

Rabobank Tax Policy Statement

With the tax policy we mean the policy that applies to Rabobank's own position and the tax position of clients. Where that policy specifically relates to Rabobank's own position or the tax position of clients, this is explicitly stated.

Our Tax Principles

We use the following principles in preparing and applying our tax policy:

Transparency:

We are clear about our tax policy and we take full responsibility. We are transparent towards the tax authorities. This means that we disclose all facts fully and clearly, but above all we disclose the tax result that we envisage and the possible points of discussion. We follow this approach because we consider transparency an important part of our corporate social responsibility.

Respect and integrity:

We act in a way that is socially responsible, in line with the intention of tax rules and regulations. Also, we work on the basis of respect, appreciation and involvement of all stakeholders. An ongoing dialogue contributes to a fitting tax policy, which is in accordance with generally accepted societal standards.

Professionalism:

We serve our clients with a high standard of knowledge and service. Rabobank maintains a high level of quality. We ensure that the banking products of Rabobank are in compliance with all tax rules and regulations.

Sustainability:

We want to contribute to a sustainable development of society, economically, socially as well as ecologically. This includes an appropriate tax policy.

Full compliance:

We act at all times in full compliance with the spirit and letter of prevailing tax rules and regulations and we inform our clients about the tax aspects of banking products. It is strictly forbidden for employees of the bank acting in that capacity in any applicable jurisdiction to be knowingly involved in tax evasion in any way whatsoever, whether directly or indirectly by way of facilitation or otherwise, whether on the part of the bank or on the parts of its clients and counter parties.

High ethical standard:

We are of the opinion that our tax obligations do not solely originate from the tax laws, but because they are a part of our corporate societal responsibility. Education of our employees and the creation of tax awareness within our organization are key topics in applying our tax policy.

Our tax Q&A's

1. Who is responsible for Rabobank's tax policy?

Rabobank's tax policy is developed and put into practice by the department Group Tax. This department is responsible for all tax matters within the Rabobank Group. The development of policy regarding client tax integrity is done in cooperation with the Compliance department. Group Tax has been mandated by the Managing Board of Rabobank. The Audit Committee of the Supervisory Board of Rabobank keeps oversight on [the tax policy](#).

2. Does Rabobank have a 'horizontal monitoring' arrangement with the Dutch tax authorities?

Yes. As part of the so-called horizontal monitoring Rabobank has concluded an agreement with the Dutch tax authorities. Rabobank has signed similar arrangements in the United Kingdom and Ireland. Transparency (refer to the tax principles above) is a primary driver when giving substance to such agreements with the tax authorities. This is the same when Rabobank concludes rulings with the tax authorities. In a number of other countries our relationship with the tax authorities is based on the same principles.

3. What is the tax risk profile of Rabobank?

Rabobank has a low tax risk appetite with regard to its own tax position and products for clients. Group Tax ensures that the tax policy is adhered to. In addition, Group Tax reviews all relevant products for clients and transactions where Rabobank is involved: if a proposal does not fit within the tax policy, no approval will be given. To safeguard the tax policy, Rabobank has procedures and controls, which are updated frequently to ensure compliance with ever changing rules and regulations.

For specific transactions where Rabobank is involved, Group Tax provides a sign off which takes into consideration amongst others the following aspects:

- tax technical analysis;
- economic substance in the transaction;
- transparency;
- reputational aspects;
- tax ethical aspects.

4. What is Rabobank's policy regarding its own tax position?

In each country the tax laws determine which income is taxable and which costs may be deducted. Rabobank applies these tax laws and takes into account the intention of the legislator. Rabobank's tax policy is therefore based on the intentions of the law. The effect of a reasonable application of the tax laws is that there is no room for an artificial lowering of the tax burden. Consequently Rabobank does not do so. The performance targets of the Group Tax staff are based on the extent to which Rabobank is in control for tax and bear no relation to the effective tax rate of Rabobank.

Rabobank endorses the international principle that the tax obligations of an enterprise follow from its actual business activities ('tax follows business'). That means Rabobank organises its group structure and activities in accordance with the business motives. Decision making in this respect is partly based on the aspects mentioned in question 3 of the Rabobank tax policy.

A consistently executed transfer pricing policy is in our opinion an effective way to achieve the principle of 'tax follows business'. And transfer pricing is not, as is sometimes implied in the international discussion on tax contributions, a way to shift profit at will.

5. Does Rabobank carry out trust activities?

No. Rabobank does not perform trust activities. If our clients make use of trust services by trust management companies, Rabobank will take this into consideration in the regular client tax integrity processes.

6. Does Rabobank give tax advice to customers?

No. Rabobank gives high quality tax information about its products to its clients, but it never provides tax advice.

7. What is Rabobank's tax policy in relation to its clients?

Clients of the bank are responsible for their own tax related decisions. Rabobank expects its clients to behave with integrity. This does not mean that we expect our clients to adhere to the standards Rabobank sets for itself. We do expect our clients to adhere to standards as commonly accepted by society. These

standards are to an extent determined by local and cultural influences.

Tax evasion is not acceptable for Rabobank. Also, Rabobank expects its clients to be transparent towards the bank and the tax authorities. This means for example that Rabobank will not enter into a transaction if it does not have a clear picture of the tax related intentions of involved parties. However, it is not Rabobank's role or responsibility to act as tax inspector towards its clients either. To the extent that it is necessary to obtain a clear picture of a client's situation Rabobank may request the client to provide tax rulings, transfer pricing documentation and/or information about a dispute with the tax authorities. Rabobank does not expect clients to make such information publicly available if there is no legal obligation.

In setting the policy for the tax matters of our clients, Rabobank takes into account the objectives of the SIRA (Systematic Integrity Risk Analysis) integrity project which is run by our regulator, [De Nederlandsche Bank](#). In the client onboarding and client review process, as well as in the credit approval process, Rabobank informs itself on the tax policy and tax behaviors of its clients. The purpose of this process is to be in control of credit- and reputation risks for the bank as financier of its clients. As support, Group Tax provides internal courses for those colleagues that are involved in the client acceptance or credit approval processes, specifically aimed at tax related ethical dilemmas.

8. Does Rabobank provide information to the tax authorities?

Yes. Rabobank has a legal obligation to provide certain information to the tax authorities:

- Financial information, annually and on request. This enables the tax authorities to combat tax evasion (e.g. money laundering). Also, the income tax return of Dutch individual clients becomes easier, as it is prefilled with data provided by banks to the Dutch tax authorities.
- Rabobank's own cross border tax rulings and advance pricing agreements. With this, EU Member States can automatically exchange basic information on rulings and transfer pricing arrangements.
- Financial information on clients who are US persons (FATCA, see definitions list).
- Financial information on clients that are resident in another jurisdiction than the Netherlands as required under Common Reporting Standard or CRS legislation (see definitions list).
- A report about Rabobank that will be submitted with the tax authorities of all jurisdictions where Rabobank is active. The report contains information on:
 - profits made in these jurisdictions;

- turnover from intra-group and third party transactions;
- corporate income tax due, on cash tax paid and accruals basis;
- number of FTE;
- value of fixed non-financial assets;
- a description of the local activities.

Rabobank does not publicly disclose any tax rulings, advance pricing agreements or tax disputes it may have with the tax authorities, unless there is a legal obligation as described above. The Dutch and/ or local tax authorities are informed about any such information.

9. What is Rabobank's policy regarding developing countries?

Rabobank wants to make a positive contribution to the economies of developing countries by investing in and being involved with local financial institutions. The same applies to the charity activities of Rabobank Foundation. Rabobank does not want to be involved in structures that have as purpose a lower tax burden in or via developing countries.

10. What is Rabobank's position in the international discussion about the tax policies of MNE's?

Rabobank underwrites the importance of an open and constructive societal discussion, especially about tax ethics. We note that it is important that in such a discussion, the existing rules and principles of international taxation are used as a starting point. Rabobank is of the opinion that a productive discussion about a socially responsible tax policy can best be held based on principles such as transparent communication, respect for the intention of the law and a consistent application of our own tax policy.

A number of years ago a number of national and international initiatives were started. An example is the OECD's Base Erosion and Profit Shifting (BEPS) action plan and the resulting amendments to the national tax laws of member states. Rabobank acknowledges the value of this initiative, which is aimed at a balanced tax system through international co-ordination. This balance is reflected on the one hand in the prevention of double taxation and on the other hand in avoiding double non-taxation.

11. What is Rabobank's position on state aid?

The European Commission is of the opinion that the governments of a number of Member States, amongst which The Netherlands, have given illegal state aid to MNE's, in the form of beneficial tax arrangements. The Dutch government has stated that it does not agree with this view. In the banking world the discussion focuses on the tax treatment of the payment on

additional tier 1 capital instruments, in the press often referred to as contingent convertibles or coco's.

On January 1, 2015, the Dutch legislator introduced article 29a of the Corporate Income Tax Act to ensure the deductibility of interest payments on capital instruments issued by financial institutions. This article of the tax code was abolished on January 1, 2019. Rabobank regularly issues such capital instruments to meet its funding needs. However, the financing need is leading in such a transaction and not the possibility to deduct the resulting interest payments.

By abolishing article 29a of the CITA, the Dutch government acknowledges the position of the EC that it may constitute illegal state aid. The Dutch government received a letter from the EC on June 22, 2018 regarding the tax treatment of additional tier-1 capital instruments. In the letter, the EC requests the Netherlands to take measures to meet the EC's state aid objections.

It appears that the abolishing of article 29a CITA will not have consequences for prior years. If however the EC decides to start a formal investigation and if it should ultimately conclude that there is state aid in the prior years, Rabobank may have to repay the tax benefit it enjoyed from 2015 up to and including 2018.

12. Technology plays an increasingly important role in tax. What is Rabobank's view on this development?

The technological developments have a great impact on tax. With these innovations and increasing availability and quality of data, Rabobank is better able to identify risks. This is also what regulators increasingly expect from Rabobank. Real time reporting is on the horizon and tax is an integral part of this.

Rabobank embraces technological development and at the same time is convinced of the necessity to continue to develop human skills. The combination of technology and humanity: 'high tech, high touch'.

Geographical presence

Rabobank has activities on a worldwide scale. Below, we provide some information on our activities in a number of countries which are mentioned frequently in the public discussion about tax policy. Rabobank has no presence in jurisdictions mentioned in the EU-blacklist.

United States

Rabobank has several dozens of subsidiaries in the United States which were incorporated under Delaware law. The use of Delaware companies is a logical one from a US perspective, since the corporate law system in Delaware is strongly developed and can be considered almost as the default. There is no tax reason for

Rabobank: these subsidiaries are subject to the US tax laws in a normal way.

Ireland

Rabobank carries out several banking services and products through a number of entities and a branch (corporate finance, leasing and wholesale banking).

Mauritius

Rabobank's presence in Mauritius dates back to 2008 and is related to two Food & Agri funds in Mauritius. From Mauritius these funds invest in equity stakes in Indian companies.

Labuan

Rabobank's presence in Labuan, a part of Malaysia, relates to our finance activities for corporate clients in Malaysia. Malaysian companies have efficient access to the international capital markets from Labuan.

Explanation of the tax numbers

Country by Country Report

Rabobank's 2018 annual report contains an overview of the [corporate income tax paid per country](#). This overview is mandatory by law and shows all the jurisdictions where Rabobank is active. Per country a number of key figures are presented, amongst which the corporate income tax due over the year. This report is intended to demonstrate whether the tax payments follow the actual business activities. As stated in Q&A 4, Rabobank adheres to this principle of 'tax follows business'.

Corporate income tax

There are a number of differences between accounting and tax rules and regulations. As a result, the profit in the financial statements will differ from the taxable profit. The size of these differences can not be known beforehand, but can be substantial for a company like Rabobank. For example, in the Netherlands the profit made upon the sale of the shares in a subsidiary is part of the profit for accounting purposes, but this amount is not included in the profit for tax purposes.

These differences may also have a reverse effect. The exemption mentioned above for the sale of shares in a subsidiary not only applies to profits, but also if the transaction results in a loss. In that case the profit for tax purposes will be higher than the profit for accounting purposes. Another example of a difference: the Dutch bank levy is a cost for accounting purposes but this amount may not be deducted from the taxable profit based on the Dutch tax code.

In addition, the profit in the group annual account relates to the global activities of the entire Rabobank Group. This result was realized in a large number of countries combined, and Rabobank has to file tax returns in all of these countries. This is done on the basis of the local tax rules, which are different in each jurisdiction. We do note that our tax principles are the same in all countries.

In summary, the corporate income tax that Rabobank has to pay in the Netherlands, does not directly relate to the worldwide group result of EUR 3,004 million for 2018. The taxable profit in the Netherlands for 2018 is a positive amount, but this does not result in an actual corporate income tax payment as the profit is – by law – set off against losses carried forward from earlier years.

Effective tax rate (worldwide profit tax)

The effective tax rate shown in the financial statements only concerns profit taxes, amongst which Dutch corporate income tax. Worldwide the effective tax rate over 2018 was 23,1%. The statutory corporate income tax rate of the Netherlands is currently 25%. Rabobank's 2018 Annual Report contains an overview with the reconciliation of the corporate income tax rate to the effective tax rate.

Rabobank is a cooperative, which does not have shareholders. Therefore, it is not possible for Rabobank to determine the income per share.

Other taxes and contributions in the Netherlands

In 2018, Rabobank paid amongst others the following amounts of taxes and levies in the Netherlands:

- Non-reclaimable VAT: EUR 357 million
- Bank levy: EUR 139 million
- Contribution to other regulatory levies: EUR 337 million

In addition, in 2018 Rabobank withheld approximately EUR 670 million of wage tax on salaries in the Netherlands. Other taxes in the Netherlands paid by Rabobank which are not included in this overview are municipal levies, real estate transfer tax and insurance tax.

Glossary

Bank levy

The bank levy was introduced as a result of the financial crisis, specifically because the Dutch government had to provide financial support to a number of financial institutions (but not to Rabobank). The bank levy is calculated for each financial institution on the basis of the amount of debt outstanding (but excluding the debt covered by the deposit guarantee scheme).

Contribution to deposit guarantee schemes

Starting in 2016 a deposit guarantee scheme fund (DGS fund) was created, which is funded upfront with contributions by the Dutch banks. The DGS fund will ultimately amount to 0.8% of the total amount of deposits covered by DGS. The contribution by each individual bank is calculated based on the amount of covered deposits. The contribution may be increased by a factor depending on the risk profit of the particular bank.

In addition, so-called resolution funds are set up both at a national and European level. These funds are intended to facilitate the settlement of banks in financial problems, without the support of the tax payer. Rabobank has contributed to the European fund in 2018. The European fund will ultimately amount to 1% of the covered deposits in Europe. The contribution of each individual bank is calculated on the balance sheet total reduced with the equity and covered deposits. The risk profit of the bank is also taken into account.

CRS

CRS stands for 'Common Reporting Standard'. These are international rules to combat tax evasion. Based on CRS, Rabobank must review whether clients are tax residents in a country other than the Netherlands. This information, together with information regarding the bank account are shared with the tax authorities of participating countries. In return, the Dutch tax authorities receive information from other participating countries about Dutch residents with bank accounts in these jurisdictions.

Fair share

Terms like 'fair share' and 'reasonable application of the law' are always open for discussion. What is considered a sufficient business reason for a tax structure by one party, may not be considered sufficient by someone else. Therefore, Rabobank presents its considerations and potential points of discussion to the tax authorities, in the Netherlands and where possible in other jurisdictions. Rabobank gives the tax authorities the opportunity to share their views and it will take these into consideration when making tax related choices.

FATCA

FATCA stands for 'Foreign Account Tax Compliance Act'. These are US rules aimed to prevent tax evasion by US tax payers. Rabobank must provide financial information to the tax authorities about clients who are US persons. Based on an agreement with the US, the Dutch tax authorities share this information to the US Revenue. In exchange, the Dutch tax authorities receive information about Dutch residents with bank accounts in the US.

Horizontal Monitoring

Horizontal monitoring concerns a co-operation between the Dutch tax authorities and corporate tax payers, based on mutual trust and a transparent communication. These principles are laid down in an agreement. The tax authorities only enter into such an agreement if the corporation has a well-functioning tax control framework, in other words if the corporation has sufficient control over its tax position and its tax risks.

Non-reclaimable VAT

Entrepreneurs may reclaim from the tax authorities the VAT that other parties charge to them. For an entrepreneur, in most cases VAT does not constitute a cost. An important condition to be allowed to reclaim VAT is that the entrepreneur also charges VAT to its clients on services provided. However, the majority of services provided by banks are exempt from VAT. For example, providing loans, services related to shares and financial services are all exempt from VAT. The client will notice that the bank does not charge VAT on the interest due on a mortgage.

Rabobank also mostly provides VAT exempt services. As a result, Rabobank may only reclaim a very limited part of the VAT that its suppliers charge on the goods and services provided to the bank. The rest of the non-reclaimable VAT is a cost for Rabobank.

Transfer Pricing

Transfer pricing concerns the conditions of transactions within a company. Companies must charge at arm's length prices and conditions for the sale of goods, the rendering of services and the lending of funds within a group. Transfer pricing rules ensure that the prices can be substantiated by the activities, functions and risks within the company.

From a tax point of view it is important because only then the profit and tax obligations of company matches its actual activities. Companies have a legal obligation to follow these transfer pricing rules. They can not use their own judgment to adjust intra group prices in order to shift their tax obligations.

Trust activities

Trust activities include the management and administration of companies on behalf of third parties. The Netherlands is a popular location for intermediary holding- and group finance companies. This is amongst others the result of a number of characteristics of the Dutch tax system, which are important for such companies. For example the participation exemption, the absence of withholding taxes on interest and royalties. In order to be subject to the Dutch tax rules, companies that become resident in the Netherlands must meet the substance requirements.