

BBVA

Creating Opportunities

Total Tax Contribution in 2019

A report on the economic contribution
made by BBVA Group

Preamble

To bring the age of opportunities to everyone

In BBVA we understand our purpose, to bring the age of opportunities to everyone, as our business rationale. We aim to be more than just a bank; we aim to be an engine of opportunity that has a positive impact on the lives of people and companies.

For BBVA, our contribution to the support of public expenditure is a concrete expression of our commitment to the generation of new opportunities in the countries in which we are present and operate. This is reflected in our Tax Strategy, approved by the Board of Directors, which is committed to the payment of taxes and aligned with the most demanding international tax standards. It is a public Tax Strategy, which pursues the protection of Human Rights, and directly oriented to the achievement of the Sustainable Development Goals of the United Nations.

More precisely, in September 2019, BBVA signed up to the Principles of Responsible Banking, which it had been actively promoting together with the United Nations Environment Programme Finance Initiative. For BBVA, responsibility in the payment of taxes is an important part of these commitments, and this way of understanding taxes constitutes a differential fact that provides value to our shareholders, customers, employees and society as a whole.

At BBVA, in a voluntary transparency exercise as a result of our commitment to society, we publish once again all relevant tax information for our stakeholders through this Total Tax Contribution Report.

On this occasion, and with respect to 2019, in an effort to continuously improve, we wanted to go even deeper into the detail of our contributions, incorporating new breakdowns relating to sustainability; and explaining clearly and simply the new steps we have been taking in the area of tax control and governance.

We are also convinced that behind the figures you will find in this Report, there are new opportunities for all. For this reason, transparency, responsibility and sustainability are the hallmarks of BBVA's tax performance, and another example of a way of understanding banking that places people at the center.



“Furthermore, paying taxes is a fundamental part of BBVA's commitment to society. For this reason, BBVA voluntarily publishes its global tax contribution -- and example of good governance and transparency. **In 2019, BBVA contributed a total of €9.29 billion in taxes derived from our activities in all of our markets**, including both our own taxes and third-party taxes paid by the Group. These taxes make it possible to foster development in these countries by investing in infrastructure or healthcare, but especially by helping to promote equal opportunities through better education.

Carlos Torres Vila
BBVA Group Executive Chairman

Index

Tax principles	4
1. BBVA, a global entity that believes in sustainable finance to build a better world	4
2. Principles guiding BBVA's tax performance	6
3. A tax strategy aligned with BEPS, the sustainable development goals of the united nations and the protection of human rights	7
4. BBVA Group and its position regarding tax havens	10
5. Improvements in tax control and governance	11
6. Our commitment to transparency	13
Total tax contribution	15
1. Year 2019 relevant data	15
2. How many taxes has BBVA paid in 2019?	17
3. Type of taxes paid by BBVA Group in 2019	19
4. Which type of own taxes has BBVA Group paid in 2019?	20
Financial statements	21
1. "Informe bancario anual" in 2019	21
2. Taxes charged in the consolidated financial statements	22
Appendix	24
1. Basis of preparation: scope and methodology	24
2. Glossary of key terms	25

Tax principles

1. BBVA, a global entity that believes in sustainable finance to build a better world

In BBVA we are convinced that being profitable does not mean doing business in any way. At BBVA we have a distinct banking model that we call **responsible banking**, which places people at the center.

WHICH IS BASED ON:

- The pursuit of profitability grounded on principles of integrity, prudence and transparency,
- strict compliance with legal regulations,
- the use of best business practices in our performance,
- the creation of long-term value for all our stakeholders.

IT IS BASED ON:



As part of BBVA's commitment to the communities in which it is present and in accordance with its purpose "bring the age of opportunities to everyone", BBVA endorsed the **Principles for Responsible Banking** at the United Nations General Assembly on September 22, 2019.

These principles, promoted by the United Nations Environment Programme Finance Initiative (UNEP FI) and about thirty financial institutions, including BBVA, are intended to specify the role and responsibilities of the banking industry in creating a sustainable future, through an effective and measurable commitment to the Sustainable Development Goals (SDG) approved by the UN and to the Paris Climate Agreement of 2015.

Accordingly, and on the same date, BBVA has joined the **Collective Commitment to Climate Action**, to ensure the alignment of their products and services to the fight against the climate emergency.

Both commitments are a concrete expression of the drive for sustainability of the entire BBVA Group in 2019.



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21·CMP11



2. Principles guiding BBVA's tax performance

The principles that guide BBVA's tax performance are not unrelated to this **responsible and sustainable** way of understanding finance and banking. In the sphere of taxation, alongside a legitimate contribution of value to our investors, we understand that our actions must also embrace the rest of our stakeholders, and be aligned with our values and with the commitments we have undertaken with society.

Herefore, the principles that guide our actions are:



Integrity

When it comes to tax matters, integrity means **the observance of the letter and spirit of the law** and the maintenance of a cooperative and good faith relationship with the different Tax Administrations.



Prudence

In the tax context, BBVA always **considers in advance** the implications of its decisions, including, amongst other assessments, the impact that its activity may have on the geographical areas in which it is present.



Transparency

With regard to taxation, BBVA provides customers and other stakeholders with **information** on its activity and its approach to taxation in a **clear and accurate** manner.



3. A tax strategy aligned with BEPS, the sustainable development goals of the united nations and the protection of human rights

These corporate principles served as a basis in 2015 to articulate BBVA's Tax Strategy, approved by the Board of Directors.

In summary,
BBVA's Tax Strategy
 includes the following aspects:



To make this happen, and as BBVA's Tax Strategy recommends, it has been developed through a body of Tax Policies that apply globally to all BBVA Group employees.

Effective compliance with the Tax Strategy is duly monitored and supervised by BBVA Group's governing bodies.

A

A "BEPS compliance" Tax Strategy,

Both the Tax Strategy and the rest of the Tax Policies are inspired by the reports promoted by the G20 and OECD "Base Erosion and Profit Shifting (BEPS)" Project. The aim of these reports is to align value generation with appropriate taxation where such value is produced.

They also respond to the commitment to comply with and respect both the letter and the spirit of tax regulation in the jurisdictions where the Group operates, **in accordance with Chapter XI of the OECD Guidelines for Multinational Enterprises.**

B

A Tax Strategy focused on the achievement of the United Nations Sustainable Development Goals

In the same way, our Strategy and Tax Policies, are oriented to the achievement of the Sustainable Development Goals of the United Nations. Our vision shares the opinion of the European Economic and Social Committee's opinion ECO/494 of 11 December 2019, on taxation, private investment and the United Nations' Sustainable Development Goals. For BBVA, the payment of taxes is key to achieving these goals; in particular, it is clearly linked to the first goal (no poverty); the eighth goal (decent work and economic growth); the tenth goal (reduce inequality within and among countries);

and the seventeenth goal (partnerships for the goals), but our commitment extends to all of them.

In this regard, in BBVA we are not just contributing with the necessary resources in accordance with current legislation so that the tax authorities may exercise their policies aimed at complying with the United Nations' Sustainable Development Goals, we have also adopted a **proactive attitude of cooperation** with these authorities and have incorporated responsibility in the field of taxation as an essential element of our activity.



C

A Tax Strategy committed to the protection of Human Rights

Since their adoption by the United Nations Human Rights Council in June 2011, through resolution 17/4, the Guiding Principles on Business and Human Rights have been recognized as the expected standard of conduct for all companies and States in relation to Human Rights.

THESE PRINCIPLES ARE BASED ON THREE PILLARS:

Protect



Respect



Remedy



At BBVA, we are concerned with promoting, protecting and ensuring the effective exercise of Human Rights, also in the field of taxation. We have embraced the above mentioned Guiding Principles in our tax operations. Taxation is linked to Human Rights, insofar as, through the redistributive action of States, it enables the economically disadvantaged to be provided with the means to effectively exercise their rights. Additionally, this respect for such rights is relevant in the application of tax regulations and in the relationship with Tax Authorities.

At BBVA we are committed to paying taxes, and we ensure that taxes are paid in the jurisdictions where they must be collected, aligning our contribution with the effective performance of our economic activity. We also collaborate with the tax administrations of the jurisdictions in which we are located.

We maintain transparent, clear and truthful communication on tax matters with various NGOs that are also committed to Human Rights, and internally, we participate in the auditing of the implementation of the Guiding Principles developed by BBVA Group's Corporate Social Responsibility (CSR) area, and we monitor our performance in the plans that the Group has launched in this regard.

4. BBVA Group and its position regarding 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 as much as possible the activities carried out through establishments located in jurisdictions qualified as “off-shore”. The Group began a reduction plan of the number of entities located in such jurisdictions. As a result of the above, the Group has eliminated 49 permanent establishments in 7 jurisdictions that could be considered as a tax haven.

Currently, there are only 4 entities located in the Cayman Islands, which is the only territory considered as a tax haven according to the Spanish regulation on this matter, and all of them are subject to control and supervision by the Group.

BBVA Group has assumed the revised EU blacklist of non-cooperative jurisdictions for tax purposes.

Finally, the Management Report that accompanies the Consolidated Financial Statements for the year 2019 of BBVA Group, provides detailed information of its offshore financial centers.



5. Improvements in tax control and governance

During the last fiscal years, BBVA Group has been configuring and strengthening its Tax Control system, in order to respond to the different requirements that, in terms of tax transparency and responsibility, have been incorporated both by current legislation and by different groups of interest, which have significantly increased their scrutiny for the way in which multinational groups address their tax matters.

Therefore, the Tax Control system that BBVA Group has implemented complies with the requirements for tax risk control and management that were introduced for the listed companies by...

...Law 31/2014

amending Spanish Companies Act in order to improve corporate governance.

In this sense, the Group's Audit Committee is periodically informed by the head of the tax function about the different initiatives undertaken in the area of tax risk management, as well as other relevant tax information.

Likewise, local tax managers also report to their respective governing bodies on the main tax issues affecting their geography.

The following is a brief description of the main aspects on which BBVA Group's Tax Control system is based.

Tax Risk Management

BBVA Group has a specific Policy and procedures for managing tax risk based on:

- the establishment of an appropriate control environment in tax matters,
- the existence of a system for identifying and controlling tax risk and
- a procedure for monitoring and continuously improving the established controls.

In general, when making decisions on tax matters, BBVA Group will always adopt well-founded interpretations of the rule, and will at all times follow the principles established in the Tax Strategy approved by the Board of Directors. When adopting such decisions, the risk assumed shall be taken into account, depending on the degree of probability that the criteria adopted will be accepted by the Tax Authorities or the courts, and the corresponding reputational risk, in accordance with the standards defined for such purpose within BBVA Group.



In this regard, the tax function of BBVA Group shall take into consideration the following principles:



A **solid technical analysis** must be carried out for each of the tax positions to be adopted.



All relevant facts and background should be **properly documented**.



The short and long-term **tax implications and consequences** of each tax position adopted, should be **identified**.



The **possible impact** on the reputation and image of BBVA Group should be **considered**.

In addition, the Group's Tax Control system has developed and incorporated a range of tax risk indicators, which are at the same time integrated into the Group's general risk management and control model.

The establishment of these indicators is designed to help BBVA Group's governing bodies to manage and establish the Group's risk profile in tax matters.

BBVA's **Tax Department** monitors and measures these indicators, which enables it to:



IDENTIFY

adequately tax risks.



ASSESS

the impact of the materialization of tax risks.



DEVELOP

recovery measures that enable dynamic tax risk management.



REPORT

and generate relevant information on the evolution of tax risks for the Group's governing bodies.

Cooperation with Tax Authorities

BBVA maintains a cooperative relationship with the Tax Authorities of the countries in which it operates. In particular, and with regard to **Spain**, it has endorsed the Code of Good Tax Practices (CBPT) approved by the Large Companies Forum on July 20, 2010, and it is an active member of said Forum.

As a proof of the adherence and compliance with the principles of the CBPT, the Group has filed before the Spanish Tax Authorities the so-called "**Annual Report on Tax Transparency for Companies adhering to the CBPT**", together with its Corporate Income tax return of the previous year, thus incorporating into its actions, the proposals for reinforcing good practices of tax transparency among companies adhering to the Code, approved in the plenary session of the Forum of Large Companies on December 20, 2016.

Furthermore, BBVA has adopted the "**Code of Practice on Taxation for Banks**", a **United Kingdom** initiative that describes the approach expected of banks with regard to governance, tax planning and engagement with HMRC (British tax authorities) in order to encourage the adoption of best practices in this area. It has been published on its website.

Since May 2016, BBVA has also been an alternate member of the European Commission's Platform for Tax Good Governance.

6. Our commitment to transparency

BBVA's commitment to transparency in the payment of taxes, has led us to voluntarily publish once again this Report. This commitment has been reinforced every year since we published the data related to year 2011.

The data contained in the Report include the tax payments carried out by the Group along the fiscal year closed at 31 December 2019 in those countries where we have a significant presence.

We believe that this Report provides to all our stakeholders the opportunity to understand our tax contribution and represents a forward-looking approach, as well as a commitment to the corporate social responsibility. All of the above assuming a leading role in tax transparency.



At 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 the Tax Authorities in the countries where we operate.

At BBVA we not only carry out a significant contribution to public administrations through the payment of our own taxes, but also through the collection of third party taxes which are produced by our economic activity and our role of collaborating entity of the Tax Authorities.

This latter public task that BBVA Group develops as a collaborating entity, implies a mobilization of personal and technological resources whose cost has not been calculated in this Report.

This Report uses the **Total Tax Contribution (TTC) methodology of PwC**, which takes into account all the different taxes that a company pays and manages, including:

- payroll taxes,
- value added taxes (VAT),
- Corporate Income taxes,
- as well as other taxes.

Such methodology covers **taxes related with the entities of BBVA Group** (those that represent a cost for them and that they impact in their results); and **taxes that these entities collect from third parties**.

BBVA's commitment to transparency is not limited to the publication of our total tax contribution. We also promote those initiatives that help to spread this practice in the business world.

Specifically, in 2019 we have promoted the publication of a report on the tax contribution of a group of European multinationals by the European Business Tax Forum, with the aim of sharing experiences and leading the path to transparency and responsibility in the tax performance of multinationals.



BBVA's efforts in its constant exercise in transparency have been recognised in the tax field for the second consecutive year with 100 points out of 100 by the Dow Jones Sustainability Index.



BY THE DOW JONES
SUSTAINABILITY INDEX



Total tax contribution

1. Year 2019 relevant data

The total tax contribution of BBVA Group to public finances amounts to **€ 9,290 million** in year 2019. € 3,702 million correspond to own taxes and € 5,588 million correspond to third party taxes.

In 2019, the total taxes paid by the Group amounted to € 3,702 million, of which €1,792 million were paid as Corporate Income tax. This means that 28% of the profit before taxes gained by Group BBVA has been destined to the payment of Corporate Income tax.

€ **9,290** M
**TOTAL TAX CONTRIBUTION
 OF BBVA GROUP**

OWN TAXES
 € **3,702** M

THIRD PARTY TAXES
 € **5,588** M

€ **6,398** M

PROFIT BEFORE CORPORATE
 INCOME TAX



> € **1,792** M

CORPORATE INCOME
 TAX PAID

OWN AND THIRD PARTY TAXES VS BBVA GROUP'S TURNOVER

If we compare the total tax contribution made by Group BBVA to the public finances in 2019 (€ 9,290 million) with the generated turnover (€ 24,542 million), we can say that for every €100 of the turnover earned by BBVA Group during 2019, the Group has paid €38 in taxes. Of these €38:

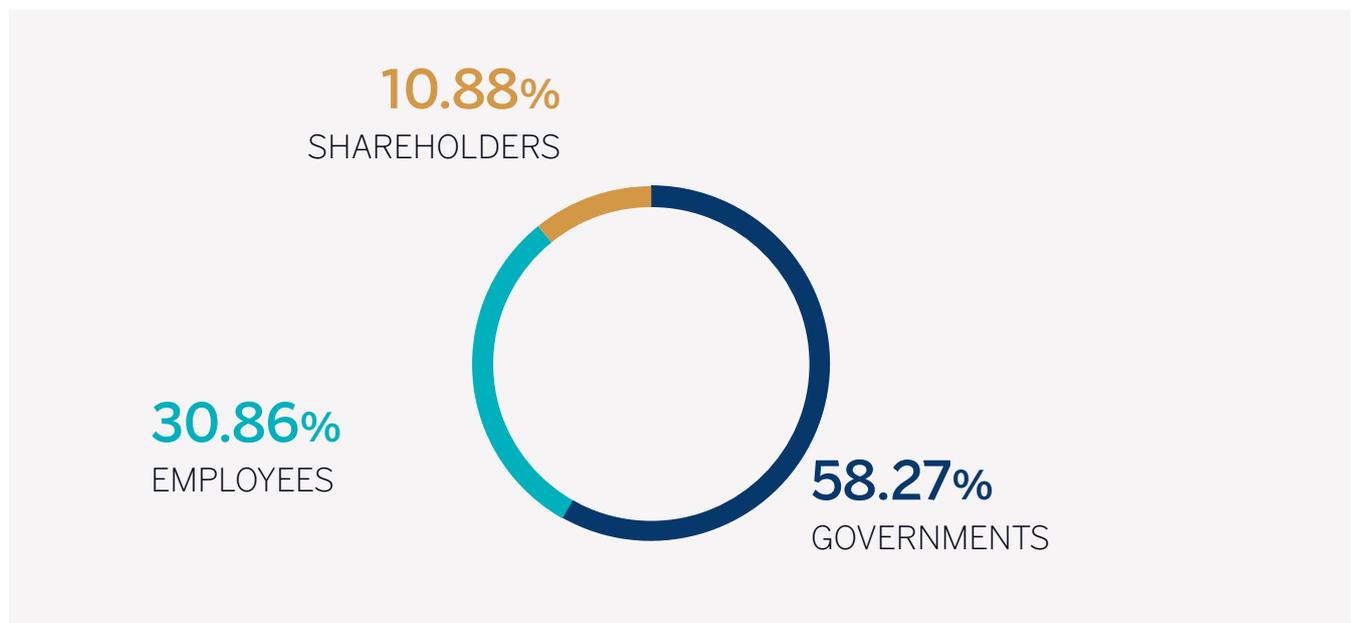
- €15 are taxes paid on its own.
- €23 are taxes paid on behalf of third parties.

OWN AND THIRD PARTY TAXES AND ITS CONNECTION WITH BBVA GROUP'S CONTRIBUTION TO SOCIETY

As mentioned above, BBVA makes an economic and social contribution by paying own and third party taxes to Governments, dividends to our shareholders and salaries to our employees.

In this sense, 58.27% of the economic contribution made by BBVA to society corresponds to both own taxes and third party taxes; while 30.86% corresponds to salaries paid to our employees and 10.88% to those dividends paid to our shareholders.

ECONOMIC CONTRIBUTION MADE BY BBVA GROUP TO SOCIETY IN 2019



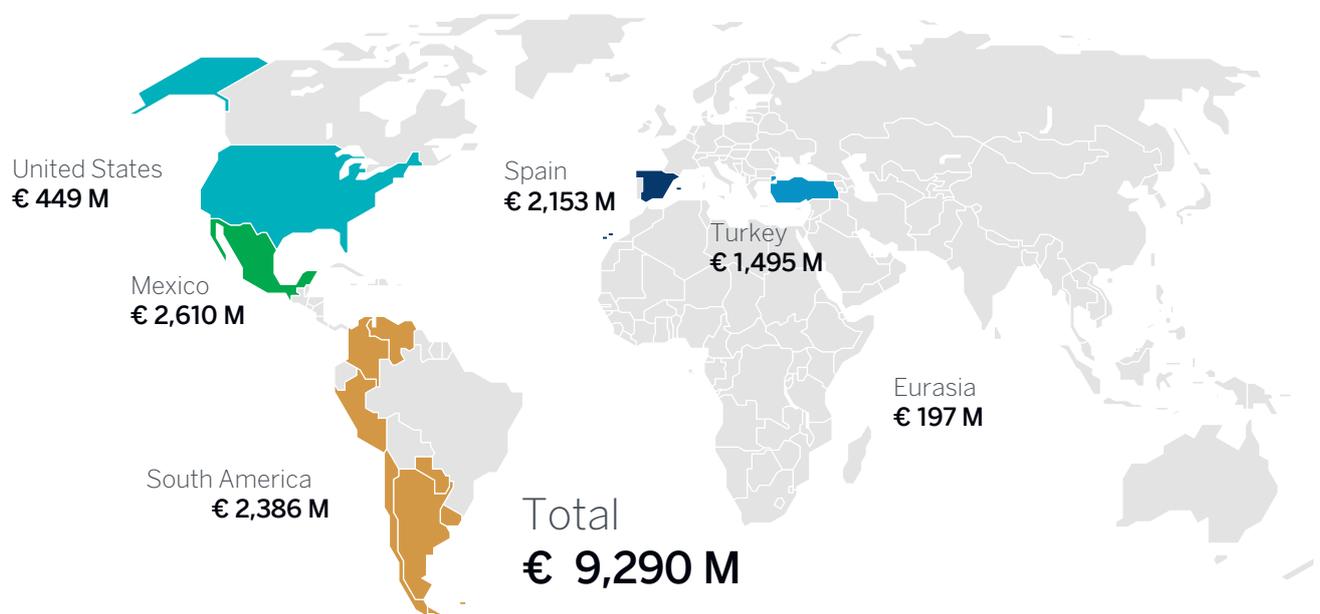
2. How many taxes has BBVA paid in 2019?

BBVA is a global financial group founded in 1857. It employs more than 126,000 people in 30 countries around the world. It has over 78 million customers and more than 870,000 shareholders.

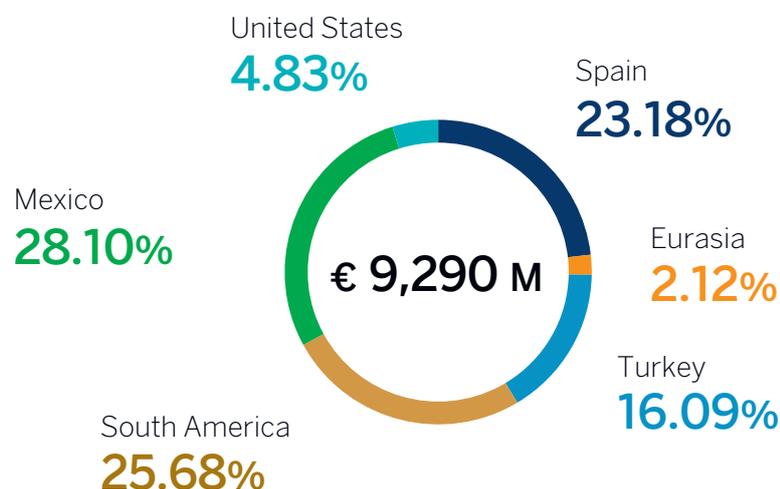
BBVA has a strong leadership position in the Spanish market, is the largest financial institution in Mexico. It has leading franchises in South America and the Sunbelt region of the United States. Additionally, it is also the leading shareholder in Turkey's Garanti BBVA and it operates an extensive branch 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 2019 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.



The table below shows the amount of taxes paid by Group BBVA during year 2019 on its own and on behalf of third parties by jurisdiction:

Country	Own taxes	Third party taxes	Total
Spain	814	1,339	2,153
Belgium	1	1	2
Cyprus	6	4	10
Finland	2	4	6
France	21	1	22
Germany	22	6	28
Italy	5	3	8
Malta	9	0	9
Netherlands, The	4	7	11
Portugal	16	21	37
Romania	11	17	28
Singapore	1	0	1
Switzerland	14	4	18
United Kingdom	7	10	17
Eurasia	119	78	197
Turkey	495	1,000	1,495
Argentina	200	1,197	1,397
Bolivia	4	5	9
Chile	33	17	50
Colombia	180	313	493
Curacao	0	1	1
Paraguay	11	12	23
Peru	256	89	345
Uruguay	30	22	52
Venezuela	2	14	16
LATAM	716	1,670	2,386
Mexico	1,332	1,278	2,610
United States	226	223	449
Total	3,702	5,588	9,290

€ 9,290 Million of taxes paid by BBVA Group in 2019

3. Type of taxes paid by BBVA Group in 2019

The table below shows in detail the different type of taxes that BBVA Group has paid throughout the year 2019 in those jurisdictions where it operates.

Under “other taxes” section are included those tax levies on the financial sector. Over recent years, Governments have increased taxes that levy on banking activity and on financial transactions.

Country	CIT	Employees/ professionals	Other taxes	VAT	Total own taxes	Withholding in Income tax	Employees/ professionals	Other taxes	VAT	Total third party taxes	Total
Spain	-15	395	158	276	814	555	723	38	23	1,339	2,153
Belgium	0	1	0	0	1	0	1	0	0	1	2
Cyprus	6	0	0	0	6	2	1	1	0	4	10
Finland	0	1	0	1	2	0	3	0	1	4	6
France	17	3	0	1	21	0	1	0	0	1	22
Germany	21	1	0	0	22	1	5	0	0	6	28
Italy	3	2	0	0	5	0	2	1	0	3	8
Malta	9	0	0	0	9	0	0	0	0	0	9
Netherland, The	1	2	0	1	4	0	8	0	-1	7	11
Portugal	5	5	1	5	16	1	8	9	3	21	37
Romania	4	1	5	1	11	1	13	0	3	17	28
Singapore	1	0	0	0	1	0	0	0	0	0	1
Switzerland	12	2	0	0	14	0	2	2	0	4	18
United Kingdom	2	3	1	1	7	0	10	0	0	10	17
Eurasia	81	21	7	10	119	5	54	13	6	78	197
Turkey	246	87	53	109	495	362	152	466	20	1,000	1,495
Argentina	27	32	135	6	200	83	19	867	228	1,197	1,397
Bolivia	3	1	0	0	4	0	1	0	4	5	9
Chile	30	0	0	3	33	0	2	8	7	17	50
Colombia	97	26	28	29	180	47	20	198	48	313	493
Curacao	0	0	0	0	0	0	1	0	0	1	1
Paraguay	8	2	1	0	11	0	2	0	10	12	23
Peru	205	8	12	31	256	1	35	18	35	89	345
Uruguay	11	8	7	4	30	2	16	0	4	22	52
Venezuela	0	0	1	1	2	0	0	14	0	14	16
LATAM	381	77	184	74	716	133	96	1,105	336	1,670	2,386
Mexico	964	129	34	205	1,332	227	236	0	815	1,278	2,610
United States	135	61	21	9	226	5	217	0	1	223	449
Total	1,792	770	457	683	3,702	1,287	1,478	1,622	1,201	5,588	9,290

4. Which type of own taxes has BBVA Group paid in 2019?

The chart shows the distribution by type of tax of € 3,702 million of own taxes paid by BBVA Group during year 2019.

Corporate Income tax is the largest payment, €1,792 million, representing 48.41% of the total tax payments made by Group BBVA on its own in 2019.

Value-added taxes account for 18.45%, employees and professionals taxes 20.80% and other taxes 12.34% which include, among others, property taxes, trade tax and local tax levies.



Financial statements

1. “Informe bancario anual” in 2019

BBVA Group has been publishing “Informe bancario anual” as Appendix XIII of the Consolidated Financial Statements of the Group since year 2014. It is made for the purposes of the provisions of article 89 of Directive 2013/36/EU of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, CRD IV-); which was transposed to Spanish law through Law 10/2014 of June 26, 2014 on regulation, supervision and solvency of credit institutions.

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.

APPENDIX XIII. Information in accordance with article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014

December 31, 2019 (Millions of Euros)							
Country	CIT payments cash basis	CIT expense consol	PBT consol	Gross income	Nº Employees (*)	Activity	Main Entity
Mexico	964	993	3,544	7,873	37,805	Finance, banking and insurance services	BBVA Bancomer S.A.
Spain (**)	(15)	226	(911)	5,558	30,283	Finance, banking and insurance services	BBVA S.A.
Turkey	246	289	1,151	3,269	20,634	Finance, banking and insurance services	Garanti BBVA AS
United States	135	123	751	3,225	10,825	Finance and banking services	BBVA USA
Colombia	97	128	438	1,000	6,899	Finance, banking and insurance services	BBVA Colombia S.A.
Argentina	27	37	234	1,026	6,402	Finance, banking and insurance services	Banco BBVA Argentina S.A.
Peru	205	172	636	1,286	6,420	Finance and banking services	BBVA Banco Continental S.A.
Venezuela	-	1	(8)	35	2,516	Finance, banking and insurance services	BBVA Banco Provincial S.A.
Chile	30	19	69	201	956	Financial services	Forum Servicios Financieros, S.A.
Romania	4	7	43	106	1,267	Finance and banking services	GBR Garanti Bank SA
Uruguay	11	8	53	175	576	Finance and banking services	BBVA Uruguay S.A.
Paraguay	8	3	34	85	428	Finance and banking services	BBVA Paraguay S.A.
Bolivia	3	3	11	29	424	Pensions	BBVA Previsión AFP SA
Netherlands	1	3	10	61	247	Finance and banking services	Garantibank BBVA International N.V.
Switzerland	12	1	6	41	116	Finance and banking services	BBVA (Switzerland) S.A.
Finland	-	-	(20)	1	112	Financial services	Holvi Payment Service OY
Ireland	-	-	-	1	-	Financial services	BBVA Ireland PCL
Brasil	-	-	-	2	6	Financial services	BBVA Brasil Banco de Investimento, S.A.
Curaçao	-	-	6	8	16	Finance and banking services	Banco Provincial Overseas N.V.
Portugal	5	10	46	94	458	Finance and banking services	BBVA - Portugal Branch Office
United Kingdom	2	3	45	83	120	Banking services	BBVA -London Branch Office
Hong Kong	-	5	38	50	85	Banking services	BBVA -Hong-Kong Branch Office
France	17	11	39	61	71	Banking services	BBVA -Paris Branch Office
Italy	3	9	26	55	51	Banking services	BBVA -Milan Branch Office
Germany	21	(11)	9	37	44	Banking services	BBVA -Frankfurt Branch Office
Belgium	-	-	2	7	23	Banking services	BBVA -Brussels Branch Office
China	-	-	(2)	4	26	Banking services	BBVA -Shanghai Branch Office
Singapore	1	1	8	9	9	Banking services	BBVA -Singapur Branch Office
Japan	-	-	1	2	3	Banking services	BBVA -Tokio Branch Office
Taiwan	-	(1)	(2)	5	11	Banking services	BBVA -Taipei Branch Office
Cyprus	6	7	31	36	111	Banking services	Garanti - Nicosia Branch Office
Malta	9	8	111	117	14	Banking services	Garanti -Valletta Branch Office
Total	1,792	2,053	6,398	24,542	126,958		

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

(**) In “CIT payments cash basis”, the methodology for calculating advance payments of the annual tax return provided for in Corporate Income Tax legislation, may lead to differences between the advance payments made in the current year and the refund of those advance payments made in previous years resulting once the annual corporate income tax return has been submitted. As a result of these differences, there has been a net cash refund. The amount of “Profit before taxes includes Corporate Center (see Note 6).

2. Taxes charged in the consolidated financial statements

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.

Reconciliation of taxation at Spanish corporate income tax rate to the tax expense recorded for the year 2019 (€ Million)	Amount	Effective tax rate %
Consolidated profit before tax	6,398	
<i>From continuing operations</i>	6,398	
<i>From discontinued operations</i>		
Taxation at Spanish corporation tax rate 30%	1,920	30%
Lower effective tax rate from our foreign entities	(381)	
<i>Mexico</i>	(112)	27%
<i>Chile</i>	(2)	27%
<i>Colombia</i>	6	32%
<i>Peru</i>	(12)	28%
<i>Turkey</i>	(86)	23%
<i>Others</i>	(175)	
Revenues with lower tax rate (dividends/capital gains)	(49)	
Equity accounted earnings	18	
Other effects	545	
Income tax	2,053	
<i>Of which:</i>		
Continuing operations	2,053	
Discontinued operations		

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.

For this reason, the effective tax rate of Corporate Income tax that is obtained by dividing the expense for Corporate Income tax (2,053 million euros) between profit before taxes (6,398 million euros; it gives rise to a rate of 32.1%) does not have to coincide with the effective rate obtained by dividing the corporate tax paid (1,792 million euros) between profit before taxes (6,398 million euros; it results in a 28% tax rate).

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 affects the amount of the Corporate Income tax expense accounted.

DEFERRED TAXES

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

Temporary differences arise, among others, from timing discrepancies between accounting and tax rules, while recognizing expenses or revenues.

As of December 31, 2019 BBVA Group has registered € 15,318 million of deferred tax assets and € 1,928 million of deferred tax liabilities.

Total deferred tax assets (€ Million)

Pensions	456
Financial instruments	1,386
Other assets	204
Loss allowances	1,636
Other	841
Secured tax assets	9,363
Tax losses	1,432

Total	15,318
--------------	---------------

Total deferred tax liabilities (€ Million)

Financial instruments	1,014
Other	914

Total	1,928
--------------	--------------



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 2019 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 total tax contribution section of this Report. Please note that it only includes those jurisdictions in which the tax payments made in 2019 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 transparency the Report shows net tax payments made by BBVA Group.

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 in the financial statements 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, when the carrying amount of the asset or liability is recovered or settled;
2. Carryforward tax losses;
3. A tax credit for tax deductions and other tax benefits applicable in future periods.

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.

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 tax earnings obtained by a company.

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, since largely 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, stamp duty...

Withholding on income taxes

Withholdings and payments done on behalf of third party taxes applied to income such as interests, dividends...

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".

The image features the BBVA logo in white, centered on a dark blue background. The logo consists of the letters 'BBVA' in a bold, sans-serif font, with a stylized 'A' that has a triangular shape cut out of its top. A diagonal line, transitioning from a darker blue to a lighter teal, passes through the logo from the bottom-left to the top-right.

BBVA