



## **Total Tax Contribution in 2014**

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

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*Among the novelties, is the “country by country” reporting*

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The year 2014 has been specially complex for BBVA Group as it is a multinational entity with a global management.

The world economic situation begins to show signs of change in the economic cycle, however, these signs aren't clear enough.

Moreover, these samples of recovery are uneven across the countries, due to the fact that there are some regions that have overcome the crisis, while there are others with a long way to go.

Furthermore, the tax policies that have been implemented by the States are different. There are States that are maintaining or raising the tax burden, while there are other States that go for joining the economic change with significant tax decreases.

This is the case of Mexico, that within 2014 has eliminated the Deposits Tax, which has meant a significant decrease of the country's tax burden.

In addition, year 2014 has been characterized by an increase of the regulation worldwide, that calls for the development of a higher transparency of tax reporting in all levels.

BBVA is concerned by all these changes and as usual, the Group is leading the way in this area, not only with the publication of this Report, but also, attending and participating in numerous forums and collaborating very intensively with the different tax authorities.

Therefore, this year we have introduced certain developments to this Report corresponding to the projects that are being conducted by BBVA, in order to be in the forefront of tax transparency and tax responsibility.

Among the novelties of this report it is found the “**country by country reporting**”; that connects the corporate income tax paid by BBVA, with the profit or loss before tax, turnover, activities and employees of the Group, in all the countries where it operates.

## Year 2014 relevant data

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*The total tax contribution of BBVA Group to the public finances amounts to **€ 8,179 Mn** in year 2014.*

*€ 3,185 Mn correspond to own taxes and € 4,994 Mn correspond to third party taxes.*

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**Profit before  
corporate income tax**

**€ 3,980 Mn**

**Corporate income tax  
paid**

**€ 1,479 Mn**

**Percentage of corporate  
income tax paid**

**37.16%**



## Index

- 1 Introduction
  - 2 Tax responsibility
  - 3 Distribution of BBVA Group's tax payments by geographical area
  - 4 Total tax contribution in 2014
  - 5 Country by country reporting
  - 6 Taxes charged in the financial statements
  - 7 Main conclusions
- Appendix 1- Basis of preparation
- Appendix 2- Glossary of key terms

## 1 Introduction

As in previous years, this year 2014, we publish once again the economic contribution made by BBVA to public finances.

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

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

The data within the Report, includes payments made in all main countries of operation of BBVA and covers the year ended 31 December 2014.

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

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

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

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

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

## 2 Tax responsibility

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*BBVA makes efforts to improve ethical and transparent work practices*

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BBVA is committed to **transparency and business ethics** everywhere it operates.

In this line, **in 2012**, BBVA adopted the **Code of Good Tax Practices in Spain**, a government initiative to increase cooperation and transparency between entities and the Spanish Tax Revenue Agency.

In the same way, **in 2013** BBVA adopted the **“Code of Practice on Taxation for Banks”**, an initiative launched by HMRC (Revenue and Customs Agency in the UK).

Efforts are being made to improve **ethical and transparent work practices** in every country in which BBVA Group operates.

In this regard BBVA is currently reviewing its identification, monitoring, assessment and control procedures in order to adapt them to the new requirements established by the last reform of the **Spanish Capital Company Law** for the improvement of the Corporate Governance.



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

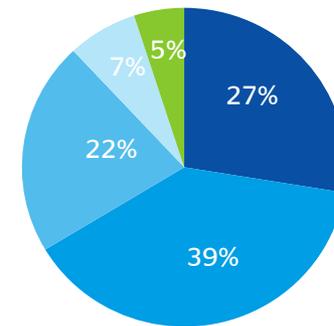
**BBVA is a global group** that employs more than 108,000 people in over **30 countries** around the world, and has over 51 million customers and more than 1 million shareholders.

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

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



The following chart shows the **total tax payments made by the Group during year 2014** by **geographical areas**:



■ Spain ■ South America ■ Mexico ■ Eurasia ■ USA

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

## 4 Total tax contribution in 2014

(€ Mn)

€ 8,179  
million of taxes  
contributed in  
2014

Country	2014		
	Own taxes	Third party taxes	Total
<b>Spain</b>	<b>783</b>	<b>1,470</b>	<b>2,253</b>
<b>Mexico</b>	<b>917</b>	<b>855</b>	<b>1,772</b>
<b>United States</b>	<b>205</b>	<b>204</b>	<b>409</b>
Argentina	302	1,783	2,085
Bolivia	1	0	1
Chile	71	33	104
Colombia	190	222	412
Paraguay	10	12	22
Peru	165	64	229
Uruguay	30	13	43
Venezuela	135	144	279
<b>Latam</b>	<b>904</b>	<b>2,271</b>	<b>3,175</b>
Belgium	1	1	2
China	14	0	14
France	16	1	17
Germany	11	5	16
Hong Kong	2	0	2
Ireland	2	0	2
Italy	33	4	37
Korea (South)	0	1	1
Luxembourg	1	0	1
Netherlands	5	2	7
Portugal	18	29	47
Romania	1	1	2
Switzerland	10	7	17
Taiwan	1	0	1
Turkey	248	126	374
United Kingdom	13	17	30
<b>Eurasia</b>	<b>376</b>	<b>194</b>	<b>570</b>
<b>Total</b>	<b>3,185</b>	<b>4,994</b>	<b>8,179</b>

### Total tax contribution in 2014

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

## 4 Total tax contribution in 2014

(€ Mn)

Country	CIT	Employees/ Professionals	VAT	Other taxes	Total Own Taxes	Employees/ Professionals	VAT	Other taxes	Total Third party Taxes	Total
Spain	20	359	297	107	783	695	172	603	1,470	2,253
<b>Spain</b>	<b>20</b>	<b>359</b>	<b>297</b>	<b>107</b>	<b>783</b>	<b>695</b>	<b>172</b>	<b>603</b>	<b>1,470</b>	<b>2,253</b>
Belgium	0	1	0	0	1	1	0	0	1	2
China	14	0	0	0	14	0	0	0	0	14
France	11	4	1	0	16	1	0	0	1	17
Germany	10	1	0	0	11	4	0	1	5	16
Ireland	2	0	0	0	2	0	0	0	0	2
Italy	2	0	0	0	2	0	0	0	0	2
Korea (South)	30	2	1	0	33	3	0	1	4	37
Luxembourg	0	0	0	0	0	1	0	0	1	1
Netherlands	1	0	0	0	1	0	0	0	0	1
Portugal	4	1	0	0	5	2	0	0	2	7
Romania	4	7	6	1	18	10	5	14	29	47
Singapore	0	1	0	0	1	1	0	0	1	2
Switzerland	8	1	1	0	10	3	0	4	7	17
Taiwan	1	0	0	0	1	0	0	0	0	1
Turkey	92	21	19	116	248	45	0	81	126	374
United Kingdom	7	4	1	1	13	17	0	0	17	30
<b>Eurasia</b>	<b>186</b>	<b>43</b>	<b>29</b>	<b>118</b>	<b>376</b>	<b>88</b>	<b>5</b>	<b>101</b>	<b>194</b>	<b>570</b>
Argentina	113	40	7	142	302	24	240	1,519	1,783	2,085
Chile	1	0	0	0	1	0	0	0	0	1
Colombia	58	0	10	3	71	11	9	13	33	104
Panama	114	24	26	26	190	18	23	181	222	412
Paraguay	7	2	0	1	10	2	9	1	12	22
Peru	119	7	20	19	165	33	21	10	64	229
Uruguay	13	8	4	5	30	10	1	2	13	43
Venezuela	51	7	34	43	135	2	1	141	144	279
<b>Latam</b>	<b>476</b>	<b>88</b>	<b>101</b>	<b>239</b>	<b>904</b>	<b>100</b>	<b>304</b>	<b>1,867</b>	<b>2,271</b>	<b>3,175</b>
Mexico	663	60	178	16	917	128	484	243	855	1,772
<b>Mexico</b>	<b>663</b>	<b>60</b>	<b>178</b>	<b>16</b>	<b>917</b>	<b>128</b>	<b>484</b>	<b>243</b>	<b>855</b>	<b>1,772</b>
United States	134	52	2	17	205	200	0	4	204	409
<b>United States</b>	<b>134</b>	<b>52</b>	<b>2</b>	<b>17</b>	<b>205</b>	<b>200</b>	<b>0</b>	<b>4</b>	<b>204</b>	<b>409</b>
<b>Total Payments</b>	<b>1,479</b>	<b>602</b>	<b>607</b>	<b>497</b>	<b>3,185</b>	<b>1,211</b>	<b>965</b>	<b>2,818</b>	<b>4,994</b>	<b>6,179</b>

\* Paid taxes are shown net of refunds.

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

### Total tax contribution in 2014

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

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

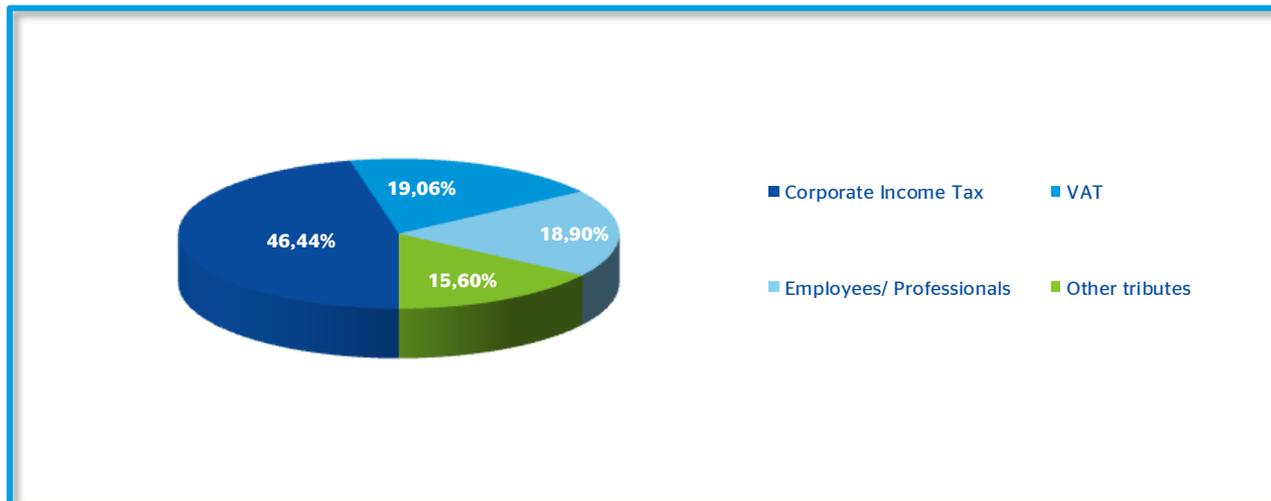
## 4 Total tax contribution in 2014

The graph below shows the distribution by type of tax of **3,185 million** euros of own taxes paid by BBVA Group during 2014.

**Corporate income tax is the largest payment**, 1,479 million euros, representing **46.44%** of BBVA total tax payments in 2014.

**Value-added taxes** account for **19.06%**, **employees and professionals taxes 18.9%** and **other taxes 15.6%**, which include, among others, property taxes, trade tax and different local levies.

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



## 5 Country by country reporting

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

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

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

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

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

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



## 5 Country by country reporting

CRD IV requires financial institutions to disclose by country in which they have an establishment **the tax on profit or loss**, their turnover, number of employees and nature of their activities. This information has been already published in Appendix XII (“**Informe Bancario Anual**”) of the consolidated financial statements of BBVA Group for the year ended 2014.

December 31, 2014

€ Mn

Country	CIT payments cash basis	CIT expense consol	PBT consol	Turnover	Nº Employees (*)	Activity	Main Entity
Spain	20	(350)	(1,618)	6,016	28,033	Financial, banking and insurance services and real estate	BBVA, SA
France	11	21	59	89	80	Financial services	BBVA Paris Branch
Germany	10	-	27	46	47	Financial services	BBVA Frankfurt Branch
Hong Kong	2	5	15	43	128	Financial services	BBVA HONG KONG Branch
Ireland	2	2	16	15	5	Financial, banking and insurance services	BBVA Ireland PLC
Italy	30	28	86	128	79	Financial services	BBVA Milán Branch
Luxembourg	-	-	(2)	-	3	Financial services	BBVA Luxinvest, SA
Portugal	4	(57)	(57)	98	688	Financial services	BBVA Portugal, SA
Switzerland	8	3	17	49	131	Financial services	BBVA Switzerland, SA
United Kingdom	7	9	43	116	163	Financial services	BBVA London Branch
Argentina	113	136	418	995	5,261	Financial and banking services	BBVA Banco Francés, SA
Chile	58	(15)	184	653	4,566	Financial, banking and insurance services	BBVA Chile, SA
Colombia	114	121	398	951	6,331	Financial, banking and insurance services	BBVA Colombia
Paraguay	7	3	25	68	481	Financial and banking services	BBVA Paraguay, SA
Peru	119	138	499	995	5,952	Financial and banking services	Banco Continental, SA
Uruguay	13	8	27	130	639	Financial and banking services	BBVA Uruguay, SA
Venezuela	51	102	396	1,361	5,363	Financial, banking and insurance services	Banco Provincial, SA
Mexico	663	617	2,497	6,433	37,149	Financial, banking and insurance services	BBVA Bancomer, SA
United States	134	123	544	2,104	10,428	Financial, banking and insurance services	Compass Bank Inc.
Bolivia	1	-	2	16	291	Financial services	BBVA Previsión AFP SA
Belgium	-	-	2	11	34	Financial services	BBVA Brussels Branch
Others (**)	112	4	402	409	109	Financial, banking and insurance services	
<b>Total</b>	<b>1,479</b>	<b>898</b>	<b>3,980</b>	<b>20,725</b>	<b>105,961</b>		

(\*) Number of full-time employees.

(\*\*) Includes: Netherlands, Curaçao, representative offices and branches in Asia except Hong Kong and the share of profit or loss of Garanti and CIFH accounting for using the equity method.

**Corporate income tax paid**

**€ 1,479 Mn**

### Total tax contribution in 2014

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## 6 Taxes charged in the financial statements

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

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

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

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

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

(€ Mn)

DECEMBER 2014		
Reconciliation of Taxation at 30% Corporate Income Tax Rate to the Tax Expense recorded for the period	Amount	Effective tax %
<b>Consolidated profit before tax</b>	<b>3,980</b>	
From continuing operations	3,980	
From discontinued operations		
<i>Taxation at corporation tax rate 30%</i>	<i>1,194</i>	<i>30.00%</i>
Lower effective tax rate from our foreign entities (*)	<b>(318)</b>	
México	(145)	24.27%
Chile	(71)	(8.36%)
Venezuela	(16)	25.85%
Colombia	2	30.41%
Peru	(12)	27.59%
Others	(76)	
Revenues with lower tax rate (dividends)	<b>(88)</b>	
Equity accounted earnings	<b>(103)</b>	
Other effects	213	
<b>Current income tax</b>	<b>898</b>	<b>22.56%</b>
<b>Of which:</b>		
Continuing operations	898	
Discontinued operations		

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

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

## 6 Taxes charged in the financial statements

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



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

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

As of **December 31, 2014** BBVA Group has registered **10,391 million euros of deferred tax assets** and **3,177 million euros of deferred tax liabilities**.

	(€ Mn)
<b>Total deferred tax assets</b>	<b>10,391</b>
Pensions	902
Portfolio	920
Other assets	535
Impairment losses	1,041
Others	905
Guaranteed tax assets	4,881
Tax credits	1,207
<b>Total deferred tax liabilities</b>	<b>3,177</b>
Portfolio	2,096
Depreciation and others	1,081

## 7 Main conclusions

### Total tax contribution of BBVA Group

€ 8,179 Mn

### Corporate income tax paid

€ 1,479 Mn

### Percentage of corporate income tax paid

37.16%

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

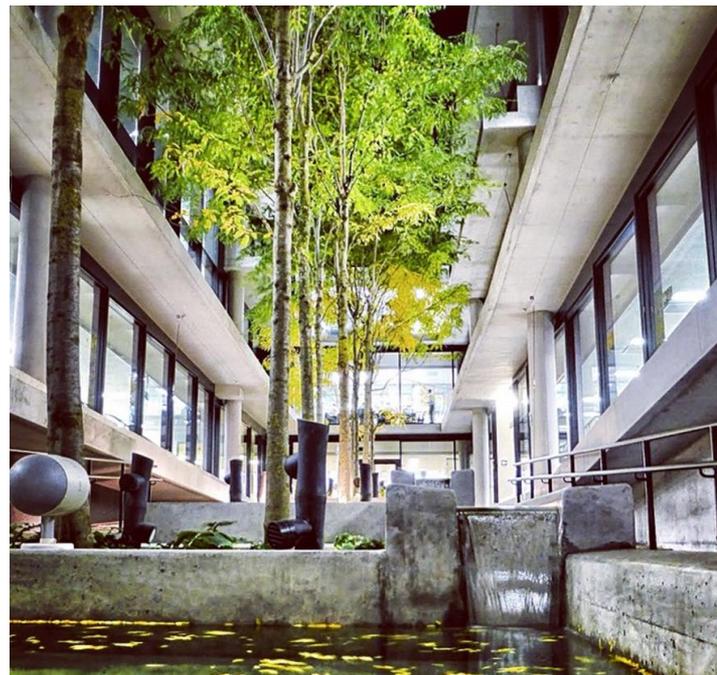
1. **Integrity**, as an expression of ethics in the Group's activity and in its relations with stakeholders (customers, employees, shareholders, suppliers and society at large).
2. **Prudence**, understood basically as the principle of caution in risk-taking.
3. **Transparency**, as the maxim that prevails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

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

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

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

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



# Appendix 1 - Basis of preparation: scope and methodology

**Scope** This report has been prepared on the basis of the data collected on the taxes paid by BBVA Group during year 2014 in each country in which it operates.

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

Both own and third-party taxes paid in each jurisdiction in which BBVA Group operates are disclosed under section 4 of this Report. Please note that it only includes those jurisdictions in which the tax payments made in 2014 exceeded EUR 1 million.

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

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

## Appendix 2- Glossary of key terms

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

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

## Appendix 2- Glossary of key terms

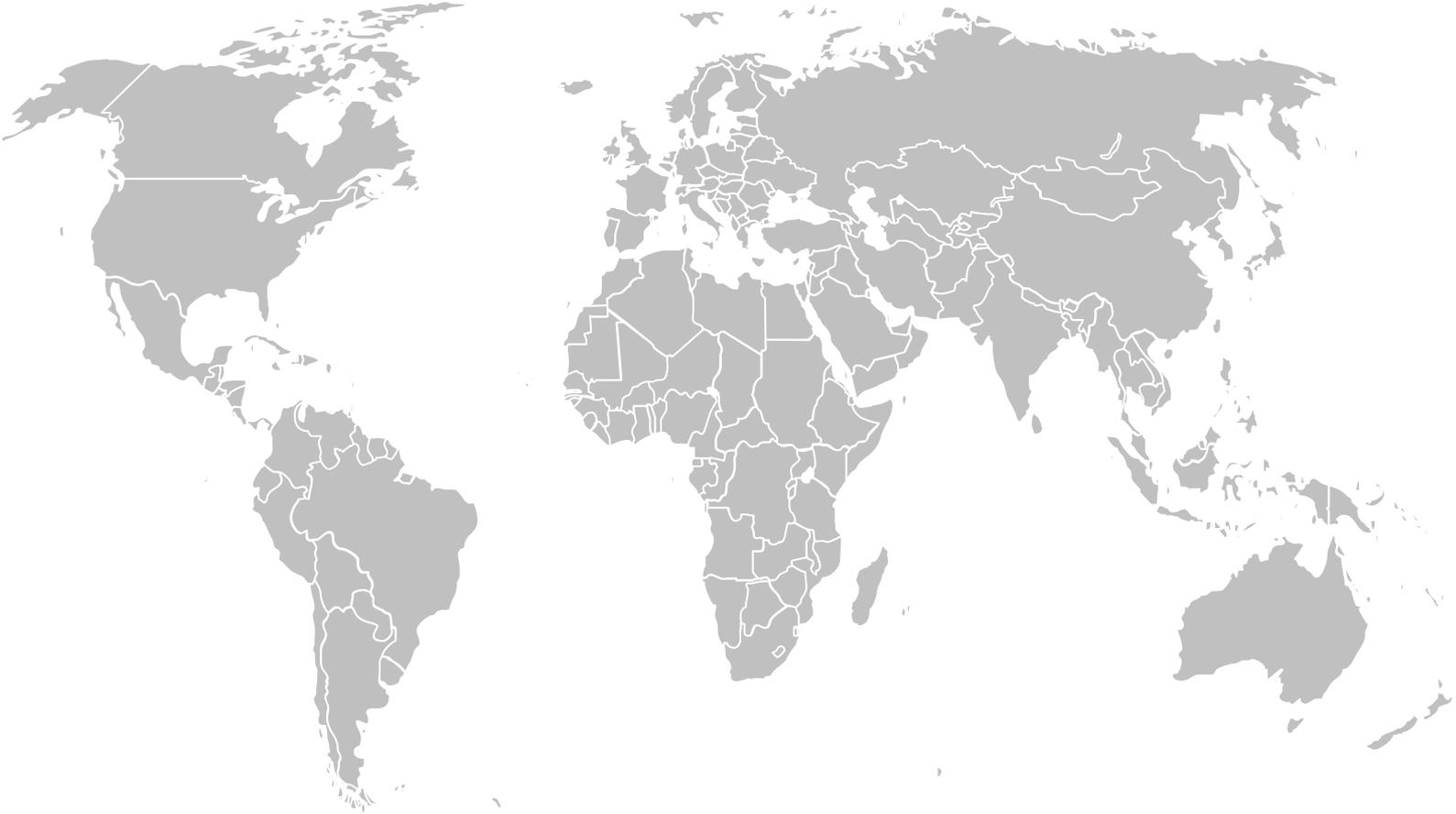
**Tax payments** All taxes that have been paid (cash criteria) according to the regulations of each type of tax.

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

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

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

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



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