

**BBVA**



## **Total Tax Contribution in 2015**

A report on the economic contribution made by BBVA Group to public finances

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*BBVA continues to strengthen its tax responsibility and transparency*

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2015 has been also a very complex year to manage, also in the tax area, with major regulatory changes, and an economic situation that still shows very weak levels of improvement.

However, in BBVA we have continued to take steps in the direction marked in previous years when we decided to bet on increasing transparency also in the tax matters, with the publication of this report of the overall tax contribution of the BBVA Group.

Last year, the report incorporated, in conjunction with a breakdown by taxes and jurisdictions, the data concerning the "country by country reporting" of the Annual Banking Report.

This latest report links taxes paid by companies in each jurisdiction, to other variables,

such as profits, number of employees, ...

The novelty incorporated in the report this year, is the approval by the Board of Directors of BBVA's Tax Strategy which is applicable to all jurisdictions and all employees of BBVA.

The Tax Strategy strengthens BBVA's responsibility, also in tax issues, and shows the commitment of the governing bodies of BBVA with its tax responsibility.

In line with our policy of transparency, all stakeholders can consult the Tax Strategy at BBVA corporate website.

## Year 2015 relevant data

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*The total tax contribution of BBVA Group to the public finances amounts to **€ 8,157 Mn** in year 2015.*

*€ 2,816 Mn correspond to own taxes and € 5,341 Mn correspond to third party taxes.*

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**Profit before  
corporate income tax**

**€ 4,603 Mn**

**Corporate income tax  
paid**

**€ 1,222 Mn**

**Percentage of corporate  
income tax paid**

**24.38%**



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# 1 Introduction

As in previous years, this year 2015, we publish once again the economic contribution made by BBVA to public finances.

In BBVA we believe that we are making an **economic and social valuable contribution** by paying dividends to our shareholders, salaries to our employees, invoices to our suppliers and tax revenues to governments in the countries where we operate.

**BBVA is committed to providing transparency about tax payments** and this is why we voluntarily disclose in this report all mayor tax payments in the countries in which we have a significant presence.

The data within the Report, includes payments made in all main countries of operation of BBVA and covers the year ended 31 December 2015.

BBVA makes a significant contribution to public finances not only through its own tax payments, but also, through third party tax collection due to its economic activity. Apart from that, BBVA contributes to public finances acting as a collaborating entity in tax collection for the governments in the jurisdictions where it operates.

This last public labour that BBVA Group performs as collaborating entity involves human and technology expenses, that have not been quantified in this Report.

We believe that this Report gives to all our stakeholders an **opportunity to understand our tax payments** and represents a forward-thinking approach and commitment to corporate responsibility, assuming a leading role in tax transparency.

This report uses the PwC Total Tax Contribution (TTC) methodology, which looks at all the different taxes that companies pay and administer, including employment taxes, value added tax (VAT), the corporate income tax, as well as other taxes.

TTC includes both the taxes borne by companies (those taxes which are a cost to the companies and affect their results) and taxes they collect on behalf of third parties.

## 2 Tax responsibility

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*The Board of Directors of BBVA has approved the Group Tax Strategy*

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During 2015, BBVA has taken a further step in its policy of transparency and tax responsibility, through the adoption of the BBVA Group Tax Strategy.

The Board of Directors of BBVA, at its meeting on July 1<sup>st</sup>, agreed to the adoption of the BBVA Group Tax Strategy, which contains the principles that should guide the actions of BBVA in tax matters.

This document is part of the Corporate Governance of BBVA and represents the realization of developments that at the end of year 2014 were introduced in Spain by Law 31/2014, of December 3<sup>rd</sup>.



### **Corporate principles and Tax Strategy:**

Policies and values that guide BBVA Tax Strategy are supported and aligned with corporate principles on which BBVA is built, and are:

***Integrity:*** that in the field of taxation is identified, in addition with the observance of the rules, with maintaining a cooperative relationship and in good faith with the different Tax Administrations.

***Prudence:*** understood as the precautionary principle in risk taking and therefore valuing the tax implications of decisions.

***Transparency:*** in the area of taxation is referred to the tax information that must be provided to our customers, as well as the information that must be provided to other stakeholders regarding the activity of BBVA in its tax affairs, and that this report is the best example.

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### **Total tax contribution in 2015**

A report on the economic contribution made by BBVA Group to public finances

## 2 Tax responsibility

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*BBVA Tax Strategy has global approach and is posted on the corporate website*

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### Main points of BBVA Tax Strategy:

BBVA Tax Strategy has a global scope affecting all those who are part of the BBVA Group and is articulated on the following main points:

- ✓ **BBVA decisions on tax matters** are linked to the payment of taxes in all jurisdictions where it engages its economic and business activities, aligning their taxation with the effective realization of economic activity and the generation of value.
- ✓ To work actively in order to **adapt to the new digital environment, also in the tax area**, by incorporating virtual presence to value creation and subsequent valuation.
- ✓ The establishment of a **mutually cooperative relationship with the various Tax Administrations** based on the principles of transparency, mutual trust, good faith and loyalty between the parties.
- ✓ Promoting a **clear, responsible and transparent information** with its various stakeholders on key financial and tax affairs.

Full text of BBVA Group Tax Strategy is available on the corporate website BBVA [www.bbva.com](http://www.bbva.com)

## 2 Tax responsibility

*The 67.32% of the tax contribution of BBVA takes place in emerging countries*

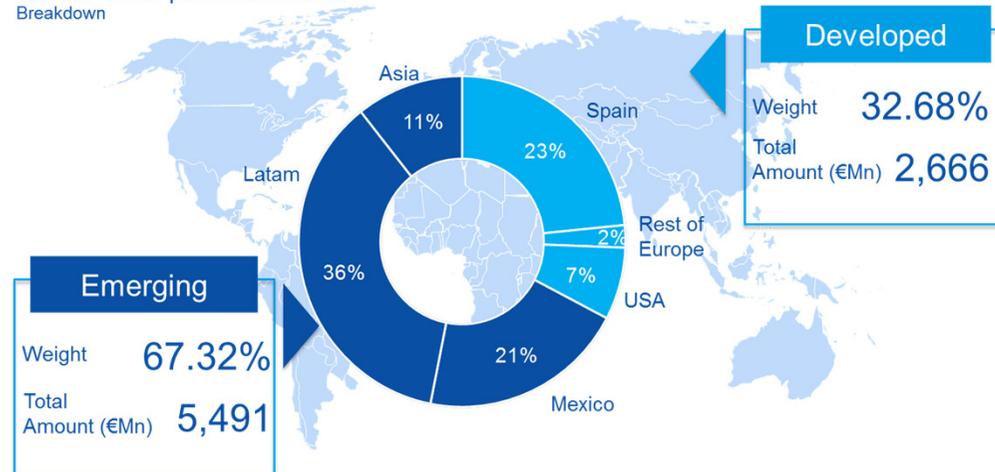
At BBVA we are aware that tax revenues play a fundamental role to finance public services that governments provide to its citizens. Taxes finance health, education and infrastructure necessary to build a society with reasonable living standards.

This reality that occurs in all countries, is especially important in emerging countries where tax revenues play a key role from the point of view

of human rights, because many people live in extreme poverty and depend on the public institutions.

At BBVA we are not strangers to this reflection and that is why the Tax Strategy approved by the Board of Directors clearly determines that taxation of BBVA Group must be located in jurisdictions where we conduct our business and based on the true value generation.

12M15 Taxes paid cash criteria Breakdown



### Total tax contribution in 2015

A report on the economic contribution made by BBVA Group to public finances

## 3 Distribution of BBVA Group's tax payments by geographical area

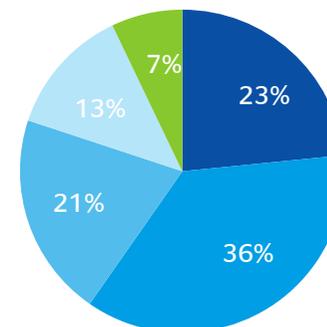
**BBVA is a global group** that employs more than 130,000 people in over **30 countries** around the world, and has over 65 million customers and more than 900,000 shareholders.

BBVA enjoys a solid leadership position in the Spanish market, is the largest financial institution in Mexico, and has leading franchises in South America and the US Sunbelt region. Additionally, it has a relevant banking presence in Turkey and operates an extensive branch network worldwide.

This adequate **balance** between **emerging and developed** economies provides revenue diversification and, as a result, higher earnings recurrence.



The following chart shows the **total tax payments made by the Group during year 2015** by **geographical areas**:



■ Spain ■ South America ■ Mexico ■ Eurasia ■ USA

Our main revenues come from Spain, Mexico and South America; that is why our tax payments are higher in those locations.

## 4 Total tax contribution in 2015

€ 8,157  
million of taxes  
contributed in  
2015

(€ Mn)

Country	2015		
	Own taxes	Third party taxes	Total
<b>Spain</b>	<b>502</b>	<b>1,408</b>	<b>1,910</b>
<b>Mexico</b>	<b>868</b>	<b>798</b>	<b>1,666</b>
<b>United States</b>	<b>349</b>	<b>229</b>	<b>578</b>
Argentina	288	1,828	2,116
Bolivia	2	4	6
Chile	37	48	85
Colombia	166	196	362
Paraguay	7	13	20
Peru	230	73	303
Uruguay	32	15	47
Venezuela	7	11	18
<b>Latam</b>	<b>769</b>	<b>2,188</b>	<b>2,957</b>
Belgium	1	1	2
China	0	0	0
France	29	1	30
Germany	10	6	16
Hong Kong	0	0	0
Ireland	2	0	2
Italy	18	7	25
Korea (South)	0	1	1
Luxembourg	8	0	8
Malta	1	0	1
Netherlands	5	6	11
Portugal	16	22	38
Romania	3	3	6
Singapore	1	0	1
Switzerland	7	6	13
Taiwan	0	0	0
Turkey	220	648	868
United Kingdom	7	17	24
<b>Eurasia</b>	<b>328</b>	<b>718</b>	<b>1,046</b>
<b>Total</b>	<b>2,816</b>	<b>5,341</b>	<b>8,157</b>

### Total tax contribution in 2015

A report on the economic contribution made by BBVA Group to public finances

## 4 Total tax contribution in 2015

(€ Mn)

*Disclosure of own and third party taxes by type of tax*

Country	CIT	Employees/ Professionals	VAT	Other taxes	Total Own Taxes	Employees/ Professionals	VAT	Other taxes	Total Third party Taxes	Total
Spain	-335	379	305	153	502	711	150	547	1,408	1,910
<b>Spain</b>	<b>-335</b>	<b>379</b>	<b>305</b>	<b>153</b>	<b>502</b>	<b>711</b>	<b>150</b>	<b>547</b>	<b>1,408</b>	<b>1,910</b>
Belgium	0	1	0	0	1	1	0	0	1	2
France	24	4	1	0	29	1	0	0	1	30
Germany	9	1	0	0	10	4	0	2	6	16
Ireland	2	0	0	0	2	0	0	0	0	2
Italy	15	2	1	0	18	3	0	4	7	25
Korea (South)	0	0	0	0	0	1	0	0	1	1
Luxembourg	3	0	0	5	8	0	0	0	0	8
Malta	1	0	0	0	1	0	0	0	0	1
Netherlands	4	1	0	0	5	6	0	0	6	11
Portugal	4	6	5	1	16	11	1	10	22	38
Romania	0	3	0	0	3	3	0	0	3	6
Singapore	1	0	0		1	0	0	0	0	1
Switzerland	5	1	1	0	7	2	0	4	6	13
Turkey	80	55	69	16	220	124	0	524	648	868
United Kingdom	0	5	1	1	7	17	0	0	17	24
<b>Eurasia</b>	<b>148</b>	<b>79</b>	<b>78</b>	<b>23</b>	<b>328</b>	<b>173</b>	<b>1</b>	<b>544</b>	<b>718</b>	<b>1,046</b>
Argentina	113	39	7	129	288	24	257	1,547	1,828	2,116
Bolivia	1	1	0	0	2	1	3	0	4	6
Chile	22	0	13	2	37	11	23	14	48	85
Colombia	98	18	24	26	166	15	23	158	196	362
Paraguay	4	2	0	1	7	2	10	1	13	20
Peru	179	7	24	20	230	29	33	11	73	303
Uruguay	14	8	3	7	32	11	2	2	15	47
Venezuela	1	0	3	3	7	0	0	11	11	18
<b>Latam</b>	<b>432</b>	<b>75</b>	<b>74</b>	<b>188</b>	<b>769</b>	<b>93</b>	<b>351</b>	<b>1,744</b>	<b>2,188</b>	<b>2,957</b>
Mexico	611	51	187	19	868	129	542	127	798	1,666
<b>Mexico</b>	<b>611</b>	<b>51</b>	<b>187</b>	<b>19</b>	<b>868</b>	<b>129</b>	<b>542</b>	<b>127</b>	<b>798</b>	<b>1,666</b>
United States	266	59	3	21	349	223	0	6	229	578
<b>United States</b>	<b>266</b>	<b>59</b>	<b>3</b>	<b>21</b>	<b>349</b>	<b>223</b>	<b>0</b>	<b>6</b>	<b>229</b>	<b>578</b>
<b>Total Payments</b>	<b>1,122</b>	<b>643</b>	<b>647</b>	<b>404</b>	<b>2,816</b>	<b>1,329</b>	<b>1,044</b>	<b>2,968</b>	<b>5,341</b>	<b>8,157</b>

\* Paid taxes are shown net of refunds.

\* Corporate Income Tax payments made on behalf of third parties are included in "other taxes" category.

### Total tax contribution in 2015

A report on the economic contribution made by BBVA Group to public finances

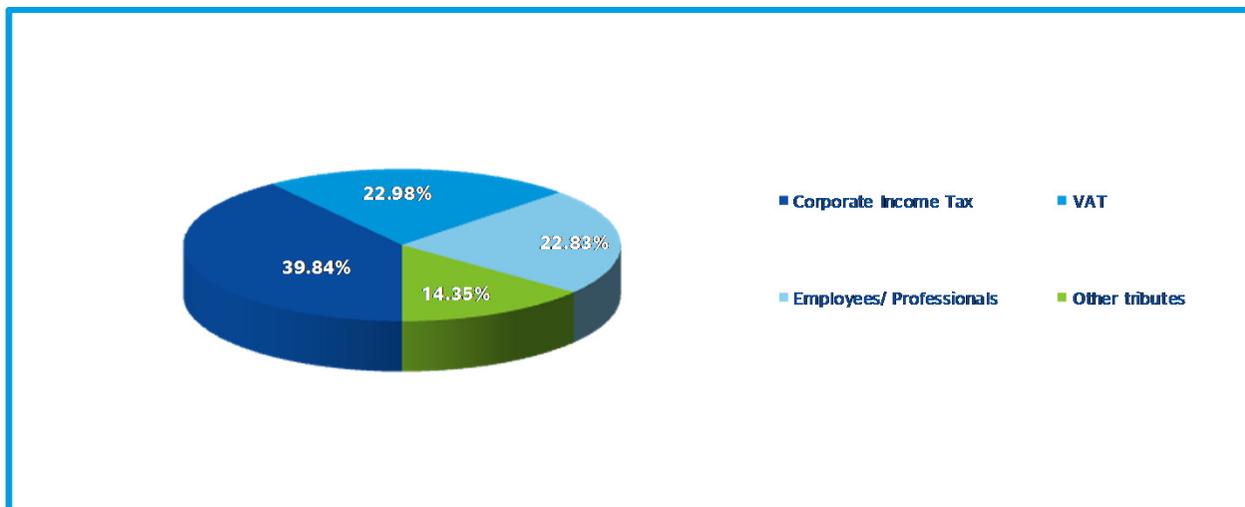
## 4 Total tax contribution in 2015

The graph below shows the distribution by type of tax of **2,816 million** euros of own taxes paid by BBVA Group during 2015.

**Corporate income tax is the largest payment**, 1,122 million euros, representing **39.84%** of BBVA total tax payments in 2015.

**Value-added taxes** account for **22.98%**, **employees and professionals taxes** **22.83%** and **other taxes** **14.35%**, which include, among others, property taxes, trade tax and different local levies.

### Contribution by type of tax of own taxes:



#### Total tax contribution in 2015

A report on the economic contribution made by BBVA Group to public finances

## 5 Country by country reporting

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*The adoption of this new law confirms the framework laid out by BBVA since year 2011*

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The financial crisis has revealed **the importance of transparency** on the part of the major economic players, in particular credit institutions, to maintain **confidence in the markets**.

A good example of this would be the EU Directive 2013/36/EU, otherwise known as “**CRD IV**”, transposed into Spanish law by Law 10/2014 of Structuring, Supervision and Solvency of Financial Institutions of June 26.

Law 10/2014 regulates a new report, known as “**Informe bancario anual**”, as an annex to the financial statements of the credit institution concerned in order to give a **clearer picture of their tax position in each country in which they operate**.

It only includes information about the tax on profit or loss of the financial institutions.

The adoption of this new law **confirms the framework laid out by BBVA** who has been disclosing every year **since 2011** not only the corporate income tax but all those taxes paid in each country where the Group operates.



## 5 Country by country reporting

CRD IV requires financial institutions to disclose by country in which they have an establishment **the tax on profit or loss**, their turnover, number of employees and nature of their activities. This information has been already published in Appendix XII (“**Informe Bancario Anual**”) of the consolidated financial statements of BBVA Group for the year ended 2015.

**Corporate income  
tax paid**

**€ 1,122 Mn**

December 31, 2015

€ Mn

Country	CIT payments cash basis	CIT expense consol	PBT consol	Turnover	Nº Employees	Activity	Main Entity
Spain	-335	-342	-1,576	6,785	32,903	Financial, banking and insurance services and real estate	BBVA SA
France	24	14	50	81	84	Financial services	BBVA - Paris Branch
Germany	9	11	41	52	46	Financial services	BBVA - Frankfurt Branch
Hong Kong	0	0	14	46	128	Financial services	BBVA - Hong-Kong Branch
Ireland	2	5	27	12	4	Financial, banking and insurance services	BBVA Ireland PCL
Italy	15	35	104	93	78	Financial services	BBVA - Milan Branch
Luxembourg	3	4	0	12	3	Financial services	BBVA Luxinvest SA
Portugal	4	16	47	115	522	Financial services	BBVA Portugal SA
Switzerland	5	3	10	49	125	Financial services	BBVA Switzerland SA
United Kingdom	0	-6	7	92	161	Financial services	BBVA - London Branch
Argentina	113	172	515	1,277	5,974	Financial and banking services	BBVA Banco Frances SA
Chile	22	41	240	722	4,672	Financial, banking and insurance services	BBVA Chile SA
Colombia	98	119	391	905	7,257	Financial, banking and insurance services	BBVA Colombia
Paraguay	4	2	14	78	482	Financial and banking services	BBVA Paraguay SA
Peru	179	150	543	1,124	5,857	Financial and banking services	BBVA Continental SA
Uruguay	14	11	40	156	632	Financial and banking services	BBVA Uruguay SA
Venezuela	1	68	69	174	5,233	Financial, banking and insurance services	Banco Provincial SA
Mexico	611	685	2,750	6,983	38,499	Financial, banking and insurance services	BBVA BAncomer SA
United States	266	165	699	2,617	11,153	Financial, banking and insurance services	Compass Bank, Inc.
Bolivia	1	1	4	23	331	Financial services	BBVA Previsión AFP SA
Belgium	0	0	-6	3	32	Financial services	BBVA - Brussels Branch
Turkey	80	124	647	1,949	22,186	Financial, banking and insurance services	Türkiye Garanti Bankası
Others (**)	6	-4	-27	14	1,606		
<b>Total</b>	<b>1,122</b>	<b>1,274</b>	<b>4,603</b>	<b>23,362</b>	<b>137,968</b>		

(\*) Number of full-time employees.

(\*\*) Includes: Netherlands, Curaçao, representative offices and branches in Asia except Hong Kong.

### Total tax contribution in 2015

A report on the economic contribution made by BBVA Group to public finances

## 6 Taxes charged in the financial statements

*The accounting standards under which the corporate income tax expense is calculated may differ from the rules set by the tax authorities to determine the tax payments*

The **consolidated financial statements** of a multinational group such as BBVA present a fairly financial position of the company in accordance with the **standards stated by the accounting regulator**.

The **principle of accrual** accounting is one of the basic principles established by accounting standards.

The corporate income tax expense is accounted in the profit and loss account in line with said principle. On the contrary **tax payments are included in the cash flow statement**.

These figures may differ from each other since taxes very few times are paid at the same time as income arises. This is because governments set the rules as to when tax becomes payable and those rules vary greatly from one country to another.

(€ Mn)

DECEMBER 2015		Effective tax %
Reconciliation of Taxation at Spanish Corporate Income Tax Rate to the Tax Expense recorded for the period	Amount	
<b>Consolidated profit before tax</b>	4,603	
From continuing operations	4,603	
From discontinued operations		
<i>Taxation at corporation tax rate 30% (Spanish nominal tax rate)</i>	1,381	30.00%
Lower effective tax rate from our foreign entities (*)	(221)	
<i>México</i>	(149)	24.65%
<i>Chile</i>	(28)	17.83%
<i>Colombia</i>	2	30.42%
<i>Peru</i>	(13)	27.63%
<i>Others</i>	(33)	
Revenues with lower tax rate (dividends)	(65)	
Equity accounted earnings	(74)	
Other effects	253	
<b>Current income tax</b>	<b>1,274</b>	
<b>Of which:</b>		
<i>Continuing operations</i>	1,274	
<i>Discontinued operations</i>		

Additionally, the consolidated financial statements of a multinational company, introduce **consolidation and standardization adjustments** in order to avoid duplicity of revenues or expenses in the accountancy whenever there are transactions between subsidiaries of the Group.

Finally it is important to note **that the recognition of the temporary differences** also distorts the amount of the corporate income tax accounted.

### Total tax contribution in 2015

A report on the economic contribution made by BBVA Group to public finances

## 6 Taxes charged in the financial statements

*The existence of deferred tax assets means the payment of taxes in advance*



**Deferred tax** is an accounting concept, which includes temporary differences as well as certain tax credits.

**Temporary differences** arise from timing discrepancies between accounting and tax rules, while recognizing expenses.

As of **December 31, 2015** BBVA Group has registered **15,878 million euros of deferred tax assets** and **3,483 million euros of deferred tax liabilities**.

(€ Mn)

<b>Total deferred tax assets</b>	<b>15,878</b>
Pensions	1,022
Portfolio	1,474
Other assets	554
Impairment losses	1,346
Others	981
Guaranteed tax assets	9,536
Tax credits	965
<b>Total deferred tax liabilities</b>	<b>3,483</b>
Portfolio	1,907
Depreciation and others	1,576

## 7 Main conclusions

### Total tax contribution of BBVA Group

€ 8,157 Mn

### Corporate income tax paid

€ 1,122 Mn

### Percentage of corporate income tax paid

24.38%

BBVA is an organization driven by the **principles** of integrity, prudence and transparency.

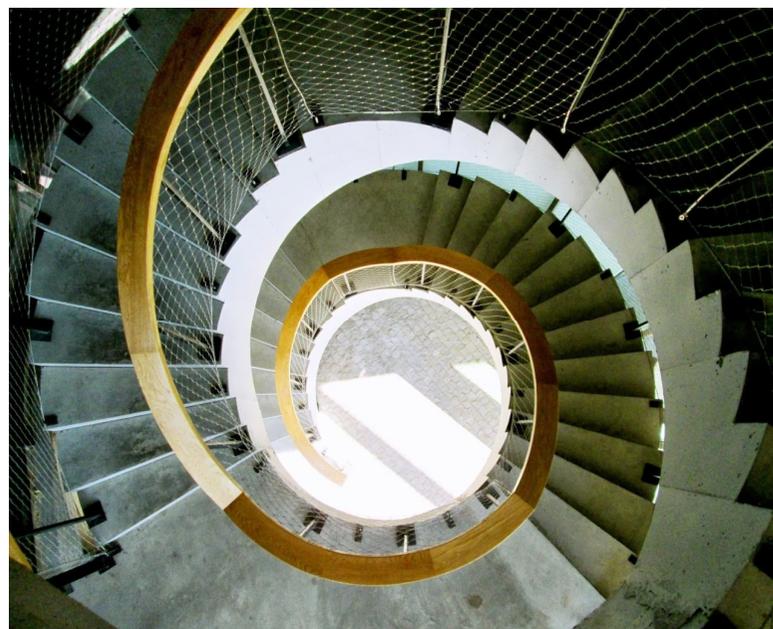
1. **Integrity**, as an expression of ethics in the Group's activity and in its relations with stakeholders (customers, employees, shareholders, suppliers and society at large).
2. **Prudence**, understood basically as the principle of caution in risk-taking.
3. **Transparency**, as the maxim that prevails throughout its activity to offer access to clear and truthful information within the bounds of the law.

According to these principles, since 2011 the Group, publishes annually the amount of taxes paid in the different geographical areas and every year it introduces novelties with the purpose of improving the report.

This Report aspires not only to be a good example of transparency but also a **best practice in the sector**.

It is certain that this will not be the only step forward in the field.

That is the reason why the comments of our stakeholders are welcome in order to progress. Please let us know your feedback through the website [bancaresponsable.com](http://bancaresponsable.com) or twitter [@BBVABancaRespon](https://twitter.com/BBVABancaRespon).



## Appendix 1 - Basis of preparation: scope and methodology

**Scope** This report has been prepared on the basis of the data collected on the taxes paid by BBVA Group during year 2015 in each country in which it operates.

For this purpose a distinction is made between own taxes, that is, those taxes paid by BBVA Group on its own and third-party taxes, which are those taxes collected by BBVA Group and paid to public finances on behalf of third parties outside the Group.

Both own and third-party taxes paid in each jurisdiction in which BBVA Group operates are disclosed under section 4 of this Report. Please note that it only includes those jurisdictions in which the tax payments made in 2015 exceeded EUR 1 million.

**Methodology** This Report uses the PWC Total Tax Contribution (TTC) methodology, which looks at all the different taxes that companies pay and administer, including the corporate income tax, employment taxes, value added tax (VAT), taxes on properties as well as other taxes. The TTC framework shows all tax payments made by BBVA Group on its own (own taxes) and on behalf of third parties on a cash basis.

In order to gain a full understanding of transparency the Report shows net tax payments made by BBVA Group.

## Appendix 2- Glossary of key terms

In this Report the following terms should be understood in the way shown below:

<b>Employees/ professionals</b>	Withholding taxes and payments on account made by Group BBVA from a tax perspective which are related to those employees and professionals that provide services to the Group. Please note that Social Security payments are included in this category.	<b>Deferred Tax Liability</b>	<p>b) A Tax credit for tax losses.</p> <p>c) A tax credit for tax deductions and other tax benefits.</p> <p>Is a liability that in general is recognised for taxable temporary differences that will result in taxable amounts in determining taxable profit or loss of future periods and therefore, will increase future tax payments or decrease the company's future refund amounts, when the carrying amount of the asset or liability is recovered or settled.</p>
<b>Third party taxes</b>	Taxes withheld, collected and paid to public finances on behalf of third parties, which are not part of Group BBVA.		
<b>Deferred Tax Asset</b>	<p>Is an asset recognized, whenever it is probable that the entity will obtain sufficient future taxable profits against which the deferred tax asset can be utilized, for:</p> <p>a) Deductible temporary differences, which will enable the entity to reduce any subsequent period's income tax payments or to increase future recovery amounts receive, when the carrying amount of the asset or liability is recovered or settled.</p>		

## Appendix 2- Glossary of key terms

**Tax payments** All taxes that have been paid (cash criteria) according to the regulations of each type of tax.

**Own Taxes** All taxes, withholdings and payments on account paid by BBVA Group on its own.

**Corporate Income tax** All taxes that are based on the earnings obtained by a company.

**Value Added tax** In this term we include all taxes that are levied on the acquisition of goods or services. The most important consumption tax is VAT. For financial entities, VAT is a relevant own tax, due to the fact that it is not deductible.

**Other taxes** Any other tax different from Corporate Income Tax, VAT, employees or professionals taxes; either if they are local, autonomic or national, such as taxes on economic activities, taxes on property transactions...



**BBVA**



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**Total tax contribution in 2015**

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