the regional level with three umbrella organisations of savings and credit cooperatives. In recent years, we supported UCAC-CENTRO in Riobamba.
- We have scaled back our projects in Honduras, due to the continued political instability and the lack of an effective legal system.
- The Nicaraguan-based No Pago movement is refusing to repay its debt to microfinance institutions. Fortunately, Rabobank Foundation has barely been affected, but we nevertheless need to remain cautious.
- In Brazil, the focus will be on the more deprived north and north-east of the country. The current programme managed by partner CRESOL (170,000 members) will run until the end of 2011, but we are already anticipating microfinance activities in other states.
- Bolivia and Colombia are scheduled to be added as focus countries in 2011.



Potato project in Peru

Colourful crisps for Europe

The Peruvian region of Huan-cavelica, located in the Andes Mountains, is home to nearly half a million people. In these highlands, more than two-thirds of the population live below the poverty line, while 20% are illiterate. The majority of adults are potato farmers, growing various potato species in a variety of colours. As proceeds from their products have traditionally been low, many farmers migrate from the highlands to the major cities. Rabobank Foundation is attempting to reverse this trend by improving the incomes and, by extension, the future prospects of the potato farmers.

For gourmands

The idea came up to use the colourful potato species to produce crisps, as they generate significantly more revenue than actual potatoes. Rabobank Foundation liked the idea and made a donation of EUR 120,000, which will be paid in three equal instalments over a 3-year period. The potato farmers are now learning how to use sustainable production methods and are taught the fundamentals of organic farming. One of the objectives is for half of all potato farmers to become both Fair Trade-certified and organically certified. Once the potatoes have been processed in a production facility, they are exported to France and distributed to various supermarket chains, where gourmands can enjoy the high-quality Peruvian potato treat.



150% more income

Potato farmers who do not export their colourful potatoes receive EUR 0.20 per kilogram, while farmers who do export their potatoes receive EUR 0.50 per kilogram – an increase of no less than 150%!

Better Cotton: Better for farmers, better for the environment

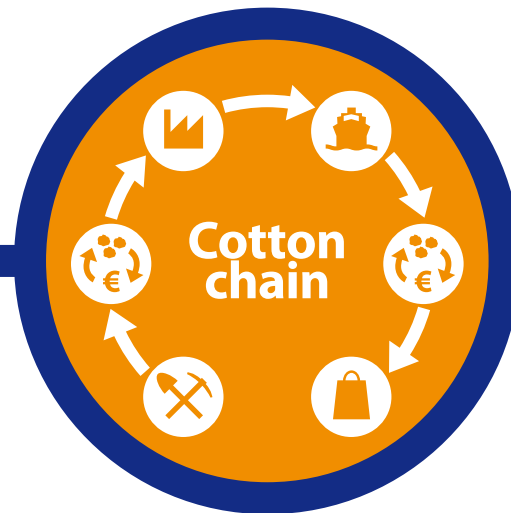
The global production of cotton is highly damaging to the environment. It is produced on just 2.5% of all agricultural land. However, this involves the use of 15% of all chemicals. In addition, cotton also requires a large amount of water, causing the chemicals used to contaminate the drinking water of many millions of cotton farmers and their families.

Time for change

With the global population growing rapidly and the demand for food continuing to rise, cotton must inevitably 'compete' with food crops. The pollution caused by cotton, the poor conditions under which it is grown and the need to guarantee a constant supply of cotton has prompted a number of leading retailers to take action.

The initiative

Together with several aid organisations (NGOs), including the World Wildlife Fund and large private companies, Rabobank Foundation supports the 'Better Cotton' fast-track programme. This involves a new system for cotton production, focusing both on nature (i.e. less use of water and chemicals) and on local labour conditions (i.e. no child labour). The cotton chain is a complex chain involving a large number of steps that must be completed before consumers can buy the garments in a shop. A large number of major retailers have officially agreed to use only 'Better Cotton' products, which means that other players in the cotton chain will be required to start using this cotton as well.



Sustainability

The farmers who have received training are more respectful of the environment and earn a higher income due to cost savings. Through its commitment to this programme, Rabobank Foundation can achieve its objective of supporting small-scale farmers to improve their position, as well as being able to contribute to a more sustainable sector. The Foundation provides financial resources and then continues to support the farmers in organising themselves in well-organised cooperatives.

Results for 2010

'Better Cotton' was first produced in 2010 and first used by retailers in their chain. The goal is to produce one million tonnes of 'Better Cotton' by 2015 and to facilitate a radical change in the cotton chain. The new cotton truly is 'Better Cotton', and to quote one of the retailers: 'Sustainability is the new business licence to operate.'



Photo © Florian Jaenicke/Jaif/Hollandse Hoogte

Support for local agricultural chains: more than microfinance alone

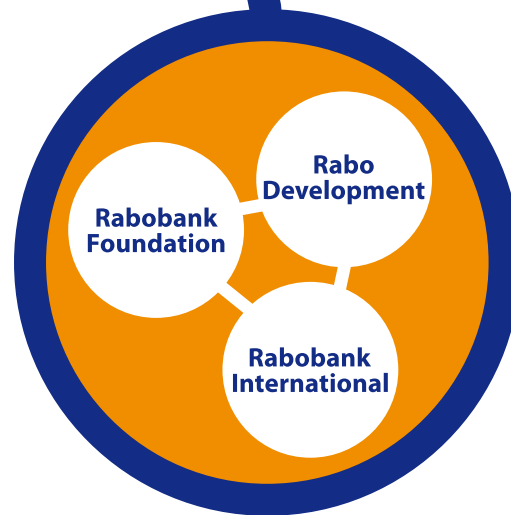
In traditional microfinance, investment in agriculture often falls behind, whereas in fact farmers have many opportunities to raise their income through targeted investments. Rabobank Foundation therefore focuses on producer cooperatives that are used to fund local agricultural chains.

Finding the right solution

Traditional microfinance institutions are often unable to meet the funding needs of cooperatives. This is because the combined funding need tends to be too high, while financing provided to individual farmers is too high-risk or too small. We therefore work closely with local partner banks of Rabo Development and Rabobank International in order to allow cooperatives access to the regular banking industry. These banks tend to have a strong presence in the countryside and are interested in boosting the agricultural sector. However, risks often still tend to be too high, for example due to a lack of collateral or because the cooperative is not sufficiently organised yet. It may also be that the term of some investments is simply too long and too risky, which is where Rabobank Foundation comes in.

Self-reliance is the key

Rabobank Foundation actively supports cooperatives in order to professionalise their business operations. In addition, we also provide guarantees to a local bank to compensate for the higher risk. This gives the cooperative the opportunity to prove its worth, increase its capital and eventually partner with a local



financier. Recent examples of this include the financing of coffee processing, the construction of sugar plantations and a cooperative rice-processing facility. In all these initiatives, a central goal is to eventually make our own involvement in a project redundant. This involves gradually reducing the guarantees and expertise provided. With its global experience in agricultural financing, emphasis on self-reliance and extensive network, Rabobank Foundation therefore occupies a unique position in the development sector.



Partnership with local Rabobanks: Sri Lankan women receive support from Utrecht region

Rabobank Foundation offers local Rabobanks the opportunity to 'adopt' a project in another country. Specifically, for local Rabobanks this involves donating their annual financial contribution to the Foundation for a specific project. This is a unique way to increase their involvement in the work of Rabobank Foundation. Local Rabobanks communicate on their project with their employees, customers and members and use their own local networks to support the project. More than 60 local Rabobanks are currently involved in Rabobank Foundation's international projects.

Adoption project

One of our adoption projects is located in Sri Lanka. Five local Rabobanks in the Utrecht region have jointly adopted a project of the Arthacharya Foundation and raised the funds required. The total amount of nearly EUR 400,000 was used both to provide loans to these Foundation's members and to make their organisation more professional.

Fighting poverty

Arthacharya, which was established in 1992 with the objective of fighting poverty in Sri Lanka, is dedicated to helping the most impoverished people, particularly women. Arthacharya unites its members in Community-Based Organisations (CBOs), which have an average of 50 members each. The organisation works with a total of nearly 750 CBOs, reaching roughly 30,000 people. In recent years, Arthacharya has focussed increasingly on providing microcredit. It aims to provide its members with access to funding and support them in building their organisations.

Action plan

The Arthacharya Foundation intends to separate its microfinance activities from its other public activities, which are funded by donations. The microfinance activities will be carried out by a separate organisation. Arthacharya will use the planned separation of the two entities to professionalise its organisation and make it self-reliant. It has requested support from Rabobank Foundation to fund this strategic plan. This involves both a loan to meet the capital requirement and a donation for technical assistance. The transfer of Rabobank Foundation's risk capital (provided by local Rabobanks) enabled Arthacharya to honour the credit applications.

Small businesses

More than 2,000 loans have since been provided, which are used by women and their families to set up or expand small businesses. Some of these entrepreneurs grow vegetables and plants to be sold on the market, while others produce items such as joss sticks or rope, or run a small business such as a mobile sweet shop.

Professionalization

The donation also improved Arthacharya's internal organisation in a variety of areas. For one, processes and procedures were standardised, while the quality of the loan portfolio was improved. In addition, the board and management receive training, and a management information system is scheduled to be implemented. The initiative is facilitated by a financial contribution from five local Rabobanks: Rabobank Utrecht en omstreken, Utrechtse Heuvelrug, Kromme Rijnstreek, Noord Gooiland and Hilversum- Vecht en Plassen.



Rabo Foundation Customer Fund: the ability to share

Rabobank Foundation is dedicated to providing as many people around the world as possible with the opportunity to live an independent life. Our bank's customers can support this mission by donating funds to the Rabo Foundation Customer Fund. They may do this by making a general donation, or, alternatively, by establishing a named fund. In all cases, the funds will be used for projects in which Rabobank Foundation invests itself, which is how we can guarantee expertise and reliability. We employ experts who specialise in development cooperation in their specific regions, as well as drawing on a large international network. Customers can support a variety of projects through our Customer Fund that suit their social ambitions.

Steady growth in 2010

The Customer Fund grew steadily in 2010, which is part of our strategy to further expand the Fund over the next several years. We work together with local Rabobanks and customers who have demonstrated their commitment to the Customer Fund. Many customers have shown an interest in learning more about Rabobank Foundation's work.

Microfinance in India

One signature project that is supported by one of Rabobank's customers is a microfinance programme based in India. The Indian-based organisation ACCESS supports 13 cooperative microfinance institutions in the state of Orissa, one of the most impoverished of all the Indian states. One specific objective of the project is to substantially increase the number of members for each cooperative, the goal being to provide at least 250,000 women and their families with access to financial services – both credit and other financial services such as savings and insurance.

Savings as a basis for credit

For each cooperative, women are organised at the village and neighbourhood levels in 'Self-Help Groups' (SHGs). One SHG includes around 15 to 20 women, who put a small amount aside each month. These shared savings are used to provide microloans to each other. The monthly contribution per member is less than one euro; the microloans are between EUR 100 and EUR 200. This enables the women to set up or expand a small business or trade. The strength of this cooperative structure is the commitment and control of the female members, who share responsibility for their own organisation.

Conscious decision

It is partly thanks to the Rabo Foundation Customer Fund that this project can be carried out. The customer had learned about the Customer Fund from his Account Manager, and his faith in the Rabobank organisation and the bank's international network raised his interest in the Rabo Foundation Customer Fund. India was a logical choice, as the customer himself has experience working in that country. He was particularly interested in the ACCESS project on account of its educational nature. The female members of the cooperatives are trained and taught literacy skills and are schooled in different types of financial services. In other words, microcredit and education go hand in hand in this project, which is what can make the difference for a better future.



Rabobank Foundation in the Netherlands



The Netherlands: promoting social inclusion



In the Netherlands, social inclusion is the common theme for Rabobank Foundation: we aim to help build a society where anyone can become involved. This includes people of all ages, with and without disabilities and from all socio-economic and ethnic backgrounds. Our Dutch projects aim to promote participation and empowerment among disadvantaged and vulnerable groups in society.

Social innovation

With the role of the Dutch government decreasing the financing of social innovation has become the initiative of individuals, funds and the private sector. As Rabobank's social fund, Rabobank Foundation plays a key role in this civil society. As Rabobank Foundation, we attempt – where possible – to establish a link between our projects and the Rabobank organisation, since our bank's cooperative dividend extends beyond donating funds only. For example, some of our projects provide Rabobank employees with excellent opportunities for volunteer work, as exemplified by the partnership with Stichting de Zonbloem (devoted to supporting people with chronic illnesses) and Best Buddies (a non-profit organisation dedicated to establishing a global volunteer movement that creates opportunities for one-to-one friendships between people with developmental and intellectual disabilities and university students).

Driver

Rabobank Foundation's role in the Netherlands involves more than providing funding alone: we are a key driver of corporate social responsibility. As part of our commitment, we have been offering the Goede Zaken ('Good Business') training course for many years now, which is aimed at strengthening ties between NGOs and the private sector.

2010

Projects

As part of the themes Mens & Maatschappij (People & Society), Sport & Vrije Tijd (Sport & Leisure) and Werk & Onderwijs (Work and Education), Rabobank Foundation supports dozens of projects each year, many of which are long-term partnerships. Together with our social partners, we aim to help build an inclusive society. In 2010 we supported a total of 29 projects with a budget of more than EUR 2.9 million. Some examples of these projects are:

Participating in society

- Resto VanHarte, one of the beneficiaries of Rabobank Foundation, aims to bring people together by gathering them around the dining table.
- In 2010, we also donated funds to stichting Diva Dichtbij, which stages musical, theatrical and vocal performances for care home residents.
- We entered into a partnership with stichting Opkikker, which organises special days for seriously ill children and their families. Opkikker works at the request of hospitals with which it collaborates, which are located throughout the Netherlands.

Participation in sports

- For several years now, Rabobank Foundation has been working with Fonds Gehandicapt Sport (a fund dedicated to sports for disabled people). Together with them, we developed projects such as (S)Cool on Wheels.
- In 2010, we made donations to Sailwise for the construction of a multifunctional water sports centre in Friesland. The centre provides people with disabilities the opportunity to go on waterskiing holidays together with friends or family.
- We also made donations to the Special Olympics, a regional, national and international sporting event for people with intellectual disabilities.
- As part of the 'sports' theme, we also supported a number of other groups in 2010, including a multi-year partnership with Jeugd sportfonds (the Youth Sport Fund).
- We donated funds to Fyr Sport Academy, which gives young women who have become a victim of pimps or honour-related violence the opportunity to join 'regular' sports teams and gradually reintegrate into society.

Participating in the job market

- Rabobank Foundation supports Emma at Work, a non-profit temporary employment agency for young people with chronic disease or other physical disabilities.
- In 2010, we donated funds to Opdrachtenbank, an organisation providing remote web management services. These activities are performed by people with physical disabilities in a specially adapted work environment.
- We are also supporting stichting UAF in establishing a Language Fund for highly qualified refugees in the Netherlands, allowing them to take fast-track Dutch classes and pursue a course of study. This enables them to participate in the labour market.



Jeugd sportfonds project

Anyone can get involved

Around 400,000 Dutch children and adolescents from deprived backgrounds do not engage in any sports, and Jeugd sportfonds, using the motto 'sports for all children', intends to change this situation.

Simple approach

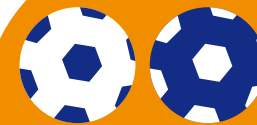
Jeugd sportfonds finances the contributions and sports accessories (e.g. clothing, shoes, etc.) for young people who cannot afford these themselves. The fund has developed a simple method for this purpose: an intermediary (such as a teacher, youth care organisation or GP) submits an application including arguments, after which Jeugd sportfonds pays the contribution and accessories. The intermediary then ensures that the child actually participates in the activities. A total of EUR 225 per year is available for each child.

Healthy ambitions

Jeugd sportfonds aims to let 40,000 children participate in sports, hoping to eventually extend the initiative to the national level. In order to achieve these goals they require funds for the children, and in addition Jeugd sportfonds, as a service and expertise centre, must make efforts to attract more donors and corporate sponsors.

Donation

Over a 3-year period, Rabobank Foundation will donate a total amount of EUR 225,000 to Jeugd sportfonds, which will allow a total of 1,000 children to get involved in sports. This donation, which will be allocated directly for the benefit of disadvantaged children, is in line with Rabobank Foundation's criteria. Since it is also important that the nationwide Jeugd sportfonds becomes more professional and protects the organisation's raison d'être for the future, Rabobank Foundation provides an additional amount of EUR 75,000, spread over three years.



€225,000 = 1,000

Rabobank Foundation gets 1,000 children involved in sports
Total donation € 225,000

Partnership with local Rabobanks: Local involvement with Resto VanHarte

Rabobank Foundation offers local Rabobanks the opportunity to get involved in Dutch projects. These are activities we support at the national level, but which are actually implemented at the local level. Our ultimate goal is to work with local Rabobanks to help NGOs in achieving their objectives and project goals. A good example of such a project is Resto VanHarte.

Eating together is living together

Resto VanHarte has proved to be a highly successful and promising initiative. There are currently 25 social food establishments across the Netherlands, referred to as Resto's. The purpose is to bring people together and increase cohesion in the community by using the dining table as a bonding device. Resto VanHarte works in partnership with a variety of health and welfare organisations, religious organisations, reintegration services and educational institutions. Community police officers, ministers and imams are just some of the people who regularly join the VanHarte tables. This makes it easy for local residents to contact them and ask them questions.

Future plans

Resto VanHarte aims to increase the number of Resto's in the Netherlands to 40 in the coming years. Rabobank Foundation supports them in these efforts with a donation of EUR 270,000 over a 3-year period. These funds will enable Resto VanHarte to achieve its goal of expanding and developing a business model in order to ensure sustainability in the future. The greatest challenge is to fund the local Resto's. Rabobank Foundation assists Resto VanHarte in

contacting local Rabobanks. These banks can support a Resto in their operating area by making a donation – preferably a multi-year donation – as well as use their network in order to increase support for Resto VanHarte in their operating area. Rabobank employees volunteer for Resto VanHarte and are also involved in other activities, such as promotion. A total of 14 local Rabobanks are currently involved in Resto VanHarte. They support the organisation to expand their activities and increase its profile in their local communities.



Finance



Finance

BALANCE SHEET AT 31 DECEMBER (after profit appropriation) Amounts in euros

ASSETS		2010	2009
Fixed assets			
Long-term investments			
Participations and equity	*1	156,977	156,977
Loans to affiliated companies	*2	2,500,000	500,000
Project loans	*3	10,113,000	8,558,051
		12,769,977	9,215,028
Current assets			
Prepayments and accrued income			
Other income	*4	339,185	3,993,654
		339,185	3,993,654
Liquid assets		22,457,032	24,266,065
		35,566,194	37,474,747
LIABILITIES			
Reserves and funds			
Foundation capital		454	454
Reserves			
Loans reserve	*5	8,509,132	8,509,132
Funds			
Destination fund Netherlands	*6	2,479,301	3,300,882
Destination fund International		6,190,843	14,250,912
Share4More Destination fund		450,379	133,485
		9,120,523	17,685,278
Current liabilities and accrued liabilities			
Donations payable		15,655,227	11,111,595
SNF payable		1,131,230	0
Other income	*7	1,149,628	168,287
		17,936,085	11,279,882
		35,566,194	37,474,747

STATEMENT OF INCOME AND EXPENDITURE 2010 Amounts in euros

Income		Realised 2010	Budget 2010	Realised 2009
Income from own fundraising				
Contributions from local Rabobanks		5,109,144	5,462,500	6,115,391
Contributions from Rabobank Nederland		6,798,775	6,037,500	7,800,215
Contributions from Share4More		695,181	0	145,606
		12,603,100	11,500,000	14,061,212
Other income				
Interest earnings from loans		1,081,345	917,000	779,560
Other interest earnings		175,315	250,000	204,650
		1,256,660	1,167,000	984,210
Release provision and loan writedowns		823,604	-2,535,000	-5,015,107
Total amount available for objective		14,683,364	10,132,000	10,030,315
Expenditure				
Support for projects				
Support provided in the Netherlands	8*	3,119,603	3,000,000	2,977,450
Support provided International	9*	10,003,162	9,970,000	7,223,803
Support provided by Share4More		794,540	0	269,525
Donation from Stichting Nieuwe Fondsen		9,131,231	8,000,000	0
Share price of loans		-1,274,810	0	83,912
		21,773,726	20,970,000	10,554,690
Other costs	10*	1,474,395	1,439,000	1,515,479
Total amount spent on objective		23,248,121	22,409,000	12,070,168
Deficit for objective		-8,564,757	-12,277,000	-2,039,853
Destination of 2010 deficit				
Withdrawal/Addition to:				
Destination fund Netherlands		-821,581		
Destination fund International		-8,060,070		
Share4More Destination fund		316,894		
		-8,564,757		

NOTES TO THE BALANCE SHEET

ASSETS	2010	2009
Long-term investments		
1* Participations and equity		
Oikocredit, the Netherlands	156,977	156,977
Intercecam, Madagascar	0	0
Fonds Cooperatif, Laos	0	0
Reagin EcolInvest, Guatemala	0	0
UBC/CamCCUL, Cameroon	0	0
	156,977	156,977
The participations Intercecam, Fonds Cooperatif, Reagin EcolInvest and UBC/CamCCUL are fully provided for, as no profits are expected.		
2* Loans to affiliated institutions		
Progreso loan		
Balance at 1 January 2010	2,000,000	2,000,000
Less: provision for possible bad debts	0	-2,000,000
Balance at 31 December 2010	2,000,000	0
Loan to Sustainable Agriculture Guarantee Fund		
Loan	500,000	500,000
Less: provision for possible bad debts	0	0
Balance at 31 December 2010	500,000	500,000
3* Loan		
Loans provided and interest to be received	15,687,731	14,252,526
Matured repayments to be received	0	45,841
Less: provision for possible bad debts	-5,574,731	-5,740,315
	10,113,000	8,558,051
Prepayments and accrued income		
4* Other		
Contributions from Rabobank Nederland and local Rabobanks	206,176	3,962,861
Bank interest	8,019	30,793
Banco Terra	22,754	0
Other	102,236	0
	339,185	3,993,654

Liquid assets

The frozen assets are included below (net amount: EUR 2,217,420).

A provision of EUR 762,222 was withdrawn for the frozen assets in connection with bank guarantees provided

The liquid assets include deposits EUR 1,714,121 with a term up to 2014 maximum.

LIABILITIES	2010	2009
Reserves		
5* Loans reserve		
Balance at 1 January	8,509,132	12,145,650
Destination fund International	-	-3,636,518
From profit appropriation		
Balance at 31 December 2010	8,509,132	8,509,132
Due to the system change in the valuation of loans, it was decided in 2009 to build a loan reserve for all loans provided, less any provisions. The loan reserve can only be used to cover the existing loan portfolio and/or the new loans to be provided in 2011 (budget: EUR 15 million). This restriction was imposed by the Board.		
Funds		
6* Destination fund Netherlands		
Balance at 1 January	3,300,882	3,455,863
From profit appropriation	-821,581	-154,981
Balance at 31 December 2010	2,479,301	3,300,882
This fund, which is separate from the capital, has been granted a limited spending option. The fund can only be used for domestic projects (approx. EUR 3 million per year). The reason for the restriction was set out by the Board in 2010. The withdrawals during the financial year relate to the provision of donations.		
Destination fund International		
Balance at 1 January	14,250,913	16,071,214
From profit appropriation	-8,060,070	-1,820,301
Balance at 31 December 2010	6,190,843	14,250,913
This fund, which is separate from the capital, has been granted a limited spending option and can only be used for international projects. Withdrawals during the financial year relate to the provision of donations.		
Share4More Destination fund		
Balance at 1 January	133,485	198,055
From profit appropriation	316,894	-64,570
Balance at 31 December 2010	450,379	133,485
This fund, which is separate from the capital, has been granted a limited spending option. The fund is dedicated to improving the position of women, children and the disabled in developing countries. As part of its efforts, it supports small-scale projects related to healthcare, education and reducing child mortality. Withdrawals during the financial year relate to the provision of donations.		

NOTE TO THE STATEMENT OF INCOME AND EXPENDITURE

Income from own fundraising by Rabobank Foundation and Share4More

Contributions from the local Rabobanks to Rabobank Foundation are made on a voluntary basis. In 2010, Rabobank Nederland topped up the total contribution to 0.5% of the profit of the Rabobank Group for the 2009 financial year. Contributions from Share4More are likewise voluntary.

Support for projects	2010	2009
8* Support provided in the Netherlands		
Donations provided	3,202,430	3,382,650
Less: non-paid donations from previous years	-82,823	-405,200
	3,119,603	2,977,450

9* Support provided outside the Netherlands		
Donations and technical assistance provided	11,523,432	7,798,478
Less: non-paid donations from previous years	-1,520,270	-574,675
	10,003,162	7,223,803

On 14 September 2010, the Board approved a one-time gift of USD 11.7 million (EUR 9.1 million) to Stichting Nieuwe Fondsen. A total of 8 million of this amount was paid on 31 December 2010.

Support provided to Share4More	794,540	269,525
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10* Other costs		
Staff	1,399,359	1,330,931
Travel and accommodation costs for reconnaissance missions	5,642	30,641
Contribution & Communications	42,000	105,506
Other	27,394	48,400
	1,474,395	1,515,479

Costs amount to approximately 10% of earnings
Loans versus income is approximately 150%.

• Details on key figures (see page 9):

In 2010, microfinance was down significantly from the previous year (-43%). Particularly in the Asian region, the focus in the past year shifted to supporting farmers' cooperatives through trade finance, donations and technical assistance. Our cooperation with partner banks in the African and Asian regions have caused guarantees (including commitments) to increase sharply in 2010 compared to 2009 (+342%).

• Details on support provided

The amounts in commitments ('Key figures') and support provided ('Statement of income and expenditure') do not match. The key figures do not include reversals and earmarked donations.

Current liabilities and accrued liabilities

7* Other		
Rabobank Nederland	882,144	0
Customer fund	69,833	0
Share4More staff costs 2009/2010	170,150	104,583
Other	27,501	63,704

Liabilities not included in the balance sheet

Conditional allocations and guarantees

The Rabobank entered into a total of EUR 5,481,666 in conditional commitments (2009: EUR 3,967,764) and provided guarantees to organisations as part of its objective.

Staff

Rabobank Foundation and Share4More do not employ any staff. Since the start of 2009, the costs of employees of Rabobank Nederland who work for Rabobank Foundation and Share4More have been charged on.

Around the world

Published by:
Rabobank Foundation

Postal address:
Postbus 17100, NL-3500 HG Utrecht

Additional information:
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Distribution
1,000 copies

Design
De Designpolitie, Amsterdam

Utrecht, the Netherlands, July 2011



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