

Fiscal transparency

Fiscal strategy

In 2015, the BBVA Board of Directors approved the “[Corporate Principles in BBVA's Tax and Fiscal Strategy](#)”.

This forms part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Group behaves with respect to taxes. This strategy has a global scope and affects everyone who is part of the Bank. Compliance with the strategy is very important, given the scale and impact that the tax contributions of large multinationals such as BBVA have on the jurisdictions where they operate.

Effective compliance with the tax strategy is duly monitored and supervised by BBVA's governing bodies.

Accordingly, BBVA's **fiscal strategy** consists of the following basic points:

- BBVA's decisions concerning fiscal-related matters are determined by the payment of taxes, given that they contribute heavily to the economies of all the jurisdictions in which it operates. Tax payments are aligned with effective business practices and the generation of value in the different geographic areas in which BBVA operates.
- Active adaptation to the new digital environment, also in terms of taxation, through the incorporation of virtual presence into the generation of value, and its consequent valuation.
- The establishment of reciprocal cooperative relations with tax authorities that are based on the principles of transparency, mutual trust, good faith and fairness.
- Promotion of a clear, transparent and responsible reporting strategy to stakeholders on its main fiscal-related matters.

Both the strategy and the fiscal policies derived from it are inspired by the reports of the OECD Base Erosion and Profit Shifting (BEPS) Project and respond to a commitment to comply with and respect the letter and spirit of tax regulation in the jurisdictions where the Group operates, in accordance with Chapter XI of the OECD Guidelines for Multinational Enterprises.

Governance model and fiscal risk management

BBVA has a government model on tax matters and mechanisms to control fiscal risk.

The strategy has been developed through fiscal policies opportunely communicated to all Group employees. Likewise, complaint channels were established for the case of breach of its Code of Conduct and / or its fiscal strategy. There are also established fiscal risk control procedures aimed at verifying the effective compliance of the Group's tax obligations.

The person in charge of the Tax Office appears periodically before the governing bodies with responsibilities in this area (Audit and Compliance Committee and Board), in order to report on the development of the Group's main tax data and the measures adopted for the management of fiscal risk.

Cooperation with tax administrations

BBVA maintains a cooperative relationship with the tax administrations of the countries in which it is present. In particular, and as regards Spain, it is adhered to the Code of Good Tax Practices (CBPT) approved by the Large Companies Forum on 20 July 2010, as an active member of the Forum.

In 2017, it proceeded to present for the first time on a voluntary basis, the so-called Annual Report on Fiscal Transparency for Companies adhering to the CBPT together with its declaration of the Corporation Tax of the previous year, thus incorporating into its action, the proposals for strengthening the good fiscal transparency practices of companies adhering to the Code, approved in plenary session of the Forum of Large Companies of 20 December 2016.

Likewise, BBVA adopted the Code of Practice on Taxation for Banks, an initiative of the United Kingdom that describes the approach expected by financial institutions in terms of government, tax planning and commitment with the British tax authorities, in order to encourage the adoption of best practices in this area. In 2017, BBVA published its [tax strategy for the United Kingdom](#) on its website.

Finally, as a financial entity, it holds the status of collaborating entity in the collection processes of those countries in which it is present.

Total tax contribution

BBVA is committed to providing full **transparency** in tax payments, which is why once more this year the Group has voluntarily disclosed all major tax payments in the countries where it has a significant presence, as it has done every year since 2011.

BBVA Group's total tax contribution (**TTC report**), which uses a method created by PwC, includes its own and third-party payments of corporate taxes, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year arising from tax litigation in relation to the aforementioned taxes. In other words, it includes both the taxes related to the BBVA Group companies (taxes which represent a cost to them and affect their results) and taxes collected on behalf of third parties. The Total Tax Contribution report gives all the stakeholders an opportunity to understand BBVA's tax payments and represents a forward-looking approach and commitment to corporate social responsibility, by which it assumes a leading position in fiscal transparency.

Global Tax Contribution (BBVA Group. Million euros)			
	2017	2016	2015
Own taxes	4,106	3,762	2,816
Third-party taxes	5,775	5,678	5,341
Total tax contribution	9,881	9,440	8,157

Offshore financial centers

BBVA maintains a **policy** on activities in entities permanently registered in offshore financial centers, which includes a plan for reducing the number of offshore financial centers.

In this respect, both from the OCDE and the Spanish regulation perspective, as of 31 December **2017**, the BBVA Group's permanent establishments registered in offshore financial centers considered tax havens are as follows:

- Branches of the BBVA Group's banks in the Cayman Islands,
- Issuers of securities in the Cayman Islands: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

1. Banking branch

As of 31 December 2017, the BBVA Group had a banking branch registered in the Cayman Islands engaging in corporate banking activities. The activities and business of this branch, which do not include the provision of private banking services, are pursued under the strictest compliance with the applicable law, both in the jurisdictions in which it is domiciled and in those where its operations are effectively managed, in this case the United States of America. At the end of 2016, the BBVA Compass branch in the Cayman Islands was closed.

Branch at offshore entities (BBVA Group. Million euros)

Main figures of the balance sheets	31-12-17	31-12-16	31-12-15
BBVA S.A. branch			
Loans and advances to customers	1,499	805	807
Deposits from customers	1,144	430	432
BBVA Compass branch			
Loans and advances to customers	-	-	-
Deposits from customers	-	-	100

2. Issuers of securities

The BBVA Group has four **issuers** registered in Grand Cayman, two of them from the Garanti Group.

Issues outstanding at offshore entities (BBVA Group. Million euros)			
Issuing entity	31-12-17	31-12-16	31-12-15
Subordinated debts ⁽¹⁾			
BBVA Global Finance LTD	162	188	347
Other debt securities			
Continental DPR Finance Company ⁽²⁾	59	102	152
Garanti Diversified Payment Rights Finance Company	1,879	1,760	1,617
RPV Company	1,262	1,457	1,496
Total	3,362	3,508	3,612

⁽¹⁾ Securities issued before the enactment of Act 19/2003 dated 4 July 2003.

⁽²⁾ Securitization bond issues on flows generated from export bills.

3. Supervision and control of the permanent establishments of the BBVA Group in offshore financial centers

The BBVA Group applies risk management **criteria and policies** to all its permanent establishments in offshore financial centers that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of the BBVA Group's permanent establishments in offshore financial centers, BBVA's **Internal Audit** Department checks the following: i) that their activities match the definition of their corporate purpose, ii) that they comply with corporate policies and procedures in matters relating to knowledge of the customers and prevention of money laundering, iii) that the information submitted to the parent company is true, iv) and that they comply with tax obligations. In addition, every year a specific review of Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centers is performed.

In 2017, BBVA's **Compliance and Internal Audit** departments have supervised the action plans deriving from the audit reports on each one of these centers.

As far as **external audits** are concerned, one of the functions of the Audit and Compliance Committee is to select an external auditor for the Consolidated Group and for all the companies in it. For 2017, all of the BBVA Group's permanent

establishments registered in offshore financial centers have the same external auditor (KPMG), except Continental DPR Finance Company.