

## **Banco Real, 1925-2007**

### **“Clemente’s little bank”, 1925-1928**

Banco Real was founded in Belo Horizonte, Minas Gerais state, on June 16, 1925 as Banco da Lavoura de Minas Gerais. At that time, Brazil was going through a period of economic readjustment that held back economic development and particularly, industrial production, which had been expanding strongly since 1922. It was in the middle of this scenario of economic uncertainty that the lawyer Clemente de Faria – then 34 years old and quite popular as a result of a one-term mandate as state congressman – started a co-operative whose objective was to offer credit to farmers in Minas Gerais, thus allowing them access to financial resources that would, in turn, give them the opportunity to develop their activities.

Business at the co-operative grew quickly, despite the generalised economic uncertainty. In only two years, it transformed itself into a financial institution – the Banco da Lavoura de Minas Gerais (Farmer’s Bank of MG) – all the while remaining faithful to its initial goal: providing small farmers with access to farm loans and opportunities to invest their money.

Working with this constituency and adopting innovative solutions for the banking market of its time, “Lavoura”, as it was called in Minas Gerais, began to distinguish itself and attract the attention of other bankers, who, laughingly, called the bank, “Clemente’s little bank”, thus was the reputation of its success in the market. However, this sense of humour did not keep them from adopting, for their own institutions, solutions and products pioneered by “Banco de Lavoura”, such as: personal credit, the economic account (very similar to today’s savings account) and the idea of a “piggy bank”.

### **Planned Growth, 1928-1938**

The process of continuous growth at Banco da Lavoura led to its transformation into a limited liability corporation in 1928. Already in the following year, resting on solid foundations, Banco da Lavoura was able to survive the difficulties engendered by the

international financial crisis (Crash of '29), which in turn brought economic instability to Brazil and culminated in the revolution of 1930. Despite all that, Banco da Lavoura continued its expansion, opening its first branch in the city of Queluz, later renamed Conselheiro Lafayette.

From then on, the bank grew by opening new branches and acquiring other institutions. In 1934, already under the first Getulio Vargas government, the Lavoura bought Banco Comercial de Bom Sucesso. Two years later, while the economy signalled the shrinking importance of coffee exports for the Brazilian trade balance, Banco da Lavoura crossed the borders of Minas Gerais and opened its first branch outside the state, in the city of Rio de Janeiro. In 1937, already with 25 branches and 14 offices, Banco da Lavoura de Minas Gerais became the 25<sup>th</sup> largest financial institution in Brazil.

The following year was still more expressive. The policy of expansion through the acquisition of other banks consolidated itself in 1937 with the purchase of Banco J. O. Resende and received a strong impulse in 1938. That year, Banco Comercial de Alfenas, Banco de Pouso Alegre, Banco de Campanha and Banco Santaritense were incorporated into the bank.

Progressively, Banco da Lavoura consolidated its position as an active participant on the Brazilian financial market, counting on significant capital increases and the opening of new branches and offices in important locations, in addition to continuing its policy of acquiring other institutions.

### **Domestic expansion, 1945-1957**

The bank arrived in São Paulo, today the principal centre of financial activities in Brazil, in 1945, when it opened its first branches in the capital of São Paulo state. At that time, Brazil was going through a scenario of considerable political turmoil, which led to the removal of Getulio Vargas and the end of the 'Estado Novo' (New State), established by Vargas in 1937.

In 1948, the Bank came to the north-east of Brazil, opening branches in the cities of Recife, Pernambuco state and Salvador in Bahia. At the same time, Banco da

Lavoura set up business in Amapá, thus helping with the integration of the then federal territory through the provision of credit for a company created to extract manganese, the mineral wealth of that region. In the same year, Dr. Aloyisio de Andrade Faria succeeded his father, who had passed away in October 1948, at the age of 57. Aloyisio Faria managed the bank by closely following his father's project and policies. With only 28 years at the time, he accomplished the goal of transforming Banco da Lavoura into a financial institution present all over Brazil.

From 1948 until 1955 Banco da Lavoura de Minas Gerais expanded its network of branches in São Paulo state and in the north-east of the country. It installed a branch in Porto Alegre, Rio Grande do Sul and acquired Banco do Norte do Brasil S.A., Alagoas, adding a network of 180 branches to the organisation. At that time, Banco da Lavoura became the leading and largest private bank in Brazil.

### **Foreign expansion, 1957-1998**

With its position in Brazil consolidated, the Bank began its operations abroad. In 1957, it was the first Brazilian bank to open a representative office – which was to become a full agency in 1964 – in New York. Also in 1957, it was the first bank to set up business in Brasilia, even before the inauguration of the future federal capital, thus receiving the “operating license no. 1”. During the period from 1958 to 1966, Banco da Lavoura purchased Banco Vera Cruz, with a total of 346 branches, and created Banco Real de Investimentos S.A.

The year 1969 was marked by important events, such as the creation of two additional financial businesses: Companhia Real de Investimentos (The Real Investment Company) and Companhia Real de Crédito Imobiliário (The Real Property Loans Company), in addition to the purchase of Banco Mercantil de Niterói.

On March 1, 1971 head office was moved from Belo Horizonte to São Paulo and the bank assumed its current name Banco Real S.A. In 1973 starts an accelerated expansion of the operations abroad, with the creation of Grupo Real del Paraguay (The Real Group of Paraguay), comprised of a commercial bank and three other businesses. In the following year, Banco Real opened a branch on the Brazilian island

of Fernando de Noronha and acquired Banco de Minas Gerais, which operated 133 branches at that time.

On its fiftieth anniversary, in 1975, Banco Real operated 512 branches in Brazil, the biggest branch network in Brazil, in addition to twelve associated businesses including Companhia Real de Investimentos, then the number one in the domestic ranking. It also had ten units located abroad – in Bogotá, Panama, Grand Cayman, Nassau, Curaçao, Los Angeles, New York, Toronto, and Mexico City.

### **Merger and disinvestment, 1998-2008**

In mid 1998, the strategic partnership between Banco Real and Banco ABN AMRO SA – the Brazilian subsidiary of ABN AMRO Bank – was announced. ABN AMRO began its activities in Brazil in 1917 as Banco Holandés da America do Sul, when it opened two pioneering branches in the country: one in Santos, São Paulo state and another in Rio de Janeiro. Growth came with the opening of new branches and the acquisition of Aymoré in 1963. The merger with Banco Real took place in 1998 and was one of the largest financial operations at the time.

In November 1998 and November 2001 two Brazilian state owned banks, Banco do Estado de Pernambuco S.A. (Bandepe) in Recife and Banco do Estado do Paraíba (Paraiban) were acquired. In October 2003 Banco Real completed the acquisition of Banco Sudameris.

As a result of the October 2007 takeover of ABN AMRO by the Royal Bank of Scotland, Fortis and Santander consortium, Banco Real was split off and transferred to Santander in July, 2008.