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# 2021 Annual Report

The areas in charge of preparing the Annual Report are Investor Relations and Corporate Responsibility and Reputation. This report is the fifteenth Annual Comprehensive Report of Grupo Financiero BBVA México. These results correspond to the effort and work of all employees and the performance of GFBB throughout the year. The information shown below represents the most relevant issues for Grupo Financiero BBVA México and its stakeholders. Investor Relations and Corporate Responsibility and Reputation are in charge of preparing the Annual Report.

# Report from the Chairman of the Board of Directors

GRI 102-14, 102-15

In 2021 we continue to develop the sustainability strategy through a new Global Sustainability unit to continue with our 2025 Commitment aligned with the Sustainability Policy and thus strengthen our activities to comply with the global warming scenario of no more than 2°C.



A **Global Sustainability** unit was created to ensure permeability of sustainability at the highest executive level of the organization.

The creation of innovative solutions to finance the investments of our customers capable of generating positive environmental and social impacts continues to be a fundamental axis of the business model to work together on sustainability.

Sustainability is a strategic priority for BBVA, which is why, by 2025, the figure of EUR 100,000 million in **sustainable financing** will double. In 2021, Grupo Financiero BBVA México increased sustainable financing by 373% compared to 2020, promoting the issuance of five green bonds and two social bonds issued by the International Capital Market Association and under BBVA's Sustainable Development Goals (SDGs) Bond Framework.

Similarly, reinforcing Grupo Financiero BBVA México's commitment to the Principles of Responsible Investment, we have a BBVAESG investment fund which has assets of MXN 549 million.





In November 2021, BBVA announced the objectives for the decarbonization of its loan portfolio in 2030 for industries that are intensive in CO<sub>2</sub> emissions. These are intermediate objectives with a view to being neutral in carbon emissions in 2050, this is a global commitment, with Mexico being a fundamental actor.

We were also neutral in direct carbon emissions by offsetting the environmental footprint with carbon dioxide (CO<sub>2</sub>) mitigating projects, which also generate a positive impact on the local communities where they are developed. These actions, among others, consolidate BBVA Mexico in 2021 as one of the leading banks in Mexico in the region in sustainability matters.



Grupo Financiero BBVA México places **the first IDB Invest social bond** that promotes gender equality and the amount of the issuance was MXN 2,500 million.

With this transaction, we have promoted gender equity among the highest-ranking positions at GFBB, encouraging greater participation by women. The proceeds obtained from this issuance shall be used to finance projects under the IDB Invest sustainable debt framework, focused on promoting women.

Every day we assume a **responsible commitment** to our 40,383 employees in every way. During 2021 we have continued to position ourselves as one of the most attractive companies to work for, obtaining various awards. The Wellness program and the “Work Better, Enjoy Life” initiative contribute to strengthening Grupo Financiero BBVA México’s efforts to ensure the health, safety and well-being of our employees.



Grupo Financiero BBVA México ranked third in the **“The Most Attractive Employers in Mexico 2021”** by Universum and first place in the Employers for Youth survey.

Grupo Financiero BBVA México's **commitment to the community** continues to strengthen and impact a greater number of Mexicans year after year thanks to the Financial Education programs and Fundación BBVA initiatives. In 2021, we continue promoting, disseminating and communicating about financial education to Mexican families. Through our remote and online workshops, more than 42,000 individuals benefited.



Financial education workshops **positively impacted more than 42 thousand individuals.**

Our Fundación BBVA México continues to grow as an important player in education for young people in Mexico. In 2021, 44,498 students benefited under the BBVA program for Young Boys and Girls that Inspire, adapting to current realities, creating the Scholarship programs for Online Education and Kids with disabilities.



The number of direct beneficiaries increased by **9.4%** compared to 2020, adding a total of **44,498 students under the BBVA program for Young Boys and Girls that Inspire.**

We continue to strive to be recognized as the company that offers the best financial products in the country through a **responsible value chain** and offering all our customers a unique experience. With respect to innovation and digital transformation, new technologies, such as mobile and big data, have allowed us to offer a personalized value proposition.



During 2021, we are proud to have obtained the following recognitions in customer experience:

- 2021 Bank of the Year in Mexico by The Banker
- 2021 Bank of the Year in Mexico by Latin Finance
- Mexico's best supply chain finance providers 2021 by Global Finance
- Global SME Finance Forum 2021, Honorable Mention at the Global SME Finance Forum
- Rating of "Excellent" for the Trustee department by S&P Global Ratings
- IT Masters MAG, BBVA México, Top 25 most innovative Information Technology Masters
- Recognized with the Gallup Award for "Exceptional Workplace"
- Universum, Top 3 Most Attractive Employers
- First place in the financial sector according to the "Employers for Youth" survey
- Third place in the Ranking of the Most Responsible Companies in Mexico, "Merco, ESG Responsibility"
- CEMEFI Socially Responsible Company Distinction for 21 consecutive years
- Mundo Ejecutivo, BBVA México ranks in the Top 50 Most Sustainable Companies
- Distinction as a Healthy Responsible Company, Workplace Wellness Council Mexico
- BBVA México, Pensions and Insurance, First place in the Ranking of Corporate Integrity IC 500 Expansión

Since 2004 we have been signatories of the "Global Compact" initiative of the United Nations, which promotes the implementation of ten principles in the areas of human rights, labor, environment and anti-corruption, for which this report represents our Communication on Progress (CoP).

The path of Grupo Financiero BBVA México has been one of great achievements. I invite you to read our report Transiting to a Sustainable Future and to join as agents of change so that together we inspire a better sustainable country.

Sincerely,

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

# Report from the Vice President of the Board of Directors and CEO

GRI 102-14, 102-15

## Business Evolution, 2021 Fiscal Year

The year 2021 has been challenging given the effects of the pandemic and the evolution of its variants, and an uneven recovery of economic activities in the country and external factors caused by the reconfiguration of industries and bottlenecks that have generated a strong impact on inflation.

Despite this, at Grupo Financiero BBVA México we have been able to seize of the market opportunities by staying close to our customers, being proactive and consolidating our culture of service, of continuing to innovate. The resilience shown in this environment shows our ability to adapt to complex environments, always prioritizing the health of our customers and employees.

Given this environment, the robust digital offer, which has allowed us to differentiate ourselves, has been the result of the constant investment, innovation and transformation carried out since 2010. This is reflected in the number of financial transactions, which exceeded 2,300 million transactions at the end of 2021, with 54% of them carried out through our mobile application or the website, compared to 44% the previous year. We have managed to increase our digital customer base by 29% per year, to close 2021 with a total of 15.6 million. This means that around 62% of our total customer base is a user of some of our digital channels. And along the same lines, 70% of the bank's total sales have been made through one of our digital channels.

We continue to strengthen our digital offer by integrating new functionalities in our already robust "BBVA Mx App" with the incorporation of a module dedicated to helping our customers take care of their financial health, providing them



**+2,300 million financial transactions at the end of 2021;**  
54% of them made through digital media.





with a comparison between their income and expenses, payments, transactions, historical information and tips on how to improve their financial health. From January to December 2021, mobile customers using our App increased by more than 3.5 million. We also promote the "BBVA Business App" aimed at legal entities from SMEs to large enterprises, which allows customers to manage and administer their business from their cell phone. Since its launch in June 2020, more than 326 thousand customers have joined this application.

In terms of sustainability, BBVA is promoting a new model of Sustainable Banking. For this reason, we have actively participated in numerous initiatives and always in close collaboration with all interest groups such as the industry itself, regulators, supervisors, investors and civil society organizations to continue advancing and promoting the transition of the world towards sustainable development. With this, it seeks to identify opportunities and offer advice for private customers and companies. Although the opportunity is still great, at Grupo Financiero BBVA México we have developed credit products that provide benefits to our customers and that revolve around sustainability, such as:

- i) Credit products for individuals, financing for the acquisition of hybrid and electric cars, financing for solar panels and green mortgages, among others. Closing the year with a portfolio of MXN 3,451 million.
- ii) Products for Companies: green financing for companies, letters of credit, leasing and green bonds, among others. This portfolio exceeded MXN 45,000 million at the end of the year.
- iii) Underwriter of sustainable bonds for MXN 21,473 million.

Grupo Financiero BBVA México is an institution committed to the country and economic development. We have promoted dynamism through the granting of credit, closing the year with a current loan portfolio balance of MXN 1,291,449 million, an increase of 6.6% compared to the end of 2020.



We consolidated our leadership position in current portfolio with an increase in market share of 25 basis points (bps) to close December 2021 at 23.7% according to figures from the National Banking and Securities Commission (CNBV).



**MXN 1,291,449 million, current loan portfolio balance; +6.6% vs. 2020.**

The commercial portfolio grew 5.0% in annual terms as a reflection of the good performance of corporate loans and the business segment. It is also important to highlight the evolution of SMEs, which have shown great dynamism due to the recent strategies implemented to continue improving service and attention to the segment. Allow me to comment on Neighborhood Banking, a new model that allows serving small businesses within a delimited perimeter around the branch in order to attract a greater number of customers and generate closer relationships, improving the service experience through wide range of specialized products for this segment. Within the corporate portfolio, there is also a positive evolution in loans to the government, derived from our strategy of actively participating with the States and the Federal Government.

Loans to individuals showed an 8.6% annual increase as a reflection of the boost to our digital strategy and the gradual economic recovery during the last quarter of the year. In detail, consumer loans and credit cards stand out, which together registered an increase of 7.6% in annual terms. Housing financing continues to show solid dynamism with a balance 9.7% higher than in 2020, which allows us to continue placing one in four mortgages in private banks.

The customer base, through our great physical and digital offer, grew by 2.7 million new customers, closing the year with more than 25 million customers, a reflection of the determined financial inclusion strategy.



**+25 million customers at the end of the year.**

With respect to asset quality, the evolution of the non-performing portfolio index shows a positive trend, registering an annual improvement of 127 bps, standing at 1.7% at the end of the year. This as a result of our internal risk models. The overdue portfolio coverage ratio stood at 153.9% at the end of 2021.



**MXN 65,502 million, amount of net income; +52.8% vs. 2020.**





On the deposit side, the constant promotion of savings is reflected in the increase in bank deposits (demand + time deposits) of 10.6% in annual terms. Demand deposits being the most dynamic with a 14.6% annual growth. This has allowed Grupo Financiero BBVA México to also consolidate our leadership position in bank deposits by registering a 23.6% market share, an annual increase of 102 bps, according to public figures from the CNBV at the end of December 2021.

In results, we recorded a net profit of MXN 65,502 million, equivalent to an increase of 52.8% compared to 2020. This is mainly explained by an improvement in the financial margin due to the growth of the portfolio, the increase in interest rates of interest and the release of reserves created in 2020.

At Grupo Financiero BBVA México, despite the complex environment, we maintain robust levels of solvency and liquidity. The capitalization ratio closed the year at 19.2%. The recurrence of income was reflected in the constant generation of organic capital, which allowed Grupo Financiero BBVA México to increase the total capital ratio by 164 bps compared to the 17.5% registered in December 2020. Liquidity levels remain comfortable and strong to continue growing our portfolio. The liquidity ratio, defined as Liquid Assets/Liquid Liabilities, stood at 76.5%, while the Liquidity Coverage Ratio (LCR) stood at 240.14%.

At Grupo Financiero BBVA México we continue to focus on what is ours, we knew how to take advantage of opportunities and turn them into growth, always ensuring the health of our customers, employees and society. It is time to recognize and thank each of the members of this great team for their work and their commitment throughout this 2021, let's celebrate the opportunity to continue being better and be present to continue supporting our customers and the country in the role that corresponds to us.



**Let's keep creating opportunities.**

**Eduardo Osuna Osuna**  
Vice President of the Board  
of Directors and CEO of BBVA México

# Achievements in 2021

2021 was a key year in Grupo Financiero BBVA México's progress towards a sustainable, responsible and inclusive future. Through a strengthened sustainability strategy, Grupo Financiero BBVA México implemented innovative solutions to its material issues, amplifying a positive impact on its customers, employees and community through Sustainable finance.

## Strategy and sustainable finance



**Grupo Financiero BBVA México increased sustainable financing by 373%** compared to the previous year.

The **BBVAESG fund had assets of MXN 549 million**, invested through ETFs with the ESG label.

The **Corporate Social Responsibility policy** was updated and a **new global sustainability area** was created.

In line with the **2025 Commitment**:

- **The first IDB Invest social bond** that promotes gender equality was placed, with an issued amount of MXN 2,500 million.
- GFBB participated as an underwriter in 46% of the ESG issuances in the local market; positioning itself as **the leading bank in stock market financing in this segment**.
- **Interim targets were set to decarbonize the investment portfolio** in four CO<sub>2</sub>-intensive industries.

## Innovation



Grupo Financiero BBVA México continued to innovate through the **implementation of an artificial intelligence tool** to strengthen the updating of its material topics.

The new **sustainability section in the BBVA Mexico App** reached more than **1 million single users**.

The **Smart Key card** was developed in a pilot version, distributed to 75 customers, making Mexico the first country in Latin America to have this tool.

More than **6,000,000 recycled cards** were delivered, with Grupo Financiero BBVA México being the bank that issues the most recycled cards within BBVA.



Customer Perspective

The **Data Protection Office** was created to further strengthen the administrative, technical, and physical security measures that guarantee the confidentiality, integrity, and availability of personal data.

A solution was provided to new requests, thus achieving a percentage of **95% of contact with the customer**.

**126.6 million transactions** were made, among which 119.9 million corresponded to the payment to CCs for financial inclusion and entrepreneurship.



Workforce

In 2021, the first "**Express Sustainability**" course was offered to all employees, with a total of **86,758 hours of training**.

**Academic scholarships** awarded for employee development **increased 30%** compared to 2020.

Grupo Financiero BBVA México joined efforts to promote the comprehensive well-being of its workforce; **24,784 people benefited from the virtual workshops** on Productivity, Resilience, Life Balance and Mental Health, among others.

An accessibility **diagnosis was carried out** and **pilots were started for the incorporation of people with hearing and motor disabilities**.



Resilient community

Fundación BBVA México invested, in total, more than **MXN 1,630 million to carry out its social projects**.

**13,559 hours of mentoring** were given in the **BBVA Scholarship program for Young Boys and Girls that Inspire**, the highest figure since the program's existence.

Work was done on **financial education** through two main approaches: improving the financial health of the community and moving towards digitization, **Go Cashless**.