

Presentation of the 2020 Annual Report

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This report is the fourteenth **Annual Comprehensive Report of Grupo BBVA México**, which shows the result of the effort and work of all employees throughout the year. The information and results presented correspond to the Institution's performance on the issues of **greatest relevance to stakeholders and the Group's contribution towards a sustainable future**. The areas in charge of preparing the Annual Report are Investor Relations and Corporate Responsibility and Reputation.



Report from the Chairman of the Board of Directors

GRI 102-14, 102-15

Distinguished shareholders,

2020 was an unprecedented year: our country has experienced never-before-seen health challenges in an environment of economic contraction and volatility.

For Grupo BBVA México, the priority was and will continue to be to contribute to the health and general well-being of our clients and collaborators. The BBVA Foundation donated MXP 470 million as seed capital to the initiative Together for Health (*Juntos por la Salud*) for the purchase of medical protective equipment and supplies, breathing equipment and training for medical personnel. By joining forces with our Regional Directors and with the valuable participation of our staff, we were able to obtain more than MXP 720 million, benefiting 700 hospitals in the 32 states.

The BBVA Foundation donated MXP 470 million as seed capital to the initiative Together for Health.

Despite the pandemic, promoting education in Mexico continued to be one of Grupo BBVA Mexico's priorities. Supporting young people in their education to generate better opportunities for individuals, society and companies, is to bring everyone closer to the opportunities of this new era. For this reason, in 2020 we supported 40,685 students with scholarships for mid-school to university levels. In addition, 5,055 employees volunteered in the scholarship mentoring program, which is a fundamental part of the BBVA Scholarship program.

We supported 40,685 students with scholarships for secondary to university levels.

In business matters we also support our clients, offering the deferral of payment of principal and/or interests of their loans for up to 6 months and suspending the collection of some fees, benefiting 1.4 million clients and supporting 25% of the total loan portfolio. In addition, we continue with strict security protocols in offices and branches, and awareness campaigns to minimize the contagion rate in our facilities.



1.4 million clients supported with payment deferral and/or collection suspension plans; **25% of the total portfolio.**

At Grupo BBVA México, we continue our effort to integrate the population into the digital age of financial services. We launched the BBVA Empresas app, focused on offering a service that empowers our SME and Large Company clients from their mobile devices, taking care of their health and putting the bank at their fingertips.

Committed to the Sustainable Development Goals, we promote banking and financial education through digital and face-to-face workshops and through our application. Also, we collaborate in the dispersal of four government social programs. We covered more than 3 million beneficiaries.

We support entrepreneurship with social and environmental impact, benefiting 100 companies, which were provided with support, acceleration and financing. We promote the banking and digitization of SMEs in Mexico with ad hoc solutions through the "Banco de Barrio" initiative.

In 2020 we deepened our Group Sustainability Policy and created the Global Sustainability Office with the aim of promoting and coordinating sustainable development initiatives in all our geographies.

Grupo BBVA México was the leading underwriter in the issuance of the inaugural green bond of the real estate investment trust, which is the first green bond issued by an entity of this type, denominated in dollars and issued in Mexico. We also placed a social gender bond that is a great milestone as it is the first bond focusing on gender equality in the country. The resources obtained by these bonds are aimed at financial inclusion and access to financing for women in the agricultural sector.

The Global Sustainability Office was created, and the **Group's Sustainability Policy** strengthened.

Also, Grupo BBVA México was recognized by Universum with sixth place in the ranking of best employers in Mexico and the number one company for youth employment by Employers for Youth. In addition, we maintained the leadership in brand power, growing 260 bps vs. 2019 and with a 950 bps advantage vs. the next competitor. For the fifth consecutive year, we obtained the first place in customer service, and the first place in the User Service Performance Index (*Índice de Desempeño de Atención a Usuarios*, IDATU), an index that allows knowing the efficiency of financial institutions in response to complaints that users present to the CONDUSEF. These results were possible thanks to a strategy consistent with our purpose: "to make the opportunities of this new era available to all."

Grupo BBVA México placed **a green bond and a social gender bond**, which is a great milestone being **the first of their kind in the country.**

Day by day we continue working on the transformation of bank services, striving to be recognized as the company that offers the best financial products and services in the country. During 2020 we obtained the following recognitions:

- Bank with greater social responsibility and better corporate governance in the country, by the Business Monitor of Corporate Reputation (*Monitor Empresarial de Reputación Corporativa*, Merco) ranking
- Best bank and best provider of foreign trade financing by Global Finance magazine.
- Best bank in the country by Euromoney, for its financial results and for its leadership in digital transformation
- Best offer of mortgage products and services in the country by Euromoney, being the bank with the highest number of mortgages granted in Mexico
- One of the best SME banks in the world by the Global SME Finance Forum 2020 (SME Bank of the Year)

I invite you to read our Annual Report and to join as agents of change that inspire us to become a better country.

Sincerely,

Jaime Serra Puche
Chairman of the Board of Directors of BBVA México

Report of the Vice Chairman of the Board of Directors and Director

GRI 102-14 and 102-15

Business Evolution, Fiscal Year 2020

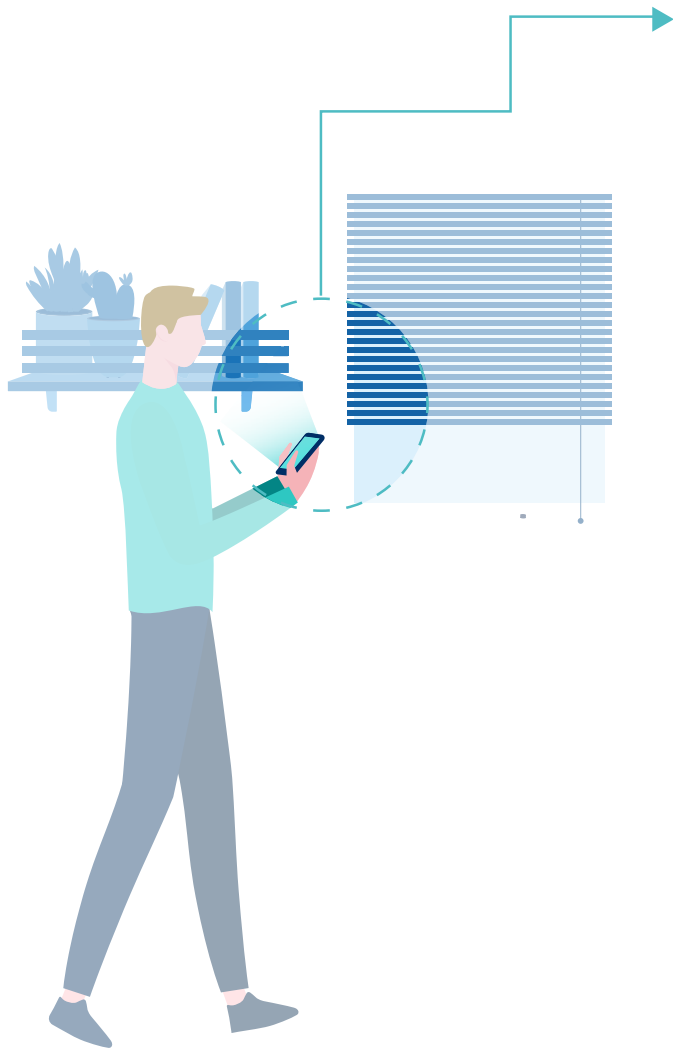
The year 2020 proved to be one of the most complex in recent decades, beyond any expectation we could have imagined, as we are experiencing the worst global health crisis in more than a century due to the pandemic caused by the COVID-19 virus. In Mexico, as in the rest of the countries of the world, the closure of non-essential economic activities to favor health generated a strong contraction in the economy.

At Grupo BBVA México, we have it clear, every crisis is a time of change and always brings opportunities. For this reason, in 2020 we demonstrated our broad capacity for adaptation, reaction and flexibility to get ahead, providing solutions to problems, and putting, at all times, the health of our clients and collaborators as the main priority.

MXP 720 million raised for the purchase of medical supplies and equipment, ventilators, **training of medical personnel and expansion of hospital capacity.**

We provide financial support to our clients by deferring the payment of principal and/or interest on the loan for a period of 4 to 6 months. Also reaffirming our commitment to Mexico, we donated MXP 470 million through Fundación BBVA México as seed capital. Our collaborators, in an unprecedented effort, through the '1 Day of Salary' initiative joined in contributing MXP 25 million. The valuable contribution of our Regional Boards added an additional 225 million, achieving a total of MXP 720 million, used for the purchase of medical material and equipment, ventilators, training of medical personnel and expansion of hospital capacity (of the INER together with the Red Cross). These initiatives have benefited more than 55 thousand patients affected by COVID-19 and have made it possible to donate 1,223 ventilators for patients in medium and intensive care and 698 thousand comprehensive protection medical kits to protect health personnel in the first line of defense against COVID-19.





12.1 million
digital clients; 25% increase
compared to 2019.

Faced with the new environment, one of our great strengths was the robust digital offer which are the result of the constant investment and transformation done during previous years. In 2020, the number of financial transactions exceeded 1.7 billion transactions, 45% were made through our mobile application or the website, compared to 31% the previous year. At the end of 2020 we had 12.1 million digital clients, an increase of 25% compared to 2019. This means that 53.7% of our total client base uses our digital channels. The foregoing is also reflected in our digital sales, reaching 62.8% of product origination executed through our digital channels.

To strengthen our digital offer, during 2020 we continue to integrate new products and functionalities to our already robust "BBVA Mx App." From January to December 2020, mobile clients using our App increased by more than 2.4 million. We also launched the "BBVA Empresas App" aimed at legal entities from small and medium-sized companies to large companies, which allows clients to manage and administer their business from their cell phone. Since its launch in June 2020, more than 125 thousand clients already use this application on a daily basis.

In terms of sustainable economies, at BBVA we continued to make progress in 2020, when the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. approved the Sustainability Policy, which defines and establishes the general principles and management objectives to be followed by all the Group's geographies in terms of sustainable development. This seeks to promote the development of sustainable solutions, identify opportunities and offer advice for private clients and companies. Although the opportunity is still great, at Grupo BBVA México we have developed credit products that provide benefits to our clients and that revolve around sustainability, such as:

- I. Individual credit products: financing for the acquisition of hybrid and electric cars, financing for solar panels and green mortgages, among others. At the end of 2020, this portfolio stood at MXP 1,433 million.
- II. Products to Companies: green financing for companies, letters of credit, leases and green bonds, among others. At the end of 2020, this portfolio exceeded MXP 12,000 million.
- III. Insurance: we are starting the offer of green insurance starting with hybrid and electric cars.
- IV. Intermediary in the placement of sustainable Bonds for MXP 18,300 million.

62.8% of product
origination is executed
through our digital channels.

As for the financial performance of the business, like the rest of the economic sectors, the financial sector was also affected by the effects of the pandemic.

However, at Grupo BBVA México we closed the year with a current loan portfolio balance of MXP 1,211,829 million, a level similar to the end of 2019 with a marginal decline of 0.5%. We consolidated our leadership position in the performing loan portfolio with an increase in market share of 34 basis points (bps) to close December 2020 at 23.4% according to figures from the National Banking and Securities Commission (CNBV).

The commercial loan portfolio fell 0.9% in annual terms, impacted by advance payments from medium sized companies and corporations in the fourth quarter of 2020, given the high liquidity observed in the last quarter of the year, reversing the use of their credit lines during the first half of the year. An annual growth of 12.4% in government loans stand out, this derived from our strategy of actively participating with the States and the Federal Government with more agile proposals and competitive conditions. On the other hand, loans to individuals showed a slowdown as a reflection of the economic downturn. In detail, those

MXP 1,211,829 million,
performing loan portfolio balance
at the end of 2020.

7.7% increase **in the mortgage financing balance** compared to the previous year.

most impacted by the pandemic have been consumer loans and credit cards, which, together, registered a decline of 6.0% in annual terms. The mortgage financing showed solid dynamism with a balance 7.7% higher than in 2019, driven by lower interest rates.

Regarding asset quality, although there is a slight increase, it has been possible to control the evolution of the non-performing ratio, which registered an annual increase of 80 bps, standing at 3.0% at the end of the year. The foregoing mainly as a result of the completion of the support programs, in some cases, refinancing our client's loans according to their new financial possibilities. The non-performing loan coverage ratio remained relatively stable in the annual comparison, closing the year at 128.7%.

On the resources side, the promotion of savings among our clients reflected in the increase of bank deposits (demand + total term) of 12.8% in annual terms. Demand deposits being the most dynamic with an annual growth of 17.4%. This has allowed Grupo BBVA México to also consolidate leadership position in bank deposits, registering a market

share of 22.6%, an annual increase of 27 bps, according to public figures from the CNBV at the end of December 2020.

At the end of 2020, we registered a net profit of MXP 42,860 million, equivalent to a decrease of 24.8% compared to 2019. This is mainly explained by lower income related to the application of support programs and the prudential creation of additional reserves to cover a possible deterioration of the loan portfolio. This was partially offset by our strategy of maintaining tight control over spending to mitigate the impact of lower revenues.

The financial margin in the year shows a decline of 1.1% with respect to the previous year, explained by a change in the mix of the portfolio with greater weight towards the wholesale segments and the reduction of 300 bps in the benchmark rate in the last twelve months. Derived from the creation of prudential reserves to face the current crisis, the financial margin adjusted for provisions shows a decrease of 12.8% compared to 2019. Commissions and fees fell 5.3% in the year mainly due to a lower level of transactionality of our clients with credit and debit cards. Additionally, an increase was observed in operations through the mobile channel which, for individual clients, this services does not generate commission for its use.

Trading income shows a 3.0% decrease compared to the previous year, mainly explained by the result of the valuation of derivative financial instruments. In 2020, as a result of the health crisis, we allocated significant resources to the purchase of hygienic and health supplies to maintain the highest standards of safety and control in our work centers. However, we remain focused on maintaining strict control of expenses, showing a growth of 1.9% compared to 2019, which was below inflation. Thus, the efficiency ratio (measured as expenses among revenues) was 38.07% at the end of December 2020, 176 bps higher than the previous year, impacted by the reduction in revenues.

At Grupo BBVA México, we face a complex environment with high levels of solvency and liquidity. The capitalization index closed the year at 17.5%. The recurrence of income was reflected in the constant generation of organic capital, which allowed Grupo

We consolidated Grupo BBVA México's leadership position in bank deposits by registering **a market share of 22.6%;** **a 27 bps increase with respect to the previous year.**

192 bps increase
in the total capital index compared to the previous year's result.

BBVA México to increase the total capital ratio by 192 bps compared to the 15.60% registered in December 2019. Liquidity levels remain solid and at strong levels to continue growing our loan portfolio. The liquidity ratio, defined as Liquid Assets/Liquid Liabilities, was 76.8%. The Liquidity Coverage Ratio (Local LCR) stood at 190.49%.

At Grupo BBVA México it is clear that the future is not what is to come, but the result of our past and present decisions, of recognizing and thanking each

of the members of this great team for their work and commitment shown in 2020. We closed a cycle to open the way to a new opportunity and celebrate the fact that we are present to continue supporting our clients and the country in the role that corresponds to us, being an essential economic activity for the country. We cannot allow ourselves to lower our guard, let us all continue to take care of each other, for our won good, our families and the country's.

Let's continue creating opportunities.

Eduardo Osuna Osuna
Vice Chairman of the Board of Directors
and Director of BBVA México