

Total Tax Contribution in 2017

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



Preamble

BBVA's purpose is **to bring the age of opportunity to everyone**. We aim to help our customers to achieve their life goals. More than a bank, we want to be an engine of opportunities, and to have a true impact on people's lives and businesses.

Our commitment to our "clients/stakeholders" (clients, shareholders, suppliers, employees, authorities and society in general) drives us to voluntarily publish once again the Total Tax Contribution Report.

The aim of this Report is to provide information about the tax payments made by BBVA Group during year 2017 in a simply and transparent way and to inform about the steps taken by the Group, which are aligned with the BEPS principles, in terms of **tax control and tax governance**.

In previous reports we have rendered account of the challenges that BBVA Group has been facing in relation to the approval of its Tax strategy, the integration and reinforcement of the BEPS principles and the progress in tax control issues carried out by the Group.

This time, we have considered important to reveal our **positioning about the activities performed in countries that could deemed to be "tax havens"**, as well as the new steps taken in certain aspects related to our tax governance.

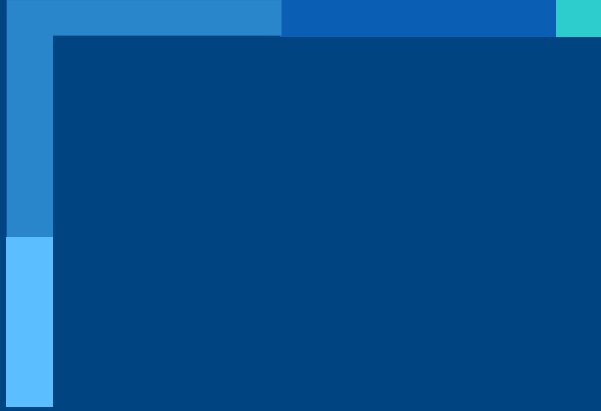
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Principles of tax practice

Principles that guide the tax performance of BBVA

01 Principles of tax practice

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BBVA is a global financial group that is built and builds from the following **principles**:

1. **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.
2. **Prudence**, understood as the precautionary principle in risk taking and therefore valuing the tax implications of decisions.
3. **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.

During year **2017**, BBVA has continued taking steps resolutely in its **policy of transparency and tax responsibility**.



- > Corporate principles that guide the tax performance of BBVA
- > Tax strategy aligned with BEPS
- > Improvements in Tax Control and Tax Governance
- > Our commitment to transparency

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Tax Strategy aligned with BEPS

BBVA Tax Strategy (available in www.bbva.com) has a global scope affecting all those who are part of BBVA Group and it 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 value generation.
- 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 consideration for tax purposes.
- The establishment of a **mutually cooperative relationship with the different Tax Authorities** based on the principles of transparency, mutual trust, good faith and loyalty between the parties.
- Promoting a **clear, responsible and transparent communication** with its different stakeholders on key financial and tax affairs.

Likewise, it is based on the commitment that all of the entities which are part of BBVA Group comply with the letter and the spirit of the different tax laws and regulations in force in all the jurisdictions in which they operate.

BBVA GROUP AND ITS POSITION REGARDING THE TAX HAVENS

The Group maintains as a fundamental part of its principles and values a firm commitment with the **fulfillment of the legality in force in every territory where it develops its activity**.

In 2004 the Group adopted a policy in order to limit to the maximum and reduce, the activities developed through permanent establishments located in jurisdictions qualified as offshore. As a consequence of it, the Group has eliminated 48 permanent establishments in 7 jurisdictions that could be considered a tax haven.

Currently there are only 5 entities in the Cayman Islands, which is the only country considered as a tax haven according to the Spanish regulation. All of these entities are subject to the control and supervision mechanisms established by the Group.

The Management Report of the Group provides detailed information about the off-shore financial centers where the Group is located.

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Improvements in Tax Control and Tax Governance

During 2017, BBVA Group has deepened in the Tax Control model that was already implemented.

BBVA Group fulfils the requirements in tax control and tax risk management that were introduced to Listed Entities by the Law 31/2014 amending Spanish Corporation Law in order to improve the Corporate Governance.

In this regard, the Audit Committee has been duly informed by the responsables of the tax function, within other relevant tax information, about the different Action Plans that have been launched in BBVA related to Tax Risk Control.

In addition, during 2017, the tax policies that develop the Tax Strategy have been formalized and communicated to all Group employees.

On the other hand, and as a proof of the commitment assumed by the Group in its Tax Strategy with respect to the promotion of a relationship reciprocally cooperative with

the different Tax Authorities, it should be pointed out that BBVA Group is adhered to the Code of Good Tax Practices (hereinafter, CGTP) promoted by the Spanish Tax Authorities. The Group complies with the different obligations assumed as a result of such adherence. During 2017 the Group has elaborated and filed voluntarily before the the Spanish Tax Authorities the "Annual Report of Tax Transparency for companies adhered to the CGTP".

Since 2013 the Group is also adhered to the Code of Practice on Taxation for Banks promoted by the Tax Authorities in the United Kingdom, and therefore it complies with its obligations.

In 2017 the branch of BBVA which is located in the United Kingdom has published in its web site its Tax Strategy .

https://www.bbvauk.com/fbin/mult/BBVA_UK_Tax_strategy_1_tcm1363-692634.pdf

These facts show once again the commitment of BBVA to tax responsibility matters

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Our commitment to transparency

BBVA is committed to providing transparency about tax payments and this is why **every year since 2011 we voluntarily disclose** in this report all mayor **tax payments made** in the countries in which we have a significant presence. The data within the report includes tax payments made by December 31, **2017**.

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.

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.

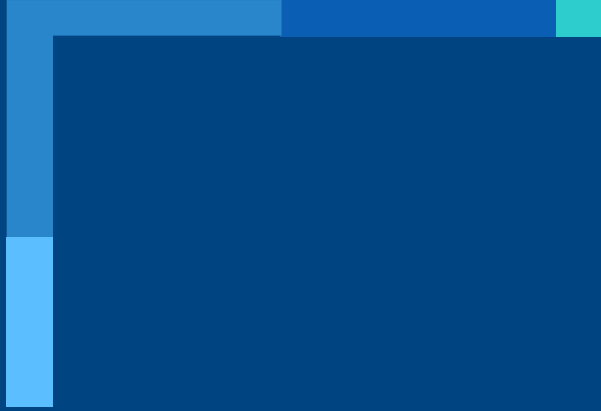
BBVA makes a **significant contribution to public finances** not only through its own tax payments, but also, through third party tax collection due to its economic activity. Apart from that, BBVA contributes to public finances acting as a collaborating entity in tax collection for the governments in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

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

This report uses 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), corporate income tax, as well as other taxes.

PwC TTC framework covers both **taxes borne** (which are the company's own contribution in taxes which have a cost for the company and therefore have an impact on its financial results) and also **taxes collected** (which are those that the company collects from third parties).

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Total tax contribution

Year 2017 relevant data

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- 1 The total tax contribution of BBVA Group to public finances amounts to € 9,881 million in year 2017.
- 1 € 4,106 million correspond to own taxes and € 5,775 million correspond to third party taxes.



> Year 2017 relevant data

> How many taxes has BBVA Group paid in 2017?

> Type of taxes paid by BBVA Group in 2017

> Which type of own taxes has BBVA Group paid in 2017?

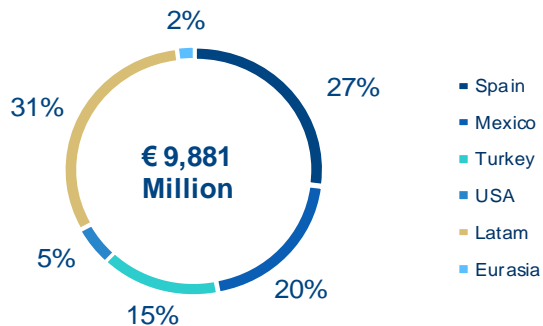
How many taxes has BBVA Group paid in 2017?

BBVA is a global financial group that employs more than 130,000 people in **over 30 countries** around the world, and has over 72 million customers and more than 890,000 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 (through strategic investments in Garanti Bank) 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 2017 by geographical areas:



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

- > Year 2017 relevant data
- > How many taxes has BBVA Group paid in 2017?
- > Type of taxes paid by BBVA Group in 2017
- > Which type of own taxes has BBVA Group paid in 2017?

How many taxes has BBVA Group paid in 2017?

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> Year 2017 relevant data

> How many taxes has BBVA Group paid in 2017?

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> Which type of own taxes has BBVA Group paid in 2017?

(€ Million)

Country	Own taxes	Third party taxes	Total
Spain	1,263	1,438	2,701
Belgium	2	1	3
China	0	1	1
Cyprus	2	3	5
Finland	1	1	2
France	20	1	21
Germany	26	6	32
Ireland	2	0	2
Italy	6	3	9
Korea (South)	0	1	1
Luxembourg	4	0	4
Malta	2	0	2
Netherlands	5	6	11
Portugal	16	25	41
Romania	8	10	18
Singapore	1	0	1
Switzerland	4	5	9
Taiwan	0	1	1
United Kingdom	7	12	19
Eurasia	106	76	182
Turkey	596	917	1,513
Argentina	270	1,770	2,040
Bolivia	3	4	7
Chile	117	58	175
Colombia	183	245	428
Paraguay	9	11	20
Perú	195	90	285
Uruguay	44	22	66
Venezuela	8	46	54
LATAM	829	2,246	3,075
Mexico	1,082	885	1,967
United States	230	213	443
Total	4,106	5,775	9,881

€ 9,881 Million
of taxes contributed
in 2017

Type of taxes paid by BBVA Group in 2017

(€ Million)

Country	CIT	Employees/ professionals	Other taxes	VAT	Total own taxes	Withholding on Income Tax	Employees/ professionals	Other taxes	VAT	Total third party taxes	Total
Spain	454	378	136	295	1,263	556	710	38	134	1,438	2,701
Belgium	0	1	1	0	2	0	1	0	0	1	3
China	0	0	0	0	0	0	1	0	0	1	1
Cyprus	2	0	0	0	2	1	1	1	0	3	5
Finland	0	0	0	1	1	0	1	0	0	1	2
France	15	4	0	1	20	0	1	0	0	1	21
Germany	25	1	0	0	26	2	4	0	0	6	32
Ireland	2	0	0	0	2	0	0	0	0	0	2
Italy	4	1	0	1	6	0	3	0	0	3	9
Korea (South)	0	0	0	0	0	0	1	0	0	1	1
Luxembourg	2	0	2	0	4	0	0	0	0	0	4
Malta	2	0	0	0	2	0	0	0	0	0	2
Netherlands	2	2	0	1	5	0	7	0	-1	6	11
Portugal	5	5	1	5	16	6	8	7	4	25	41
Romania	2	5	0	1	8	0	7	0	3	10	18
Singapore	1	0	0	0	1	0	0	0	0	0	1
Switzerland	3	1	0	0	4	0	3	2	0	5	9
Taiwan	0	0	0	0	0	1	0	0	0	1	1
United Kingdom	1	4	1	1	7	0	12	0	0	12	19
Eurasia	66	24	5	11	106	10	50	10	6	76	182
Turkey	354	82	48	112	596	306	174	437	0	917	1,513
Argentina	51	58	150	11	270	118	32	1,339	281	1,770	2,040
Bolivia	2	1	0	0	3	0	1	0	3	4	7
Chile	99	0	2	16	117	1	13	32	12	58	175
Colombia	101	19	30	33	183	37	16	153	39	245	428
Paraguay	6	2	1	0	9	0	2	0	9	11	20
Perú	151	7	11	26	195	1	30	16	43	90	285
Uruguay	25	10	6	3	44	2	17	0	3	22	66
Venezuela	3	0	2	3	8	7	0	39	0	46	54
LATAM	438	97	202	92	829	166	111	1,579	390	2,246	3,075
Mexico	795	99	26	162	1,082	106	187	0	592	885	1,967
USA	154	54	19	3	230	5	208	0	0	213	443
Total	2,261	734	436	675	4,106	1,149	1,440	2,064	1,122	5,775	9,881

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> Year 2017 relevant data

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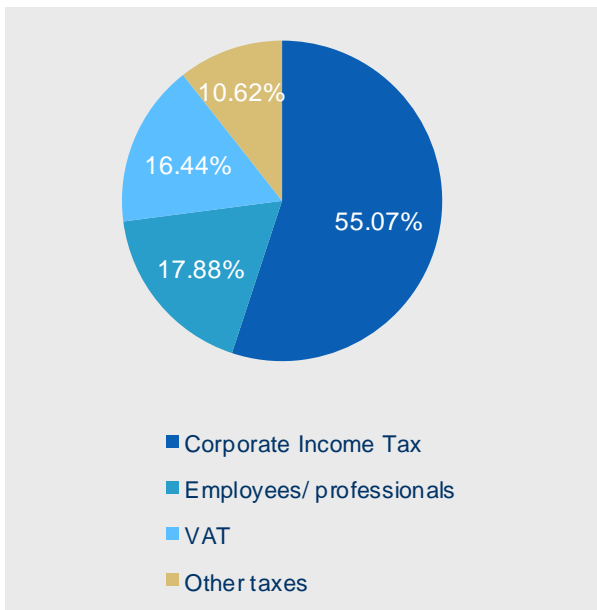
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Which type of own taxes has BBVA Group paid in 2017?



■ The graph shows the distribution by type of tax of **€ 4,106 million of own taxes paid** by BBVA Group during year 2017.

■ **Corporate income tax is the largest payment**, € 2,261 million, representing 55.07% of BBVA total tax payments made on its own in 2017.

■ Value-added taxes account for 16.44%, employees and professionals taxes 17.88% and other taxes 10.62%, which include, among others, property taxes, trade tax and different local levies.



03

Financial statements

Informe bancario anual in 2017

(€ Million)

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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 XIII (*Informe Bancario Anual*) of the consolidated financial statements of BBVA Group for the year ended 2017.

> *Informe bancario anual* in 2017

> Taxes charged in the consolidated financial statements

Country	CIT payments cash basis	CIT expense consol	PBT consol	Turnover	Nº Employees (*)	Activity	Main Entity
Mexico	795	798	2,946	6,943	36,637	Finance, banking and insurance services and real estate	BBVA Bancomer SA
Spain	454	137	-856	6,396	29,744	Finance, banking and insurance services and real estate	BBVA SA
Turkey	354	426	1,902	3,736	21,031	Finance, banking and insurance services	Turkiye Garanti Bankasi
United States (**)	154	274	805	2,901	10,614	Finance and banking services	Compass Bank, Inc.
Colombia	101	86	299	1,005	6,525	Finance, banking and insurance services	BBVA Colombia SA
Argentina	51	89	443	1,186	5,708	Finance, banking and insurance services	BBVA Banco Frances SA
Peru	151	142	528	1,124	5,951	Finance and banking services	BBVA Banco Continental SA
Venezuela	3	20	12	70	4,147	Finance, banking and insurance services	BBVA Banco Provincial SA
Chile	99	66	317	789	4,848	Finance, banking and insurance services	BBVA Chile SA
Romania	2	2	35	112	1,255	Finance and banking services	Garanti Bank SA
Uruguay	25	10	35	152	592	Finance and banking services	BBVA Uruguay SA
Portugal	5	31	42	108	472	Finance and banking services	BBVA Portugal SA
Paraguay	6	4	35	86	446	Finance and banking services	BBVA Paraguay SA
Bolivia	2	2	7	25	379	Pensions	BBVA Previsión AFP SA
Netherlands	2	13	48	98	242	Finance and banking services	Garantibank International NV
Switzerland	3	2	7	39	121	Finance and banking services	BBVA -Switzerland SA
Finland	-	-	-8	1	39	Financial services	Hovi Payment Service OY
Ireland	2	-	11	17	4	Finance, banking and insurance services	BBVA Ireland PCL
Brasil	-	1	4	5	6	Finance and banking services	BBVA Brasil Banco de Investimento, S.A.
Curacao	-	-	2	5	12	Finance and banking services	Banco Provincial Overseas NV
United Kingdom	1	18	44	90	125	Financial services	BBVA -Sucursal de Londres
Hong Kong	-	-	16	46	85	Financial services	BBVA -Sucursal de Hong-Kong
France	15	9	36	58	72	Financial services	BBVA -Sucursal de Paris
Italy	4	15	43	56	56	Financial services	BBVA -Sucursal de Roma
Germany	25	13	29	47	44	Financial services	BBVA -Sucursal de Frankfurt
Belgium	-	-	-1	6	27	Financial services	BBVA -Sucursal de Bruselas
China	-	-	-2	1	17	Financial services	BBVA -Sucursal de Shanghai
Korea	-	-	-1	-	-	Financial services	BBVA -Sucursal de Seul
Singapore	1	1	5	7	8	Financial services	BBVA -Sucursal de Singapur
Japan	-	-	-4	-2	3	Financial services	BBVA -Sucursal de Tokio
Taiwan	-	-1	-4	-1	9	Financial services	BBVA -Sucursal de Taipei
Luxembourg (**)	2	-	-1	2	3	Financial services	Garanti -Sucursal de Luxembourg
Cyprus (***)	2	4	17	21	73	Banking services	Garanti -Sucursal de Nicosia
Malta (**)	2	6	140	141	14	Financial services	Garanti -Sucursal de la Valeta
Poland	-	1	-	-	-	Real estate	Geskat Polska SP. ZOO
Total	2,261	2,169	6,931	25,270	129,309		

* Full time employees. The 15 employees of representative offices are not included in the total number.

** Figures from Garanti's branches in Malta, Cyprus and Luxembourg are also taxed in Turkey.

*** Including the figures from the Cayman Islands branch.

Taxes charged in the consolidated financial statements

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The **consolidated financial statements** of a multinational group such as BBVA, present its fairly financial position 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.

Additionally, the consolidated financial statements of a multinational company, introduce **consolidation**

Reconciliation of taxation at Spanish Corporate Tax rate to the Tax Expense recorded for the period 2017	Amount € Million	Effective tax rate %
Consolidated profit before tax	6,931	
<i>From continuing operations</i>	6,931	
<i>From discontinued operations</i>	-	
Taxation at Spanish corporation tax rate 30%	2,079	30%
Lower effective tax rate from foreign entities (*)	(307)	
<i>Mexico</i>	(100)	27%
<i>Chile</i>	(29)	21%
<i>Colombia</i>	(3)	29%
<i>Peru</i>	(16)	27%
<i>Turkey</i>	(182)	21%
<i>Others</i>	23	
Revenues with lower tax rate (dividends)	(53)	
Equity accounted earnings	(2)	
Other effects	452	
Current income tax	2,169	
<i>Of which:</i>		
<i>Continuing operations</i>	2,169	
<i>Discontinued operations</i>	-	

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.

> Informe bancario anual in 2017

> Taxes charged in the consolidated financial statements

Taxes charged in the consolidated financial statements

(€ Million)

Total deferred tax assets

Pensions	395
Financial instruments	1,453
Other assets	357
Impairment losses	1,005
Others	870
Secured tax assets	9,433
Tax credits	1,212
Total	14,725

Total deferred tax liabilities

Financial instruments	1,427
Depreciation and others	757
Total	2,184

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, 2017 BBVA Group has registered € 14,725 million of deferred tax assets and € 2,184 million of deferred tax liabilities.

> Informe bancario anual in 2017

> Taxes charged in the consolidated financial statements

Appendix

- Basis of preparation: scope and methodology
- Glossary of key terms

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 2017 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 2 of this Report. Please note that it only includes those jurisdictions in which the tax payments made in 2017 exceeded € 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:

Employees/ professionals

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.

Third party taxes

Taxes withheld, collected and paid to public finances on behalf of third parties, which are not part of Group BBVA.

Deferred tax asset

It is an asset that, in accordance with the prudence principle shall be recognized whenever it is probable that future taxable income will be available to enable their application.

Provided that the above condition is met, a deferred tax asset shall be recognized in respect of the following:

1. 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;

2. A tax credit for tax losses;
3. A tax credit for tax deductions and other tax benefits.

Deferred tax liability

It is a liability that in general is recognized 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.

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.	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...
Own taxes	All taxes, withholdings and payments on account paid by BBVA Group on its own.	Withholding on income taxes	Withholdings and payments done on behalf of third party taxes applied to income such as interests, dividends...
Corporate income tax	All taxes that are based on the tax earnings obtained by a company.		Please note that until 2015 (included) the amount of “withholding on income taxes” was included in the third-party taxes section, in the category of “other taxes”.
Value added tax - VAT	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.		

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