

**TOTAL TAX CONTRIBUTION
OF THE CAIXABANK GROUP**
THE FINANCIAL YEAR 2017



1. INTRODUCTION

1.1. Social commitment in CaixaBank's Business

The social commitment that characterises CaixaBank's business is embodied in responsible tax management that contributes to sustaining public funds that provide the infrastructures and public services that are essential for society to develop and progress.

1.2. CaixaBank's Contribution to the Public Treasury

CaixaBank effectively pays the taxes directly levied on its corporate business as a taxpayer and it contributes, in its position as a collaborating institution of the tax authorities, by collecting taxes from third parties and paying them into the public treasury.

CaixaBank's Contribution to the Public Treasury

- **Payment of taxes and duties by CaixaBank**
Among these, direct taxes (Corporation Tax, Business Tax and Property Tax), indirect taxes (non-deductible VAT amounts, Property Transfer Tax and Stamp Duty (ITP-AJD)) and its social security contributions (employer's share).
- **Collection of taxes and duties payable by third parties to the public treasury due to their economic relationship with CaixaBank**
Such as personal income tax withholding in payrolls and payment of interest and dividends, their social security contributions (the workers' share) and the VAT payable to the tax authorities.
- **Assisting in the collection of taxes and duties on behalf of the State and for the treasuries of the Autonomous Communities and local governments**
Through its network of branches, ATMs and online service.

2. OBJECTIVE

Traditionally, companies (among these the CaixaBank Group) include tax information in their financial statements strictly according to the reporting models required by commercial and accounting regulations. In this respect, the public tax information is basically focussed on the corporate income tax expense, when this tax is one of the various duties and charges levied on the corporate business.

The total tax contribution exceeds this informative approach by including the amount of the various social duties and charges that the institution and its Group directly contribute to sustaining the public treasury by carrying out their business, either because they are directly paid and incurred by the Group or because they are taxes collected on behalf of the public authorities due to the group's business activity.

3. AMOUNT OF CAIXABANK GROUP'S CONTRIBUTION

3.1. Taxes paid and collected

The CaixaBank Group took over the BPI Bank Group in the financial year 2017. This take-over has meant that the presence of the business in Portugal must now be added to the traditional operation of the business in Spain as a reference jurisdiction, as the second jurisdiction with greatest importance for such purposes, including taxes paid and collected.

In Spain, the total tax contribution of CaixaBank's business amounted to 1,941 million euros, of which an amount of 780 million euros was for taxes effectively paid in its position as a taxpayer and 1,161 million euros for taxes collected by CaixaBank on behalf of the various Spanish tax authorities.

CaixaBank has four branches abroad; specifically, in Poland, Morocco (with 3 operating offices), the United Kingdom and Germany⁽ⁱ⁾. In addition, CaixaBank has 17 representative offices through which it does not conduct any banking activity but rather provides information about the institution's services in the following countries: Germany⁽ⁱⁱ⁾, Algeria, Brazil, China (2 offices), Chile, Colombia, Egypt, the United Arab Emirates, the United States of America, France, Hong Kong, India, Italy, Peru, Turkey, Singapore and South Africa.

CaixaBank pays its taxes in the countries where it operates; however, the bank performed almost all its business in Spain in 2017. CaixaBank, S.A. branches recorded a total amount of taxes paid and collected of 3.9 million euros, of which 1.4 million euros corresponded to Poland, 1.9 million euros to Morocco, and 0.6 million euros to the United Kingdom⁽ⁱⁱⁱ⁾.

CaixaBank also pays its taxes in the countries where it has representative offices. This mainly involves taxes related to employees recruited in such countries.

In 2017, the BPI Bank Group in Portugal was taken over. The BPI Bank Group carries out almost all of its business in Portugal. The total tax contribution of the BPI Bank Group amounts to 363 million euros, of which an amount of 104 million euros was for taxes effectively paid by the BPI Bank Group in its position as a taxpayer and 259 million euros for taxes collected by the BPI Bank Group on behalf of the various tax authorities.

The figures that make up the total tax contribution are not specifically recorded in the annual accounts because the tax contribution is based on a cash flow approach of all the taxes levied in the banking activity, instead of the profit and loss approach of the annual accounts.

The aggregate data of the taxes paid and collected by the CaixaBank Group (including the BPI Bank Group) are as follows:

(In millions of euros)

| | |
|----------------------------------------|--------------|
| Total taxes paid | 884 |
| Direct taxes | 44 |
| Indirect taxes | 378 |
| Social security payable by the company | 462 |
| Total taxes collected | 1,420 |
| TOTAL TAX CONTRIBUTION | 2,304 |

The amount of taxes paid is directly adjusted by the fact that the CaixaBank Group has unused tax credits that have an impact on the payment of current and future corporation tax. These tax credits stem from the last economic crisis that occurred in Spain and the successive take-over of Spanish companies affected by this crisis by CaixaBank between the financial years 2011 and 2015.

For the purpose of comparing the total tax contribution amounts, it is useful to bear in mind the following considerations:

- The consolidated profit after taxes of the CaixaBank Group in the financial year 2017 amounted to 1,663 million euros.
- In the financial year 2017, the Total Tax Rate^(iv) for the CaixaBank Group was 29.6%.

3.2. CaixaBank as a collaborating institution in managing taxes and social security contributions

CaixaBank undertakes an important social duty as an institution collaborating with the tax authorities of the State, the Autonomous Communities and local governments, along with the general treasury of the Spanish social security. CaixaBank collects duties and social contributions by third parties and pays any tax rebates ordered by these authorities to such third parties.

By performing such duties in the financial year 2017, it managed collections and payments for the aforementioned public authorities (exclusively related to duties and social security contributions) for an amount of 57,680 million euros and 27,140 million euros, respectively.

Furthermore, CaixaBank cooperates transparently and proactively with the public authorities to prevent tax evasion and fraud. In 2017, our own resources and means were assigned to the investigation of a fraud, dealing with more than 2,700 requests for information from the Spanish Authorities and ensuring the rights of the Spanish Treasury with more than 2,000 seizures processed at the request of the Spanish Authorities.

4. ADDITIONAL ISSUES

The tax contribution of the CaixaBank Group is not only limited to the taxes paid or collected. There are group decisions that affect the scope of the tax contribution, which we believe may be of interest to CaixaBank's customers and the general public. We outline below some additional issues that we have considered relevant in this respect.

4.1. Voluntary Codes of Best Tax Practices

CaixaBank voluntarily applies the Code of Best Tax Practices in Spain. This code was approved by the Large Companies' Forum and contains a series of recommendations, voluntarily undertaken both by the Spanish tax authorities (AEAT) and companies, aimed at improving the tax system by increasing legal security, reciprocal cooperation based on companies' good faith, legitimate trust and application of responsible tax policies that are reported to the governance bodies.

CaixaBank is a voluntary member and actively collaborates with the Large Companies' Forum. The Spanish tax authorities and the main large taxpayers belong to the Forum in order to extend and develop the cooperative relationship model through a space where they can jointly analyse the main tax issues by sector.

Moreover, CaixaBank through its branch in London, voluntarily applies the Code of Best Tax Practices for Banks, promoted by the tax authorities of the United Kingdom.

4.2. Tax havens

The position of CaixaBank with regard to tax havens reflects the principles of its Code of Ethics, Tax Strategy and Policy on the Control and Management of Tax Risks. Therefore, CaixaBank considers a tax haven as any jurisdiction or territory deemed as such by the regulations in force that are applicable to CaixaBank's business.

As a general action principle, CaixaBank avoids performing its business in jurisdictions that are classified as tax havens. A prior analysis of the economic reason is required along and an additional decision of CaixaBank's governing bodies must be adopted for the incorporation of an entity based in territories classified as tax havens. Currently, CaixaBank has no direct holdings in any companies established in territories that are considered tax havens.

The BPI Bank (hereinafter referred to as BPI) became part of the CaixaBank Group in February 2017, the total holding of CaixaBank in BPI being 84.5%. Both groups have worked throughout 2017 to align the risk appetite, consolidate information and apply best practices in risk management, control and governance at a corporate level. BPI had a stake in two institutions resident in the Cayman Islands: BPI Cayman Bank Ltd. and BPI Capital Finance Ltd. This territory is considered a tax haven according to the Spanish legal system.

The activities carried out in this territory were not materially significant, furthermore, they were discontinued between 2017 and the first 6 months of 2018. These BPI holdings corresponded to real economic reasons and the relevant tax was paid in Portugal, however it is currently considered this business should be discontinued from a strategic point of view.

4.3. The CaixaBank Group's business in Luxembourg

Luxembourg has become a reference jurisdiction in the financial sector for various reasons. The main reasons are the efficiency achieved in financial matters due to its specialisation in investment products, which enables it to offer attractive returns on investment, and its high level of legal security based on the prompt implementation of the regulations as well as the stability of its legal system.

These reasons have led the CaixaBank Group to adopt a decision to expand and export the offer of investment services to Luxembourg in order to operate on a global reference market for investment management, allowing it to reach more potential international and national customers compared to what it would do if it were only rendering services from Spain.

This business, like all business carried out by the CaixaBank Group, is developed with full transparency and is subject to the inherent control of a business regulated and supervised by bodies subject to European and common international regulations. The investors are informed and known by the tax authorities so that they fulfil their relevant tax obligations within a fully transparent framework. It should be noted that BPI also rendered investment services on the Luxembourg market prior to becoming part of the CaixaBank Group.

4.4. Interpretation of the tax regulations

Taxes are paid by complying with the tax obligations required by tax regulations. CaixaBank's interpretation of the tax regulations takes into account the intentions of the legislator and the underlying economic reasonability.

CaixaBank's interpretation of the tax regulations is also checked by tax advisors with recognised prestige in the matter when the complexity or importance of the issues requires this and even clarification is requested from the tax authorities when this is considered necessary.

The tax decisions adopted due to these interpretations are subject to subsequent review by CaixaBank's external auditors. In order to ensure the independence of the CaixaBank audit, the institution does not contract the same professionals that audit its accounts as tax advisors.

Lastly, and based on the reasonability of the interpretation of the tax regulations by fulfilling the tax obligations, the tax inspection unit verifies fulfilment of the tax obligations. The traditional low-risk tax profile that characterises the tax decisions adopted by CaixaBank Group results in limited significance of the tax adjustments.

In conclusion, CaixaBank's interpretation of the tax regulations results in a fair and reasonable tax contribution in accordance with the applicable legal taxation system.

(I) The branch in Germany was opened at the end of the financial year 2017.

(II) The representative office in Germany closed at the beginning of the financial year 2017.

(III) For further information, see the Consolidated Annual Accounts of the CaixaBank Group, Annex 6 – Annual banking report – and the management report of the CaixaBank Group.

(IV) The total tax rate is calculated as the percentage of the total tax paid (884) of the profit before these taxes (the result of adding the taxes paid to the book profit before taxes(2,097)); $884/(2,097 + 884) = 29.6\%$