

# BBVA's UK Tax Strategy

**Tax Strategy statement 2017**

London, December 2017

## Index

<b>1. Introduction .....</b>	<b>3</b>
<b>2. BBVA in UK.....</b>	<b>4</b>
<b>3. BBVA Tax Strategy.....</b>	<b>6</b>
<b>4. Our commitment to HMRC.....</b>	<b>9</b>
<b>5. Managing our tax risk .....</b>	<b>10</b>
5.1 Level of tax risks tolerance .....	10
5.2. Tax risks governance .....	10
5.3. Attitude of the group towards tax planning affecting UK taxation .....	11

# 1. Introduction

This document has been published in compliance with the provisions of the Schedule 19 - Finance Act 2016, and reflects BBVA's tax strategy in United Kingdom.

The following sections provide a vision of BBVA and its activities in United Kingdom, the global tax strategy of BBVA, as well as the commitments arising from this strategy with tax authorities, shareholders and other stakeholders. In these sections you will find:

- the approach of BBVA to risk management and governance arrangements in relation to UK taxation.
- the attitude of BBVA towards tax planning affecting UK taxation.
- the level of risk in relation to UK taxation that BBVA is prepared to accept.
- the approach of BBVA towards its dealings with HMRC.

## 2. BBVA in UK

Founded in 1857, BBVA is today a global financial group with a diversified business providing financial services in more than 30 countries to 72 million customers. It is a leading bank in the Spanish market and it is the biggest financial institution in Mexico. BBVA also has leading franchises in South America and the Sunbelt region in the U.S. It also has a significant presence in Turkey (through strategic investments in Garanti Bank) and operates an extensive network of branches worldwide. This balance between emerging and developed markets allows for revenue diversification and higher recurrent earnings. It is one of the top banks in the Eurozone in terms of ROE and efficiency. Globally, it has managed in 2016, more than 9,440 Mn € in taxes.

In UK, BBVA has a branch of Banco Bilbao Vizcaya Argentaria, S.A. the parent company of the entire group incorporated in Spain with limited liability. We are registered in the Commercial Registry of Vizcaya, Volume 2,083, Folio 1, Page BI-17-A, 1st entry. Tax Identification Number: A-48265169. We are subject to supervision by the Bank of Spain and enrolled in the Administrative Register of the Bank of Spain with number 0182.

We are also registered in England with Company No. FC014702 and Branch No. BR001254. Our registered office in England and Wales is: One Canada Square, 44th Floor, Canary Wharf, London E14 5AA. We are on the Financial Services Register of the Financial Conduct Authority (number 139228) and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority.

The primary business of BBVA in UK is aligned to the BBVA's Corporate Investment Banking business unit. To this respect, among others, the services offered by BBVA in UK are related to Global Markets (GM) like Foreign exchange, Rates, Credit, Equity Derivatives, Research, and Structured Solutions, Global Transactional Banking (GTB), Global Client Coverage (GCC), and Global Finance Services (GF). We also offer limited commercial banking (retail and institutional banking).

BBVA's purpose is **"To bring the age of opportunity to everyone"**, which is summed up by the tagline "Creating opportunities". 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.

BBVA's value proposition is built on the foundations of customer experience and trust, (i) helping customers to make the best financial decisions (in banking and other areas) via a clear, simple and transparent range of products and services, grounded on fair conditions and the principles of prudence and integrity in order to gain their trust, (ii) ensuring that services are accessible anytime, anywhere, and by the means of the customer's choosing, and (iii) supporting customers as they manage their finances daily, by proactively offering innovative and customized services.

### 3. BBVA Tax Strategy

The Board of Directors of BBVA approved the BBVA's Tax Strategy on July 1, 2015 and has been available since then on the corporate website.

BBVA's tax strategy is supported by and aligned with the following corporate principles

- ▮ **Integrity**, as a manifestation of ethics in everything the Group does and in all its relationships with stakeholders. In tax matters, this means respecting the rules, and cooperating with the different tax authorities within a relationship founded on good faith.
- ▮ **Prudence**, understood basically as a principle of due caution in taking on risk. BBVA always looks into tax implications as part of its decision-making process.
- ▮ **Transparency**, as a maxim that governs all activity. We must always give clear, true information, within the limits of legality. With respect to tax matters, this entails being transparent in the information we provide to our customers and the information we give to the other stakeholders regarding BBVA's own activities.

BBVA is thus committed to compliance with the following basic standards:

1. BBVA's tax decisions are linked to the payment of taxes in all jurisdictions where it engages in economic and business activities.
2. BBVA employs structures with sufficient economic substance, aligning its tax payment with effective business practices and the generation of value. Transactions in places considered tax havens respond effective business practices and generation of value. The objective of such transactions is not to shift profits to such jurisdictions in order to reduce BBVA's tax burden or obfuscate its transparency.

3. BBVA makes fair interpretations of tax regulations and the provisions of Double Tax Treaties.
4. BBVA has established a transfer pricing policy for all its transactions with related parties, whether people or corporations. This is presided by the principles of free competition, value creation and the assumption of risks and benefits.
5. The digital economy has transformed the economic relations and will continue to do so, altering the very fabric of productivity, growth and value creation. This has impacted the way domestic and international tax systems work. BBVA is taking active measures to adapt to this new environment, and to tackle the challenges of the digital economy in tax matters, incorporating its virtual presence in all jurisdictions into its evaluations of value generation.
6. BBVA endeavors to establish reciprocally cooperative relations with all the tax authorities with which it works as a consequence of its business activities. These relations are based on the principles of transparency, mutual trust, good faith and fairness.
7. For BBVA the payment of taxes, pursuant to applicable regulations, is an important part of its contribution to the economies of all the jurisdictions in which it operates.
8. BBVA endeavors to achieve clear, transparent and responsible communication of its main tax items, providing stakeholders information on the payment of all taxes applicable to it in each of the jurisdictions where it operates.
9. When designing and developing financial products, BBVA takes into account their tax implications for its customers and gives them relevant information, in a clear, transparent and responsible manner, to help them meet their tax obligations.

10. The ongoing implementation of the aforementioned principles described governing the Group's tax-related activities will be the responsibility of the BBVA Tax Department.

This department will establish the internal standards and control mechanisms required to meet prevailing tax regulations and pursue said principles.

This responsibility will cover all the countries and jurisdictions in which BBVA is present and will touch upon all the businesses and areas in which it is engaged. This will allow the Group to achieve coherent management of its tax positions as an integral part of managing its overall exposure to risks.

For this purpose, the Tax Department will be supported by qualified human resources and the material and functional resources it may need to achieve the objectives pursued by this document.

Thus, the different areas and businesses must act in line with the aforementioned internal standards and, in particular, with the Standard Framework of Tax Control, compliance with which will periodically be reported to BBVA's governing bodies.

As we have mentioned, this Tax Strategy covers all the countries and jurisdictions in which BBVA is present and touches upon all the businesses and areas in which it is engaged. This implies that the above principles and strategy are [fully applicable in the United Kingdom](#) covering all the activity of the branch, all its business and commercial relations.



## 4. Our commitment to HMRC

Based on the principles of transparency, mutual trust, good faith and fairness, we maintain an open, collaborative and transparent relationship with the tax authorities in all territories where we are present, and in particular as regards United Kingdom, with HMRC.

We understand this relationship as mutually cooperative and directed to the best fulfillment of our tax obligations. In this sense, BBVA has adopted the “[Code of Practice on Taxation for Banks](#)”, an initiative launched by HMRC. The Code describes the approach expected of banks with regards governance, tax planning and engagement with HMRC and it aims to encourage banks operating in the UK to adopt best practice in relation to their tax affairs.

We are committed to the HMRC in full compliance with the obligations that derive from the aforementioned code;

- Disclosing fully the significant uncertainties in relation to tax matters.
- Focusing on significant issues.
- Seeking to resolve issues before returns are filed whenever practicable.
- Engaging in a co-operative, supportive and professional manner in all interactions.
- Working collaboratively to achieve early resolution and hence certainty.

Our commitment is also reflected in our active participation in different national and international initiatives aimed at ensuring tax compliance in accordance with the letter and spirit of the law, among others, we have 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. The purpose of the Code is to promote a co-operative compliance relationship between the Spanish Tax Revenue Agency and the companies that sign, build over the principles of transparency and mutual trust.

## 5. Managing our tax risk

### 5.1 Level of tax risks tolerance

In accordance with the values of integrity, transparency and prudence indicated above, BBVA has a low level of tolerance to tax risk, managing its tax affairs in a prudential way and applying internal control mechanisms.

### 5.2. Tax risks governance

The Tax Department is entitled to establish the control mechanisms and internal rules necessary to ensure compliance with the tax laws in force and the tax strategy approved by the Board of Directors. For this purpose, BBVA has defined a tax-related risk management policy based on a suitable control environment, a system for identifying risks and a monitoring process including continuous improvement of the effectiveness of the established controls. This implies, among other aspects, the active participation of the Tax Department in

- Decision-making committees. In particular, a quarterly tax committee has been established to discuss relevant tax issues for the London Branch. The committee brings together members of the tax departments from the branch and Madrid's head office. It can escalate matters and decide on actions to apply.
- Ensuring that we comply with both, letter and spirit of the tax law.
- Ensuring that we comply with our Tax Strategy.
- Ensuring that we consult with HMRC and/or external advisors where necessary.

BBVA has also a system for scaling up tax matters to the bank's management bodies (Board of Directors and Audit Committee) to which it reports periodically.

The control mechanisms, policies and processes implemented by BBVA affect the entire organization, business units, activities and employees. In this sense BBVA has included in his “**Code of Conduct**” (mandatory for its employees), specific provisions in tax matters in order to assure that BBVA fulfill its tax obligations adequately and avoid any practices which involve the illicit avoidance of tax or which might adversely impact Public Funds.

### **5.3. Attitude of the group towards tax planning affecting UK taxation**

- BBVA's Tax policies are based on compliance with both the spirit and the letter of the Law.
- Our strategy is based on the action plans of the BEPS project.
- We do not perform or participate in aggressive tax planning operations.
- Consequently, BBVA does not seek in its activities or operations the artificial minimization of its tax burden.