



03

Strategy

Grupo Financiero BBVA México is a bank in constant transformation, evolving every day to improve customer experience and the offer of traditional products, innovating through the digital offer. The business model allows providing specialized service to each Business Unit for the development of products and services focused on customer needs.

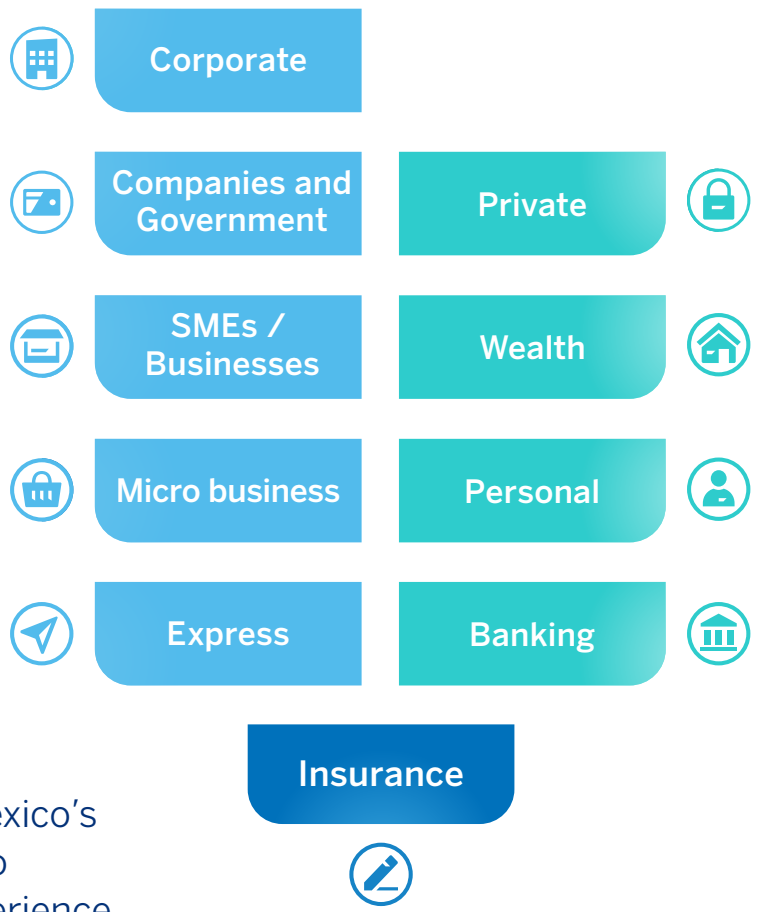




Business model

GRI 102-2

Grupo Financiero BBVA México is in constant transformation, evolving every day to improve the customer experience, the offer of traditional products and innovating through the digital offer. One of the main elements of the business model is customer segmentation, which allows specialized attention to be provided through Business Units, engaged in the development of products and services focused on the needs of each of the customers. This, accompanied by the robust structure of Support Units that allow businesses and all the Networks to be accompanied to generate the best experience and that, in addition, have the objective of maintaining adequate recurrence in the business and comprehensive management with synergies that allow the continued growth.



Grupo Financiero BBVA México's **business model** allows it to improve the customer experience, the product offering and **innovate through digitization**.





Retail network

The Retail Network business unit manages the entire branch network, serving a variety of individual customer segments: Ultrahigh Net Worth, Private, Wealth and Personal to the banking and express segments. This unit also serves micro and small businesses.

This unit has been an important pillar for the redesign of the branch structure, adding larger self-service spaces to improve the customer experience by improving the flow within the branches and adding ATMs that allow Grupo Financiero BBVA México customers to obtain consumer loans, make deposits and payments in cash, payment of services, among others.

Significant investments have also been made to continue developing alternative digital channels that boost sales within branches, improve service and increase loyalty. As an example, there is the migration of payroll accounts, as of December 31, 2021, a total of 476,448 new payrolls were obtained in Grupo Financiero BBVA México, while, in the digital sphere, 69.9% of the total sales was made through an alternative channel to the office.

Together with the Business Development unit, a wide range of products and services have been implemented, including consumer loans, car loans, savings products such as demand deposits, time deposits, investment funds and life, auto, housing and natural disaster insurance. GFBB continues to work on innovating its offer, adapting to the needs of each of the customer segments.

During 2021, follow up was given to the transformation of the service strategy with the aim of consolidating long-term relationships and being able to meet their needs in advance with specialized solutions. The new service model for SMEs has been differentiating and has recorded positive results with the attraction of new customers. Additionally, Grupo Financiero BBVA México continues to promote the digital channels it has in place to strengthen and differentiate its offer with innovative collection solutions (CoDi, electronic payment, e-commerce and POSs).



476,448 new payrolls in Grupo Financiero BBVA México. In the digital area, 69.9% of total sales were made through an alternative channel to the office.





Government and Commercial Banking

With the aim of increasing cross-selling opportunities, the level of customer loyalty and improving experiences, this unit offers services and specialized attention to customers in the following customer segments:

- **Business Entities:** with savings, credit, cash management and collection solutions. Through the BBVA Empresas App, it is possible to manage and administer the business from your cell phone and, in addition, through this medium a wide variety of services and digital offers are offered.
- **Home Developers:** offers loans to developers for construction purposes.
- **Consumer Financing:** within banking, this specialized unit was created exclusively to meet the diverse requirements of the automotive industry, including loans for the distribution and acquisition of vehicles, and is also part of Corporate and Investment Banking, since it provides services to meet the financial needs of car dealers.
- **Government Entities:** Grupo Financiero BBVA México offers specialized and tailored service to meet the needs of the Mexican Federal Government, the States and Municipalities of Mexico and other government agencies. The wide range of products for this segment includes paycheck services for government employees and checking accounts, as well as tax collection and payment services for States and Municipalities through products such as "Multipagos" and "CIE online".



Corporate and Investment Banking

Grupo Financiero BBVA México offers credit products and services to corporate and institutional customers, mergers and acquisitions services, market transactions (equity and fixed income), cash management, online banking and investment products. Bankers in this unit strive to ensure that customers receive the best service tailored to their needs. Some examples of products offered to this customer segment include:

- I. **BBVA Net Cash:** a global electronic banking solution that allows efficient and secure banking operations through a reliable and easy-to-use platform.
- II. **BBVA Trader Mx:** a platform that allows investors to carry out their own commercial operations online and in real time, this service also offers market information, analysis, news and technical tools, which can be customized, to help customers make of financial decisions.

Corporate and Investment Banking also includes the global markets unit and, in association with the Broker-Dealer, Grupo Financiero BBVA México offers more sophisticated products and services for individuals and companies, such as public offerings and debt and equity issuances and structured financing, among others. It stands out that GFBB has headed the SHCP and Banco de México classification of market makers since 2012.

Strategy

GRI 102-12, 102-13, 102-21, 102-29, 102-31

Strategic priorities

BBVA has established six strategic priorities that will accelerate and deepen the transformation of the Group in the coming years:



Improve the customers' financial health

Through technology and the use of data, Grupo Financiero BBVA México offers tailored advice to its customers in order to contribute to their financial health. GFBB approaches this strategic priority from two main perspectives: allowing an understanding of customers' income, expenses, future needs and savings capacity, and advising them on achieving their medium- and long-term life and business goals.



Help customers in transitioning to a sustainable future

Grupo Financiero BBVA México aspires to contribute to climate action and inclusive growth of its customers to support their transition towards a more sustainable future. Through responsible financing, advice and innovative products and services, GFBB contributes to the significant investments needed to accelerate the energy transition.



Grow in customers, to drive profitable growth

Grupo Financiero BBVA México seeks to focus its efforts on the most profitable products and segments, and for this reason, it will focus its operations over the next few years on payments, insurance, asset management, value segments such as SMEs and private banking, and Corporate and Investment Banking (CIB).



Pursue operational excellence

Grupo Financiero BBVA México recognizes the importance of focusing on transactions with the greatest added value for the customer in order to provide the best experience. This priority involves guaranteeing easy access to its products and services, transforming the relationship model through automation and increased productivity, always remaining under optimal management of financial and non-financial risks.



The best and most committed team

The BBVA team is a strategic priority for GFBB, which is why it seeks to form a diverse and empowered workforce, with a differential culture that internalizes the purpose and values of the Group, while providing growth opportunities for all.



Data and technology

Grupo Financiero BBVA México is aware that technology and data analysis are fundamental pieces to create high-quality differential solutions. For this reason, it continues to advance to develop an increasingly robust security and privacy model.





Sustainability strategy

GRI 102-31, 102-32, FS1

BBVA’s sustainable development strategy is based on the Principles for Responsible Banking that are part of the United Nations Environment Program Finance Initiative (UNEP FI). BBVA is committed to the Principles of the United Nations Global Compact and in 2016 made its commitment official to meet the objectives established at the Paris Summit and the United Nations Sustainable Development Goals (SDGs).

Sustainability is one of the Group’s main strategic priorities at a global level. By 2025, BBVA will double its commitment and sustainable goal to EUR 200 billion in financing for sustainable initiatives.

In 2021, Grupo Financiero BBVA México financed a total of EUR 2,960.01 million in climate change and EUR 618.43 million in inclusive growth, totaling EUR 3,578.44 million.

During 2021, **Grupo Financiero BBVA México increased sustainable financing by 373%** compared to the previous year.

Strategic Pillars of Responsible Banking of Grupo Financiero BBVA México

The Responsible Banking model of Grupo Financiero BBVA México is applied to all business and support areas, with the aim of seeking a profitability adjusted to principles, strict compliance with the law, good practices and the creation of long-term value for all stakeholders.



Responsible customer experience

Balanced relationships with its customers, based on transparency, clarity and responsibility.



Responsible commitment to the employee

Responsible practices with employees, suppliers and other interest groups.



Sustainable finance

Actions to combat climate change, respect human rights and achieve the SDGs.



Investment in the community

Promote social change and create opportunities for all.



General Sustainability Policy

Climate change and the transition to a low-carbon economy have relevant implications for the value chain of most productive sectors and will require significant investments in many industries. Technological advances around energy efficiency, renewable energies, efficient mobility or the circular economy represent a source of new business opportunities.

The **General Sustainability Policy** defines and provides for the general principles and management objectives in terms of sustainable development. It also seeks to promote the development of sustainable solutions and identify opportunities and offer advice to private customers and companies. It provides for two main focuses of action with respect to sustainability:

Climate change

Promote behavioral change in customers and facilitate the transition to a greener future and mobilize the necessary investments to manage the challenge of climate change.

Categories of business initiatives:

- Energy efficiency
- Circular economy
- CO₂ reduction

Social, inclusive and sustainable development

Stimulate economic growth that leaves no one behind and creates opportunities for all, promoting the mobilization of investments necessary to build inclusive infrastructure and support inclusive economic development.

Categories of development initiatives:

- **Facilitation of access to financial services** for unbanked groups through basic digital solutions.
- **Inclusive infrastructures**, including basic services and transportation systems.
- **Support for entrepreneurs**, and promotion of economic growth and full and productive employment.



Corporate Social Responsibility (CSR) Policy

The **Corporate Social Responsibility (CSR) Policy** creates the reference framework that recognizes the responsibility of Grupo Financiero BBVA México for the impact of its activities on stakeholders with respect to social, environmental, tax liability, human rights and corruption prevention aspects, among others.

Thus, the CSR Policy seeks to promote the achievement of BBVA's strategic objectives through responsible practices, with the following principles of action:



1. Orientation towards generating a positive impact on society:

GFBB will promote the positive impacts, both direct and indirect, of its activities and minimize the negative impacts.



2. Respect for the dignity of people and the rights inherent to them:

GFBB will act in accordance with the various national and international commitments to which it has adhered, including the International Bill of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles for Business and Human Rights, the Guidelines for the Organization for Economic Cooperation and Development (OECD) for Multinational Enterprises, among others.



3. Investment in the community: GFBB will carry out social action programs and initiatives to address the greatest challenges of the communities where it has a presence, seeking to create opportunities for all.



4. Involvement as an agent of social change: GFBB will take on the role of agent of change, getting involved together with other stakeholders and dedicating its skills, business knowledge, capabilities and resources to this end.

Alliances

With the aim of helping its customers in the transition towards a sustainable future, Grupo Financiero BBVA México has forged alliances with experts in matters of sustainability, mobility, transport equipment, photovoltaic systems and energy efficiency.

In addition, the alliance with the German Agency for International Cooperation –also known as GIZ– was strengthened for a solar and sustainable housing offer. Working together, it will be possible to generate products that benefit the customers of Grupo Financiero BBVA México and the construction of a more sustainable world.

See the principles and policies that govern the activity of Grupo Financiero BBVA México at the following link: [link](#).

Economic impact

Grupo Financiero BBVA México is an entity that forms part of the country's economically essential activities, which is why it endorses its commitment to Mexico by continuing to give credit and encourage savings among its customers, always ensuring the health of employees, customers and society. With this, it continues to detonate the country's economic recovery even in times of great uncertainty.

The following lines demonstrate the strength, solvency and soundness of the strategy that Grupo Financiero BBVA México has in place to transform moments of crisis into opportunities that benefit its customers, with a clear focus on asset quality control as well as the evolution of spending, without neglecting profitability and productivity to continue driving the business.

The results are the fruit of several years of investment in technology that have allowed Grupo Financiero BBVA México to be better prepared to face the current situation, while also thinking of continuing to promote the financial inclusion of the country so that more Mexicans have access to high quality financial services.

Within the Grupo Financiero BBVA México, it is known that the complex environment demands agile solutions, therefore, during 2021, a couple of digital modules were created within the BBVA Mexico App that helped customers improve their financial health and transition to a more sustainable future.

At Grupo Financiero BBVA México, it is clear that the future is uncertain, which motivates GFBB to continue working on what characterizes it, to be better every day, to continue providing agile solutions with a focus on its customers and quality of service, with the aim of continuing to create opportunities.



Our goal is to **continue creating opportunities.**

Evolution of the activity

Given that the activities of Grupo Financiero BBVA México are considered economically essential, during 2021 GFBB continued to be the protagonist of the country's economic recovery, by continuing to give credit to both retailers and small, medium and large companies, which is why that the current loan portfolio closed with a balance of MXN 1,291,449 million, which represents an increase of 6.6% compared to the end of 2020.

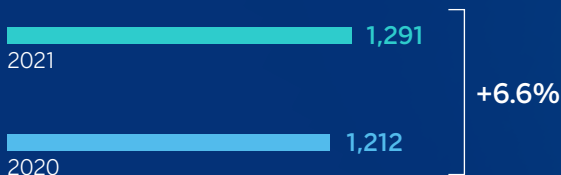
In 2021, we managed to consolidate our leadership position in the performing portfolio with a 23.7% market share. This reflects an annual increase of 25 bps according to CNBV figures.

The commercial portfolio increased 5.0% annually at the end of 2021, impacted by the good evolution of corporate loans and the business segment. It is worth highlighting a 6.8% increase in loans to the government, derived from our strategy of actively participating in bidding processes with faster proposals and competitive conditions.

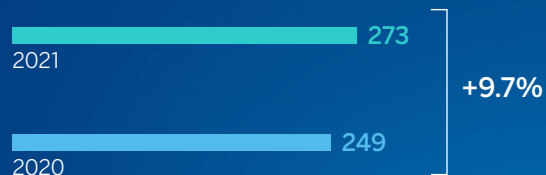
On the other hand, loans to individuals showed an annual increase of 8.6% as a reflection of our digital strategy and the gradual economic recovery during the last quarter of the year. In detail, consumer loans and credit cards stand out, which together registered an increase of 7.6% in annual terms.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

Our continuous strategy of financial inclusion and promotion of savings among customers is reflected in the increase in bank deposits of 10.6% in annual terms. The foregoing has allowed Grupo Financiero BBVA México to consolidate its leadership position by registering a market share in bank deposits of 23.6%, according to public figures from the CNBV at the end of 2021.

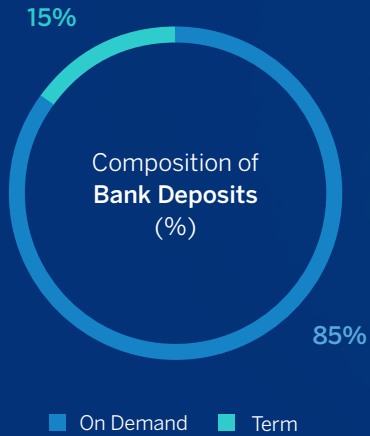
Total Performing Portfolio (MXN Billions)



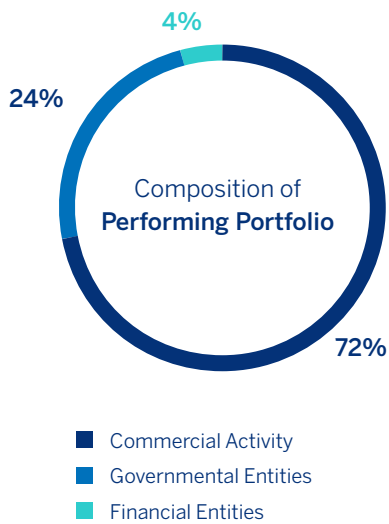
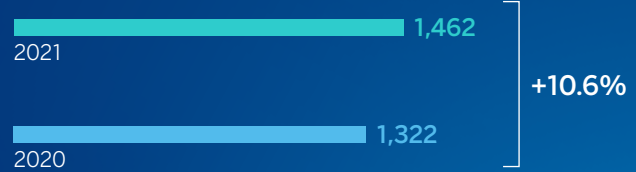
Mortgage Portfolio (MXN Billions)



¹ Composition of Bank Deposits = On Demand + Term.

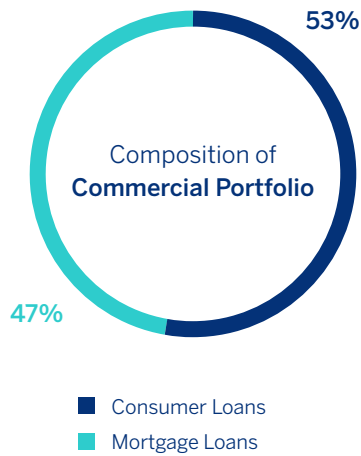


Bank Deposits
(MXN Billions)



Composition of the Performing Portfolio

The performing loan portfolio as of the end of December 2021 is made up of 55% Commercial loans and 45% corresponds to retail, thus achieving an optimal balance between our portfolio.



Composition of the Commercial Portfolio

Our commercial portfolio is made up as of the end of December 2021 by loans to Companies, Government and Financial Entities of 72%, 24% and 4%, respectively.



Composition of Retail Portfolio

As of the end of December 2021, the retail portfolio is made up of 53% consumer loans and 47% mortgage loans.



Evolution of results

At the end of the year we have generated a net profit of MXN 65,502 million, equal to an increase of 52.8% compared to 2020. The foregoing is mainly explained by an improvement in the financial margin due to the growth of the portfolio in more profitable segments, as well as lower cost of deposits driven by our reasonable funding mix, releases of reserves created in 2020, and our strict control in expenses.

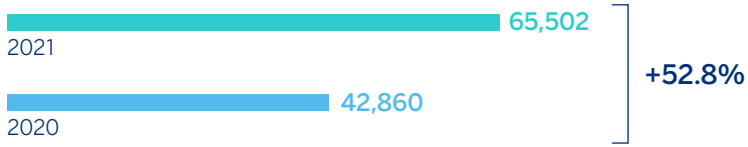
The financial margin in the year shows a 5.2% growth with respect to the previous year, driven by the economic reactivation of the country and the constant growth of the portfolio. Due to the release of prudential reserves created to face the crisis caused by the pandemic during 2020, the financial margin adjusted for provisions shows a growth of 31.4% compared to 2020.

As for non-financial income, commissions and fees grew 8.8% in the year, mainly due to a higher level of transactions

from our customers with credit cards and commissions related to investment funds due to greater volume. Brokerage revenues show an increase of 2.2% compared to the previous year, mainly explained by the result of the valuation of derivative financial instruments.

In 2021, despite the high single-digit inflation registered during the last months of the year, we have managed to maintain the increase in expenses at 2.9% year-on-year, without neglecting the quality of our processes aligned with the strategy using in optimizing funds. Thus, the efficiency ratio (measured as expenses divided by income) stood at 36.7% at the end of December 2021, down by 136 bps compared to the previous year, impacted by the reduction in expenses.

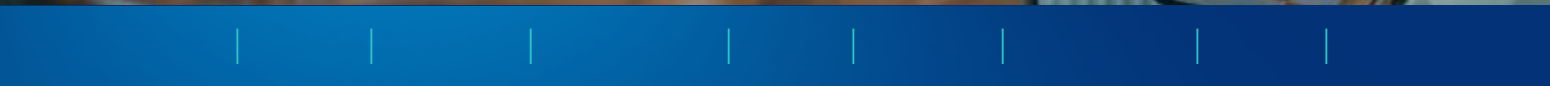
Net Income
(MXN million)



Total Revenue
(MXN million)



Total Expenses
(MXN million)





The resistance in the results has been a reflection of the effort and commitment of all employees who day after day faced the complex environment, offering constant service with the best experience for the customers.

Delinquency rate

(%)



Hedging rate

(%)



Total Capitalization Ratio

(%)



Liquidity Coverage Ratio

(%)



Material information

Indicators (%)

	GFBB	Market*
Return on equity (ROE)	22.2	16.7
Net Interest Margin	5.2	4.9
Efficiency ratio	36.7	47.2
Delinquency rate	1.7	1.6

*Financial Groups Market includes: BBVA, Banorte, Inbursa, HSBC, Scotiabank, Santander and Citibanamex.

General Indicators of Full-Service Banks (CNBV Data)

	dec-21
Total Full-Service Banks	50 institutions
Branches	11,698
Employees	254,348
Banking total assets (MXN million)	11,066,172
Constant GDP (MXN million)	17,867,247
GDP %	61.9%
Total banking gross portfolio (MXN million)	5,549,056
GDP %	31.1%
Traditional deposits (MXN million)	6,544,202
Demand	4,561,703
Term	1,648,177
Securities	334,321

Figures in MXN millions.

Relevance of Grupo Financiero BBVA México in the Economy

	dec-21
Total Assets (MXN million)	2,752,369
Performing Portfolio	1,291,449
Market Share (Performing Portfolio)	23.7%
Traditional Deposits (MXN million)	1,555,032
Market Share (Deposits)	23.6%
Traditional Deposits / Total Assets	56.50%

Economic Value Added (EVA)

	2020	2021
Personnel expenses	24,461	25,317
Interest expense	55,289	41,846
Administration and operation expenses	17,453	18,251
Taxes	17,576	25,516
Contributions to the community: resources allocated	114,779	110,930

Economic value generated and distributed

	2020	2021
Economic value generated	173,653	185,422
Financial margin	135,483	142,470
Net commissions	25,866	28,140
Other ordinary income	12,304	14,812
Economic value distributed	89,166	99,705
Dividends	10,919	11,080
General administration expenses	36,210	37,792
Taxes	17,576	25,516
Personnel expenses	24,461	25,317
Economic value retained	84,487	85,717
Loan loss reserves	47,128	26,401
Other	37,359	59,316

Source: Grupo Financiero BBVA México.
Figures in MXN millions.









Stakeholders and materiality

GRI 102-1, 102-40, 102-42, 102-43, 102-44, 102-46 and 102-47

Stakeholders and dialogue channels

Grupo Financiero BBVA México’s relationship with its stakeholders is essential for the sustainable growth of GFBB and its community. The identification of interest groups considers the criteria provided by the AA1000 Stakeholder Engagement Standard Guide¹. This study is conducted by Corporate Responsibility and Reputation.

Stakeholder	Periodicity	Responsible Unit
 Shareholders	<ul style="list-style-type: none"> ■ Legal Department ■ Shareholders’ Meeting ■ Annual Report ■ Quarterly Financial Information 	<ul style="list-style-type: none"> • Investor relations https://investors.bbva.mx
 Customers	<ul style="list-style-type: none"> ■ Branches ■ BBVA Hotline https://www.bbva.mx/personas/servicios-digitales/linea-bbva.html ■ Website https://www.bbva.mx ■ Press (newspapers, magazines, inserts, direct mail, television and radio, among others) ■ Satisfaction survey ■ Social media ■ Opinion studies 	<ul style="list-style-type: none"> • Wholesale and investment banking • Business development • Commercial network
 Employees	<ul style="list-style-type: none"> ■ We are BBVA ■ Email (employee reporting channel) ■ Work environment survey ■ Internal reputation study 	<ul style="list-style-type: none"> • Talent & Culture • Corporate Responsibility and Reputation
 Suppliers	<ul style="list-style-type: none"> ■ Adquira e-portal https://bbvaproveedores.mx ■ Complaints and suggestions mailbox https://bbva-suppliers.appspot.com/presencia-bbva ■ Email ■ Satisfactory surveys 	<ul style="list-style-type: none"> • Purchases
 Regulators	<ul style="list-style-type: none"> ■ Committees ■ Forums ■ Meetings ■ Releases 	<ul style="list-style-type: none"> • Talent & Culture • Corporate Responsibility and Reputation • Risks • Regulatory compliance
 Society	<ul style="list-style-type: none"> ■ Fundación BBVA México webpage www.fundacionbbva.mx ■ Social media ■ Opinion studies 	<ul style="list-style-type: none"> • Fundación BBVA México • Quality • Corporate Responsibility and Reputation

■ Daily
 ■ Monthly
 ■ Quarterly
■ Annually
 ■ Biennially
 ■ Periodically

¹ For more information on the AA1000 Guide, go to: [website](#).

Materiality analysis

During 2021, Grupo Financiero BBVA México conducted a new materiality analysis to identify relevant economic, environmental, social and governance issues that could have any type of impact on the sustainability of GFBB and its stakeholders.

Under the strategy of continuing to be a reference in innovation in the country, Grupo Financiero BBVA México implemented in its analysis an innovative and unique materiality tool in the market. This technological tool contributes to understanding, anticipating and responding to the constantly changing panorama of the financial sector.

The result of this analysis is the identification of 15 material topics for Grupo Financiero BBVA México, each one contains specific topics and they were grouped into the four strategic pillars of Responsible Banking of Grupo Financiero BBVA México² and two additional pillars –strategy and reputation management–, in order to reflect how they impact the Bank's strategy and vice versa. The pillars of **Responsible experience with the customer** and **Responsible commitment to the employee** cover issues related to the duty that Grupo Financiero BBVA México has towards all the people who make its sustainability possible over time. **Sustainable finance** and **Investment in the community** include topics relevant to a responsible business and the impact that Grupo Financiero BBVA México has in the social and environmental spheres.

The selection of the 15 material topics for Grupo Financiero BBVA México is part of a process that consists of several steps.



In the first instance, the list of 28 topics of the financial sector was analyzed, which is based on international requirements such as:

1. The SASB Financial Sector Standards
2. GRI disclosure requirements
3. Panel of experts on sustainability
4. Requirements of international rating agencies such as the Dow Jones Sustainability Index
5. Relevant topics of competitors in the sector



Grupo Financiero BBVA México continues to innovate through **the implementation of technology in sustainability.**

² See the details of each pillar and the material topics it covers in Appendices -Material Topics.



On the other hand, the issues identified in the previous materiality update study were taken into account to identify if there were relevant issues not identified by the tool, once reviewed, they were approved to conduct the analysis.

The list of 28 was reduced to 17 topics, taking into account that each aspect of the full list appeared in the shortlist. The analysis process contemplates the following materiality criteria:

- Topics have the ability to impact the operations of Grupo Financiero BBVA México and vice versa.
- They are important to all GFBB stakeholders.
- They are within the possibility of control and influence of Grupo Financiero BBVA México.

Documentary information of the stakeholders was analyzed to obtain its relevance and the evaluation metrics for each one were established.

On the other hand, information and internal studies focused on the sustainability

strategy and the GFBB brand were analyzed to identify the relevance of the 17 topics for Grupo Financiero BBVA México. The results were standardized under the same scale to prepare the materiality matrix.

Once the results were obtained, the internal exercise was carried out with the Corporate Responsibility and Reputation to determine whether the topics evaluated consider:

- The perspective of each stakeholder
- The influence that Grupo Financiero BBVA México has on each of the material issues and the impact they have on the business
- The level of alignment they have with the Group's strategy, commitments and objectives

The 17 material topics identified were evaluated to obtain a Top 15, which are aligned with the Group's global strategy and are those reported in this Report.

Top 15 – 2021



- | | |
|--|--|
|  1. Responsible investment and financing |  9. Diversity and inclusion |
|  2. Risk and crisis management |  10. Communication and transparency |
|  3. Environmental footprint |  11. Financial education and inclusion |
|  4. Cybersecurity and responsible use of data |  12. Talent attraction, development and retention |
|  5. Regulatory compliance |  13. Contribution to society |
|  6. Customer experience |  14. Digital innovation and transformation |
|  7. Corporate governance |  15. Resilience of the business model |
|  8. Human rights | |