

Strategy

With a history spanning 90 years, Grupo Financiero BBVA México has continuously evolved to enhance customer experience. Today, its business model focuses on developing innovative products and services tailored to individual customer needs, leveraging digitalization.

03

Business Units

GRI 2-6

BBVA México is in constant transformation, evolving every day to improve the customer experience, through the wide range of traditional products and innovating the offer of digital products and services.

Customer segmentation is a key element of our business model. It enables us to provide specialized attention through our Business Units, which focus on developing products and services tailored to our customers' needs. Along with a robust Support Units structure, our businesses and networks generate the best possible experience, aimed at maintaining business recurrence and enabling continuous growth through synergies.



Retail Network

Retail Network manages the entire branch network, which offers services and serves all segments of individual customers, from Ultra High Net Worth, Private, Wealth and Personal, to the banking and express segments. This unit also serves micro businesses and small companies. All of them with a specialized offer for each customer segment to meet their needs.

Retail Network has been an important pillar for the redesign of BBVA México’s branch structure by adding larger self-service spaces to enhance the customer experience by improving the flow within the branches and adding intelligent ATMs that allow consumer credit, cash deposits and payments, payment of services, among many other financial and non-financial transactions.

In line with BBVA México’s ongoing transformation, significant investments have been made to continue developing alternative channels and digital innovation to boost in-branch sales, improve service and increase loyalty. In this regard, during 2022 there was high migration of payroll accounts, reaching a total of 516,061 new payroll

accounts that have been transferred to the bank as a reflection of customer confidence in BBVA México.

516,061
new payrolls in 2022.

Together with Business Development, continuous innovation has allowed BBVA México to generate a wide range of products and services, including consumer loans, auto loans, savings products such as demand deposits, time deposits, mutual funds, and life, auto, home and natural disaster insurance. During 2022, BBVA México made a change in the insurance business model, which was reflected in a 50% increase in annual terms in per capita insurance productivity.

Wealth and Private Banking has initiated the “Business Center” model for closer customer service, optimizing the location of branches, integrating them into a Business Center and sharing the location with other banks, allowing it to offer a more comprehensive service to customers.





The figure of Digital Advisor has been implemented, creating 3,800 new positions to support sales through the BBVA México mobile application. As a reference, at the end of the year, 74.8% of total sales have been made through some digital channel and 68.6% of the total customer base is a user of digital channels.

During 2022, BBVA México continued to transform its customer service strategy with the aim of consolidating long-term relationships and being able to address their

needs in advance with specialized solutions. In this sense, the new service model for SMEs has been differentiating and has registered positive results with the attraction of new customers. BBVA México has surpassed MXN 95 billion in loan portfolio, which has allowed it to generate a significant gain in market share, making it the market leader. In addition, BBVA México continues to promote digital channels to strengthen and differentiate its offer with innovative collection solutions (CoDi, electronic payment, e-Commerce and POS).

74.8%
of total sales have **been**
made through a digital
channel.

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 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. During 2022, the first Alliance of a Commercial Bank was formed with the Consejo Nacional Agropecuario (National Agricultural Council) to strengthen its presence in this sector.

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. During 2022, we were able to regain market share, improve profitability, and increase our proximity to customers.

Government Entities

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”. In 2022, the Municipal Platform was created to consolidate the segment’s presence at the national level as the main bank in the management of government treasuries.

Creation of BBVA Spark

BBVA initiative to help high-growth companies (Start-up, Scale-up, Unicorn, Growth, etc...) with the agility and flexibility they need to achieve success. To do this, it has exclusive bankers to develop the segment giving reduced response times to financing needs and has adapted risk processes.



Corporate and Investment Banking

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 are:

BBVA Net Cash

A global electronic banking solution that enables efficient and secure banking transactions to be executed through a safe and easy-to-use platform

BBVA Trader Mx

A platform that allows investors to perform their own trading online and in real time, this service also offers market information, analysis, news and technical tools, which can be customized, to assist customers in making financial decisions.



Corporate and Investment Banking also includes Global Markets and, in association with the Broker-Dealer, 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 BBVA México has headed the SHCP and Banco de México classification of market makers since 2012.

During 2022, Corporate and Investment Banking remained the segment leader in most of its products. An increased number of transactions leveraged on product digitalization and e-Commerce.

As part of our global strategy, we have advised and supported customers in their sustainable transition, mobilizing **over MXN 117 billion in environmental impact projects and MXN 44 billion in social impact projects.**

Strategy

GRI 2-12, 2-28

To continue creating opportunities for millions of customers, employees, the community and the environment, six strategic priorities have been established.



Improve the customers' financial health

Grupo Financiero BBVA México uses technology and data analytics to understand customers' income, expenses, future needs and savings capacity in order to provide them with personalized financial advice that contributes to their financial health.

Pursue operational excellence

GFBB concentrates its efforts on the most value-added operations for the customer to provide the best customer experience, including ensuring easy access to its products and services, by transforming the relationship model through automation and improved productivity, all while maintaining optimal management of financial and non-financial risks.

Help customers in transitioning to a sustainable future

BBVA helps mitigate the negative effects of climate change and promote inclusive growth for its customers through responsible financing, advice, innovative products and services, facilitating the investments needed to accelerate the transition to a sustainable future.

The best and most committed team

BBVA seeks to create growth opportunities for all, especially for its employees, consolidating a diverse, inclusive and empowered workforce, with a differential culture based on the Group's purpose and values.

Grow in customers, to drive profitable growth

Grupo Financiero BBVA México is focusing its operations in areas such as payments, insurance, asset management, value segments such as SMEs and private banking, and Corporate and Investment Banking (CIB) activities in order to focus its efforts on the most profitable segments and products.

Data and technology

Technology and data analysis are fundamental to create different, innovative and high-quality solutions. For this reason, Grupo Financiero BBVA México continues to move forward to develop an increasingly robust security and privacy model.

Sustainability strategy

GRI 2-12, 2-14, FS1



In 2022 Grupo Financiero BBVA México mobilized more than
\$160 billion in sustainable financing.

Sustainability is one of the BBVA Group's six strategic priorities, as evidenced by its support for the Principles of Responsible Banking.



One of the most important sustainable financing initiatives in the international arena, which is part of the **United Nations Environment Programme Finance Initiative (UNEP FI)**.



BBVA is also part of the **Net-Zero Banking Alliance (NZBA)**, adheres to the Ten Principles of the Global Compact and seeks to contribute to the achievement of the Sustainable Development Goals (SDGs), a set of United Nations initiatives.

Grupo Financiero BBVA México promotes sustainable financing and contributes to the global commitment to mobilize EUR 300 billion by 2025. In 2022, GFBB mobilized more than MXN 160 billion of sustainable financing, including its participation as bond placement intermediary for more than MXN 65 billion.

Strategic pillars of Responsible Banking of Grupo Financiero BBVA México

Grupo Financiero BBVA México has adopted a Responsible Banking model applicable to the entire organization. With this approach, the bank seeks profitability in accordance with ethical principles, strict compliance with the law, good practices and the creation of long-term value for all stakeholders. By adopting a responsible banking approach, BBVA México seeks to contribute to the well-being of society and protect the environment. This philosophy is reflected in each of its decisions and actions, and is an integral part of the bank’s culture.



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

GRI 2-23

BBVA's General Sustainability Policy defines and establishes the general principles, and the main management and control objectives and guidelines to be followed by the Group in matters of sustainable development. In 2022, the second version of this policy was updated and among its changes is the updating of principles, objectives and provisions related to sustainability. With this incorporation and updating of content, the Corporate Social Responsibility Policy is repealed.



General principles of action in sustainability matters

- **Support customers in their transition to more sustainable business models** by acting as a lever to encourage such behaviors or actions.
- Progressively incorporate **opportunities and risks related to sustainability** in its strategy, business, processes and risk management.
- **Ensure** the direct and indirect **environmental and social impact** in the most relevant areas that its businesses and activities may generate, promoting positive impacts and reducing negative impacts.
- **Respect the dignity of people and the human rights** inherent to them in accordance with various commitments of broad national or international recognition to which it has adhered.
- **Develop community investment programs and activities** to address the most relevant challenges of the communities in which the Group is present, with the aspiration of creating opportunities for all.

- **Involvement as an agent of social change** together with other stakeholders (employees, shareholders, suppliers or society in general) with the aspiration to create opportunities for all, and to dedicate its competencies and business knowledge, capabilities and resources to this end.

The **focuses of action in sustainability matters** provided in the Sustainability Policy are as follows:

- **The fight against climate change and the protection of natural capital**, so that the Group acts as a driver of the joint global effort to accelerate the shift to a net-zero emissions economy by 2050, and the preservation of natural capital.
- **Inclusive growth**, so that the Group acts as a catalyst for change, increasing the well-being and economic growth of society, leaving no one behind and making the opportunities of this new era available to all.

Group sustainability objectives

1. Increase the growth of the Group's business through sustainability. Identify new opportunities, innovate by developing sustainable products and offer advice for private and corporate clients, integrating sustainability risks into the Group's management processes.
2. Achieve greenhouse gas emissions neutrality. Reduce the Group's direct emissions and indirect emissions through its customers, reaching emissions neutrality by 2050 at the latest, in line with the more ambitious objectives of the Paris Agreement.
3. Drive integrity in our relationship with stakeholders. Ensure a responsible relationship with our customers and suppliers, promote diversity and inclusion in our team, enhance transparency and promote community investment.



Alliances

GRI 2-28

Helping customers in their transition to a more sustainable future through partnerships with experts in sustainability, mobility, transportation, photovoltaic systems and energy efficiency is one of our contributions to enhancing positive impacts on society and the environment.

Different collaborations or alliances have been created with entities such as the German Agency for International Cooperation (GIZ), the environmental consulting firm Ectagono, the entrepreneurship company Victoria 147 and the Green Finance Advisory Council (*Consejo Consultivo de Finanzas Verdes, CCFV*), now the Mexican Sustainable Finance Council, seeking to strengthen the sustainability strategy and position BBVA as one of the strongest sustainable banks.

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



Economic impact



The great work of Grupo Financiero BBVA México as an essential economic entity for the growth and development of the country is reflected in the continuous granting of credit, making the opportunities of this new era available to all. Grupo Financiero BBVA México also encourages savings among its customers, supporting them to have an excellent financial health with innovative solutions and constant improvements in both physical and digital infrastructure.

This, with a clear focus on caring for the quality of financial assets, as well as expense control, following the strategy of seeking the highest profitability, driving inclusive growth.

2022 was a year of economic recovery and great uncertainty derived from international conflicts. Grupo Financiero BBVA México continues to demonstrate

its strength in solvency and liquidity, turning moments of crisis into opportunities that benefit its customers, who are at the center of the business.

Grupo Financiero BBVA México's growth and success are a result of its constant investment in technology. This investment has not only enabled the company to navigate complex economic situations but also to promote financial inclusion in the country, providing high-quality financial services to more Mexicans.

Grupo Financiero BBVA México will continue working to provide the best service to families, individuals, companies and governments to continue creating opportunities. Its main objective is to be a bank of people for people.

In 2023, it will maintain its transformation, with a renewed focus on customer service, offering its products with faster and more efficient processes, **taking advantage of global trends** such as digitalization, **building an increasingly inclusive and sustainable society.**

Evolution of activity

GRI 201-1

During 2022, the steady recovery of the country’s economy has been confirmed. This, together with BBVA México’s solid commitment to promoting development, can be seen reflected in the continued granting of credit, which recorded a balance of MXN 1,492,329 million. This consolidates BBVA México’s leadership with a market share of 24.4%, according to the most recent figures published by the CNBV at the end of November 2022.

Commercial loans totaled MXN 827,894 million, of which 74% of the portfolio is made up of the business segment (including corporate and medium-sized companies), through which we continue to support the economic growth of the country’s productive sector, and the remaining 26% corresponds to the sum of the government and financial institutions portfolio.

Grupo Financiero BBVA México considers supporting small and medium-sized enterprises (SMEs)¹ as one of its top strategic priorities. Currently, the SME portfolio exceeds MXN 95 billion, representing an impressive annual growth rate of 19.7%, with 20.9% more loans granted to this segment. As part of this initiative, the Banca de Barrio (Neighborhood Banking) business

model was launched in July 2020, with a team of 3,900 specialized executives providing tailored services to SMEs. This resulted in an increased customer base of 165,000, with the installation of over 140,000 point-of-sale terminals to further business growth.

The loans granted to individuals showed a positive trend in terms of both balance and loan originations. In 2022, credit cards were particularly dynamic, with balances reaching MXN 144,625 million, and more than 1.9 million customers received new credit cards, representing a 51.9% increase in new credit cards granted compared to last year. Payroll and personal loans closed with a combined balance of MXN 164,383 million, and this growth was supported by the innovation strategy, with 75% of total sales made through digital channels.

Mortgage loans has also been boosted, maintaining a trend of constant growth over the last two years. This has allowed Grupo Financiero BBVA México to maintain its leading position by granting one out of every four new mortgages in private banking, according to information from the CNBV at the end of December 2022.

¹ SMEs segmentation according to internal management criteria in BBVA México.

■ 2021 ■ 2022

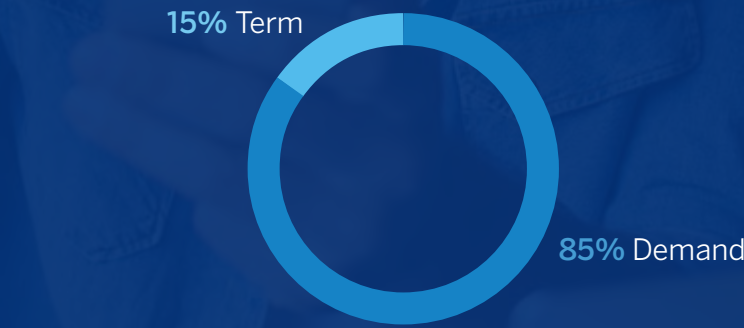
Total Performing Portfolio (MXN Billions)



Mortgage Portfolio (MXN Billions)



Composition of Bank Deposits (%)



Bank Deposits (MXN Billions)



Our ongoing strategy of financial inclusion and promotion of savings among customers is reflected in the 10.1% increase in bank deposits (demand deposits + time deposits)² in annual terms. This has allowed Grupo Financiero BBVA México to consolidate its leadership position by registering a market share in bank deposits of 24.4%, according to public figures from the CNBV at the end of 2022.

Evolution of results

During 2022, Grupo Financiero BBVA México recorded solid results to close the year with a net income of MXN 84.84 million, supported by growing recurring income.

Net income of MXN 84.84 million.

The result has benefited from an improvement in the financial margin derived from higher loan portfolio activity, as well as from an environment of higher interest rates. This was accompanied by a higher level of transaction activity, which is reflected in a positive result in fees and commissions.

The financial margin performed positively, as a result of the constant growth of commercial activity and in those segments with higher profitability, as well as the increasing path of the reference interest rate and the optimization of liabilities with a profitable mix of deposits that allows maintaining an adequate cost of funding.

During 2022, net commissions amounted to MXN 32,421 million, supported by a higher level of customer transactions with credit and debit cards, where the invoicing of these products has had a favorable double-digit growth of more than 20%. Also, mutual fund commissions have performed favorably during the year, also derived from a higher level of customer transactions.

Operating expenses will reach MXN 71,110 million during 2022. Despite the high levels of inflation observed during 2022, the company has managed to contain the evolution of expenses, which is reflected in an adequate level of efficiency ratio (measured as expenses divided by revenues) located at 32.1% accumulated at the end of December 2022.

The resilience of the results reflects the daily effort and commitment of our employees who faced a challenging environment with dedication, providing excellent customer service and experience.

■ 2021 ■ 2022

Net Income (MXN million)



Total Revenue (MXN million)



Total Expenses (MXN million)



² Bank deposits = demand + term total



■ 2021 ■ 2022

Delinquency rate (%)



Total Capitalization Ratio (%)



Hedging rate (%)



Liquidity Coverage Ratio (%)



Material information

December 2022 (Financial Groups)		
Indicators (%)	GFBB	Market*
Return on equity (ROE)	25.8	17.4
Net Interest Margin	6.4	5.1
Efficiency ratio	32.1	43.8
Delinquency rate	1.6	2.1

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



General Indicators of Full-Service Banks (CNBV Data)	
	Dec.22
Total Full-Service Banks	50 institutions
Branches	11,831
Employees	265,560
Bank total assets (MXN thousand)	12,524,311
Constant GDP (MXN thousand)	18,495,649
GDP %	67.7%
Total gross banking portfolio (MXN thousand)	6,241,838
GDP %	33.7%
Traditional deposits (MXN thousand)	7,202,444
Demand	4,917,697
Term	1,997,740
Securities	287,007

Relevance of Grupo Financiero BBVA México in the Economy	
	Dec.22
Total Assets (mp)	3,087,967
Performing Portfolio	1,492,329
Market Share (Performing Portfolio)	24.4%
Traditional Deposits (mp)	1,704,869
Market Share (Deposits)	24.4%
Traditional Deposits / Total Assets	55.21%

Material information

Economic Value Added (EVA)		
	2021	2022
Personnel expenses	25,317	31,820
Interest expense	41,846	62,862
Administrative and operating expenses	18,251	20,196
Taxes	25,516	30,455
Contributions to the community: funds allocated	110,930	145,333

Economic value generated and distributed		
	2021	2022
Economic value generated	185,422	226,373
Financial margin	142,470	186,319
Net commissions	28,140	32,421
Other ordinary income	14,812	7,633
Economic value distributed	99,705	151,050
Dividends	11,080	53,945
General administrative expenses	37,792	34,830
Taxes	25,516	30,455
Personnel expenses	25,317	31,820
Economic value retained	85,717	75,323
Loan loss reserves	26,401	35,640
Other	59,316	39,683





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

Stakeholders and materiality





GRI 2-1, 2-29

Stakeholders and dialogue channels

Stakeholders of Grupo Financiero BBVA México were defined following the criteria established by the AA1000 Stakeholder Engagement Standard and represent people or groups of people who have some interaction with the Group.

Stakeholder	Dialogue Channels	Responsible Unit
 Shareholders	<ul style="list-style-type: none">Legal DepartmentShareholders' MeetingAnnual ReportQuarterly Financial Information	<ul style="list-style-type: none">Investor relations https://investors.bbva.mx
 Customers	<ul style="list-style-type: none">BranchesBBVA Hotline https://www.bbva.mx/personas/servicios-digitales/linea-bbva.htmlWebsite https://www.bbva.mxPress (newspapers, magazines, inserts, direct mail, television and radio, among others)Satisfaction surveySocial mediaOpinion studies	<ul style="list-style-type: none">Wholesale and investment bankingBusiness development

● Daily ● Monthly ● Quarterly ● Annually ● Periodically

Stakeholder	Dialogue Channels	Responsible Unit
 Employees	<ul style="list-style-type: none"> • We are BBVA • Email (employee whistleblower 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 survey 	<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
● Periodically

Materiality analysis

GRI 3-1, 3-2

In 2022 Grupo Financiero BBVA México conducted an update to its materiality exercise, which identified the issues that generate the greatest impact -positive or negative, current or potential, on the economy, the environment, people and human rights- or those issues that impact the business or stakeholders.

To identify the material issues, we first identified ESG trends for the financial sector from sources such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), Dow Jones Sustainability Index (DJSI), Morgan Stanley Capital International (MSCI), Sustainable Development Goals (SDGs), World Economic Forum (WEF), United Nations Environment Programme Finance Initiative (UNEP FI), and Standard & Poor’s Global (S&P), among others.

Furthermore, an evaluation was conducted to assess BBVA’s sustainability management regarding the identified issues. This was followed by a comparison of the level of relevance and performance in relation to the issues among competitors in the sector. A particular weighting was assigned to the stakeholders evaluated, as well as to the organization's interests. As a result, 15 material issues were identified, and their objectives, management, and performance are presented in this report.



Progress in assessing dual materiality

With the update of the materiality analysis, and aligned with the dual materiality vision of the GRI recommendations, for the first time an exercise was carried out to identify and weigh the real or potential risks, as well as the opportunities, related to material issues, which may be caused directly by the Group or affect it through its value chain, and which in turn may generate financial, reputational or operational impacts.

As a result of this preliminary analysis, 10 ESG risks associated with BBVA México's 15 material issues were identified. A group of representatives from the Bank's areas participated in this exercise, who, through a high-level qualitative assessment exercise, weighted the issues that, according to its experience and knowledge of the transactions, could represent a risk for the Group in terms of their probability and impact.

Probability: the likelihood of a given event happening.

Impact: severity of the effects when the risk materializes.

Initial developments in the dual materiality assessment show that the main risks associated with material issues in terms of potential frequency and severity are climate change, financial inclusion and education, ethics and cybersecurity.³

E	Sustainable Finance	Greenwashing
	Supply Chain	Inefficient use of resources
	Environmental Footprint	
	Climate Change	physical effects of climate change
S	Financial Education and Inclusion	Banking and Financial Education
	Cybersecurity	Theft and leakage of information
	Equality, Diversity and Inclusion	Gaps in Diversity and Inclusion
	Human Rights	
	Contribution to society	Customer service and reputation
	Health and safety	
	Labor practices	Turnover and talent drain
	Employee engagement and talent management	
G	Innovation	Lack of product and service innovation
	Corporate governance	
	Ethical behavior	Ethical dilemmas
	Solvency and financial performance	

³ In 2023 we will continue BBVA's dual materiality assessment in Mexico with a more comprehensive analysis of these developments, with the aim of presenting the final results in the next reporting period. At a global level, the results of the BBVA Group's Dual Materiality assessment can be found on page 19 of this link.