

BBVA

2023

Total tax contribution

A report on the economic contribution made by the BBVA Group

Preamble

Once again this year, at BBVA we wish to address all our stakeholders in this report, on a voluntary basis, with the aim of setting out clearly, directly and simply our approach to taxation, how it is governed within the Group, and what our total tax contribution has been, distinguishing by taxes and jurisdictions during the 2023 financial year.

A year in which we have achieved record profits, which have been complemented by a total tax contribution, also historic, of 13,618 million euros, both in our own taxes and in taxes withheld, collected and paid into the public coffers on behalf of third parties. This amount represents an increase of 2,670 million euros over the previous year, especially as a result of our higher contribution in our own taxes. These include taxes on banking, as a sector that makes an additional contribution to the public coffers.

In 2023, we have also updated the BBVA Group's Tax Strategy. A strategy that reflects our vision of taxes as a contribution to the societies in which we operate and in which, as part of our responsible commitment to compliance, we have strengthened our tax risk management and control model.

At BBVA we see taxes as a direct contribution to society, and not just as a line of the profit and loss account. This requires us to comply with the highest international standards in tax matters, such as those derived from the BEPS Plan and Chapter XI of the OECD Guidelines for Multinational Enterprises, applying tax rules in accordance with both the letter and their spirit and purpose. The new strategy explicitly

states that in making tax decisions we take into consideration the environmental, social and corporate governance impact of these decisions. Likewise, we understand that acting responsibly requires promoting tax compliance among our stakeholders and active collaboration with the tax authorities in sustaining the public coffers.

On the other hand, contributing responsibly entails having, in a multinational group such as ours, a solid tax risk management and control system that we at BBVA have set up in accordance with the provisions of the UNE 19602 standard. BBVA was the first financial institution to obtain AENOR certification in this standard. In line with the principle of prudence that inspires the BBVA Group's tax performance, in 2023 we have reinforced our governance model in this area, setting up a new tax compliance body to ensure the proper functioning and effectiveness of our compliance system.

Together with responsibility in tax matters, at BBVA we are committed to transparency as a priority in our relationship with society. Multinational groups must offer concrete and measurable results, and allow society as a whole to verify and evaluate for itself the contribution made. This is why, for 12 years now, we have voluntarily broken down our fiscal contribution in accordance with the methodology designed by PwC. To do so, we use the metrics and breakdowns proposed by the Global Reporting Initiative through GRI 207, and those of the sustainable value creation report proposed by the International Business Council (IBC).

In 2023, we have once again obtained explicit recognition from entities such as *Fundación Haz*, which has distinguished us with its t** seal of transparency. At the same time, the Dutch Association of Investors for Sustainable Development (VBDO), in its first transparency analysis of BBVA, recognised us as the most transparent financial institution in Europe in tax matters.

Responsibility and transparency, together with our effective tax contribution, are essential elements of sustainable taxation. This is recognised by the prestigious Dow Jones Sustainability Index which, for the sixth consecutive year, has awarded BBVA the highest score in tax matters.

The coming years pose new challenges in tax matters, such as those arising from the effective implementation of the so-called Pillar II, on minimum global taxation of multinationals,

developed within the OECD's Inclusive Framework and widely adopted by the European Union. At BBVA, we are convinced that, with this responsible, sustainable and transparent vision, we are in the best position to face today's tax challenges.

From our position, and with the support of the European Business Tax Forum with which we actively collaborate, we want to encourage other companies to join this vision of taxation. We believe that by leading by example, and by exchanging best practices in tax matters with other entities, we also contribute to the development and consolidation of a new tax compliance system standard.

The figures we now offer and detail are a good illustration of how taxes and our contribution allow us to make our purpose of "to bring the age of opportunities to everyone" a reality.



“ *Our business activity contributes to long-term economic and social development. This activity has led BBVA to record the highest tax contribution in its history in 2023, 13,618 million euros worldwide, with which we contribute to the welfare of the societies in which we are present. This figure includes both taxes paid on our own behalf, such as corporate income tax, VAT and specific levies on the financial sector, among others, and those collected on behalf of third parties, derived from our activity with employees, customers and suppliers.*

Carlos Torres Vila. Chair BBVA

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Tax principles

1 Sustainability as a strategic priority

BBVA has defined sustainability as one of its six strategic priorities, integrating it transversally in the executive area. BBVA is guided by its purpose: "to bring the age of opportunities to everyone", which aims to have a positive impact on the lives of people, businesses and society as a whole.

The Sustainability General Policy defines and establishes the general principles, and the main goals and guidelines for the management and control to be followed by the Group in the field of sustainable development. In accordance with this Policy, the Group will follow the following general principles of action in the field of sustainability:



SUPPORT

customers in their transition to more sustainable business models



PROGRESSIVELY INCORPORATING

sustainability opportunities and risks into their strategy, business, processes and risk management



LOOK AFTER

the direct and indirect environmental and social impact



RESPECT

for the dignity of persons and human rights



DEVELOP

community investment programmes and activities



INVOLVEMENT

as an agent of social change

These principles are integrated into BBVA's activity in relation to all its stakeholders and apply in certain areas of action, including: tax responsibility, prevention of unlawful conduct and corruption, commitment to Human Rights and participation in international initiatives¹.

¹ BBVA participates in or takes into account various supranational initiatives in close collaboration with all stakeholders (such as the industry itself, regulators and supervisors, investors and civil society organizations), as described in chapter 2.3.7 of the Consolidated Management Report of the Group's Annual Accounts for 2023.

*“To bring the age
of opportunities
to everyone”*



2 Taxation and sustainability

On the one hand, revenues from taxes provide the funds to promote sustainable policies in order to achieve the United Nations Sustainable Development Goals. As the United Nations claims, States must take into account the set of incentives and disincentives that the different tax figures introduce into the markets while designing their tax systems; and therefore, the potential impact that an adequate tax system can have on sustainability.

On the other hand, and from the point of view of companies as taxpayers, we understand that a sustainable tax system is one **that becomes aware of the implications that its decisions in tax matters** may have in environmental terms (with a special attention to green taxation), social terms (aligning value with taxation in the geographies in which it is generated) and corporate governance terms (with a robust and responsible model for the management of its taxation).



There is a direct relationship between taxation and sustainability.



Our vision is materialized in a series of procedures, measures and concrete actions that are measurable under the environmental, social and corporate governance metrics, which are detailed throughout this Report.

It is worth highlighting the score obtained by the BBVA Group in the S&P Global analysis for the inclusion in the Dow Jones Sustainability Index (DJSI). **For the sixth consecutive year, the DJSI analysts have once again considered the BBVA Group to be the global benchmark in the field of taxation, obtaining the highest possible score.** This recognition is the result of the evaluation of the BBVA Group's Tax Strategy, the exercise of transparency in the tax sphere carried out by the BBVA Group, as well as the analysis of the Corporate Income Tax figures.

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

3 Principles guiding BBVA's tax performance

The principles that guide BBVA's tax performance are not unrelated to this **responsible and transparent** way of understanding finance and banking. At BBVA, we have integrated the aspects that make up sustainable taxation as part of our identity. Specifically, the Sustainability General Policy states that "BBVA undertakes its activity by complying accordingly with its tax obligations and avoids any practice that involves the unlawful avoidance of the payment of taxes or damage to the public treasury". We believe that, in the tax area, alongside a legitimate contribution of value to our investors, our actions must also embrace other stakeholders, and be aligned with our values and with the commitments we have undertaken with society.

Herefore, the principles that guide our actions are as follows:

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, among others, the environmental, social and corporate governance impact that its activity may have on the geographical areas where it operates.

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.



ACHIEVING a profitable and sustainable business over the long term.

The tax function will provide **proactive support to the Group's business areas**, taking into account our explicit commitment to the payment of taxes, respect for human rights, prudent risk management, and a horizon of generating recurring and sustainable results over time.

LONG-TERM value creation for its stakeholders.

The tax function is aware of the impact of its decisions not only for the BBVA Group, but also for society as a whole, and will therefore **take into consideration, from a tax perspective, the interests of its various stakeholders**, in particular any possible environmental or social impacts or those affecting the entity's corporate governance, whilst at all times upholding the commitments assumed by BBVA in matters of full respect for human rights.

COMPLIANCE with applicable legislation at all times.

This compliance extends not only **to the letter but also to the spirit of the law**, refraining from any kind of abuse of law or unreasonable interpretation of the same.



4 A new tax strategy aligned with the most demanding international standards

In 2023, BBVA's Board of Directors approved a new General Tax Strategy Policy that updates the previous one of 2015, and which focuses on aspects linked to sustainability in the tax sphere and the control and management of tax risks.

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



Commitment to the payment of taxes and compliance with other obligations, taking into account any ESG impacts in their decisions.



Avoidance of artificial investment structures, which do not respond to organizational or business reasons, and/or which do not have an economic substance appropriate to the activity.



Participation in structures involving entities resident in non-cooperative jurisdictions or tax havens in accordance with applicable regulations shall always respond to valid economic motives; shall not seek tax advantages for the BBVA Group; undermine its transparency; or prevent knowledge of those ultimately responsible for or owning the assets.



Reasonable interpretations of tax regulations and the provisions of double taxation treaties, incorporating the tax authorities' interpretations in the analysis.



Transfer pricing is governed by the principles of free competition, value creation and assumption of risks and benefits in the jurisdictions in which it operates.



Adapting to the digitalisation of the economy in tax matters.



The promotion of a reciprocally cooperative relationship with the different Tax Administrations based on the principles of transparency, mutual trust, good faith and loyalty. BBVA collaborates in the clarification of interpretations and the reduction of conflict.



The promotion of transparent, clear and responsible communication of its main tax magnitudes, providing stakeholders with information on the payment of taxes.



When preparing any financial product, it takes into account the tax implications for its customers and provides them with the relevant information to comply with their tax obligations.

To make this happen, our Tax Strategy has been developed through a body of internal tax rules that apply globally to all the BBVA Group’s employees.

Effective compliance with the provisions of the Tax Strategy is duly monitored and supervised by the BBVA Group's governing bodies. (Please see details at section 6 "Improvements in tax control and governance").

The essential characteristics of BBVA's Tax Strategy are as follows:

A A Tax Strategy aligned with OECD standards

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

Likewise, BBVA's Tax Strategy and the internal tax rules that develop it are enabling us to anticipate and integrate

the results of the so-called Pillar II, about a global minimum level of taxation for multinational enterprise groups, adopted by the OECD and the European Union.

All of them, Strategy and internal tax rules, respond to the commitment to comply with and respect both the letter and the spirit of the tax regulations in the jurisdictions in which 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 Tax Strategy and tax internal rules 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 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).

Indeed, taxation is BBVA's main contribution to sustaining public expenditure, thereby contributing to the development of the societies in which it operates. In this respect, BBVA takes into consideration legitimate public interests in its decision-making process, which implies responsible, compliance-oriented taxation and a proactive attitude of cooperation with the authorities.



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 of all companies and States in relation to Human Rights.

These principles are based on three pillars:

PROTECT



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 public administrations, 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.

RESPECT



At BBVA we are committed to paying taxes, and we ensure that they are paid in the jurisdictions in which they must be collected, aligning our contribution with the effective performance of our economic activity. Furthermore, in section 2.4 of the BBVA and Human Rights document, we are committed to being transparent in paying taxes, while applying the principles of integrity and prudence, and breaking down our tax contribution in all geographies we operate.

REMEDY



We also collaborate with the tax administrations of the jurisdictions in which we operate. We maintain transparent, clear and truthful communication on tax matters with various NGO that are also committed to Human Rights, and internally, we participate in the auditing actions for the implementation of the Guiding Principles developed by the global area of Sustainability, and we monitor our performance in the plans that the Group has launched in this regard.

5 The BBVA Group and its position regarding tax havens


As early as 2004, the Group adopted a policy to limit as much as possible the activities carried out through establishments domiciled in jurisdictions classified as non-cooperative jurisdictions, or off-shore, and initiated a plan to reduce the number of establishments in these jurisdictions. This has led to the elimination of 50 permanent establishments in 7 jurisdictions that could be considered tax havens.

At present, only 3 entities remain in the Cayman Islands, the only territory considered a tax haven under Spanish regulations, and all of them are subject to the Group's supervision and control mechanisms.

As a result of the approval by the European Union of a black list of noncooperative jurisdictions in tax matters, the BBVA Group monitors those jurisdictions that are included in the aforementioned list within the concept of tax haven.

Finally, the Management Report that accompanies the Consolidated Financial Statements of the BBVA Group corresponding to 2023, provides detailed information on the off-shore financial centers where the Group is present.





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.

6 Improvements in tax control and governance

The Tax Function in the BBVA Group

The main purpose of the BBVA Groups' Tax Function is to ensure compliance with tax regulations, corporate principles in tax matters and BBVA's Tax Strategy.

Internally, the Tax Function is organized as follows:

- On the one hand, the tax holding area. It is integrated within the Finance area and reporting to the Group's Chief Financial Officer. Its objectives include guaranteeing the coherence and coordination of the BBVA Group's tax decisions, ensuring compliance with BBVA's Tax Strategy and establishing and monitoring the tax control and governance model throughout the BBVA Group.
- On the other hand, the local tax areas. The main objectives of the local tax areas include the development of the Tax Strategy in every country, internal advice to the local business areas, as well as the filing of tax returns and the relationship with the local tax administrations. These areas are also integrated within the local Finance area and report to both the local Finance Directors and the tax holding area.





As regards the organization and structure of the Tax Function, it is adapted to the needs and structure of the rest of the Group's areas to which it mainly provides service and support. Both the tax holding area and the local tax area are members of the main Group Committees.

The Group's Tax Function has a Governance system that allows tax-related decisions to be made by the appropriate personnel, as well as the identification of those issues that must be reported to the Group's governing bodies. In addition, the Tax Function has its own space on the BBVA website as well as on the Group's intranet from which regular communications are made to the rest of the Organization to reinforce the Group's commitment to tax compliance.

The Group's Tax Function is concerned with keeping its teams and the rest of the organization permanently updated on those tax matters that may be applicable to them. These updates are carried out through the organization of conferences, seminars or courses, as well as through internal communications directed to the affected people. The objective is to bring the complex and changing tax regulations into an understandable and applicable content for the different units of the Group so that, their day-to-day work and in order to establish internal controls, they have a better knowledge of the tax implications of the Group's activity. Some examples of the training courses provided by the tax team: sustainable taxation, deferred tax assets in Banking, Tax Compliance standards, BEPS, global minimum tax, Transfer Pricing and reporting implications arising from the "DAC6" Directive.

The tax control and governance model

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

Therefore, the Tax Control framework implemented by the BBVA Group complies with the requirements introduced for listed companies by...

...Law 31/2014

amending the Capital Companies Act to improve Corporate Governance in the area of fiscal risk control and management.

BBVA's Tax Control framework is configured around three fundamental axes:

01

On an annual basis, specific plans are carried out to identify, mitigate and control tax risk at BBVA.

02

Controls for managing tax risk are subject to an annual review cycle by the internal control areas in order to assess their adequacy and effectiveness.

03

The Group's Internal Audit area acts as the third line of defense, evaluating the activity of the first two lines, following a risk-based approach and with a universal scope.

In this sense, the Group's Audit Committee is periodically informed by the head of the tax function of the relevant tax information. During fiscal year 2023, the BBVA Group's tax manager has appeared four times before the Group's Audit Committee to report, among other issues, the effective tax rate, the total tax risk, the impact of deferred tax assets and liabilities in the Group's regulatory capital, litigation and tax audits in progress or completed, as well as reporting on the Transparency Report, which is voluntarily presented within the framework of the "*Código de Buenas Prácticas Tributarias*" -Code of Good Tax Practices- to which it is

adhered, and that includes the main criteria used and the main tax decisions adopted with an impact on the Group's financial statements. Likewise, the head of the tax function has informed the Audit Committee about the self-assessment of tax risks that is voluntarily submitted to the Spanish Tax Administration linked to the country-by-country information reported the previous year. This self-assessment is carried out on the basis of the financial indicators and ratios identified by the OECD in its document "OECD (2017), Country-by-Country Reporting: Handbook on Effective Tax Risk Assessment".

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 the BBVA Group's Tax Control Framework is based.

Tax Risk Control





The BBVA Group will always adopt well founded interpretations of the law when making decisions on tax matters, always guided by the principles established in the Tax Strategy approved by the Board of Directors. When adopting such decisions, the assumed risk 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 the BBVA Group.

Without prejudice to the above, it is always possible for tax risk to materialize, and in accordance with the provisions of Law 31/2014, the BBVA Group has specific policies and procedures for the proper control of such risks based on:

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



In this regard, the tax function of the 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.
-  The short and **long-term tax implications and consequences** of each tax position adopted, should be identified.
-  All relevant facts and background should be **adequately documented**.
-  The **possible impact** on the reputation and image of the BBVA Group should be assessed.

In addition, the Group's Tax Control Framework 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 the BBVA Group's governing bodies to manage and set the Group's risk profile in tax matters.

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

IDENTIFY

adequately tax risks

DEVELOP

recovery measures that enable dynamic tax risk management

ASSESS

the impact of the materialization of the tax risks

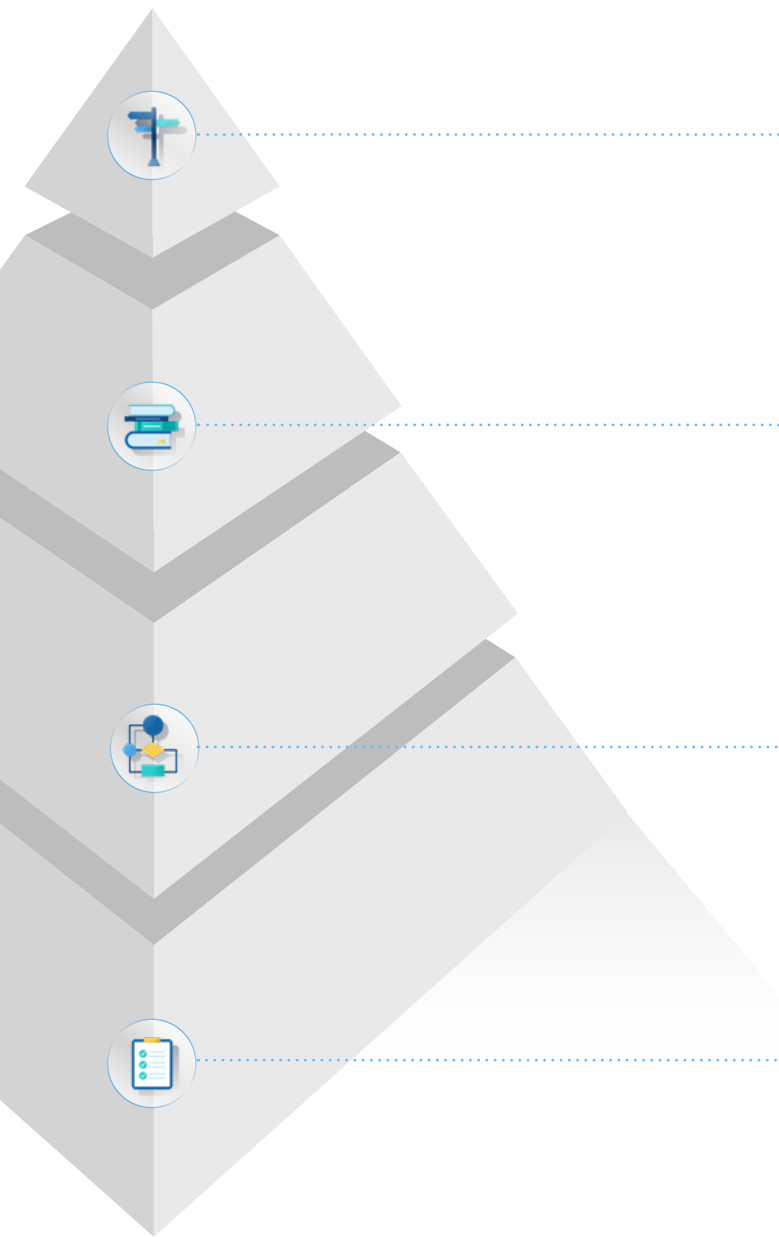
REPORT

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

The Group has a tax compliance body, made up of the people who at any given time hold the position of responsible for the BBVA Group's tax function, together with the person responsible for the non-financial risks area and the person responsible for internal financial control of the BBVA Group, whose main task will be to ensure the correct functioning and effectiveness of the tax risk management systems. This body is established in the sense of the UNE 19602 standard.

The Policy is reflected in the BBVA Code of Conduct. For its effective implementation, there are communication and reporting channels for said Code of Conduct, and both the disciplinary and sanctioning procedures in case of non-compliance, as well as the training of all staff in this matter, are fully applicable.

Operational risk management is strongly anchored in the use of IT tools that reduce the possibilities of manual errors and whose efficiency is systematically subject to verification. Likewise, BBVA has the technological tools that allow adequate connectivity with the computer systems of the tax administrations of the countries in which it operates.



1. TAX STRATEGY

Base on which BBVA's fiscal governance model has been built

HOLDING

GEOGRAPHIES

2. TAX REGULATIONS

Rules and criteria that translate into specific tax policies and procedures

INTERNAL TAX REGULATIONS

TAX CRITERIA

3. TAX RISK APPETITE

Establishment of quantifiable methodology for BBVA's tax responsibility

INDICATORS

THRESHOLD AND ESCALATION

4. TAX POLICY CONTROL

Design of control and monitoring plans in order to ensure tax governance and tax risk management

CONTROLS

TAX MANAGEMENT



TECHNOLOGY

Technological tools to strengthen tax control




Technology in the tax field

Technology has transformed the Tax Function. Investment in technological tools for process automation, data analysis and tax information reporting is essential to increase our capacity to identify tax risks, ensure regulatory compliance and transfer all tax information to the Tax Administrations.

Investment in technology in the tax field is a necessity to be able to comply with the tax obligations of a Group like BBVA, both current and future, as is the case of Pillar II.

UNE 19602 Certification

In 2022, our governance model and our tax risk management and control system underwent a thorough review and verification by AENOR to determine the adequacy of our control system to the technical standard UNE 19602. Since its approval, this standard, as a development of ISO standardization, has become the reference standard for tax management and control systems due to its scope and completeness, addressing aspects such as Tax Strategy, the role of Governance Bodies, top management, and individuals especially exposed to fiscal risk; detection, assessment, mitigation, and control processes for fiscal risks; control environment, reporting channel, training, or the continuous improvement cycle of the model, among others.

BBVA has once again become a pioneer by becoming the first financial institution to obtain this certification in 2022, which undoubtedly results in the adaptation of its management and control systems to the highest standards and the accreditation of its due diligence in tax matters. You can verify it [here](#). 

7 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 "*Código de Buenas Prácticas Tributarias*" (CBPT -Code of Good Tax Practices-) approved by the "*Foro de Grandes Empresas*" (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 "*Informe Anual de Transparencia Fiscal para Empresas adheridas al CBPT*" ("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 the good practices of tax transparency among companies adhering to the Code, approved in the plenary session of the "*Foro de Grandes Empresas*" on December 20, 2016.

In the aforementioned Transparency Report, the main criteria used in the settlement of Corporate Income tax return are voluntarily explained before the Central Delegation of Large Taxpayers and, subsequently, meetings are held with the Tax Authorities in order to go into further details if necessary. All of this is held before the formal start of tax audits.



In addition, also during this year 2023 and within the framework of the cooperative relationship that BBVA Group maintains with the Tax Authorities, BBVA has shared with the Spanish Tax Authorities the *“Informe de Autoevaluación de los datos reportados en la declaración país por país correspondiente al ejercicio 2021”* (“Self Assessment Report on the data reported in the country by-country tax return for the fiscal year 2021”). In the process of analyzing such data, the BBVA Group has carried out an assessment of the tax risk based on the financial indicators and ratios identified by the OECD in its document “Handbook on effective tax risk assessment”.

Likewise, and in order to obtain legal certainty and ensure that its understanding

of tax regulations is in accordance with the spirit of the law, BBVA consults with the Tax Authorities those controversial or doubtful aspects, when deemed necessary.

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).

Also this year, Garantibank BBVA International N.V (subsidiary of Garanti BBVA AS in The Netherlands) has voluntarily accessed the cooperative compliance program (“Horizontal Monitoring”) in that country.

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

On the other hand, BBVA holds the status of collaborating financial entity in the tax collection processes of the geographical areas that request it. BBVA collaborates in the tax compliance of its clients, provides them with the information necessary for tax compliance, requires from them the proof of tax compliance that the standard determines, and complies with the reporting provisions included in the DAC6 regulations. In no case does it advise or facilitate tax avoidance structures to its clients.



8 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 year by year since we started publishing the data related to 2011.

The data contained in this Report includes the tax payments made by the Group during the year ended 31 December 2023 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 corporate social responsibility. All of the above taking a leading role in tax transparency.

At BBVA we not only make an important contribution to the public administrations through the payment of our own taxes, but also through the collection of taxes from third parties generated by the development of our economic activity and through our role as a collaborating entity with the tax administrations.

This latest public work that the BBVA Group carries out as a collaborating entity involves the mobilization of personnel and technological resources, the cost of which has not been quantified in this Report.

At BBVA we believe that we make a quantifiable economic and social contribution by:



paying dividends to our shareholders,



salaries to our employees and



tax revenue to the Tax Authorities in the countries where we operate.



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

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

This methodology includes both the **taxes related to the entities of the BBVA Group** (those that entail a cost for them and have an impact on their results); and **the taxes that these entities collect from third parties**.

BBVA's commitment to transparency is not limited to the publication of our Total Tax Contribution Report. In 2023 we have carried out an important additional exercise of transparency in tax matters for all our stakeholders, which includes, among others, the **following issues**:



1

We integrate the latest GRI approved standards as part of the Management Report

Since 2020, we have integrated the GRI 207 standard into the BBVA Group's non financial public information.

In 2020, for the first time, the **Global Reporting Initiative**, whose sustainability performance reporting standards are widely followed by companies, developed a specific tax standard (GRI 207), which allows entities to provide comparable information on their tax strategy, governance model and tax risk control framework, as well as their country by-country reporting.

In addition, following the revised GRI standards, this year we include the new "Disclosure 2-27 Compliance with laws and regulations". This disclosure aims to report significant instances of non-compliance that resulted in sanctions, also in tax matters.

Since 2021 we include an **appendix** to this Total Tax Contribution Report in which we identify each of the contents required by GRI 207 and indicate where they can be consulted. This year we have also included the information relating Disclosure 2-27.



2

Dow Jones Sustainability Index once again awards BBVA the highest score in the tax area

For the **sixth consecutive year**, BBVA has obtained the **highest score in the tax area** by the Dow Jones Sustainability Index (DJSI), which means that BBVA is considered the best practice worldwide in the tax area. To reach this conclusion, they have assessed the Group's Tax Strategy, the exercise of tax transparency carried out by the Group as well as the magnitudes relating to Corporate Income Tax.

As it is well known, the sustainability indices subject companies wishing to be included in them to a very rigorous process of evaluation and verification of their environmental, social and corporate governance commitments. The DJSI specifically includes an analysis and assessment of these aspects in fiscal matters, with special attention to those linked to transparency. The BBVA Group achieved once again the higher score in the tax area.



DOW JONES
SUSTAINABILITY INDICES



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3 We reinforce our commitment to promoting transparency

At BBVA we work towards promoting transparency in tax matters. In this regard, we have promoted initiatives that help to generalize this practice in the business world.

As in previous years, in 2023 we have again promoted the publication of a **report on the tax contribution** of a group of European multinational enterprises by the European Business Tax Forum (EBTF), with the aim of sharing experiences and leading the path to transparency and responsibility in the tax performance of multinational enterprises.

Furthermore, in Spain, we have participated and collaborated in the development of the **Total Tax Contribution report of the Ibex 35 in 2022** by PwC, published in 2023.



4 Recognition from the "Fundación Haz"



BBVA has obtained the transparency seal in the 't**' category awarded by "Fundación Haz", after analyzing the compliance results of the indicators of transparency of information on tax matters.

This represents support and recognition for the trajectory and commitment of the Group in conveying to all its stakeholders our way of understanding and managing taxation.

5 Recognition by the VBDO


For the first time, the Association of Investors for Sustainable Development of The Netherlands (VBDO) has incorporated BBVA into its benchmark, placing the BBVA Group after its analysis as the first financial entity in fiscal transparency in Europe.

6 New transparency obligations in the European Union framework

At the end of 2021, Directive 2021/2101 of 24 November 2021 was approved. It establishes the obligation for multinational groups, subsidiaries and branches established in the European Union to file a country-by-country report with the tax authorities and to publish it on the Group's website. On 22 December 2022, the Law 28/2022 of December 21, which transposes into domestic legislation the content of above mentioned Directive, was published in the Spanish Official Gazette.

This country-by-country report has certain similarities with the country-by-country report in force in Spain as well as with that provided for in GRI 207. The obligation to make it public will apply for fiscal years starting from June 22nd, 2024. Some taxpayers, such as credit institutions that are already obliged to publish the "Informe bancario anual" for the purposes of article 87 of Law 10/2014 of June 26th, related to regulation, supervision and solvency of credit institutions, will be exempt from this new obligation.

At BBVA we believe that all these regulatory initiatives confirm that the path we decided to follow 12 years ago, as well as being a clear example of voluntary anticipation in our commitment to transparency, also reflects that the BBVA Group continues to take steps beyond the regulatory requirements themselves, as we continue to report on all these aspects in all those geographies in which we are present and not only at the European level.

All relevant tax information on the BBVA Group is available on our website, where we are incorporating the requests made by the different stakeholders to make it more accessible and clearer. Access [here](#). 

Total tax contribution

1 The taxes the Group BBVA pays and collects as we do business in 2023

The total tax contribution of the BBVA Group to public finances has amounted to **€ 13,618 million** in 2023. € 7,668 million corresponds to own taxes and € 5,950 million corresponds to third party taxes.

In order to understand how a company contributes to the public coffers, it is necessary to begin by analyzing the different obligations that tax systems impose on economic agents. Specifically, in the case of the BBVA Group, to financial entities.

Recognizing this aspect is very relevant, since as a taxpayer, tax systems not only require companies to pay their own taxes, but also due to the activity they carry out, they request

these companies to collect additional taxes from the different economic agents with whom they interact, being the sum of both items the income from taxes they make to the public finances.

Focusing only on corporate income tax or own taxes means reducing a much broader reality. That is why we break down below in greater detail the BBVA Group's own taxes and the BBVA Group's third-party taxes, and how both interact in **the course of BBVA's economic activity**.

OWN TAXES



Employer payroll taxes: As an employer, our staff costs include social security contributions that we globally pay to the authorities in addition to the remuneration we pay our employees.



Irrecoverable VAT: We pay VAT when we buy goods and services from our suppliers. Unlike most other businesses, banks can only claim back a proportion of the VAT that they incur, making this a significant cost to our business.



Financial sector taxes²: We pay specific taxes for being part of the financial sector.







Corporate income tax: When our business generates revenues, we pay corporate income tax.



Other taxes related to activity: For the performance of our financial activity, we pay other taxes such as, property taxes for our offices and branches to local, provincial and national tax administrations, taxes on debits and banking credits, financial transaction tax, stamp duty tax...

² Although they are segregated here, in the rest of the tables/charts/mentions throughout this report, financial sector taxes are aggregated under the category of other taxes - own taxes.

THIRD PARTY TAXES

<p> Employee payroll taxes: We collect income tax payments and social security contributions from the remuneration we pay to our employees.</p>	<p> Other taxes collected: We collect a number of other taxes such as stamp duty, financial transaction taxes, tax on bank debits and credits, solidarity tax, property tax and excise taxes...</p>
<p> Net VAT collected: We collect VAT and sales tax on some products and services that we offer to our clients.</p>	<p> Withholdings: We also collect withholding taxes on some interest and other payments made to our shareholders such as dividends payments.</p>

THE TAXES WE PAY AND COLLECT AS WE DO BUSINESS

Here we find a summary of how the main types of taxes paid and taxes collected arise in the course of our business.



³ "Financial sector taxes" (€ 342 M) as well as "other taxes related to activity" (€ 441 M) although they are segregated here, in the rest of the tables/charts/mentions throughout this report, are aggregated under the category of other taxes - own taxes.

Of the € 7,668 million of taxes that the Group paid on its own in 2023, € 5,196 million corresponds to payments related to Corporate Income tax. This means that 41.84% of the profit before taxes gained by Group BBVA has been destined to the payment of Corporate Income tax.

€13,618 M
TOTAL TAX CONTRIBUTION
OF THE BBVA GROUP



OWN TAXES

€7,668 M

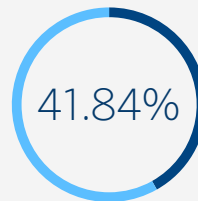


THIRD PARTY TAXES

€5,950 M

€12,419 M

PROFIT BEFORE
CORPORATE INCOME TAX



€5,196 M

CORPORATE INCOME
TAX PAID

OWN AND THIRD PARTY TAXES VS BBVA'S GROUP TURNOVER

If we compare the total tax contribution made by the Group BBVA to the public finances in 2023 (€ 13,618 million) with the generated turnover (€ 29,542 million), we can say that for every €100 of the turnover earned by the BBVA Group during 2023, the Group has paid € 46 in taxes.

Of these €46...

€26

are taxes paid on its own.

€20

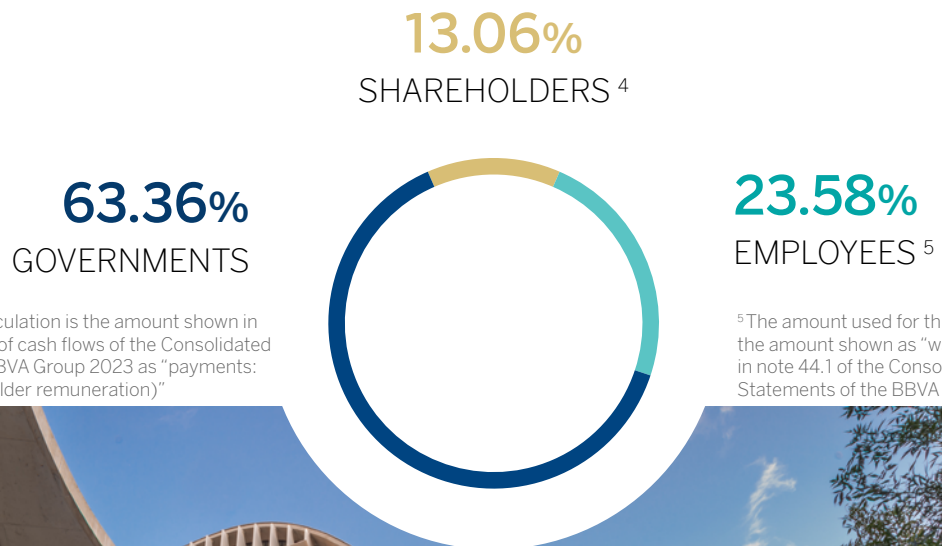
are taxes paid on behalf
of third parties.

OWN AND THIRD PARTY TAXES AND ITS CONNECTION WITH THE 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, 63.36% of the economic contribution made by BBVA to society corresponds to both own taxes and third party taxes; while 23.58% corresponds to salaries paid to our employees and 13.06% to those dividends paid to our shareholders.

Economic contribution made by the BBVA Group to society in 2023



⁴The amount used for this calculation is the amount shown in the Consolidated Statements of cash flows of the Consolidated Financial Statements of the BBVA Group 2023 as "payments: dividend distribution (shareholder remuneration)"

⁵The amount used for this calculation is the amount shown as "wages and salaries" in note 44.1 of the Consolidated Financial Statements of the BBVA Group 2023.



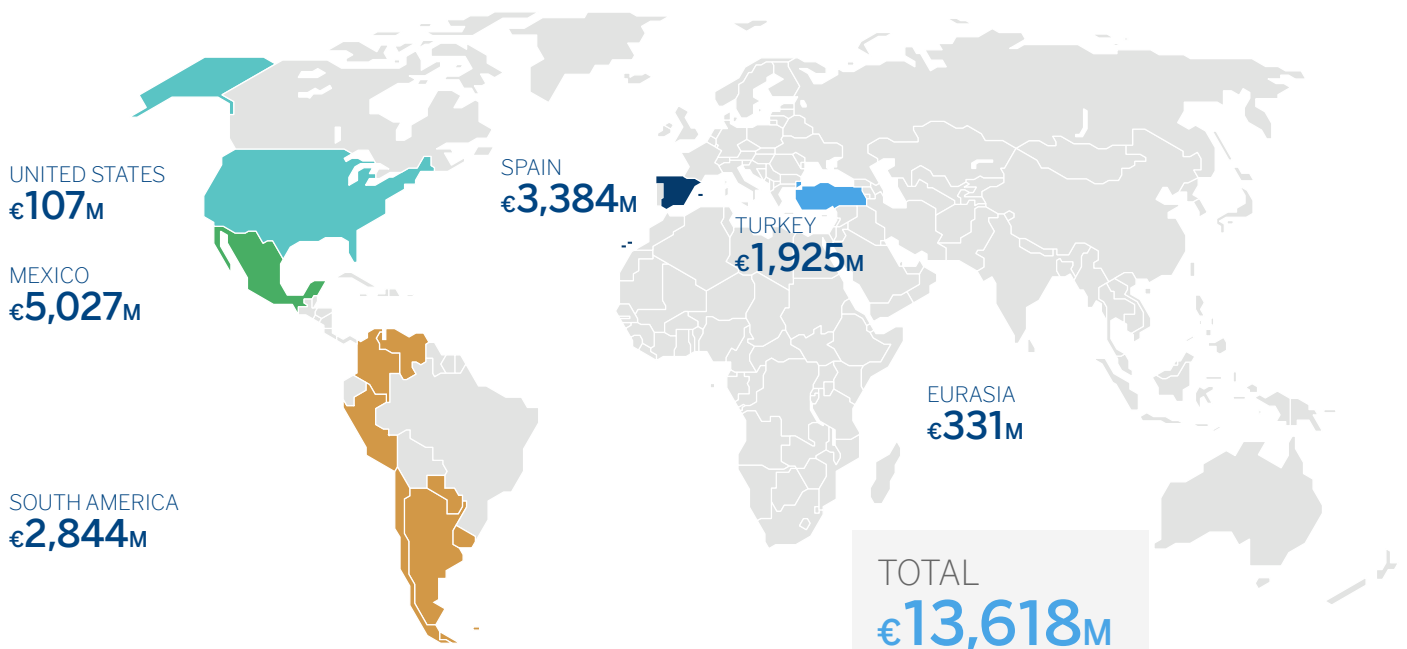
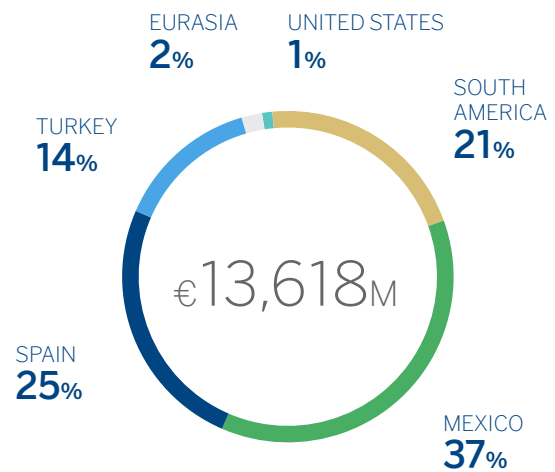
2 How many taxes has BBVA paid in 2023?

BBVA is a global financial group founded in 1857. It employs more than 121,000 people in **25 countries** around the world. It has over 71 million customers and more than 742,000 shareholders.

BBVA has a strong leadership position in the Spanish market, is the largest financial institution in Mexico and has leading franchises in South America and Turkey. In addition, it has a significant investment, transactional and capital markets banking business in the United States.

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 2023 by geographical areas:



Below is a breakdown of the BBVA Group's own and third-party taxes paid in each jurisdiction during 2023:

(Millions of euros)

Country	Own taxes	Third party taxes	Total
Spain	1,911	1,473	3,384
Belgium	1	1	2
China	1	1	2
Cyprus	3	3	6
France	32	3	35
Germany	22	5	27
Hong Kong	15	0	15
Italy	53	8	61
Malta	5	0	5
Netherlands, The	29	8	37
Portugal	18	22	40
Romania	16	27	43
Singapore	2	0	2
Switzerland	10	6	16
Taiwan	0	2	2
United Kingdom	24	14	38
Eurasia	231	100	331
Turkey	1,143	782	1,925
Argentina	180	1,075	1,255
Bolivia	4	3	7
Brasil	1	0	1
Chile	12	23	35
Colombia	420	535	955
Curacao	0	1	1
Peru	317	79	396
Uruguay	65	32	97
Venezuela	17	80	97
South America	1,016	1,828	2,844
Mexico	3,294	1,733	5,027
United States	73	34	107
Total	7,668	5,950	13,618

€13,618 million of taxes paid by the BBVA Group in 2023

3 Type of taxes paid by the BBVA Group in 2023

The table below shows in detail the different types of taxes that the BBVA Group has paid throughout the year 2023 in those jurisdictions where it operates.

Under “other taxes” section are included, among others, taxes specific to the financial sector. These taxes, which include the tax levy for banks in Spain, have been increasing sharply in recent years.

(Millions of euros)

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	825	387	416	283	1,911	739	692	21	21	1,473	3,384
Belgium	1	0	0	0	1	0	1	0	0	1	2
China	1	0	0	0	1	0	1	0	0	1	2
Cyprus	3	0	0	0	3	1	1	1	0	3	6
France	27	5	0	0	32	0	3	0	0	3	35
Germany	21	1	0	0	22	1	4	0	0	5	27
Hong Kong	15	0	0	0	15	0	0	0	0	0	15
Italy	50	2	0	1	53	0	4	1	3	8	61
Malta	5	0	0	0	5	0	0	0	0	0	5
Netherlands, The	26	2	0	1	29	0	9	0	-1	8	37
Portugal	9	5	0	4	18	3	8	9	2	22	40
Romania	12	1	0	3	16	2	18	0	7	27	43
Singapore	2	0	0	0	2	0	0	0	0	0	2
Switzerland	7	2	0	1	10	1	2	3	0	6	16
Taiwan	0	0	0	0	0	0	0	0	2	2	2
United Kingdom	19	4	0	1	24	0	14	0	0	14	38
Eurasia	198	22	0	11	231	8	65	14	13	100	331
Turkey	732	92	63	256	1,143	106	138	538	0	782	1,925
Argentina	9	19	147	5	180	171	10	750	144	1,075	1,255
Bolivia	3	1	0	0	4	0	1	0	2	3	7
Brasil	1	0	0	0	1	0	0	0	0	0	1
Chile	8	0	1	3	12	1	2	10	10	23	35
Colombia	281	28	66	45	420	127	28	276	104	535	955
Curacao	0	0	0	0	0	0	1	0	0	1	1
Peru	241	11	12	53	317	2	45	20	12	79	396
Uruguay	38	12	10	5	65	4	21	0	7	32	97
Venezuela	5	0	7	5	17	2	1	76	1	80	97
South America	586	71	243	116	1,016	307	109	1	280	1,828	2,844
Mexico	2,787	241	61	205	3,294	149	425	0	1,159	1,733	5,027
United States	68	5	0	0	73	0	34	0	0	34	107
Total	5,196	818	783	871	7,668	1,309	1,463	1,705	1,473	5,950	13,618

4 Which type of own taxes has the BBVA Group paid in 2023?

The chart shows the distribution of the **€7,668 million of own taxes paid** by the BBVA Group in 2023.

Corporate Income tax is the largest payment, €5,196 million, representing 67.76% of the total tax payments made by the Group BBVA on its own in 2023.

Value-added tax accounts for 11.36%, **employee and professional taxes** for 10.67% and **other taxes** for 10.21% which include, among others, taxes specific to the financial sector, real estate taxes, trade tax and local taxes.

OTHER TAXES

10.21% | €783M

VAT

11.36% | €871M

EMPLOYEES
PROFESSIONALS

10.67% | €818M



CORPORATE INCOME TAX

67.76% | €5,196M

Financial Statements

1 “Informe bancario anual” in 2023

The BBVA Group has been publishing since 2014 the “Informe bancario anual” as an Appendix of the Group's Consolidated Financial Statements. This statement 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 26 June (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, on regulation, supervision and solvency of credit institutions.

CRD IV requires financial institutions to report their Corporate Income tax payments in each of the jurisdictions in which they operate together with their turnover, number of employees and business activity.

APPENDIX XII. 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, 2023 (Millions of euros)

Country	CIT payments cash basis	CIT expense	PBT	Gross margin	N° employees ⁽¹⁾	Activity	Main Entity
Germany	21	4	25	54	40	Banking services	BBVA, S.A. - Frankfurt Branch Office
Argentina	9	120	310	1,041	5,585	Finance, banking and insurance services	Banco BBVA Argentina S.A.
Belgium	1	1	5	8	19	Banking services	BBVA, S.A. - Brussels Branch Office
Bolivia	3	1	2	12	109	Pensions	BBVA Previsión AFP S.A.
Brazil	1	0	1	3	0	Financial services	BBVA Brasil Banco de Investimento, S.A.
Chile	8	2	22	153	786	Financial services	Forum Servicios Financieros, S.A.
China ⁽²⁾	16	5	31	70	128	Banking services	BBVA, S.A. - Shanghai Branch Office Hong Kong Branch Office
Cyprus	3	4	18	19	111	Banking services	Garanti BBVA AS - Nicosia Branch Office
Colombia	281	23	159	968	6,762	Finance, banking and insurance services	BBVA Colombia S.A.
Curaçao	0	0	7	8	14	Finance and banking services	Banco Provincial Overseas N.V.
Spain	825	867	1,978	7,346	26,360	Finance, banking and insurance services	BBVA, S.A.
United States	68	53	228	184	401	Finance and banking services	BBVA, S.A. - New York Branch Office
France	27	17	79	110	73	Banking services	BBVA, S.A. - Paris Branch Office
Italy	50	32	95	122	65	Banking services	BBVA, S.A. - Milan Branch Office
Japan	0	0	-3	-1	6	Banking services	BBVA, S.A. - Tokio Branch Office
Malta	5	7	91	95	14	Banking services	Garanti BBVA AS - La Valeta Branch Office
Mexico	2,787	2,001	7,241	13,889	46,890	Finance, banking and insurance services	BBVA México, S.A.
Netherlands	26	37	139	188	226	Finance and banking services	Garantibank BBVA International N.V.
Peru	241	107	540	1,745	7,532	Finance and banking services	Banco BBVA Perú S.A.
Portugal	9	3	72	153	429	Finance and banking services	BBVA, S.A. - Portugal Branch Office
United Kingdom	19	23	99	194	154	Banking services	BBVA, S.A. - London Branch Office
Romania	12	6	34	120	1,197	Finance and banking services	Garanti Bank S.A.
Singapore	2	4	26	30	16	Banking services	BBVA, S.A. - Singapore Branch Office
Switzerland	7	2	9	49	123	Finance and banking services	BBVA Switzerland S.A.
Taiwan	0	0	13	12	12	Banking services	BBVA, S.A. - Taipei Branch Office
Turkey	732	649	1,046	2,559	20,452	Finance, banking and insurance services	Garanti BBVA A.S.
Uruguay	38	19	89	257	573	Finance and banking services	BBVA Uruguay S.A.
Venezuela	5	16	63	154	1,818	Finance, banking and insurance services	BBVA Banco Provincial S.A.
Total	5,196	4,003	12,419	29,542	119,895		

⁽¹⁾ Full time employees. The 20 employees of representative offices are not included in the total number.

⁽²⁾ In 2023, information from China and Hong Kong has been included under China.

2 Country by country reporting

Since 2020 we have been adapting the tax information that we voluntarily publish to the specific standard developed by the Global Reporting Initiative (GRI 207) in order to facilitate comparability and the generation of indicators of our performance by third parties.

The GRI 207 standard allows entities to provide comparable information on their tax strategy, governance model and tax risk control framework, as well as their country-by-country reporting.

The following country-by-country reporting information under the GRI 207 standard can also be found in the 2023 Annual Management Report.

Tax information by areas 2023 (Millions of euros, number of employees)

	Consolidated gross margin third parties	Profit (loss) before CIT	CIT payments cash basis ⁽¹⁾	CIT expense	N° employees
Argentina	1,041	310	9	120	5,585
Colombia	968	159	281	23	6,762
Spain	6,550	1,978	825	867	26,360
Mexico	13,825	7,241	2,787	2,001	46,890
Peru	1,745	540	241	107	7,532
Turkey	2,476	1,046	732	649	20,452
Rest of Europe and Asia	1,630	733	198	145	2,613
Rest of America	1,307	412	123	91	3,701
Total	29,542	12,419	5,196	4,003	119,895

⁽¹⁾The amounts of "Cash payments of corporate income tax" are highly conditioned and derive fundamentally from the methodology for calculating the installment payments provided for in the regulations governing corporate income tax in the different geographical areas, producing differences between the installment payments made in the current year and the refund of installments from previous years that may result once the final tax returns have been filed. In this respect, it should also be noted that it is normal for there to be differences between the amounts of "Corporate tax cash payments" and "Corporate tax expense", as the tax paid in the year is not necessarily directly related to the pretax profit existing in a jurisdiction, but takes into account the tax payments (and refunds) in respect of profits made in previous years, as well as the installment payments made in the current year and the withholding of input tax. However, the "Corporate Income Tax Expense" for the current year is more directly related to the existing Profit before tax for a given year.

ARGENTINA



 Consolidated gross margin
€1,041 M

In Argentina, the Group's presence is developed through BBVA Argentina, one of the country's main financial institutions. Its main activity segments include Commercial Banking and Business Banking, insurance activity and Corporate and Investment Banking.

 Profit (loss)
before CIT
€310 M

The nominal tax rate in Argentina is 35%. The fact of being considered a hyperinflationary economy and the consequent restatement of its financial statements generally causes a distortion in the country's fiscal pressure (without prejudice to the application of the tax adjustment for inflation), which explains an effective tax rate above its nominal rate.

 CIT payments
(cash basis)
€9 M

 CIT
expense
€120 M

 Number of employees
5,585

COLOMBIA



 Consolidated gross margin


€968 M

In Colombia, the presence of the BBVA Group is developed through BBVA Colombia, one of the main financial institutions in the country. Its main activity segments include Commercial Banking and Business Banking, insurance activity and Corporate and Investment Banking.

 Profit (loss)
before CIT

€159 M

Once the tax reform that took place in December 2022, the nominal tax rate in Colombia is 40% (financial sector) for the years 2023 to 2027, both included, and 35% for subsequent years. The effective tax rate is lower given that, among other aspects, there are certain effects of a fiscal nature (such as exempt income for social interest loans, as well as some tax exemptions in the insurance field) and accounting that cause the effective tax rate to be different of the nominal, and it must be taken into account that in 2023 the profit before tax of the geography has been low and, therefore, the relative weight of certain tax and accounting effects increases.

 CIT payments
(cash basis)

€281 M

 CIT
expense

€23 M

 Number of employees

6,762

SPAIN

 Consolidated gross margin
€6,550 M

 Profit (loss)
before CIT
€1,978 M

 CIT payments
(cash basis)
€825 M

 CIT
expense
€867 M

 Number of employees
26,360

Banking activity in Spain is carried out fundamentally through BBVA, S.A., which has a double dimension; on the one hand, the head of the banking business in Spain; and on the other, it is the parent entity or Holding of the BBVA Group. The main activity segments developed in Spain include commercial banking, business and corporation banking; and the insurance and Corporate and Investment Banking activities.

In general terms, Spanish companies are integrated into a tax group, constituting for these purposes a single taxpayer in Corporate Tax. The nominal tax rate in Spain is 30%. However, there are certain effects and singularities of a fiscal and accounting nature due to the double dimension mentioned above, which may cause your effective tax rate to be different.

For these purposes, in fiscal year 2023, its tax rate stands out, higher than 30%, motivated, among others, by the non-deductibility of the tax levy for banks, the effects derived from the limitation of the exemption of intragroup dividends, or the withholdings borne at source on the aforementioned intragroup dividends from abroad.

MEXICO



 Consolidated gross margin
€13,825 M

In Mexico, the BBVA Group's presence is developed through the BBVA Mexico Group, which is the country's leading financial institution and one of the driving forces of the BBVA Group. Its main activity segments include Commercial Banking and Business Banking, insurance activity and Corporate and Investment Banking.

 Profit (loss)
before CIT
€7,241 M

The nominal tax rate in Mexico is 30% and its effective tax rate is below it, since there are certain effects and singularities of a fiscal and accounting nature that can cause its effective tax rate to be different from 30%. The most relevant adjustment in 2023 is the tax adjustment for inflation that contributes to the reduction of said rate.

 CIT payments
(cash basis)
€2,787 M

 CIT
expense
€2,001 M

 Number of employees
46,890

PERU



 Consolidated gross margin
€1,745 M

In Peru, the BBVA Group's operations are conducted through BBVA Peru, one of the country's leading financial institutions. Its main business segments comprise Commercial and SME Banking and Corporate and Investment Banking.

 Profit (loss)
before CIT
€540 M

The nominal tax rate in Peru is 29.5% and in 2023 its effective tax rate is lower, mainly due to the weight of certain exempt income (i.e. exemption of interest on deposits in the Central Reserve Bank and interest on Treasury bonds).

 CIT payments
(cash basis)
€241 M

 CIT
expense
€107 M

 Number of employees
7,532

TURKEY



 Consolidated gross margin
€2,476 M

In Turkey, the Group's activity is mainly conducted through Garanti BBVA Group, of which BBVA is the largest shareholder. Its main business segments comprise commercial and corporate banking, insurance, and corporate and investment banking.

 Profit (loss)
before CIT
€1,046 M

Commencing January 1, 2022, the Group agreed to apply IAS 29 ("Financial Reporting in Hyperinflationary Economies") to the Group's entities in Turkey. This accounting adjustment due to hyperinflation is not tax deductible. Despite Turkey's status as a hyperinflationary economy, the Turkish tax regulation does not provide for the application of any inflation adjustment in 2023, resulting in significant upward distortions to Turkey's effective tax rate.

 CIT payments
(cash basis)
€732 M

On the other hand, the application by Garanti BBVA AS and other Turkish subsidiaries of the regime approved in January 2023, which allows financial entities to revalue their real estate and other depreciable assets for tax purposes, has mitigated some of the distortions in the tax rate caused by Turkey's status as a hyperinflationary economy.

 CIT
expense
€649 M

In addition, at the beginning of the 2023 financial year, the nominal corporate income tax rate was 25%. However, in July 2023, the nominal tax rate in Turkey was reformed again and, as a result of this tax reform, the nominal tax rate for the financial sector became 30% in the 2023 financial year and subsequent years. Taking into account all of the above, in the 2023 financial year the effective tax rate was higher than the nominal rate of 30%, mainly due to the restatement of the financial statements due to the application of hyperinflation accounting and the impossibility of applying the tax adjustment for inflation.

 Number of employees
20,452

REST EURASIA




 Consolidated gross margin

€1,630 M

 Profit (loss)
before CIT

€733 M

 CIT payments
(cash basis)

€198 M

 CIT
expense

€145 M

 Number of employees

2,613

Additionally, in the rest of Europe and Asia, the banking and financial entities located in Switzerland, The Netherlands, and Romania stand out, and on the other hand, the branches located in Frankfurt, Brussels, Paris, Milan, London, Portugal, Taipei, Tokyo, Hong Kong, Singapore, Shanghai, Malta and Cyprus, whose main activity falls within the field of Corporate and Investment Banking. The joint relative weight of these countries in the Group's accounts is limited, representing less than 6% of the total consolidated Profit Before Tax of the Group generated in 2023.

The applicable average nominal rate amounted to 22.74%. In 2023, the effective tax rate has risen to 19.78%, below the average nominal rate, among other reasons, due to the registration of deferred tax assets in Portugal.

REST AMERICA



 Consolidated gross margin
€1,307 M

 Profit (loss)
before CIT
€412 M

 CIT payments
(cash basis)
€123 M

 CIT
expense
€91 M

 Number of employees
3,701

Likewise, the Group is also present in the United States, Chile, Venezuela, Uruguay, Bolivia, Brazil and Curaçao, fundamentally carrying out retail and commercial banking activities, as in the rest of the jurisdictions. The relative weight of these countries in the Group's accounts is very limited; representing less than 3.5% of the Group's total consolidated Profit Before Taxes in 2023.

The average applicable nominal rate has amounted in 2023 to 24.81% and the effective tax rate has been very aligned, being 22.09%.

3 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 the Spanish corporation tax rate to the tax expense recorded for the year (Millions of Euros)	2023	
	Amount	Effective tax %
Profit or (-) loss before tax	12,419	
From continuing operations	12,419	
From discontinued operations	-	
Taxation at Spanish corporation tax rate 30%	3,726	
Lower/higher effective tax rate from foreign entities ⁽¹⁾	2	
Mexico	(194)	27%
Chile	(4)	11%
Colombia	(25)	14%
Peru	(55)	20%
Turkey	314	57%
USA	5	33%
Others	(39)	
Revenues with lower tax rate (dividends/capital gains)	(26)	
Equity accounted earnings	(8)	
Other effects	309	
Income tax	4,003	
Of which: Continuing operations	4,003	
Of which: Discontinued operations	0	

⁽¹⁾ Calculated by applying the difference between the tax rate in force in Spain and the one applied to the Group's earnings in each jurisdiction

The Corporate Income tax expense is booked 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 Corporate Income tax expense (€ 4,003 million) between profit before tax (€ 12,419 million; it gives rise to a rate of 32.23%) does not have to coincide with the effective rate obtained by dividing the Corporate Income tax paid (€ 5,196 million) between profit before tax (€ 12,419 million; it results in a 41.84% 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 for.

DEFERRED TAXES

Deferred taxes are 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, 2023 the BBVA Group has registered **€ 14,641 million of deferred tax assets** and **€ 1,677 million of deferred tax liabilities**.



Total deferred tax assets and liabilities (Millions of euros)

Total deferred tax assets	
Pensions	445
Financial instruments	1,069
Loss allowances	2,127
Other	1,467
Secured tax assets	8,534
Tax losses	999
Total	14,641
Total deferred tax liabilities	
Financial instruments	761
Other	916
Total	1,677

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 the BBVA Group during the year 2023 in each country in which it operates.

For this purpose a distinction is made between own taxes, that is, those taxes paid by the BBVA Group on its own and third-party taxes, which are those taxes collected by the 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 the BBVA Group operates are disclosed under the total tax contribution section of this Report. Please note that it only includes those jurisdictions in which the tax payments made in 2023 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 the 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 the BBVA Group.

2 Glossary of key terms

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

BEPS

This is the acronym for "Base Erosion and Profit Shifting". A project sponsored by the OECD with the aim of generating new international consensus and standards aimed at combating aggressive tax planning and strengthening collaboration between tax administrations.

DAC 6

Acronym used to designate Council Directive (EU) 2018/822 of 25 May 2018, which implements the sixth amendment to the European Union Directive on administrative cooperation in the field of taxation, and by which both entities and intermediaries are obliged to report certain schemes or transactions that may qualify as aggressive tax planning, so that such information is automatically exchanged between the tax authorities of the Member States.

Employees/professionals

Withholding taxes and payments on account made by the 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 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 the 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, taxes on deposits, transactions taxes, stamp duty, tax levy for banks...

Pillar II

It is a continuation of the work started in the BEPS project, incorporating new jurisdictions (Inclusive Framework). Pillar II establishes a series of taxation mechanisms to ensure that certain multinationals pay a global minimum tax of 15%, thereby discouraging aggressive tax planning schemes and the consequences of the possible use of non-cooperative jurisdictions.

Withholding on income taxes

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

3 GRI Disclosures

In 2023 we maintain this section on "Identification of GRI references", the breakdown of information 2-27 on compliance with legislation and regulations, as explained previously.

Disclosure	Description	Location / reference
207-1 Approach to tax	a A description of the approach to tax, including:	
	i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available;	<ul style="list-style-type: none"> • Website bbva.com responsible taxation. Tax Strategy. • Total Tax Contribution Report.
	ii. the governance body or executive level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review;	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.
	iii. the approach to regulatory compliance;	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.
	iv. how the approach to tax is linked to the business and sustainable development strategies of the organization.	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. • Website bbva.com Responsible taxation.
207-2 Tax governance, control, and risk management	a A description of the tax governance and control framework, including:	
	i. the governance body or executive level position within the organization accountable for compliance with the tax strategy;	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. • Website bbva.com responsible taxation. Tax Strategy.
	ii. how the approach to tax is embedded within the organization;	<ul style="list-style-type: none"> • Total Tax Contribution Report.
	iii. the approach to tax risks, including how risks are identified, managed, and monitored;	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. • Website bbva.com responsible taxation. Tax Strategy.
	iv. how compliance with the tax governance and control framework is evaluated.	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.

207-2 Tax governance, control, and risk management (Cont.)

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| b | A description of the mechanisms for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to tax. | <ul style="list-style-type: none"> • Code of Conduct. • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. |
| c | A description of the assurance process for disclosures on tax and, if applicable, a reference to the assurance report, statement, or opinion. | <ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. • Annual Corporate Governance Report. |
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207-3 Stakeholder engagement and management of concerns related to tax

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|---|--|---|
| a | the approach to engagement with tax authorities: | |
| | i. the approach to engagement with tax authorities; | <ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. • Website bbva.com responsible taxation. Tax Strategy. |
| | ii. the approach to public policy advocacy on tax; | <ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. |
| | iii. the processes for collecting and considering the views and concerns of stakeholders, including external stakeholders. | <ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. |
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207-4 Country-by-country reporting

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|---|---|---|
| a | All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes. | <ul style="list-style-type: none"> • BBVA Consolidated Financial Statements - Appendix I. • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report. |
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207-4 Country-by- country reporting (Cont.)

b For each tax jurisdiction reported in Disclosure 207-4-a:	
i. Names of the resident entities;	<ul style="list-style-type: none"> • BBVA Consolidated Financial Statements - Appendix I.
ii. Primary activities of the organization;	<ul style="list-style-type: none"> • BBVA Consolidated Financial Statements - Appendix I and Appendix XII. • Total Tax Contribution Report.
iii. Number of employees, and the basis of calculation of this number;	<ul style="list-style-type: none"> • BBVA Consolidated Financial Statements - Appendix XII. • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.
iv. Revenues from third-party sales;	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.
v. Revenues from intra-group transactions with other tax jurisdictions;	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency.
vi. Profit/loss before tax;	<ul style="list-style-type: none"> • BBVA Consolidated Financial Statements - Appendix XII. • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.
vii. Tangible assets other than cash and cash equivalents;	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency.
viii. Corporate income tax paid on a cash basis;	<ul style="list-style-type: none"> • BBVA Consolidated Financial Statements - Appendix XII. • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.
ix. Corporate income tax accrued on profit/loss;	<ul style="list-style-type: none"> • BBVA Consolidated Financial Statements - Appendix XII. • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.
x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.	<ul style="list-style-type: none"> • Consolidated Management Report BBVA 2023. Fiscal Contribution and Transparency. • Total Tax Contribution Report.
c The time period covered by the information reported in Disclosure 207-4.	<ul style="list-style-type: none"> • The period corresponds to fiscal year 2023.

2-27
Compliance
with laws and
regulations

The organization shall:

- a. report the total number of significant instances of non-compliance with laws and regulations during the reporting period, and a breakdown of this total by:
 - i. instances for which fines were incurred;
 - ii. instances for which non-monetary sanctions were incurred;
- b. report the total number and the monetary value of fines for instances of noncompliance with laws and regulations that were paid during the reporting period, and a breakdown of this total by:
 - i. fines for instances of non-compliance with laws and regulations that occurred in the current reporting period;
 - ii. fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods;
- c. describe the significant instances of noncompliance;
- d. describe how it has determined significant instances of non-compliance.

- Consolidated Management Report BBVA 2023. GRI 2: General Disclosures. Strategy, policies and practices. Compliance with laws and regulations.
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BBVA