



# Total Tax Contribution in 2018

A report on the economic contribution made by BBVA Group

# Preamble

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

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

The aim of this Report is to provide information about the tax payments made by BBVA Group during year 2018 in a [simply and transparent way](#) and to inform about the steps taken by the Group, which are aligned with the BEPS principles, in terms of tax control and tax governance.

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

This time we would like to highlight that during year 2018, the Group was part of the Technical Subcommittee that drafted Law [UNE 19602](#); a Spanish regulation for the establishment of a tax compliance Standard.

In addition, we are proud to inform that BBVA is listed in this year's edition of the [Dow Jones Sustainability Index](#). One of the highest-rated aspects in BBVA's analysis was the [bank's fiscal strategy \(with 100 points out of 100\)](#).

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## Principles of tax practice

# Principles that guide the tax performance of BBVA

## 01

### Principles of tax practice

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Improvements in Tax Control and Tax Governance

Our commitment to transparency

BBVA is committed to providing the best solutions for its customers, profitable and sustained growth for its shareholders, and to collaborating in the progress of communities where it operates. This vision steers BBVA's behavior, including in tax matters, and it serves as an inspiration to ensure its policies and values are aligned with its corporate principles:



## Integrity

When it relates to tax matters, integrity means compliance with regulations and the maintenance of a relationship of cooperation and good faith with the tax Authorities.



## Prudence

BBVA always assesses in advance the implications that could derive from its decisions related to taxation.



## Transparency

BBVA provides clear and truthful information on its tax-related activity to customers and other Stakeholders.

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# Tax Strategy aligned with BEPS

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The Tax Strategy of BBVA (available in [www.bbva.com](http://www.bbva.com)) has a global scope, concerning all those who are part of BBVA Group.

In addition, it is based on the commitment that all entities which are part of BBVA Group comply with the different tax laws and regulations which are in force in all the jurisdictions where the Group operates.

## The Tax Strategy of BBVA is articulated on the following main points



**BBVA decisions on tax matters** are linked to the payment of taxes in all jurisdictions where it carries out its economic and business activities, aligning its taxation with the effective realization of economic activity and value generation.



To work actively in order to **adapt to the new digital environment, also in the tax area**, by incorporating virtual presence to value creation and subsequent consideration for tax Purposes.



The establishment of a **mutually cooperative relationship with the different Tax Authorities** based on the principles of transparency, mutual trust, good faith and loyalty between the parties.



Promoting a **clear, responsible and transparent communication** with its different stakeholders on key tax affairs.

# BBVA Group and its position regarding tax havens

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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 offshore. Likewise, 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.

In this regard, it should be noted that during 2018 **BBVA Cayman Island Branch has been closed** with the authorization of every regulator.

Finally, the Management Report of the Group provides detailed information about offshore financial centres where the Group is located.



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During 2018, **BBVA Group has continued to deepen** in its Tax Control model that was already implemented.

BBVA Group fulfills the **requirements in tax risk control and management** that were introduced for listed companies by the Law 31/2014 amending the Spanish Corporation Law to improve Corporate Governance.

In this regard, the Audit Committee has been duly informed by the responsible of the tax function about the different action plans that have been launched in BBVA related to tax risk control, as well as the rest of the relevant information.

On the other hand, and as a proof of the commitment assumed by the Group in its Tax Strategy with respect to the promotion of a relationship reciprocally cooperative with the different Tax Authorities, it should be pointed out that BBVA Group is adhered to the Code of Good Tax Practices (hereinafter, CGTP) promoted by the Spanish Tax Authorities.

In this sense, the Group complies with the different obligations assumed as a result of such adherence. During 2018, the Group has prepared and filed voluntarily before the Spanish Tax Authorities the *"Annual Report of Tax Transparency for companies adhered to the CGTP"*.

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

Finally, during 2018 BBVA Group has taken part of the Technical Subcommittee for the preparation of **Law UNE 19602** in order to establish a "tax compliance" Standard.

**Once again, these facts show the commitment of BBVA to tax responsibility matters**



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The **commitment of BBVA** with **transparency in the payment of taxes** has caused that, for one more year, as we have been doing **since 2011, we voluntarily make public this Report**. The data contained in the same include **the tax payments** carried out by the Group along the fiscal year closed at 31 December **2018** 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 pay-roll taxes, value added taxes (VAT), corporate income taxes, as well as other taxes.

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Such methodology covers **taxes related with the entities of the 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**.

The effort of BBVA has been recognised in the field of taxation with **100 points out of 100 by the Dow Jones Sustainability Index**.



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**Total tax contribution**



# Year 2018 relevant data

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How many taxes has BBVA  
Group paid in 2018?

Category of taxes paid by  
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Which type of own taxes has  
BBVA Group paid in 2018?

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The total tax contribution of BBVA Group to public finances amounts to **€ 9,752 million** in year 2018. €4,502 million correspond to **own taxes** and € 5,250 million correspond to **third party taxes**



**€ 8,446 M**

Profit before corporate  
income tax

**€ 2,753 M**

Corporate income tax paid

**32.60%**

Percentage of corporate  
income tax paid

# How many taxes has BBVA Group paid in 2018?

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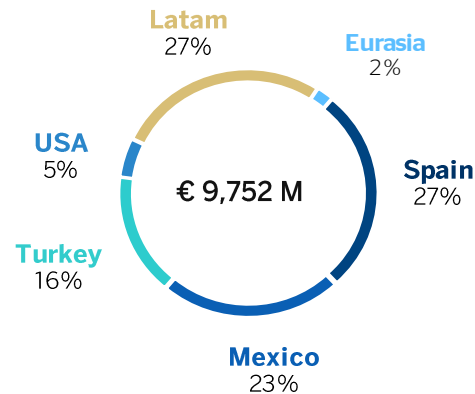
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**BBVA is a global financial group** founded in 1857. It employs more than 120.000 people in **over 30 countries** around the world. It has over 74 million customers and more than 900,000 shareholders.

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

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

The following chart shows **the total tax payments made by the Group during year 2018 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.

# How many taxes has BBVA Group paid in 2018?

(€ Million)

Country	Own taxes	Third party taxes	Total
<b>Spain</b>	<b>1,301</b>	<b>1,368</b>	<b>2,669</b>
Belgium	2	1	3
China	-	1	1
Cyprus	3	4	7
Finland	2	2	4
France	19	1	20
Germany	18	5	23
Italy	11	3	14
Malta	6	-	6
Netherlands	10	7	17
Poland	-	1	1
Portugal	15	20	35
Romania	3	15	18
Singapore	1	-	1
Switzerland	10	4	14
United Kingdom	8	10	18
<b>Eurasia</b>	<b>108</b>	<b>74</b>	<b>182</b>
<b>Turkey</b>	<b>635</b>	<b>879</b>	<b>1,514</b>
Argentina	204	1,259	1,463
Bolivia	3	4	7
Chile	374	38	412
Colombia	164	265	429
Paraguay	12	12	24
Peru	188	94	282
Uruguay	34	22	56
Venezuela	-	7	7
<b>LATAM</b>	<b>979</b>	<b>1,701</b>	<b>2,680</b>
<b>Mexico</b>	<b>1,225</b>	<b>1,013</b>	<b>2,238</b>
<b>United States</b>	<b>254</b>	<b>215</b>	<b>469</b>
<b>Total</b>	<b>4,502</b>	<b>5,250</b>	<b>9,752</b>

**€9,752 Million**

of taxes  
contributed in  
2018

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# Type of taxes paid by BBVA Group in 2018

(€ Million)

Country	CIT	Employees/ professionals	Other taxes	VAT	Total own taxes	Withholding on Income tax	Employees/ professionals	Other taxes	VAT	Total third party taxes	Total
<b>Spain</b>	<b>534</b>	<b>374</b>	<b>120</b>	<b>273</b>	<b>1,301</b>	<b>558</b>	<b>714</b>	<b>39</b>	<b>57</b>	<b>1,368</b>	<b>2,669</b>
Belgium	-	1	1	-	2	-	1	-	-	1	3
China	-	-	-	-	-	-	1	-	-	1	1
Cyprus	3	-	-	-	3	2	1	1	-	4	7
Finland	-	1	-	1	2	-	1	-	1	2	4
France	14	4	-	1	19	-	1	-	-	1	20
Germany	17	1	-	-	18	1	4	-	-	5	23
Italy	8	2	-	1	11	-	2	1	-	3	14
Malta	6	-	-	-	6	-	-	-	-	-	6
Netherlands	7	2	-	1	10	-	8	-	-1	7	17
Poland	-	-	-	-	-	-	-	-	1	1	1
Portugal	6	5	-	4	15	1	7	8	4	20	35
Romania	1	1	-	1	3	-	13	-	2	15	18
Singapore	1	-	-	-	1	-	-	-	-	-	18
Switzerland	9	1	-	-	10	-	2	2	-	4	1
United Kingdom	3	3	1	1	8	-	10	-	-	10	14
<b>Eurasia</b>	<b>75</b>	<b>21</b>	<b>2</b>	<b>10</b>	<b>108</b>	<b>4</b>	<b>51</b>	<b>12</b>	<b>7</b>	<b>74</b>	<b>182</b>
<b>Turkey</b>	<b>422</b>	<b>66</b>	<b>52</b>	<b>95</b>	<b>635</b>	<b>315</b>	<b>137</b>	<b>427</b>	<b>-</b>	<b>879</b>	<b>1,514</b>
Argentina	32	35	130	7	204	85	21	922	231	1,259	1,463
Bolivia	2	1	-	-	3	-	1	-	3	4	7
Chile	365	-	-	9	374	1	9	17	11	38	412
Colombia	85	24	26	29	164	42	19	163	41	265	429
Paraguay	9	2	1	-	12	-	2	-	10	12	24
Peru	146	7	11	24	188	1	31	17	45	94	282
Uruguay	15	9	6	4	34	2	16	-	4	22	56
Venezuela	-	-	-	-	-	-	-	7	-	7	7
<b>LATAM</b>	<b>654</b>	<b>78</b>	<b>174</b>	<b>73</b>	<b>979</b>	<b>131</b>	<b>99</b>	<b>1,126</b>	<b>345</b>	<b>1,701</b>	<b>2,680</b>
<b>Mexico</b>	<b>903</b>	<b>115</b>	<b>31</b>	<b>176</b>	<b>1,225</b>	<b>109</b>	<b>211</b>	<b>-</b>	<b>693</b>	<b>1,013</b>	<b>2,238</b>
<b>United States</b>	<b>165</b>	<b>59</b>	<b>20</b>	<b>10</b>	<b>254</b>	<b>5</b>	<b>210</b>	<b>-</b>	<b>-</b>	<b>215</b>	<b>469</b>
<b>Total</b>	<b>2,753</b>	<b>713</b>	<b>399</b>	<b>637</b>	<b>4,502</b>	<b>1,122</b>	<b>1,422</b>	<b>1,604</b>	<b>1,102</b>	<b>5,250</b>	<b>9,752</b>

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How many taxes has BBVA  
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# Which type of own taxes has BBVA Group paid in 2018?

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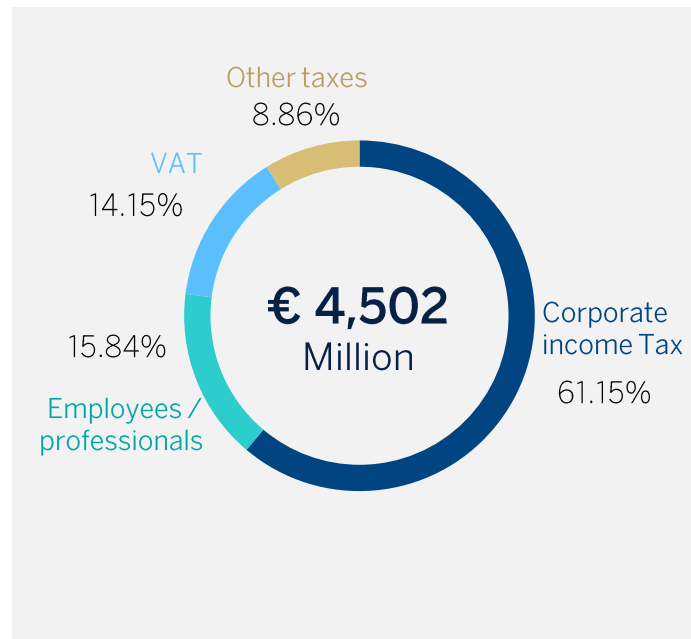
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The graph shows the distribution by type of tax of **€ 4,502 million of own taxes paid** by BBVA Group during year 2018.

**Corporate income tax is the largest payment**, € 2,753 million, representing 61.15% of BBVA total tax payments made on its own in 2018.

**Value-added taxes** account for 14.15%, employees and professionals taxes 15.84% and other taxes 8.86%, which include, among others, property taxes, trade tax and different local levies.



# 03

## Financial statements



# “Informe bancario anual” in 2018

(€ Million)

Country	CIT payments cash Basis	CIT expense consol	PBT consol	Turnover	Employees*	Activity	Main Entity
Mexico	903	902	3,241	7,070	36,118	Finance, banking and insurance services and real estate	BBVA Bancomer SA
Spain	534	383	1,295	5,649	29,375	Finance, banking and insurance services and real estate	BBVA SA
Turkey	422	269	1,225	3,511	20,305	Finance, banking and insurance services	Turkiye Garanti Bankasi
United States	165	188	977	2,991	10,682	Finance and banking services	Compass Bank, Inc.
Colombia	85	117	355	1,013	6,633	Finance, banking and insurance services	BBVA Colombia SA
Argentina	32	116	66	661	5,740	Finance, banking and insurance services	BBVA Banco Frances SA
Peru	146	163	584	1,140	6,262	Finance and banking services	BBVA Banco Continental SA
Venezuela	-	20	2	102	3,371	Finance, banking and insurance services	BBVA Banco Provincial SA
Chile	365	43	205	502	923	Financial services	Forum Servicios Financieros, S.A.
Romania	1	4	38	118	1,313	Finance and banking services	Garanti Bank SA
Uruguay	15	6	37	162	578	Finance and banking services	BBVA Uruguay SA
Paraguay	9	3	35	87	430	Finance and banking services	BBVA Paraguay SA
Bolivia	2	2	9	25	396	Pensiones	BBVA Previsión AFP SA
Netherlands	7	5	20	84	256	Finance and banking services	Garantibank International NV
Switzerland	9	1	4	36	122	Finance and banking services	BBVA - Switzerland SA
Finland	-	-	-12	-	83	Financiera	Holvi Payment Service OY
Ireland	-	2	10	8	4	Finance, banking and insurance services	BBVA Ireland PCL
Brazil	-	-	-	2	6	Financial services	BBVA Brasil Banco de Investimento, S.A.
Curaçao	-	-	6	8	13	Finance and banking services	Banco Provincial Overseas NV
Portugal	6	27	59	109	468	Finance and banking services	BBVA - Sucursal de Portugal
United Kingdom	3	2	21	65	126	Financial services	BBVA - Sucursal de Londres
Hong Kong	-	1	14	44	89	Financial services	BBVA - Sucursal de Hong-Kong
France	14	12	36	52	72	Financial services	BBVA - Sucursal de Paris
Italy	8	8	29	55	52	Financial services	BBVA - Sucursal de Roma
Germany	17	1	16	44	41	Financial services	BBVA - Sucursal de Frankfurt
Belgium	-	-	2	7	24	Financial services	BBVA - Sucursal de Bruselas
China	-	-	-1	2	22	Financial services	BBVA - Sucursal de Shanghai
Singapore	1	1	7	10	8	Financial services	BBVA - Sucursal de Singapur
Japan	-	-	-	1	3	Financial services	BBVA - Sucursal de Tokio
Taiwan	-	-	-2	2	9	Financial services	BBVA - Sucursal de Taipei
Luxembourg	-	-	-	-	-	Financial services	BBVA Luxinvest, S.A.
Cyprus	3	7	30	33	107	Financial services	Garanti - Sucursal de Nicosia
Malta	6	10	136	153	13	Financial services	Garanti - Sucursal de la Valeta
Poland	-	-	2	1	-	Real estate	Geskat Polska SP. ZOO
<b>Total</b>	<b>2,753</b>	<b>2,295</b>	<b>8,446</b>	<b>23,747</b>	<b>123,644</b>		

CRD IV requires financial institutions to disclose by country in which they have an establishment **the tax on profit or loss**, their turnover, number of employees and nature of their activities. This information has been already published in Appendix XIII (**Informe Bancario Anual**) of the consolidated financial statements of BBVA Group for the year ended 2018

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Taxes charged in the  
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# Taxes charged in the consolidated financial statements

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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.

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

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

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

Reconciliation of taxation at Spanish corporate income tax rate to the tax expense recorded for the period 2018	Amount €Million	Effective tax Rate %
<b>Consolidated profit before tax</b>	<b>8,446</b>	
From continuing operations	8,446	
From discontinued operations		
<b>Taxation at corporation tax rate 30% (Spanish nominal tax rate)</b>	<b>2,534</b>	<b>30%</b>
<b>Lower effective tax rate from our foreign entities*</b>	<b>(234)</b>	
Mexico	(78)	28%
Chile	(18)	21%
Colombia	10	33%
Peru	(12)	28%
Turkey	(132)	20%
Others	(4)	
<b>Revenues with lower tax rate (dividends/capital gains)</b>	<b>(57)</b>	
<b>Equity accounted earnings</b>	<b>3</b>	
<b>Other effects</b>	<b>49</b>	
<b>Current income tax</b>	<b>2,295</b>	
Of which:		
Continuing operations	2,295	
Discontinued operations	-	

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



# Taxes charged in the consolidated financial statements

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## Total deferred tax assets (€Million)

Pensions	405
Financial instruments	1,401
Other assets	302
Impairment losses	1,375
Others	990
Secured tax assets	9,363
Tax credits	1,480

<b>Total</b>	<b>15,316</b>
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## Total deferred tax liabilities (€Million)

Financial instruments	1,136
Depreciation and others	910

<b>Total</b>	<b>2,046</b>
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**Deferred tax** is an accounting concept, which includes temporary differences as well as certain tax credits.

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

As of **December 31, 2018** BBVA Group has registered **€ 15,316 million of deferred tax assets and € 2,046 million of deferred tax liabilities**.

# Appendix

Basis of preparation: scope and methodology

Glossary of key terms

## Appendix 1

# Basis of preparation: scope and methodology

## Appendix

Basis of preparation: scope and methodology

[Glossary of key terms](#)

### Scope

This report has been prepared on the basis of the data collected on the taxes paid by BBVA Group during year 2018 in each country in which it operates.

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

Both own and third-party taxes paid in each jurisdiction in which BBVA Group operates are disclosed under section 2 of this Report. Please note that it only includes those jurisdictions in which the tax payments made in 2018 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.

## Appendix 2

# Glossary of key terms

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

## Employees / professionals

Withholding taxes and payments on account made by Group BBVA from a tax perspective which are related to those employees and professionals that provide services to the Group. Please note that Social Security payments are included in this category.

## Third party taxes

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

## Deferred tax asset

It is an asset that, in accordance with the prudence principle shall be recognized 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.

## Appendix

Basis of preparation, scope and methodology

Glossary of key terms

## Appendix 2

# Glossary of key terms

## Appendix

Basis of preparation; scope and methodology

Glossary of key terms

### Tax payments

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

### Own taxes

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

### Corporate income tax

All taxes that are based on the 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...

### 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".