

2.2.5. Mexico

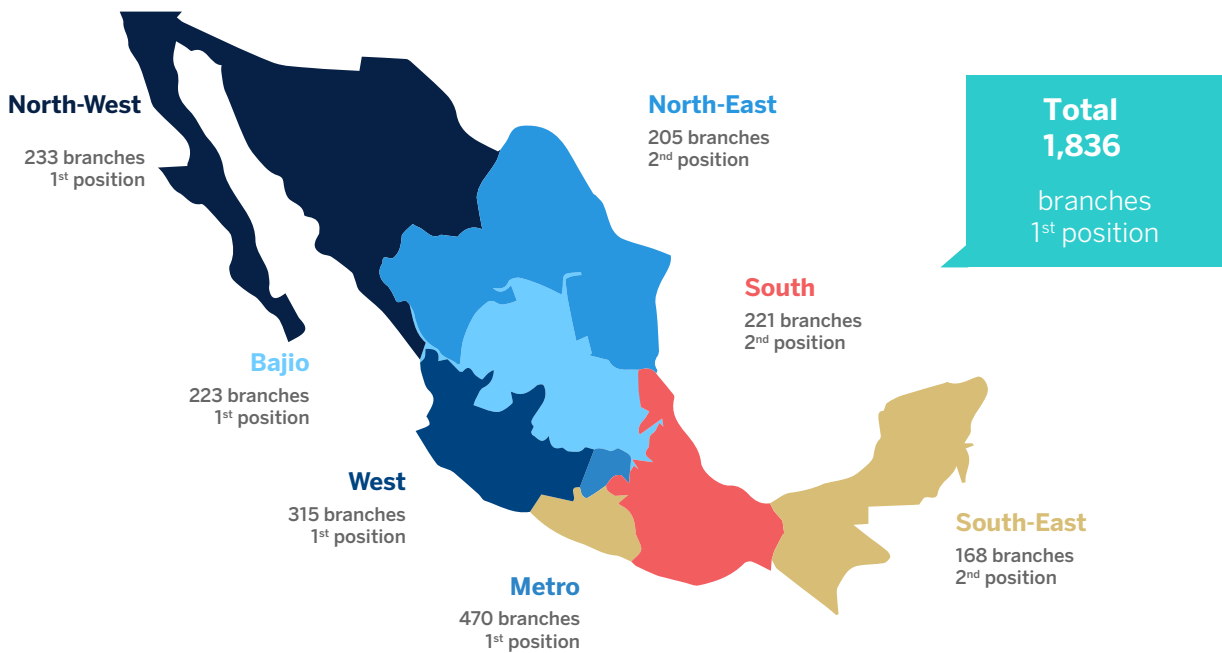


2016
Coverage €
Net attributable profit
€ 1,980 M
+11.0% vs. 2015

Definition of the area

This area comprises the banking, real-estate and insurance businesses conducted by BBVA Group in Mexico (hereinafter, BBVA Bancomer or BBVA Mexico).

- Activity continues strong
- Operating expenses still growing below gross income
- Double-digit year-on-year growth in net attributable profit
- Sound risk quality



The largest banking infrastructure:

Banches: **1,836**
 ATMs: **11,434**
 Correspondents⁽¹⁾: **31,670**
 TPVs: **171,702**

⁽¹⁾ It includes banking and exchange correspondents.

Management priorities

The **Investment Plan** implemented in 2013 for this area concluded in 2016, entailing a total investment of US\$3.5 billion. The plan included remodeling 1,831 branches (over 99% of the network), the installation of the most modern ATMs available on the market (the number increased during the year by 661 units), the launch of new applications, and the development of a robust operational and informational

platform. In addition, the new head offices have obtained the LEED certificate as sustainable buildings (Torre and Parques BBVA Bancomer). This has resulted in BBVA Bancomer achieving the top ranking on the Net Promoter Score (NPS), with improved customer service excellence and a franchise model implemented in branches, with specialized executives by product and segment.

Additionally, in 2016, BBVA Bancomer continued working on the **Strategic Priorities** that the Group launched in 2015, within an ongoing transformation process to continue

improving customer experience and the efficiency of processes as the key drivers of business profitability.

Investment plan 2013-2016: 3,500 million dollars

Branches	1,831 branches (over 99% of the network), the installation of the most modern ATMs available on the market		<div style="text-align: right; font-size: 2em; font-weight: bold; border: 1px solid white; border-radius: 50%; width: 40px; height: 40px; display: inline-block; line-height: 40px;">1st</div> <h2 style="margin: 0;">NPS index</h2> <p style="margin: 5px 0;">Net Promoter Score (NPS)</p> <ul style="list-style-type: none"> * Customer service excellence * Franchise model implemented in branches * Specialized executives
Technology	Digital channels New applications robust operational platform		
Head offices	LEED certificate as sustainable building		

A. Provide a new standard in customer experience

Goal: to provide the best customer experience through a new customer service standard and model, boosting the relationship between customers and the bank through the most suitable and convenient channel for them, while offering the products and services that they need.

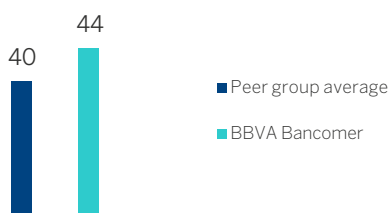
In **2015**, BBVA Mexico launched a series of initiatives to enhance customer loyalty and retention. The most significant was the *Experiencia Única* (Unique Experience) model, now implemented in all the branches, which standardizes customer service and generates an internal certification model that allows an ongoing improvement in the service.

BBVA Mexico has continued making further progress in this regard in **2016**. As a result, it has been recognized by its customers as one of the banks offering the best service in Mexico, as reflected in the rise in the Net Promoter Score over the year. Compared with its peers on the open market, BBVA Bancomer closed the year ranked first in the country.

Additionally, the mobile apps launched to simplify use of financial services have undergone a continuous improvement process in terms of user experience (UX) and transparency. Data from December 31, 2016 show that the BMovil, Send and Wallet apps have had over four million downloads, payroll portability reached 79%, the customer contact center was redefined, 82% of transactions were migrated to ATMs or self-service machines, the first cross-border accounts (from Mexico to the United States) were opened for non-resident customers in the SME and retailer segments, and the credit limit on cards for customers with a good financial history was raised.

- ✓ **Payroll attraction doubled from 11 to 22 thousand per month**
- ✓ **79% of total payroll portability, meaning that 8 out of 10 employees choose *Nómina Bancomer* (BBVA Bancomer payroll)**

Net Promoter Score (NPS) (Mexico, Percentage)



Peer group average: Banamex, Santander, Banorte, HSBC.

Several initiatives in individual customer segments are being developed in **2017** to consolidate the bank's positioning, improve customer service, create better value-added offerings and increase the customer base loyalty. The initiatives expected to be implemented include, among others: customer sub-segmentation, a new incentive model and expansion of the product offering.

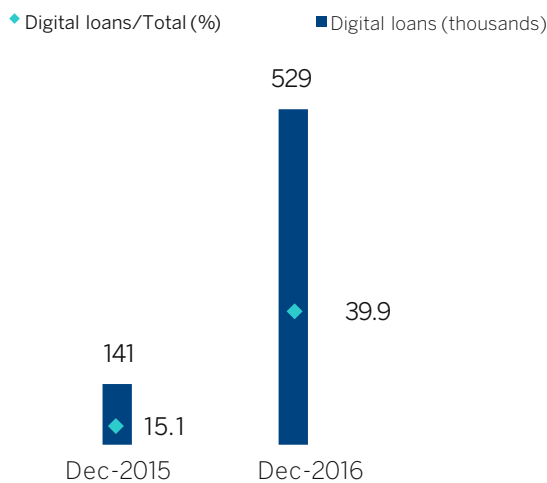
B. Drive digital sales

Goal: support and boost sales through digital channels and after-sales service, with swift, simple and secure access to financial services. There was only a limited

capability to track the performance of digital campaigns in **2015**. A new CRM (client relationship management) model was implemented in **2016** for digital marketing campaigns.

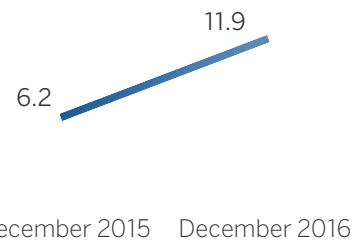
In **2015** an initial model had been implemented to provide incentives for attracting and converting traditional customers into digital customers, various products and services were designed for digital consumption (One-click) and certain solutions were developed for the digital ecosystem. The Bancomer Trader app for trading shares online was launched in **2016**. BBVA Send received an award at the 2016 Bit Prizes as the most innovative app in the financial sector for boosting digitalization in Mexico. This app lets users withdraw cash without a card (20% of the app users are not customers of the Bank). Additionally, "One-click" is one of the best examples of the boost to digital sales, since it provides the segments of private individuals and small businesses with access to consumer loans through digital and remote channels such as Bancomer.com, *Bancomer Móvil* and ATMs. The number of consumer loans granted through this medium represents over 40% of total loans. This figure for 2015 was 11%.

Consumer loans granted through digital channels (Mexico. Thousands. Percentage)



Since 2014, when we only had six **digital products**, we have increased our range substantially to 31. For instance, in 2016 BBVA Bancomer launched Mexico's first fully digital bank account as a result of a continuous process of renewal to adapt to the needs of new customer segments. As a result of all these efforts, BBVA in Mexico has reached a figure of 3.9 million active **digital customers** and granted over 500,000 **loans** through digital channels at the close of 2016. This means a year-on-year growth of 4.5 times.

Digital sales⁽¹⁾ (Mexico. Percentage of total sales YTD, number of transactions)



⁽¹⁾ Figures have been restated due to changes in the inclusion of some products.

A key focus will be maintained in **2017** on the ongoing technology development and innovation for supporting the sales process with tools that simplify the management and procedure of lending. At the same time, the aim is also to provide financial users with incentives to save, and the launch of several simple savings products is being pursued.

C. Optimize capital allocation

Goal: To optimize capital allocation by boosting and improving profitability to ensure the successful sustainability of the business.

To achieve this goal, significant progress has been made in improving and generating more efficient processes and tools to enable an integral management of BBVA Bancomer's capital and that of its subsidiaries, while complying with the requirements of local and global authorities. The initiatives currently underway in this regard aim to guarantee that the business has the essential financial information available as the primary management tool. Additionally, more importance is being given to a cross-cutting vision of business profitability (customer, segment, product, region, unit and business area). Likewise, substantial initiatives are being identified for improving cost efficiency.

D. Unrivaled efficiency

Goal: To provide greater added value at a reasonable price, achieving high levels of productivity across the whole value chain with a clear focus on commercial activity.

A number of action plans are being developed and implemented to generate more efficient processes that will increase network productivity. Improvements are also being made in fraud prevention services and efficiency of information analysis.

E. A first-class workforce

Goal: To attract, develop, motivate and retain a first-class workforce, provide the best employee experience,

and bring corporate culture into line with the Group's transformation process:

The area seeks the continuous improvement and development of the team. To do so, a leadership model has been incorporated by relaunching the communication strategy for the corporate culture and values. Constant efforts are also being made to increase the levels of transparency and employee satisfaction. Among the **initiatives** are: the substantial simplification of pay scales and salaries; incorporation of an office for retaining, taking care of and developing talent in the entity; creation of a new hiring process for reducing hiring times by half; a change in the design of the training program; and development of a new selection strategy with a view to attracting the best young talent available in the market.

F. Social responsibility

An additional strategic priority was defined in 2015 for Mexico due to the importance of the BBVA Bancomer Foundation for the country.

Its **goal** is to enhance our commitment to social development and welfare, foster education in the country

and support the communities within the institution's sphere of action.

Among the **initiatives** implemented to foster this strategic priority, every year some of the bank's earnings are allocated to support education for children with limited resources and scarce opportunities for development through a scholarship program. Financial literacy programs are likewise carried out to raise awareness of the practical advantages and positive impact of a responsible use of financial services and products. Over 2.5 million people benefited from these financial literacy programs in 2016. Additionally, the *Por los que se quedan* (For those left behind) and "Young Knowledge Olympics" programs benefited over 84,000 students in the country. Last but not least, BBVA Bancomer also fosters corporate volunteering. A total of 2,235 employees have been involved in over seven initiatives that benefited over 15,600 citizens, 3,500 students, 9 public schools and a public park.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.