


A short history of Rabobank



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Rabobank Group is a Dutch international financial service provider based on cooperative principles. An Allfinanz market leader in the Netherlands, with internationally a focus on food & agribusiness. This diverse and leading financial group began in the late nineteenth century as a collection of small Dutch agricultural co-operative banks.



Company History Department
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The idea of Raiffeisen

The idea of Raiffeisen served as the inspiration for the establishment of agricultural co-operative banks in the Netherlands. Friedrich Wilhelm Raiffeisen founded the first agricultural co-operative bank in Germany in 1864. As a rural mayor he witnessed first-hand the poverty some suffered within the farming community. He set up a charitable foundation in order to provide relief. However, he gradually came to the conclusion that self-help was more beneficial than charity in order to bring about lasting improvements. This led him to transform his charitable organisation into a farmers' co-operative bank in 1864. This 'Heddesdorfer Darlehnskassen-Verein' collected the savings from the rural population so as to be able to fulfil the local need for credit. The fundamental principles of the co-operatives were: self-help, self-responsibility and self-management.



Friedrich Wilhelm Raiffeisen, founder of the very first agricultural co-operative bank in Germany.

From the late 1890s there were many followers of the Raiffeisen co-operative movement in the Netherlands. One of the first was the priest Gerlacus van den Elsen. He initiated a number of local agricultural co-operative banks in the southern part of the Netherlands. His mission was both exalted and down-to-earth. In his own words: 'To fend off usury, to stand by the farmer in his time of need, and also to encourage thriftiness, charity, industriousness and moderation.'

Both idealistic and practical

The first co-operative banks were founded on the initiative of clerics and local notables, such as mayors, entrepreneurs and teachers. Sometimes the initiators were also wealthy farmers who took action for the benefit of their less successful colleagues. While the driving force was idealistic, the working method was firmly grounded on pragmatic business principles.

This is reflected in the guiding principles of the first co-operative banks:

- share alike and unlimited liability of the members
- an unpaid management
- reserving profits for further growth
- a field of operation limited to the local area
- association with a co-operative central bank, while retaining local independence

These business elements behind the idealistic philosophy were primarily responsible for the successful development of the agricultural co-operative banks.



Saving in the 1950s.

Two central banks

Rabobank Nederland has offices in Utrecht and Eindhoven. This stems back to the existence of two central co-operative organisations, which were both founded in 1898 and existed alongside each other for three quarters of a century. The co-operative banks in the northern part of the Netherlands worked together in the *Coöperatieve Centrale Raiffeisen-Bank* in Utrecht. The co-operative banks in the south founded the *Coöperatieve Centrale Boerenleenbank*.

In 1898, a combination of legal and personal differences of opinion was the main reason for the division in the co-operative banking world. Even though they had very similar structures, the two umbrella organisations followed separate paths. In practice the organisation in Eindhoven had a Catholic character and, while the organisation in Utrecht was officially neutral, it essentially had a protestant perspective. Another difference was that Eindhoven had more stringent, centralised management compared to Utrecht, where the tendency was to emphasise the local autonomy.

Partnership between Utrecht and Eindhoven

The first forms of partnership between the two co-operative organisations arose in the 1940s. Three developments caused this overture to lead to a merger in 1972:

- The increase in the number of branch offices, which raised the level of competition at the local level;
- The widespread merger trend in the Netherlands, which created a greater demand for capital in the business community, which in turn promoted consolidation in the banking sector;
- The fading of the denominational dividing lines in the Netherlands, which also diminished the importance of the ideological differences that divided Utrecht and Eindhoven.

The *Coöperatieve Centrale Raiffeisen-Bank* and the *Coöperatieve Centrale Boerenleenbank* merged in 1972 to create the *Coöperatieve Centrale Raiffeisen-Boerenleenbank*. It became generally known as Rabobank due to the first two letters of both banks. The city of Amsterdam became the legal domicile. The new centralised bank was given the name Rabobank Nederland in 1980.

Local member banks formula proves successful

From the first day of operation, the co-operative banks fully succeeded in fulfilling the core tasks of the banking business: bringing together surpluses and deficits of financial resources for one's own account and risk.

These local member banks operated at the heart of the local community and consequently knew their customers personally. In contrast to town-based banks, they were fully capable of selecting creditworthy farmers and keeping a close eye on their loans. As a result, the agricultural co-operative banks were able to provide the agricultural community with loans with better terms and conditions.

The wide regional spread, access to relevant information and low costs enabled the local co-operative banks to gain a favourably distinctive position with their rates in the markets for credit and savings.

Members manage their own bank

Just as in the early years of their existence, today local Rabobanks are still independent co-operatives with their own management, own balance sheet responsibility and own administration.

The fact that the bank was managed by its own members was one of the advantages of the co-operative banks, particularly in the early decades. It meant they did not have to incur high costs for the



The head offices of the central banks in Utrecht (top) and Eindhoven (bottom).

management and the bank's Board of Supervision. This was due to the fact that the banks operated on the principle of 'unpaid management', with only the cashier receiving a small stipend. Later on the local directors also received a modest payment. For decades the original governance model remained unchanged.

Since 2004, the local member banks have been able to choose between two operating models: the Partnership model or the Executive model. The partnership model is a more sophisticated form of the classic structure. The management is comprised of directors elected by and from the members and an appointed managing director. He or she is the banking professional within the joint Board of Directors. Within the Executive model the bank management is comprised solely of professionals who are appointed by the Supervisory Board after receiving the approval of *Rabobank Nederland*.

From cashier to director

Today the managing director is responsible for the professional management of the bank. From the bank's founding years until the 1960s, the local member bank only had a cashier. At first the cashier was responsible for the bank's administration in addition to his full-time job. His or her home often served as the 'bank office', which in the early years was only open a couple of hours a week.

Much later, in the 1960s, most of the local member banks had new, modern offices built in a professional architectural style. At that time the banks also gained multiple offices and on-site sittings. The title 'cashier' was also replaced by the title 'managing director'. After all, through the years the cashier had actually assumed responsibility for managing the bank. He or she also was no longer the only person that took care of the bank's administration because the number of employees had also increased in tandem with the banks' growth and the expansion of the financial services.

Mergers between local member banks

While local presence and local independence became increasingly important characteristics of co-operative banking, and have always remained so, the history of Rabobank shows a few merger movements. After 1972 a number of local Raiffeisenbanks and Boerenleenbanks merged to form Rabobanks. Merging the activities was a logical step, particularly in the working areas where these banks competed with each other. There was another wave of mergers in the 1980s and 1990s. The reason for this was the computerisation of payment services, the rapid growth of automatic teller machines and the rise of electronic banking.



The cashier of the Boerenleenbank in Pijnacker.

These developments decreased the need for customers to visit the bank. Going to the bank was increasingly limited to those moments in life when there are important financial decisions to be made, such as a marriage, taking out a mortgage, entering into a loan or taking out insurance. Particularly at these moments customers demand professionalism, service and comprehensive information from their bank.

In order to be able to meet these increasingly stringent demands, banks had to enlarge the scale of their operations. In addition to organic growth, the necessary scale was achieved through mergers between co-operative neighbour banks. In 1995, the guiding principle for the size of local Rabobanks was: 'As large as necessary, as small as possible.' At that time a bank with fifty employees seemed to be about the right size. Since then the process of merging local Rabobanks has continued unabated. Companies and private individuals continue to place ever greater demands and the local member banks must have access to experts in order to provide tailor-made solutions. This does not detract from the fact that Rabobank continues to have the densest banking network of all Dutch banks. In addition to the

The two banks were even neighbours in Utrecht.



physical Rabobank, in the second half of the 1990s the virtual Rabobank was created, which offers private and business customers almost the entire range of products and services via the telephone and Internet. In 2007, Rabobank launched *Bizner*, the first self-service business internet bank without account managers and branch offices that operates on the basis of self-service.

Number of Rabobanks and number of locations (offices and on-site sittings)

1971	1,202	3,005
1981	970	3,071
1991	789	3,105
2001	369	2,103
2008	153	1,112

Local autonomy versus centralised management

In 1898, six co-operative banks established the *Coöperatieve Centrale Raiffeisen-Bank* in Utrecht and 22 banks laid the foundation for the *Coöperatieve Centrale Boerenleenbank* in Eindhoven. Since then numerous local co-operative banks have been established with the support and encouragement of the central banks. Formally, the local Rabobanks together form the parent of their centralised organisation Rabobank Nederland.

The local member banks serve their customers with the support of Rabobank Nederland and not vice versa. Rabobank Nederland is the subsidiary of the local member banks, which are consequently at the head of an inverted pyramid. At the same time, it is itself the 'parent' of many subsidiaries and it has also its own international operations.

There are a number of situations in which the centralised organisation is clearly the leading party. For example, in accordance with the Dutch Financial Supervision Act (WFT), the Rabobank Nederland is responsible for supervising the financial health and professionalism of the local member banks. Each of these banks has its own licence, but at a local level they do not need to comply with all the licensing conditions specified in the Financial Supervision Act. The responsibility for monitoring the operations, integrity, outsourcing, profitability and liquidity of the member banks has been delegated to Rabobank Nederland. The authority to exercise this responsibility is also explicitly set out in the articles of association. De Nederlandsche Bank (DNB) – the Dutch Central Bank – supervises Rabobank Nederland's fulfilment of this responsibility.



Rabobank Nederland, Utrecht.

The issue is not which party prevails; in reality the centralised and local organisations must work together within the Rabobank organisation. As a result the relationship between the centralised organisation and the local member banks has historically always been rather ambivalent. It continues to be a recurring theme within the organisation to this very day.

Governance of Rabobank Nederland

Just as the *Coöperatieve Centrale Boerenleenbank* (one of the two central banks that merged to create Rabobank), in 1972 *Rabobank Nederland* also had five bodies. First of all the General Meeting at which the boards of all the local member banks were represented. Local representation was also key to the second body, the Central Delegates Assembly Meeting. This body, which includes representatives of the local member banks, had an important advisory function.

The Executive Board, which consisted of banking professionals, received the authority from De Nederlandsche Bank to engage in banking activities. While the Executive Board was an independent management body, it was expected to carry out its activities 'in continuous consultation' with the Board of Directors. Many topics that were addressed by the Executive Board were later also discussed by the Board of Directors. The chairman of the Board of Directors attended the meetings of the Executive Board and had the right to join in discussions on all topics. The fifth body was the Board of Supervision.

Streamlined governance structure

In 2002 the fairly complex governance model of Rabobank Nederland was simplified somewhat. The influence of members – the control of the local member banks – was strengthened by giving the Central Delegates Assembly Meeting greater authorities. The old Board of Directors was abolished and the Executive Board was made responsible for the integral management. So this board now not only has the task of managing the banking business, but is also responsible for serving the interests of the local member banks. The independent supervisory role of the Board of Supervision, renamed to Supervisory Board, was strengthened. The chairman of the Supervisory Board now leads the Central Delegates Assembly Meeting. The Central Delegates Assembly Meeting is particularly what makes the governance structure of Rabobank Nederland distinctive from the listed large Dutch banks.



A meeting of the Central Delegates Assembly.

Rabobank: market leader in the Netherlands

Today Rabobank is market leader in the Netherlands in almost all areas of financial services. Its market share in the agricultural sector is obviously the most striking. While Rabobank has historically been particularly strong in the field of agricultural financing, the relative share of agricultural lending began to decrease after 1980. Non-agricultural loans and credit surpassed agricultural counterparts for the first time in Rabobank's history in 1987. Even though the relative share of agricultural lending has diminished somewhat, Rabobank's share in the agricultural sector still fluctuates at around 84 percent.

The non-agricultural small- and medium-sized enterprise (SME) sector is also gradually becoming a key target group of the co-operative banks. The market share in this sector has remained at approximately 38 percent for years, with Rabobank holding the largest market share among businesses with between two and ten employees.

Today, Rabobank is not only market leader in both the agricultural sector and the SME sector, but also in the retail market. Since the introduction of the salary (current) account in the Netherlands in the 1960s, the number of retail customers has grown enormously.

Payments is one of the services for the SME sector.



While the co-operative banks initially concentrated on lending, they soon also took on the character of a savings bank. Even in the early days of their existence, many co-operative banks attracted more funds than they could loan out. In the 1920s, they surpassed the *Rijkspost-spaarbank* and the traditional savings banks for the first time in terms of the total amount of savings. The 40 percent share in the savings market, which was attained in the 1960s, has stabilised since then.

Home mortgage loans are one of the main products Rabobank provides for retail customers. Rabobank is market leader in the mortgages market with a market share of more than 25 percent. Rabobank has also been highly successful in developing other services for the large number of private customers it gained in the 1960s; these include providing securities management and serving as an intermediary for travel and insurance. While the travel activities were sold (in 2003), the local Rabobanks are currently the largest insurance intermediary in the Netherlands.

A local Rabobank in 2008.



A full range financial services provider

The gradual expansion and broadening of Rabobank's activities was given new impetus in 1990. In that year the Dutch government made it possible for banks and insurers to operate within one organisation by liberalising the so-called structure policy. Prior to 1990 it was already clear that banks, insurance companies and investment firms were increasingly entering each other's fields with new mixed products.

Based on the increasingly broader needs of its customers and thanks to the new structural policy, at the end of the twentieth century Rabobank developed into an *Allfinanz* group that provides banking, investment and insurance products. Mr Herman Wijffels, a former chairman of the Executive Board, said that Rabobank wanted to become a financial department store. And just like in every better department store, in addition to the standard range, our customers can also turn to us for more specialised products that demand a high degree of professional advice and tailor-made work.'

Development into the Rabobank Group

- 1965 The *Coöperatieve Centrale Boerenleenbank* acquires the securities office *Schretlen & Co* in Amsterdam
- 1969 The agricultural credit insurance 'Eindhoven', a subsidiary of the central bank in Eindhoven, and insurer *Interpolis* establish finance company *De Lage Landen*
- 1972 Merger of the *Centrale Coöperatieve Raiffeisen-Bank* and the *Coöperatieve Centrale Boerenleenbank*
- 1978 Property developer *Rabo Vastgoed* is founded
- 1990 *Rabobank* and insurer *Interpolis* decide to merge
- 1990 *Rabobank* enters into a strategic alliance with the *Robeco Group*, the largest asset manager in the Netherlands
- 1996 Het *Centrale Bankbedrijf*, a division of *Rabobank Nederland*, continues its activities as *Rabobank International* and focuses specifically on larger Dutch companies and on the international food & agri business
- 1997 *Rabobank* acquires half of the shares of the *Robeco Group*, with the right to eventually expand its stake to 100%
- 2001 *Robeco* becomes a wholly-owned subsidiary of the *Rabobank Group*
- 2002 Establishment of *Obvion*, a joint venture of *Rabobank* and the Dutch pension fund *ABP* with the objective of selling mortgages via intermediaries

- 2002 *Rabobank* enters into a strategic alliance with *Swiss Bank Sarasin & Cie* and subsequently acquires a majority stake in the bank in 2007
- 2003 *Rabobank* acquires internet broker *Alex*, which it then sells to *BinckBank* in late 2007
- 2003 Acquisition of *FGH Bank*, specialised in commercial real estate financing
- 2004 *Rabobank* signs a joint operating agreement with *Eureko/Achmea*. It acquires a five percent stake in the *Eureko Group*
- 2005 *Interpolis* merges with *Eureko*. *Rabobank's* stake in *Eureko* is raised to 37 percent
- 2006 Acquisition of *Bouwfonds'* real estate development and asset management activities
- 2007 *Rabobank* launches business internet bank *Bizner*

The paramount mission of Rabobank is to optimally serve its customers with all the financial products and services they need. The nature and scope of these needs have grown extensively in recent decades. The size and structure of the Rabobank organisation has grown in tandem. In order to enable the local Rabobanks to offer their customers the complete spectrum of products and services, a number of specialised subsidiaries were added to the group.

In the past there have been attempts to make acquisitions or to merge with other parties that failed. For example, this happened on more than one occasion with the financial conglomerate Achmea and its predecessors. Rabobank Nederland has, however, held a stake in Eureko, which forms part of Achmea, since 2004. But the opposite has also occurred: Rabobank has also sold acquired stakes at a later stage, such as its stakes in F. van Lanschot Bankiers and the Nedship Bank.

Internationalisation

While the name Rabobank International only dates back to 1996, Rabobank's international activities actually began many years earlier. In the course of the 1970s, Rabobank's business customers particularly began to have an increasingly greater demand for international services. Rabobank has consequently taken measures to ensure it can serve its customers internationally:

- By opening branch offices in Europe, North America, Asia, South America and Oceania, primarily to serve larger business customers. The first step was taken in 1981 with the opening of a branch office in New York.



- By entering into strategic alliances with European partners. These parties were often fellow members of the Unico Banking Group, an alliance of European co-operative banks, of which Rabobank was one of the founders in 1977. The aim was to support the extension of the partners' international operations and to attain a European network of partner banks and to combine specialised subsidiaries through alliances with co-operative central banks from other countries.
- By acquiring existing banks abroad.

Consultancy in the food & agribusiness sector.

The acquisition of PIBA (Primary Industry Bank of Australia) in 1994 marked a key first step in this process. The Rabobank Group acquired the ACC Bank in Ireland in 2002. In that same year, Rabobank also took its first steps in California with the acquisition of Valley Independent Bank.

This was quickly followed by other acquisitions in the United States and in Poland. Rabobank has furthermore been increasingly active in

South America and Asia in recent years. These acquisitions fit in with Rabobank's strategy of exporting its expertise in the field of retail and wholesale banking and the agricultural sector to promising markets abroad for its clients

A Dutch Desk to serve Dutch SME customers was also located at each Rabobank International branch office within the key trading countries in Europe. The International Services department was established in 2007 and the original Dutch Desks – which were often located at a partner bank – were expanded in various countries into fully-fledged International Desks that formed a part of a country's RI branch office.



A Rabobank branch office in California (U.S.).

Number of international branch offices of the Rabobank Group

1981	2
1991	46
2001	143
Mid-2009	603

Highest credit rating

In the early days of the co-operative, the unlimited liability of the members was vital. Because Rabobank always conducted a solid financial policy and through the years always added its profits to the general reserves (in order to be able to finance further growth), the liability of the members could be gradually reduced. After all, other financial assurances were also built in, such as the mutual guarantee scheme, which means Rabobank Nederland and the local member banks are mutually responsible for each other's obligations.

Set against this background, in 1980 it was decided to limit the liability of the members to a maximum of five thousands guilders (approximately 2,270 euros). At the same time another basic principle was eliminated: private individuals who lent money from the bank were no longer required to be a member of the bank and were consequently not held liable.

Nonetheless, the various rating agencies have deemed Rabobank to be by far the world's most sound and creditworthy privately-owned bank. This gives Rabobank a greater position of eminence and moreover enables it to borrow money at a lower rate on the international capital market.

Visual design

The Coöperatieve Centrale Boerenleenbank (CCB) began using a trademark with the cross and plough in 1911. The cross and plough signified piety and industriousness as the foundation for a happy family life. This trademark became the symbol for the entire organisation, even though different versions were used. Local agricultural co-operative banks also used the trademark well into the 1960s.

The emblem of the *Coöperatieve Centrale Raiffeisen-Bank* (CCRB) appeared for the first time in 1948. The egg shape symbolised growth and the union of the lines from the left and right stood for cooperation. The coin between two wheat sheaves expressed the intermediating and reinforcing role of credit. Local member banks used this logo with adapted letters.

Rabobank was created in 1972 through the merger of CCB and CCRB. The trademark became a stylised version of the upward line. The CCRB had introduced this symbol of progress in 1962.

In 1995, Rabobank introduced a new visual identity and visual design: a human figure on a sundial. Rabobank leveraged this new identity to clearly communicate Rabobank's policy of putting the human being, i.e. the customer, first.

From credit co-operative to customer co-operative

On the eve of its centenary anniversary, Rabobank initiated an internal debate on the future of the co-operative. At issue was whether the co-operative organisational form still has meaning in the 21st century. After all, the co-operative bank was founded in incomplete financial markets, while at the end of the 1990s financial services were available to everyone via numerous channels. Another point was that the co-operative organisation could achieve stronger growth if it were able to increase its equity in other ways than by profit retention alone. In other words: by becoming a listed company.

This discussion lasted three years. During that period the boards of the local member banks were expressly involved in multiple rounds of discussions. The outcome of these conferences in 1998 was crystal clear: Rabobank is committed to remaining a co-operative financial services provider in the future.

Rabobank was founded as a credit co-operative. Mandatory membership and mutual liability were cornerstones of the co-operative struc-



Rabobank

ture. During the co-operative debate in the late 1990s it became clear that Rabobank could no longer be viewed as a co-operative of borrowers in light of its 140,000 business customers and 7 million retail customers, which all purchase a wide range of services. The co-operative must serve the interests of all its customers equally and all its customers must also be given the opportunity to become a member of the co-operative. Customer value for all customers has become the primary aim. The bank wants to help and support its customers and members to realise their own aspirations.

More and more involved members in the Netherlands

Following the rebirth of the co-operative philosophy in 1998, the local Rabobanks actively launched membership programmes. They not only aimed to gain more members, but also more involved members. The aim was to achieve greater member involvement:

- Through encouraging member influence (at member meetings and management bodies, but also in feedback groups and member panels)

Rabobank had more than 1.6 million members in 2008.



- Through a member programme and a member magazine featuring specific special offers and discounts
- Through specific member products, such as the member certificates (subordinated bonds), which give customers favourable interest and help enable the bank to raise equity.

The millionth member of Rabobank was registered in October 2002. This meant that the number of members had more than doubled in a little more than two years. By early 2009, the total number of members had even risen to 1.7 million. In practice it is generally the loyal customers, those who purchase multiple services, who choose to become members. While the goal is to gain even more members, it is unrealistic to aim for all Rabobank customers to become members. The Rabobank Group does, however, realise that the close involvement of its members defines the bank's distinctive cooperative character.



Rabobank