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Comptroller of the Currency  
Administrator of National Banks

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Washington, D.C. 20219

**CRA Decision #140**  
**June 2007**

April 14, 2007

Mr. Andrew Druch, Esq.  
General Counsel  
VIB Corporation  
245 Park Avenue  
New York, New York 10167

**Re: Application for Mid-State Bank & Trust, Arroya Grande, California to merge with  
and into Rabobank, N.A., El Centro, California**  
OCC Control Number: 2006-WE-02-0031

Dear Mr. Druch:

This letter is in response to the above referenced Application. Based on a thorough evaluation of all information available to the Office of the Comptroller of the Currency (“OCC”), including the representations and commitments made in the Application and the merger agreement, and by the Bank’s representatives, the OCC grants approval of the proposal for Mid-State Bank & Trust, Arroya Grande, California (“Mid-State”), to merge with and into Rabobank, N.A., El Centro, California (“Rabobank”), under the charter and title of the latter.

In making our decision, we took into consideration the commitments made by Rabobank’s board of directors to the OCC’s Southern California-South Field Office, outlining specific corrective actions Rabobank will take to address certain issues requiring the attention of management and the board that were identified during the most recent OCC examination.

This transaction is subject to the requirements of 12 U.S.C. § 1828(c), (the “Bank Merger Act”), as a merger transaction. The OCC reviewed the proposed transaction under the criteria of the Bank Merger Act, 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Among other matters, the OCC found that the proposed transaction would not have any anticompetitive effects. The OCC considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider “... the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities, including in overseas branches,” 12 U.S.C. § 1828(c)(11). The OCC considered these factors and found them consistent with approval under the statutory provisions.

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The OCC has simultaneously approved your proposal to conduct fiduciary powers pursuant to 12 USC 92a. This approval constitutes a permit to conduct the fiduciary powers requested in your Application [12 CFR 5.26(e)(4)]. The OCC must approve any trust management change the bank makes prior to commencing fiduciary activities, and the bank must notify the Western District Office in writing within 10 days after commencing trust activities.

The board of directors must provide for the establishment and administration of the trust department either through the adoption of amendments to the bylaws or by appropriate resolutions. You will note that 12 CFR 9.4 places responsibility on the board of directors for the proper exercise of the bank's fiduciary powers. However, the board may decide whether it shall supervise the administration of all such powers directly or assign any function related to such powers to any director, officer, employee, or committee.

The board should also provide for:

- Proper delineation of duties for trust officer(s) and committee(s).
- Adherence to the self-dealing and conflicts of interest provisions set forth in 12 CFR 9.12.
- The designation of the officers or employees responsible for custody of the trust investments in conformity with 12 CFR 9.13(a).

The establishment and administration of the trust department may appear in the bylaws or in the board resolutions, or partly in the bylaws and partly in the resolutions. After adoption, a copy of those provisions should be furnished to the trust officer(s) for guidance.

### **Community Reinvestment Act Review**

The Community Reinvestment Act ("CRA") requires the OCC to take into account the applicant's record of helping to meet the credit needs of the community, including low- and moderate-income ("LMI") neighborhoods, when evaluating certain applications, including merger transactions that are subject to the Bank Merger Act, 12 U.S.C. § 2903; 12 C.F.R. § 25.29. The OCC considers the CRA performance evaluation of each institution involved in the transaction. A review of the records of Rabobank and Mid-State, and other information available to the OCC as a result of its regulatory responsibilities, revealed no evidence that their records of helping to meet the credit needs of their communities, including LMI neighborhoods, are less than satisfactory.

### **CRA Performance and Ratings**

Rabobank's latest CRA Performance Evaluation ("PE"), dated February 2, 2003, and issued by the Federal Reserve Bank of San Francisco ("FRB"), assigned the bank an "Outstanding" rating.<sup>1</sup>

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<sup>1</sup> The PE was issued under the name Valley Independent Bank. The FRB rated the bank "Outstanding" on all three tests (lending, investment, and service). Valley Independent Bank converted to a national bank in April 2005 and changed its name to Rabobank. The OCC will perform a CRA examination of Rabobank during fourth quarter 2007.

The FRB PE noted an excellent level of qualified community development activities under the lending, investment, and services tests, and the responsiveness of these activities to community needs. The FRB PE also noted an excellent distribution of lending among assessment area (“AA”) geographies, with a strong record of serving moderate-income areas. In addition, the FRB PE indicated that the bank’s overall record of lending to small businesses and small farms was good. No evidence of discriminatory lending practices was found.

Mid-State received a “Satisfactory” rating in its most recent CRA PE issued by the Federal Deposit Insurance Corporation (“FDIC”) as of November 12, 2003.<sup>2</sup> The FDIC PE determined that the bank’s lending levels demonstrate good responsiveness to community credit needs, including a good record of serving the credit needs of the most economically disadvantaged portions of the AA, low-income individuals, and very small businesses and small farms, all consistent with safe and sound banking practices. The level of community development investments and grants was considered adequate based on the availability of such investments in the bank’s AA, its size, and available resources. Mid-State’s services were considered accessible to essentially all portions of the AA, and particularly within LMI census tracts and to LMI individuals. No evidence of discriminatory lending practices was found.

### **Public Comments**

The OCC received comments from twenty-three community groups and organizations protesting the Application. Some of these comments requested that the OCC extend the public comment period and/or hold a public hearing. A number of the comment letters made identical allegations and requests. The OCC carefully considered all of the comments received and did not determine that the issues raised by the commenters constitute a basis for denial of the Application. The discussion below summarizes the major issues raised by commenters.

### **Activities Benefiting Farm Workers**

Many commenters indicated concerns about the credit needs of small farmers and small businesses. For example, they suggested that Rabobank offer specific deposit and loan products, including an auto loan for agricultural workers, a micro-enterprise lending program, and a low-income affordable housing program. CRA performance for large banks is based on an overall assessment under the lending, investment, and service tests. *See* 12 C.F.R. §§ 25.21 to 25.24. The CRA does not require banks to engage in any particular type of lending or investment or to sustain a particular level of lending or investments from year to year. In response to the commenters, Rabobank stated that it will continue to seek affordable housing construction lending opportunities, such as opportunities provided by local nonprofit organizations. Further, in addition to the competitive grant programs discussed below, the Bank plans to focus on

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<sup>2</sup> The FDIC rated Mid-State’s lending test as “High Satisfactory,” the investment test as “Low Satisfactory,” and the service test as “High Satisfactory.”

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products that meet the less than \$50,000 credit needs of small businesses, providing Individual Development Account (“IDA”) grants for small farms, small business, and homeownership.

One commenter suggested that the Bank establish a small farm incubator or demonstration farm that would provide training and farming opportunities to help farm workers become farm owners. Rather than establishing a farm incubator, Rabobank has expressed its intent to establish a capacity building grant program in 2007 for organizations whose mission is to focus on moving the farm worker to the farm owner, provide farm workers with skills to operate their own small business, and assist in the economic development of rural communities. Several grants to nonprofit organizations have already been provided and, in the next few years, Rabobank intends to expand its involvement with, and support of, successful programs in this area.

### **Other Comments**

A number of commenters expressed concerns about California’s unbanked and rural poor, and suggested that Rabobank provide, for example, an alternative product to payday loans, a remittance/debit card, and starter bank accounts. One community organization that submitted several comments stated that it provided a letter in support of a prior acquisition by Rabobank because of the Bank’s intent at that time to effectively serve the unbanked, including a program to move the unbanked into banking. The commenter alleged that Rabobank, however, has failed to make progress in this area.

Although Rabobank has not fully achieved its goals related to addressing the needs of the unbanked, it has implemented a number of programs and offers various products that strive to meet the needs of the unbanked. These programs include IDA’s, the use of Matricula Consular cards to open accounts, and children’s savings accounts that are available with minimal balance requirements (\$1) and no account charges or fees.

Rabobank has also provided grants for financial literacy programs, and makes staff members available to provide training. The bank also partners with a nonprofit that provides financial literacy, technical assistance, and micro-loans for aging farm workers. Finally, the bank also participates in several programs through the San Francisco Federal Home Loan Bank that support grants and loans to LMI individuals and families.

Some commenters alleged that Rabobank refuses to enter into a comprehensive, fixed-dollar, long-term CRA commitment that will effectively meet the needs of the underbanked and unbanked. As mentioned above, the CRA does not require banks to engage in any particular type of lending or investment or to sustain a particular level of lending or investments from year to year. Further, agreements between an institution and private parties are not required by the CRA and the OCC neither monitors nor enforces such agreements. *See* 66 Fed. Reg. 36,620, 36,640 (July 12, 2001) (Question and Answer § \_\_.29(b) – 2). However, following a meeting on

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January 16, 2007, with several of the commenters, Rabobank provided a letter to commenters listing a number of initiatives that it hopes to undertake in 2007.<sup>3</sup>

The commenters stated that Rabobank compares unfavorably to Rabobank Nederland's internationally respected socially responsible reputation in the Netherlands.<sup>4</sup> The commenters asked that the Bank adopt a similar posture as it takes abroad. The OCC's CRA responsibilities go to the insured bank, not to its foreign affiliates, and our findings in this case must be limited to the insured bank's actions and activities.

### **Request for a Public Hearing and an Extension of the Comment Period**

Commenters requested that the OCC conduct a public hearing and extend the period to comment on the merger application. The general standard the OCC applies to determine whether to hold a public hearing is contained in 12 C.F.R. § 5.11(b), which provides:

The OCC generally grants a hearing request only if the OCC determines that written submissions would be insufficient or that a hearing would otherwise benefit the decision-making process. The OCC also may order a hearing if it concludes that a hearing would be in the public interest.

After careful consideration, the OCC determined not to hold a public hearing. The OCC is not aware of any reason why written comments would be insufficient or why a public hearing would be in the public interest. The OCC has thoroughly reviewed all the written comments submitted, including those received after the close of the public comment period and up to the date of this letter. The OCC forwarded comments received to Rabobank for review, and the Bank has responded in a satisfactory manner. Additionally, the OCC gathered sufficient information to address the commenters' concerns through the application process and through discussions with the OCC's resident examination team where necessary and appropriate.

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<sup>3</sup> In addition to initiatives mentioned in the discussion above, Rabobank has indicated that it intends to consider community development investments in New Markets Tax Credits, COIN (California Organized Investment Network), and Bank Enterprise Act initiatives. Rabobank also indicated that it plans to develop a trial referral program for small businesses whose loan requests are declined because the applicants do not meet the bank's credit scoring criteria. These small business applicants will be referred to appropriate Community Development Financial Institutions for financial consideration. The Bank also stated that it would use its best efforts so that branch staffing reflects the ethnic diversity of the community. The Bank also responded to local commenters' concerns by stating that, beginning in 2007, Bank management will meet at least twice each year with community groups to review the progress the Bank is making toward its community development initiatives.

<sup>4</sup> Rabobank is owned by Rabobank Nederland. Rabobank Nederland is a large cooperative banking association comprised of approximately 200 local member credit institutions in the Netherlands. The underlying purposes of Rabobank Nederland's cooperative structure are to provide high quality services and products to its customers at reasonable prices, while enhancing the economic interests of its members. Throughout the world, the Rabobank organization focuses primarily on financing food & agricultural businesses.

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In addition, several commenters requested a 30-day extension to the public comment period in order for Rabobank to meet with, and consider entering into a CRA agreement with, community organizations. The OCC determined not to grant an extension of the comment period because the commenters did not demonstrate that additional time was necessary to develop factual information relevant to this application, and no extenuating circumstances were present. *See* 12 C.F.R. § 5.10(b)(2)(ii), (iii); *see also* Question and Answer § \_\_.29(b) – 2. The OCC did, however, consider all comments received.

As a reminder, the Western District Office must be advised in writing in advance of the desired effective date for the merger so that the OCC may issue the necessary certification letter. The effective date must follow the applicable 15-day Department of Justice injunction period and receipt of any other required regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- A Secretary's Certificate for each institution, certifying that a majority of the board of directors approved.
- An original executed merger agreement.
- A Secretary's Certificate from each institution, certifying that the shareholder approvals have been obtained, if required.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval, and the activities and communications by OCC employees in connection with these filings, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may continue to improve our service

If you have any questions, please contact Senior Licensing Analyst Louis Gittleman at (720) 475-7650.

Sincerely,

/s/

Lawrence E. Beard  
Deputy Comptroller for Licensing