

Public Country-by-Country Reporting: Data of EU Systemic Banks

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This note presents the public Country-by-Country Reporting data banks in the EU. The data has been collected from 2014 to 2020 for 36 systemic EU banks headquartered in 11 different EU countries. The variables included in the reporting are: Revenue, Profits before tax, taxes and number of employees. All values are in EUR million. As the CbCR data is new, the data has limitations and a number of modifications or suggestions in using this database are detailed in this note. Effective tax rates are also computed and provided at the country and bank level.

Please cite the following sources when using the data:

-Barake, M. (2022). Tax Planning by European Banks, mimeo

-Aliprandi, G., Baraké, M., & Chouc, P. E. (2021). Have European Banks left tax haven? Evidence from country-by-country data

-Barake, M. (2020). Essays on tax havens and tax avoidance (Doctoral dissertation, Université Panthéon-Sorbonne-Paris I)

Introduction

Since 2015, country-by-country reporting became obligatory for financial institutions operating in EU countries under the Article 89 of the 2013/36/EU - Capital Requirements Directive IV. EU Member States require financial institutions to disclose publicly information on a consolidated basis for the financial year. This includes the activity of all their affiliates (subsidiaries and branches) on a country-by-country basis for the following items: turnover (net banking income), number of employees (on a full-time equivalent basis), profit or loss before tax, tax on profit or loss, and public subsidies received.

The constructed database uses information made available by this reporting obligation for banks in the EU. This includes reported information by 36 systemic banks headquartered in eleven European countries (i.e. Austria (1), Belgium (1), Denmark (1) France (6), Finland (1), Germany (7), Italy (3), Netherlands (3), Spain (5), Sweden (4), and the United Kingdom (6)), and operating in up to 90 jurisdictions worldwide.

The 36 banks detailed names included in the database are the following: ERSTE group, KBC Bank, Danske Bank group, Nykredit Realkredit Group, Nordea Bank Abp, Crédit Agricole SA, Société Générale Group, BNP Paribas Group, Groupe BPCE, Groupe Crédit Mutuel, Deutsche Bank Group, DZ Bank Gruppe, Helaba Group, LBBW Group, Commerzbank Group, Norddeutsche Landesbank (Nord LB), Bayern LB, Intesa Sanpaolo, Unicredit Group, Monte dei Paschi di Siena Group, ING Groep NV, ABN AMRO Group N.V, Rabobank Group, Banco Bilbao Vizcaya Argentaria (BBVA), Banco Santander Group, Bankia BFA, Banco Sabadell, Handelsbanken, Skandinaviska Enskilda Banken AB

(SEB), Swedbank, Standard Chartered PLC, Barclays PLC, HSBC Holdings PLC, Royal Bank of Scotland (RBS), Lloyds Banking Group, Nationwide Building Society.

The list of systemic banks is updated by the European Banking Authority (EBA) and can be found at the EBA's website: <https://www.eba.europa.eu/risk-analysis-and-data/global-systemically-important-institutions>. La Caixa bank was not included in the systemic bank data due to missing values in profits before tax.

Methodology

The data have been collected manually either from annual reports or from country-by-country reports filed separately by banks each year. They were then compiled in a unified dataset. Overall, the analysis spans all years of obligatory reporting, 2015 to 2020 plus one earlier year 2014. For each bank and each year, the report with country-by-country information should be extracted either directly in the annual report of the bank or in a separate document found on the website of the bank. Once the report is retrieved, the currency has to be checked as the banks report in different currencies: Euro, pound sterling, US Dollars, Danish krone, Swedish krone. Since most of the banks were reporting in Euro, the whole database was converted into Euro. Some banks report in thousands and some other in millions of euros, therefore the values were all converted to million of euros. Another aspect to look out for when retrieving the raw data is the sign of the variable "Taxes". Some banks report "taxes" as an expense in the CbCR data with a negative sign for taxes paid and positive sign for taxes received. Some other banks report taxes as an expense but with a positive sign for taxes paid and negative sign for taxes received. The data was harmonized in a way where there is no sign for taxes paid and a negative sign for taxes received.

It should be noted that reports were retrieved for all banks in our sample except for RBS 2014 and Standard Chartered 2014. Also, the LBBW 2014 report was incomplete, reporting only the net banking income and number of employees. In order to have a balanced database, the missing variables were imputed for these 3 banks in 2014. For RBS 2014, data were imputed by multiplying by a growth factor using 2015 data. This factor was calculated based on the growth rate for each variable. The pre-tax profits were calculated by multiplying by 1.45 and the other variables are calculated by multiplying by 1.1. For Standard Chartered 2014, data were imputed by multiplying by a growth factor using the 2013 data. A growth rate of 1.18 was used for the different variables. For LBBW 2014, profits before tax and taxes are the missing variables to be computed. The profits before tax were imputed from the ratio between the net banking income and pre-tax profits using reporting in other available years. Specifically, an average ratio of 0.4 was used for profits before tax. For the corporate taxes paid, the mean effective tax rates for each partner countries were calculated, then multiplied by the imputed profits before tax.

Limitations

The data are reported on a consolidated basis and present a satisfactory level of homogeneity across banks and years for the purpose of our analysis. However, some limitations stem from the primary data reporting process, which relies on the banks themselves.

- Depending on the banks' operational structure, some banks include intracompany dividends, especially for parent jurisdictions.
- Some reporting excludes intracompany transactions, whilst other includes only cross border and yet other excludes them entirely.
- Some banks report income tax expense while others report taxes paid. The constructed database only reports one tax variable. Whenever the total tax expense is reported along with taxes paid, taxes paid were the variable selected.
- Some banks were reporting two jurisdictions as one observation (e.g. China and Hong Kong). For these cases, the variables were divided equally by the number of jurisdictions reported by the bank.
- This database does not include the variable "subsidies received" that is required in the public country by country reporting of banks.
- Null values in reports. For some affiliates variables were left blank or reported with null values. These have been replaced by zeros which should be carefully interpreted.
- Some taxes and profits have time misalignment which can appear in the form of a tax deduction or tax credit in the following year of an exercise. For instance, Monte Paschi profits in Luxembourg were adjusted for 2017 and 2018 according to an explanatory footnote they provide in the CbCR report of 2018. The reason for this adjustment is that some profits appear in Luxembourg in 2018 even though they should have been offset by losses in 2017. This is what they refer to as timing misalignment. Another case about mismatches with taxes: the payment of taxes for HSBC in Hong Kong in 2019 was reported in 2020. Therefore, it would be best to readjust taxes paid in 2019 and 2020 to account for underreporting in the former and overreporting in the latter year. These can be readjusted by multiplying the earnings before tax by the average effective tax rate of 11% in 2019 and 2020.

Further general remarks

- RBS became NatWest bank starting from 2020
- Nordea changed its HQ from Sweden to Finland in 2018
- Caixa and Bankia have merged in 2021

Effective Tax Rates

Based on the banks country-by-country database, four different Effective tax rate estimations are provided. All ETRs calculations exclude negative profits but include negative taxes (tax credit). All ETRs are winsorized at a 5% level.

- Effective tax rate (ETR) by country and year

It presents a series of effective tax rates for all countries used by the banks over the period 2014 to 2020. It is calculated using taxes and profits aggregated at the country level for each year.

$$ETR_{it} = \frac{\sum Taxes_{it}}{\sum Profits_{it}}$$

- Average ETR by country

It presents average effective tax rates for countries used by the banks over the 7 years in the sample 2014-2020. Taxes are aggregated by each country over the 7 years as well for the profits.

$$ETR_i = \frac{\sum Taxes_i}{\sum Profits_i}$$

- ETR by bank and year

It presents effective tax rates that are specific for each bank over the years. Taxes and profits are aggregated by each bank and year in order to estimate the ETR in that case.

$$ETR_{kt} = \frac{\sum Taxes_{kt}}{\sum Profits_{kt}}$$

- Average ETR by bank

It presents average effective tax rates specific to banks for the period of the sample 2014-2020. Taxes and profits are aggregated by

$$ETR_k = \frac{\sum Taxes_k}{\sum Profits_k}$$

Appendix

Table A1. List of banks in the sample by headquarter

Headquarter	Bank name
Austria	ERSTE
Belgium	KBC Bank
Danmark	Danske Bank Nykredit Realkredit
Finland	Nordea
France	Crédit Agricole Société Générale BNP Paribas BPCE Crédit Mutuel
Germany	Deutsche Bank DZ Bank Helaba LBBW Commerzbank Nord LB Bayern LB
Italy	Intesa Sanpaolo Unicredit Monte dei Paschi
Netherlands	ING Abn Amro Rabobank
Spain	La Caixa BBVA Banco Santander Bankia BFA Banco Sabadell
Sweden	Handelsbanken SEB Bank Swedbank
United Kingdom	Standard Chartered Barclays HSBC RBS Lloyds Banking Group Nationwide