

# **BBVA Bancomer, S.A.**

## **Financial Report**

January-December 2019

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## Relevant Information

### **Decree and distribution of dividends**

During the fourth quarter of 2019, *BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer* (“BBVA Mexico” or the “Bank”) decreed the fourth installment of the dividend payment at the Ordinary General Shareholders’ Meeting, at a rate of \$0.519194741697916 for each outstanding share. The dividend was paid on September 11, 2019.

### **The BBVA Mexico Foundation will invest 6 billion pesos in education during the next 5 years**

In order to detect and boost talented students in Mexico, on May 2019, the BBVA Mexico Foundation announced the opening of the program “Becas BBVA para Chavos que inspiran”, focused on students with good academic records, who are starting middle school in the public system, during the 2019-2020 school year and that require financial support to continue developing their talent. For this program, 6 billion pesos will be invested in the next 5 years. With this action, the goal is to reduce the dropout rate of high performance students, contributing to their personal development and fostering a talent network that translates into benefits for their communities and country.

One of the components that differentiates the Foundation’s scholarship program is its mentoring support, granted by BBVA Mexico employees, who provide timely monitoring of student’s progress, and help them in their personal and academic training. Since 2016, more than 8 thousand mentors have participated in education programs promoted by the Foundation.

### **The artificial intelligence of the BBVA Mexico’s virtual assistant is recognized by “Global Finance”**

BBVA Mexico’s innovation puts customers’ at the center of all its actions, for this reason it has focused on developing products and services that provide digital solutions focused on facilitating client’s interactions with the Bank, regardless of whether they are customers or not.

This innovation was recognized by “Global Finance” magazine, which in its 2019 edition of “The Innovators” gives an honorable mention to the virtual assistant of BBVA Mexico, as a contact point that uses artificial intelligence, among customers and the Bank to answer questions regarding products and services offered by the Bank.

The virtual assistant service, launched in August 2018, is available on WhatsApp® and Alexa®, uses artificial intelligence and machine learning, which allows learning from interactions and increasing its capabilities over time, being a platform that in every moment values customers' needs.

## **The BBVA Tower is recognized as “Building of the Year 2019” by Edificios de México**

*Edificios de México*, the website specialized in real estate, considers that for its “postmodernist and ecological design, the Tower was chosen as the skyscraper that represents the fourth edition of the Day of Buildings, year 2019”, which was held on November 11.

The construction characteristics of the BBVA Tower, places it as one of the safest in Mexico and Latin America. Likewise, it is friendly to the environment and has a LEED certification issued by the U.S. Green Building Council (USGBC) that translates into savings and recycling in the consumption of water and a lower use of energy use, in addition to seeking to improve the final aspects of life quality and comfort for the users of the property. The BBVA Tower in Mexico has the LEED Platinum category, the highest in the sector.

# Management and Discussion Analysis

## Commercial Activity

### Performing Loans

During 2019 a complex macroeconomic environment was observed both locally and internationally. Despite this, BBVA Mexico continued to endorse its commitment to the country and clients, promoting banking and financial inclusion, by increasing the loan portfolio 6.6% on an annual basis, as it exceeded 1.2 trillion pesos.

BBVA Mexico maintains a continuous focus on “creating opportunities” for customers, through a vast offer of traditional and digital products and services. Because of the prior the bank boosted its credit for families (consumer) growing by 9.9% annually. It is important to highlight the increase registered in payroll and personal loans, which together grew 12.8% annually, while consumer finance (auto) also reached double-digit growth of 13.2%.

For its part, the continuous and powerful implementation of credit card campaigns was reflected in an acceleration of this product, recording a 5.2% increase in its balance compared to the previous year. This, despite having a large customer base that pay the entire debt balance at the end of the month. In addition, the billing continues to show a positive performance increasing by 14.4% in annual terms.

BBVA Mexico maintains leadership in the mortgage segment and continues to promote housing by granting one out of four new mortgages in the private sector<sup>1</sup>. Thus, at the end of December 2019, mortgages grew 10.9% with respect to the previous year, with a balance of 231,213 million pesos (mp) at the end of December.

Finally, the commercial portfolio grew 3.9% in annual terms. In detail, the government portfolio registered the greatest dynamism with an annual double-digit increase at the end of the year (+11.3%), while business activity grew 1.8% in the same period.

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<sup>1</sup> Source: public information of Banks from Comisión Nacional Bancaria y de Valores (CNBV)

<b>Performing Loans</b>	<b>12M</b>	<b>9M</b>	<b>12M</b>	<b>%</b>	
<i>Figures in million pesos</i>	<b>2018</b>	<b>2019</b>	<b>2019</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
Businesses	498,432	505,879	507,622	0.3	1.8
Financial entities	30,898	26,452	33,162	25.4	7.3
Government loans	77,144	80,459	90,866	12.9	17.8
State-owned entities	52,034	47,021	52,859	12.4	1.6
Government	129,178	127,480	143,725	12.7	11.3
Commercial loans	658,508	659,811	684,509	3.7	3.9
Consumer	273,234	294,478	300,302	2.0	9.9
Mortgage	208,577	226,178	231,213	2.2	10.9
<b>Total Performing Loans</b>	<b>1,140,319</b>	<b>1,180,467</b>	<b>1,216,024</b>	<b>3.0</b>	<b>6.6</b>

## Asset quality

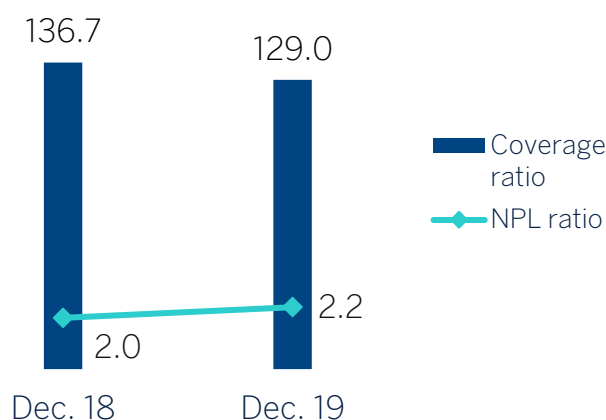
### Non-performing loans

BBVA Mexico has a prudent risk management policy that, through advanced models, anticipates risks, while increasing credit, maintaining adequate levels of asset quality.

Non-performing loans registered an annual increase of 18.0%, mainly driven from a change of criteria in the calculation of this item. Despite the above, the NPL ratio stood at 2.2% at the end of the year, comparing against the 2.0% recorded in 2018.

<b>Non Performing Loans</b>	<b>12M</b>	<b>9M</b>	<b>12M</b>	<b>%</b>	
<i>Figures in million pesos</i>	<b>2018</b>	<b>2019</b>	<b>2019</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
Businesses	8,015	9,629	9,518	(1.2)	18.8
Financial entities	0	0	0	n.a.	n.a.
Government entities	0	0	0	n.a.	n.a.
Commercial loans	8,015	9,629	9,518	(1.2)	18.8
Consumer	9,034	9,959	10,342	3.8	14.5
Mortgage	6,225	7,443	7,595	2.0	22.0
<b>Total Non Performing Loans</b>	<b>23,274</b>	<b>27,031</b>	<b>27,455</b>	<b>1.6</b>	<b>18.0</b>

### NPL ratio and Coverage ratio (%)



### Loan Portfolio Credit Quality Classification

Around 80% of the portfolio is classified with the minimum risk level, which means that BBVA Mexico has a sound asset quality.

BBVA México								
Performing Loan Rating								
December 2019								
	Commercial Loans		Mortgage		Consumer		Credit Card	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
<i>Figures in million pesos</i>								
Ratings								
A1	680,988	1,626	192,871	232	59,203	497	52,190	885
A2	36,262	381	9,902	56	15,094	382	16,027	628
B1	10,469	169	1,684	15	50,342	1,671	9,674	555
B2	7,864	168	6,927	85	35,660	1,629	9,010	653
B3	15,390	461	4,152	68	8,412	469	8,092	721
C1	3,424	224	10,254	320	7,329	538	7,742	916
C2	605	74	5,219	373	5,582	553	10,196	2,432
D	6,190	2,085	4,224	1,154	2,917	682	1,806	892
E	6,818	3,923	3,575	1,847	8,981	5,992	2,389	2,055
<b>Total required</b>	<b>768,010</b>	<b>9,111</b>	<b>238,808</b>	<b>4,150</b>	<b>193,520</b>	<b>12,413</b>	<b>117,126</b>	<b>9,737</b>

### Deposits

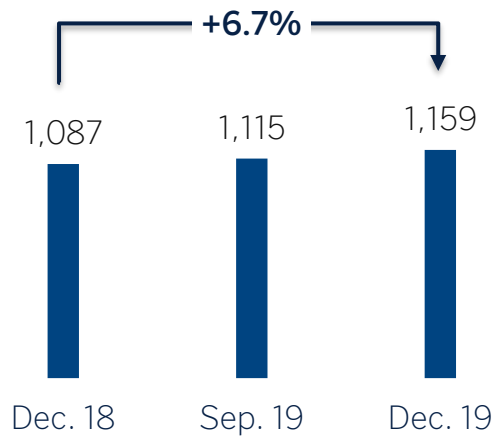
BBVA Mexico recognizes the importance of continuously promoting among its clients a savings culture, because of this, bank deposits (defined as demand and time customer deposits) reached a balance of 1,159,454 million pesos, a figure 6.7% higher compared to the previous year. This is explained by a 6.8% annual growth in demand deposits, while time deposits

registered an increase of 3.9% during the same period. With this, BBVA Mexico maintains a profitable funding mix with a higher relative weight of low-cost deposits.

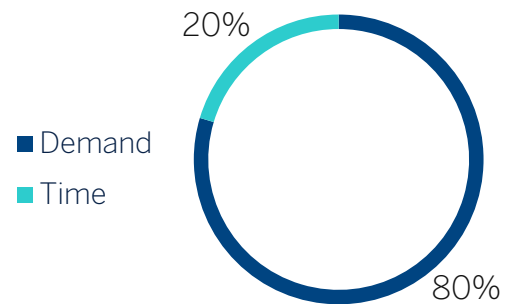
By including the rest of client resources, total deposits exceed 1.2 trillion pesos with an annual growth of 5.6%.

Deposits	12M 2018	9M 2019	12M 2019	% Q-o-Q	% Y-o-Y
<i>Figures in million pesos</i>					
Demand deposits	864,651	843,948	923,191	9.4	6.8
Time Deposits	244,511	282,353	254,070	(10.0)	3.9
Customer Deposits	222,013	270,553	236,263	(12.7)	6.4
Money Market	22,498	11,800	17,807	50.9	(20.9)
Bonds	88,162	93,437	85,852	(8.1)	(2.6)
Deposits global account without movement	3,565	3,725	4,507	21.0	26.4
<b>Total Deposits</b>	<b>1,200,889</b>	<b>1,223,463</b>	<b>1,267,620</b>	<b>3.6</b>	<b>5.6</b>

### Bank Deposits (mp)



### Bank Deposits Mix (%)



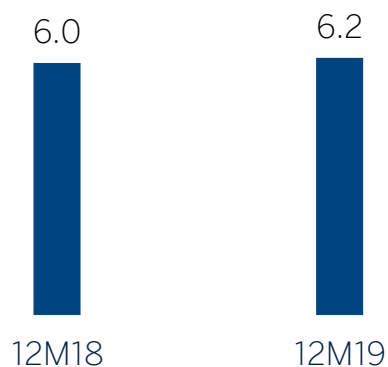


## Results

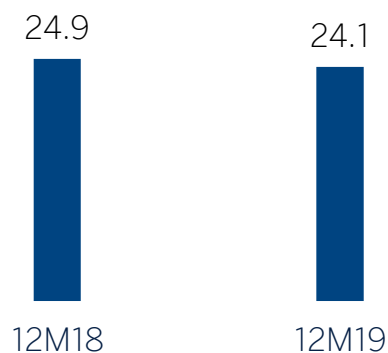
In 2019, BBVA Mexico recorded solid results, reaching a net profit of 49,254 million pesos, equivalent to an annual growth of 6.9%.

BBVA México Income Statement	4Q 2018	3Q 2019	4Q 2019	Q-o-Q	% Y-o-Y	12M 2018	12M 2019	%
<i>Figures in million pesos</i>								
Net interest income	32,027	32,374	33,153	2.4	3.5	122,912	129,502	5.4
Provisions for loan losses	(8,725)	(9,441)	(9,369)	(0.8)	7.4	(32,299)	(35,713)	10.6
Net interest income after provisions for loan losses	23,302	22,933	23,784	3.7	2.1	90,613	93,789	3.5
Total Fees & Commissions	7,052	7,352	7,583	3.1	7.5	27,830	28,888	3.8
Trading income	221	1,933	1,286	(33.5)	n.a.	3,471	6,403	84.5
Other operating income	11	306	712	132.7	n.a.	504	884	75.4
Total operating revenues	30,586	32,524	33,365	2.6	9.1	122,418	129,964	6.2
Non-interest expense	(14,577)	(16,023)	(16,257)	1.5	11.5	(59,168)	(63,250)	6.9
Net operating income	16,009	16,501	17,108	3.7	6.9	63,250	66,714	5.5
Share in net income of unconsolidated subsidiaries and affiliates	9	6	2	(66.7)	(77.8)	36	31	(13.9)
Income before income tax and profit sharing	16,018	16,507	17,110	3.7	6.8	63,286	66,745	5.5
Net Taxes	(4,358)	(4,124)	(4,194)	1.7	(3.8)	(17,224)	(17,491)	1.6
Income before discontinued operations	11,660	12,383	12,916	4.3	10.8	46,062	49,254	6.9
Non-controlling interest	(1)	(1)	(3)	n.a.	n.a.	(2)	0	n.a.
<b>Net Income</b>	<b>11,659</b>	<b>12,382</b>	<b>12,913</b>	<b>4.3</b>	<b>10.8</b>	<b>46,060</b>	<b>49,254</b>	<b>6.9</b>

### NIM (total assets, %)<sup>2</sup>



### ROE (%)



<sup>2</sup> Net Interest Margin (NIM) on total assets.

## Net Interest Income

Net interest income's (NII) breakdown shows a 4.8% increase on income coming from the banking activity, mainly driven by a greater credit volume. When adding financial revenue coming from net repos, the NII grew 5.4% in annual terms.

The 10.6% increase in provisions for loan losses due to the change in accounting criteria, leads to a 3.5% growth in the NII after provisions during the year, compared to the previous year.

Net Interest Income	4Q	3Q	4Q		%	12M	12M	%
<i>Figures in million pesos</i>	2018	2019	2019	Q-o-Q	Y-o-Y	2018	2019	Y-o-Y
Loans and deposits financial revenues	31,619	31,637	32,453	2.6	2.6	121,720	127,538	4.8
Margin fees	511	553	541	(2.2)	5.9	1,962	2,106	7.3
Banking net interest income	32,130	32,190	32,994	2.5	2.7	123,682	129,644	4.8
Repos financial revenues	(103)	184	159	(13.6)	n.a.	(770)	(142)	(81.6)
Net interest income	32,027	32,374	33,153	2.4	3.5	122,912	129,502	5.4
Provisions for loan losses	(8,725)	(9,441)	(9,369)	(0.8)	7.4	(32,299)	(35,713)	10.6
<b>Net interest income after provisions</b>	<b>23,302</b>	<b>22,933</b>	<b>23,784</b>	<b>3.7</b>	<b>2.1</b>	<b>90,613</b>	<b>93,789</b>	<b>3.5</b>

## Fees and Commissions

Fees and commissions increased 3.8% in annual terms. This is a consequence of generating a better customer experience, promoting the use of alternative channels other than branches, such as digital channels.

The commissions derived from credit and debit cards, record an annual growth due to a higher transaction volumes from customers' of this type of products.

Fees & Commissions	4Q	3Q	4Q		%	12M	12M	%
<i>Figures in million pesos</i>	2018	2019	2019	Q-o-Q	Y-o-Y	2018	2019	Y-o-Y
Bank fees	1,857	1,822	1,862	2.2	0.3	7,148	7,245	1.4
Credit and debit card	3,800	3,811	4,036	5.9	6.2	14,425	15,450	7.1
Investment funds	956	986	1,049	6.4	9.7	3,863	3,918	1.4
Others	439	733	636	(13.2)	44.9	2,394	2,275	(5.0)
<b>Commissions and fee income</b>	<b>7,052</b>	<b>7,352</b>	<b>7,583</b>	<b>3.1</b>	<b>7.5</b>	<b>27,830</b>	<b>28,888</b>	<b>3.8</b>

## Other income (expenses) of the operation

In 2019, the amount of other income stood at 884 million pesos driven by revenues related to sales and recoveries of loan portfolio, and the good management of foreclosed assets.

Other Income	4Q 2018	3Q 2019	4Q 2019	Q-o-Q	% Y-o-Y	12M 2018	12M 2019	% Y-o-Y
<i>Figures in million pesos</i>								
Bank Correspondents	27	33	38	15.2	41	120	149	24.2
Sales and recoveries of loan portfolio	241	456	146	(68.0)	(39.4)	679	746	9.9
Interest of loans to employees	184	193	203	5.2	10.3	689	771	11.9
Dividends collected unlisted	39	0	(1)	n.a.	n.a.	102	108	5.9
Result of operation of foreclosed assets	564	218	372	70.6	(34.0)	527	885	67.9
Write-offs	(188)	(252)	(81)	(67.9)	(56.9)	(745)	(866)	16.2
Legal contingencies	81	(88)	51	n.a.	(37.0)	(435)	(266)	(38.9)
Donations	(219)	(91)	(187)	105.5	(14.6)	(561)	(672)	19.8
Real estate properties sale	5	35	223	n.a.	n.a.	805	46	(94.3)
Brand change	0	(219)	(219)	n.a.	n.a.	0	(438)	n.a.
Other income	(723)	21	167	n.a.	n.a.	(677)	421	n.a.
<b>Other operating income</b>	<b>11</b>	<b>306</b>	<b>712</b>	<b>132.7</b>	<b>n.a.</b>	<b>504</b>	<b>884</b>	<b>75.4</b>

## Non-Interest Expenses

Expenses increased 6.9% due to higher administrative and operating expenses. It should be noted that BBVA Mexico has a clear focus on the continuous improvement of customer experience and service. In this regard, the physical and digital banking infrastructure continues to strengthen; at the end of December 2019, there were 1,860 offices and 13,170 ATMs, in addition to the wide range of applications and digital services that serve the customer base.

The adequate expenditure management has allowed BBVA Mexico to consolidate its position as one of the most efficient institutions in the financial system, with an efficiency ratio (measured as expenses to income) of 38.2% at the end of December 2019, improving by 7 basis points (bps) compared to the previous year.

Non-Interest Expenses	3Q 2018	2Q 2018	3Q 2019	Q-o-Q	% Y-o-Y	12M 2018	12M 2019	% Y-o-Y
<i>Figures in million pesos</i>								
Administrative and operating expenses	9,382	10,635	10,822	1.8	15.3	38,779	41,671	7.5
Manageable expenses	9,382	10,635	10,822	1.8	15.3	38,779	41,671	7.5
Rents	1,347	1,438	1,406	(2.2)	4.4	5,286	5,708	8.0
Depreciation and amortization	1,461	1,477	1,447	(2.0)	(1.0)	5,706	5,866	2.8
Taxes	1,033	1,098	1,203	9.6	16.5	4,180	4,575	9.4
Deposit guarantee fund (IPAB)	1,354	1,375	1,379	0.3	1.8	5,217	5,430	4.1
Non-manageable expenses	5,195	5,388	5,435	0.9	4.6	20,389	21,579	5.8
<b>Administrative and promotional expenses</b>	<b>14,577</b>	<b>16,023</b>	<b>16,257</b>	<b>1.5</b>	<b>11.5</b>	<b>59,168</b>	<b>63,250</b>	<b>6.9</b>

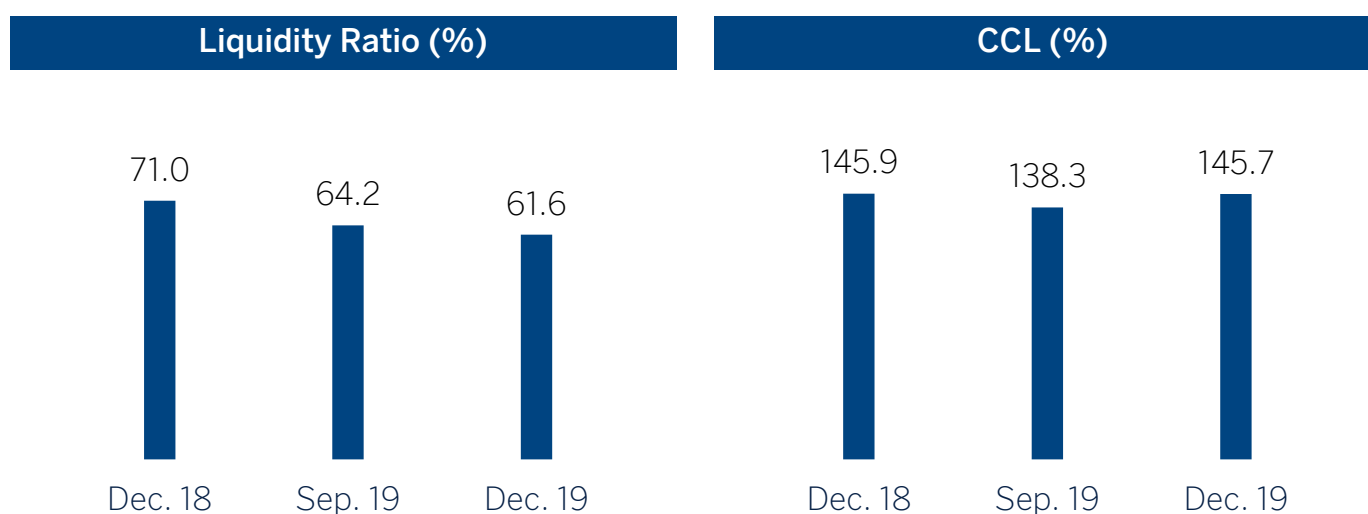
## Capital and Liquidity

BBVA Mexico estimated capitalization index stood at 15.6% at the end of December 2019, composed by 12.5% of Tier 1 capital and 3.1% of Tier 2 capital. Recurrence of income is observed in the constant generation of organic capital, which allows the institution to register an increase of 37 bps compared to 15.2% in September 2019.

BBVA Mexico fully covers the minimum capital requirements. By the end of 2019, BBVA Mexico has a minimum requirement of 12.0% for total capital ratio, derived from the additional allocation of capital after being classified as a domestic systemically important financial institution (Grade IV).

BBVA México Capitalization <i>Figures in million pesos</i>	December 2018		September 2019		December 2019	
Tier 1 capital	192,852		201,553		207,988	
Tier 2 capital	43,807		53,688		51,995	
Net capital	236,660		255,241		259,983	
	Credit Market, Operative Risk & Credit Risk		Credit Market, Operative Risk & Credit Risk		Credit Market, Operative Risk & Credit Risk	
Risk-weighted assets	1,096,252	1,549,713	1,098,686	1,675,725	1,100,878	1,665,915
Tier 1 as % of risk-weighted assets	17.6%	12.4%	18.3%	12.0%	18.9%	12.5%
Tier 2 as % of risk-weighted assets	4.0%	2.8%	4.9%	3.2%	4.7%	3.1%
<b>Total capital ratio</b>	<b>21.6%</b>	<b>15.3%</b>	<b>23.2%</b>	<b>15.2%</b>	<b>23.6%</b>	<b>15.6%</b>

The regulatory liquidity ratio, defined as Liquid Assets / Liquid Liabilities, stood at 61.6%. The Liquidity Coverage Ratio (Local LCR) stood at 145.7%, with a minimum required of 100%. This allows BBVA Mexico to have comfortable liquidity levels for further growth.



## Financial Indicators

BBVA México	4Q 2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	12M 2018	12M 2019
<b>Infrastructure Indicators (#)</b>							
Branches	1,833	1,836	1,821	1,848	1,860	1,833	1,860
ATMs	12,610	12,572	12,811	13,005	13,170	12,610	13,170
Employees	32,255	32,929	33,462	33,741	33,705	32,255	33,705
<b>Profitability Indicators (%)</b>							
a) NIM adjusted (interest bearing assets)	5.0	5.1	4.8	4.8	4.9	4.8	4.8
b) NIM (total assets)	6.3	6.2	6.2	6.2	6.3	6.0	6.2
c) Operating efficiency	2.9	3.0	3.0	3.1	3.1	2.9	3.0
d) Efficiency (cost to income)	37.1	38.1	38.4	38.2	38.0	38.2	38.2
e) Productivity index	48.4	44.8	45.3	45.9	46.6	47.0	45.7
f) ROE	24.3	25.3	22.8	24.0	24.4	24.9	24.1
g) ROA	2.3	2.4	2.2	2.4	2.5	2.3	2.3
<b>Asset Quality Indicators (%)</b>							
h) NPL ratio	2.0	2.0	2.1	2.2	2.2	2.0	2.2
i) Coverage ratio	136.7	137.5	138.1	130.8	129.0	136.7	129.0
<b>Solvency Indicators (%)</b>							
j) Core equity tier 1 ratio	12.0	12.0	11.9	12.0	12.5	12.0	12.5
k) Total capital ratio	15.3	14.6	14.2	15.2	15.6	15.3	15.6
l) Leverage ratio	9.3	9.9	9.4	10.0	10.0	9.3	10.0
<b>Liquidity Indicators (%)</b>							
m) Liquidity ratio (CNBV requirement)	71.0	69.1	69.7	64.2	61.6	71.0	61.6
n) Liquidity ratio (Loans / Deposits)	102.5	104.3	101.2	104.5	102.9	102.5	102.9
o) Liquidity Coverage Coefficient (Local LCR)	145.90	149.38	138.12	138.25	145.67	145.90	145.67

### INFRASTRUCTURE

ATMs: Include those that have activity during the quarter.

### PROFITABILITY

- Net Interest Margin adjusted (NIM adjusted): Financial margin after provisions for loan losses (annualized) / Average productive assets  
Average productive assets: Cash + Securities + Repo debtors + securities lending + derivatives + performing loans + Receivable benefits from securitization transactions + Valuation adjustments derived from hedges of financial assets
- Net Interest Margin (NIM): Net interest income (annualized) / Average total assets
- Operating efficiency: Expenses (annualized) / Average total assets
- Efficiency index: Administrative and promotional expenses / Net interest income + commissions and fee income + trading income + other operating income (expense)
- Productivity Index: Commissions and fees, net / Promotion and administrative expenses
- Return on equity (ROE): Net income (annualized) / Average capital
- Return on assets (ROA): Net income (annualized) / Average total assets

ASSET QUALITY

- h) NPL ratio: Past due loans / Total gross portfolio
- i) Coverage Ratio: Allowance for loan losses / Portfolio overdue

SOLVENCY

- j) Core Equity Tier 1 Ratio: CET1 Capital / Risk Weighted Assets to credit risk, market and operational (applied in Mexico since January 2013)
- k) Total Capital Ratio: Net Capital / Risk Weighted Assets to credit risk, market and operational (applied in Mexico since January 2013)
- l) Leverage Ratio: Risk Capital / Exposure

LIQUIDITY

- m) Liquidity Ratio: Liquid assets / Liquid liabilities
- n) Liquid Assets: Cash and cash equivalents + Trading (securities) + Available for sale (securities)
- o) Liquid Liabilities: Demand deposits + Interbank loans and loans from other entities payable on demand + Interbank loans and loans from other entities short term
- p) Loans / Deposits: Performing loans / Core deposits (demand + time)
- q) CCL (Local LCR – Liquidity Coverage Ratio): Computable Liquid Assets / 30-day stressed Net Outflows (BBVA Mexico information)

## Ratings

<b>BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer Ratings</b>			
	<b>Long Term</b>	<b>Short Term</b>	<b>Outlook</b>
<b>Standard and Poor´s</b>			
Issuer Credit Rating - Foreign Currency	BBB+	A-2	Negative
Issuer Credit Rating - Local Currency	BBB+	A-2	Negative
National Scale	mxAAA	mxA-1+	Stable
Stand Alone Credit Profile (SACP)	a-		
<b>Moody´s</b>			
Bank Deposits - Foreign Currency	A3	P-2	Negative
Bank Deposits - Domestic Currency	A3	P-2	Negative
National Scale Rating Bank Deposits	Aaa.mx	MX-1	
Baseline Credit Assessment (BCA)	baa1		
<b>Fitch</b>			
Issuer Default Rating - Foreign Currency	BBB+	F2	Stable
Issuer Default Rating - Local Currency	BBB+	F2	Stable
National Scale Rating	AAA(mex)	F1 + (mex)	Stable
Viability Rating (VR)	bbb+		

# Issuances

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer Issuances									
Instruments	Amount	Original Currency	Issue Date	Due/Call Date	Term (years)	Rate		Ratings	
							S&P	Moody's	Fitch
<b>Senior Debt</b>									
Bond 3rd Issuance UDIS (2,240) - BACOMER 07U	2,240	UDIS	02-feb-07	09-jul-26	19.4	4.36%		A3/Aaa.mx	AAA(mex)
Bond 7th Issuance UDIS (1,092) - BACOMER 10U	1,092	UDIS	06-sep-10	24-ago-20	10.0	3.70%		A3/Aaa.mx	AAA(mex)
Bond 8th Issuance - BACOMER 10	1,078	MXN	06-sep-10	24-ago-20	10.0	7.83%		A3/Aaa.mx	AAA(mex)
Bond 2nd Issuance 2011 - BACOMER 21145	1,000	MXN	15-abr-11	02-abr-21	10.0	TIIE28 + 0.80%		A3/Aaa.mx	AAA(mex)
Bond 4th Issuance 2012 - BACOMER 22224	1,000	MXN	07-jun-12	26-may-22	10.0	TIIE28 + 0.85%		A3/Aaa.mx	AAA(mex)
Senior Notes Dlls 2014	750	USD	10-abr-14	10-abr-24	10.0	4.38%		A3	BBB+
Bond 2nd Issuance 2017 - BACOMER 17	5,142	MXN	26-may-17	26-may-20	3.0	TIIE28+0.23%		A3/Aaa.mx	AAA(mex)
Bond 3rd Issuance 2017 - BACOMER 17-2	1,858	MXN	26-may-17	26-may-22	5.0	TIIE28+0.35%		A3/Aaa.mx	AAA(mex)
Bond 4th Issuance 2018 - BACOMER 18V	3,500	MXN	27-sep-18	23-sep-21	3.0	TIIE28+0.1%		A3/Aaa.mx	AAA(mex)
Bond 5th Issuance 2018 - BACOMER 18	3,500	MXN	27-sep-18	21-sep-21	3.0	TIIE28+0.19%		A3/Aaa.mx	AAA(mex)
Bond 6th Issuance 2019 - BACOMER 19	5,000	MXN	19-jun-19	19-jun-22	3.0	TIIE+0.07%		A3/Aaa.mx	AAA(mex)
Bond 7th Issuance 2019 - BACOMER 19-2	5,000	MXN	19-jun-19	19-jun-27	8.0	8.49%		A3/Aaa.mx	AAA(mex)
<b>Subordinated Debentures</b>									
Capital Notes Tier 1 2020	750	USD	22-abr-10	22-abr-20	10.0	7.25%		Baa3	BB
Subordinated Debentures Tier 2 2021	750	USD	10-mar-11	10-mar-21	10.0	6.50%		Baa2	BB+
Subordinated Debentures Tier 2 2022	1,500	USD	19-jul-12	30-sep-22	10.2	6.75%		Baa2	BB+
Subordinated Debentures Tier 2 2029 (15NC10)	200	USD	06-nov-14	06-nov-29	15NC10	5.35%		Baa3	BB+
Subordinated Debentures Tier 2 2033 (15NC10)	1,000	USD	18-ene-18	18-ene-33	15NC10	5.13%	BB+		BB+
Subordinated Debentures Tier 2 2034 (15NC10)	750	USD	13-sep-19	19-sep-34	15NC10	5.88%		Baa3	BB+
<b>Mortgage Securitization</b>									
4th Issuance - BACOMCB 08-2	5,509	MXN	01-dic-08	19-ago-30	21.7	9.91%	mxAAA	A3/Aaa.mx	
5th Issuance Serie 3 - BACOMCB 09-3	3,616	MXN	07-ago-09	24-may-29	19.8	10.48%	mxAAA		AAA(mex)
1st Issuance - BMERCB 13	4,192	MXN	21-jun-13	07-abr-33	19.8	6.38%	mxAAA		AAA(mex)



# Financial Statements

## Balance Sheet (Last 5 quarters)

BBVA México					
Assets	Dec	Mar	Jun	Sep	Dec
	2018	2019	2019	2019	2019
<i>Figures in million pesos</i>					
CASH AND CASH EQUIVALENTS	232,851	201,073	222,087	161,091	148,372
Margin call accounts	10,548	10,740	12,912	17,614	18,329
SECURITIES	410,261	417,809	433,963	422,785	463,467
Trading	263,419	249,876	281,339	271,080	281,899
Available for sale	124,201	134,961	119,566	117,973	147,741
Held to maturity	22,641	32,972	33,058	33,732	33,827
Debtors from repurchase agreement	66	56	157	618	8,044
Derivatives	140,617	110,532	112,162	129,979	120,309
Trading	125,804	96,345	97,222	117,018	109,377
Hedging Transactions	14,813	14,187	14,940	12,961	10,932
Valuation adjustments derived from hedges of financial assets	(518)	102	699	1,384	1,310
PERFORMING LOANS	1,140,319	1,143,761	1,173,256	1,180,467	1,216,024
Commercial loans	658,508	650,223	665,189	659,811	684,509
Business or commercial activity	498,432	496,663	509,557	505,879	507,622
Financial entities	30,898	25,475	25,275	26,452	33,162
Government entities	129,178	128,085	130,357	127,480	143,725
Consumer	273,234	278,611	286,707	294,478	300,302
Mortgage	208,577	214,927	221,360	226,178	231,213
Residential Mortgages	197,825	204,275	211,171	216,540	222,023
Social Housing	10,752	10,652	10,189	9,638	9,190
NON PERFORMING LOANS	23,274	23,719	24,602	27,031	27,455
Commercial loans	8,015	8,765	8,926	9,629	9,518
Business or commercial activity	8,015	8,765	8,926	9,629	9,518
Financial entities	0	0	0	0	0
Government entities	0	0	0	0	0
Consumer	9,034	8,924	9,385	9,959	10,342
Mortgage	6,225	6,030	6,291	7,443	7,595
Residential Mortgages	5,603	5,455	5,734	6,829	7,033
Social Housing	622	575	557	614	562
TOTAL LOANS	1,163,593	1,167,480	1,197,858	1,207,498	1,243,479
Allowance for loan losses	(31,811)	(32,609)	(33,981)	(35,358)	(35,411)
TOTAL LOANS, NET	1,131,782	1,134,871	1,163,877	1,172,140	1,208,068
Receivable benefits from securitization transactions	87	99	50	40	25
Other accounts receivable, net	76,778	74,803	93,423	106,384	94,054
Repossessed assets, net	1,759	1,600	1,489	1,417	1,438
Property, furniture and equipment, net	40,169	39,421	38,989	38,042	38,459
Equity investments	534	529	556	562	815
Deferred taxes, net	16,667	16,160	18,308	18,115	20,992
Other assets	6,658	7,835	7,619	7,639	6,906
Deferred charges, prepaid expenses and intangibles	6,658	7,835	7,619	7,639	6,906
Other assets , short and long term	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>2,068,259</b>	<b>2,015,630</b>	<b>2,106,291</b>	<b>2,077,810</b>	<b>2,130,588</b>

BBVA México					
Liabilities & Stockholders' Equity					
	Dec	Mar	Jun	Sep	Dec
	2018	2019	2019	2019	2019
<i>Figures in million pesos</i>					
TOTAL DEPOSITS	1,200,889	1,189,540	1,258,456	1,223,463	1,267,620
Demand deposits	864,651	839,784	885,478	843,948	923,191
Time Deposits	244,511	252,874	270,713	282,353	254,070
Customer deposits	222,013	230,359	251,070	270,553	236,263
Money market	22,498	22,515	19,643	11,800	17,807
Bonds	88,162	93,316	98,651	93,437	85,852
Deposits global account without movements	3,565	3,566	3,614	3,725	4,507
INTER BANK LOANS AND LOANS FROM OTHER ENTITIES	17,861	16,883	16,034	19,685	22,018
Payable on demand	0	0	0	5,930	7,414
Short- term	9,425	8,728	8,186	6,815	7,040
Long- term	8,436	8,155	7,848	6,940	7,564
Creditors from repurchase agreements	203,713	234,277	211,923	237,372	226,861
Securities creditors	1	2	5	2	1
COLLATERALS SOLD OR DELIVERED IN GUARANTEE	39,438	46,603	60,788	34,271	47,577
Repurchase	0	0	0	0	0
Securities lending	39,438	46,603	60,788	34,271	47,577
DERIVATIVES	138,077	110,498	113,921	137,865	136,301
Trading	129,005	102,481	106,001	129,505	127,913
Hedge transactions	9,072	8,017	7,920	8,360	8,388
Valuation adjustments derived from hedges of financial liabilities	1,485	2,192	4,054	4,646	3,042
OTHER PAYABLES	166,019	109,747	132,469	105,202	109,489
Profit taxes payable	519	320	852	1,364	3,765
Employee profit sharing (PTU) payable	2	1	2	2	2
Transaction settlement creditors	101,467	57,785	71,321	59,877	67,358
Creditors from collaterals received in cash	27,302	19,276	15,789	14,646	10,318
Accrued liabilities and other	36,729	32,365	44,505	29,313	28,046
Subordinated debt	99,029	97,904	96,799	98,558	95,061
Deferred credits and advanced collections	7,524	8,016	7,880	7,714	7,754
<b>TOTAL LIABILITIES</b>	<b>1,874,036</b>	<b>1,815,662</b>	<b>1,902,329</b>	<b>1,868,778</b>	<b>1,915,724</b>
SUBSCRIBED CAPITAL	40,003	40,003	40,003	40,003	40,003
Paid- in capital	24,143	24,143	24,143	24,143	24,143
Share premium	15,860	15,860	15,860	15,860	15,860
EARNED CAPITAL	154,182	159,930	163,925	168,994	174,823
Capital reserves	6,901	6,901	6,901	6,901	6,901
Results of prior years	106,475	144,658	136,781	128,904	121,028
Unrealized gain on available- for- sale securities	(2,246)	(1,200)	(866)	(464)	(84)
Result from valuation of cash flow hedging instruments	(106)	(121)	(157)	(63)	(113)
Accumulated effect by conversion	440	440	440	440	440
Redefined benefits to employees	(3,342)	(3,202)	(3,133)	(3,065)	(2,603)
Net income	46,060	12,454	23,959	36,341	49,254
MAJORITY STOCKHOLDERS' EQUITY	194,185	199,933	203,928	208,997	214,826
Non- controlling interest in consolidated subsidiaries	38	35	34	35	38
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>194,223</b>	<b>199,968</b>	<b>203,962</b>	<b>209,032</b>	<b>214,864</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>2,068,259</b>	<b>2,015,630</b>	<b>2,106,291</b>	<b>2,077,810</b>	<b>2,130,588</b>

## Memorandum accounts

BBVA México Memorandum accounts	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019
<i>Figures in million pesos</i>					
Contingent assets and liabilities	658	661	615	645	730
Credit commitments	588,114	598,409	614,354	627,754	632,810
In trusts	414,525	417,071	419,498	419,128	426,149
Under mandate	24,257	24,262	24,265	24,267	24,269
Assets in trust or under mandate	438,782	441,333	443,763	443,395	450,418
Assets in custody or under administration	183,836	242,903	227,975	233,486	208,960
Collaterals received by the institution	45,946	54,639	92,544	81,521	67,642
Collaterals received and sold or pledged as collateral by the institution	40,437	50,599	87,336	75,249	54,283
Investment banking transactions on behalf of third parties, net	1,231,184	1,315,162	1,388,763	1,425,940	1,380,485
Accrued interest on non-performing loans	6,066	6,483	7,202	7,974	8,432
Other record accounts	3,570,501	3,595,697	3,715,254	3,326,863	3,243,969

"This consolidated balance sheet is prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission, based on the Articles 99, 101 and 102 of the Mexican Credit Institutions Law, of general and compulsory observance, consistently applied, reflecting the operations conducted by the Bank up to the above date, which were realized and valued in accordance with sound banking practices and applicable legal and administrative disposals.

The Board of Directors under the responsibility of the managers who subscribe it approved this consolidated financial statement."

Eduardo Osuna Osuna

CEO

Luis Ignacio De La Luz Dávalos

CFO

Adolfo Arcos González

Head of Internal Audit

Ana Luisa Ordorica Amezcua

Head of Accounting

## P&L (Last 5 quarters)

BBVA México							
Financial Results	4Q	1Q	2Q	3Q	4Q	12M	12M
<i>Figures in million pesos</i>	2018	2019	2019	2019	2019	2018	2019
Interest Income	49,193	48,627	50,599	51,755	50,577	188,632	201,558
Interest Expenses	(17,166)	(16,806)	(18,445)	(19,381)	(17,424)	(65,720)	(72,056)
Net interest income	32,027	31,821	32,154	32,374	33,153	122,912	129,502
Provisions for loan losses	(8,725)	(7,657)	(9,246)	(9,441)	(9,369)	(32,299)	(35,713)
Net interest income after provisions for loan losses	23,302	24,164	22,908	22,933	23,784	90,613	93,789
Fees & Commissions received	11,532	10,894	11,464	11,824	12,581	32,037	46,763
Fees & Commissions paid	(4,480)	(4,010)	(4,395)	(4,472)	(4,998)	(11,259)	(17,875)
Total Fees & Commissions	7,052	6,884	7,069	7,352	7,583	27,830	28,888
Trading income	221	1,766	1,418	1,933	1,286	3,471	6,403
Other operating income	11	(100)	(34)	306	712	504	884
Total operating revenues	30,586	32,714	31,361	32,524	33,365	122,418	129,964
Non-interest expense	(14,577)	(15,364)	(15,606)	(16,023)	(16,257)	(59,168)	(63,250)
Operating income	16,009	17,350	15,755	16,501	17,108	63,250	66,714
Share in net income of unconsolidated subsidiaries and affiliates	9	5	18	6	2	36	31
Income before tax	16,018	17,355	15,773	16,507	17,110	63,286	66,745
Current income tax and profit sharing	(6,390)	(4,780)	(6,555)	(4,150)	(7,294)	(18,734)	(22,779)
Deferred income tax and profit sharing	2,032	(123)	2,285	26	3,100	1,510	5,288
Net taxes	(4,358)	(4,903)	(4,270)	(4,124)	(4,194)	(17,224)	(17,491)
Income before discontinued operations	11,660	12,452	11,503	12,383	12,916	46,062	49,254
Minority Interest	(1)	2	2	(1)	(3)	(2)	0
<b>NET INCOME</b>	<b>11,659</b>	<b>12,454</b>	<b>11,505</b>	<b>12,382</b>	<b>12,913</b>	<b>46,060</b>	<b>49,254</b>

"This consolidated income statement is prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission, based on the Articles 99, 101 and 102 of the Mexican Credit Institutions Law, of general and compulsory observance, consistently applied, reflecting the operations conducted by the Bank up to the above date, which were realized and valued in accordance with sound banking practices and applicable legal and administrative disposals.

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Head of Internal Audit

Ana Luisa Ordorica Amezcua

Head of Accounting

## Cash Flow

<b>BBVA México</b>	
<b>Cash Flow Statement (from January 1st to December 31st 2019)</b>	
<i>Figures in million pesos</i>	
Net income	49,254
Adjustments derived from items not involving cash flow	
Depreciation of property, furniture and fixtures	3,227
Amortization of intangible assets	2,639
Provisions	(809)
Income taxes	17,491
Share in net income of unconsolidated subsidiaries and affiliated companies	(31)
Noncontrolling interest	-
<b>Operating activities</b>	
Change in margin call accounts	(8,075)
Change in investments in securities	(51,457)
Change in debtors from repurchase agreement	(7,978)
Change in derivatives (assets)	16,427
Change in loan portfolio (net)	(83,089)
Change in receivable benefits from securitization transactions	62
Change in repossessed assets	321
Change in other operating assets	(18,078)
Change in deposits	73,806
Change in interbank loans and other loans from other entities	4,217
Change in creditors from repurchase agreements	23,148
Change in collaterals sold or delivered in guarantee	8,139
Change in derivatives (liabilities)	(1,092)
Change in subordinated debt	(2)
Change in other operating liabilities	(59,597)
Change in hedging instruments (of hedge items related to operation activities)	3,003
Income taxes payment	(17,382)
<b>Net cash flows used in operating activities</b>	<b>(117,627)</b>
<b>Investment activities</b>	
Proceeds from the disposal of property, furniture and fixtures	682
Payments for the acquisition of property furniture and fixtures	(2,199)
Payments from the acquisition of subsidiaries	(251)
Proceeds from cash dividends	1
Payments for acquisition of intangible assets	(2,436)
<b>Net cash flows used in investment activities</b>	<b>(4,203)</b>
<b>Financing activities</b>	
Cash dividends paid	(31,507)
<b>Net cash flows used in financing activities</b>	<b>(31,507)</b>
Net increase or decrease in cash and cash equivalents	(81,566)
Effects of changes in cash and cash equivalents	(2,913)
Cash and cash equivalents at the beginning of the year	232,851
Cash and cash equivalents at the end of the year	148,372

"This consolidated cash flow statement is prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission, based on the Articles 99, 101 and 102 of the Mexican Credit Institutions Law, of general and compulsory observance, consistently applied, reflecting the operations conducted by the Bank up to the above date, which were realized and valued in accordance with sound banking practices and applicable legal and administrative disposals.

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Head of Accounting

## Variation in Stakeholder's Equity

BBVA México	Subscribed Capital		Earned Capital		Unrealized Gain on Available for Sale Securities	Result from Valuation of Cash Flow Hedging Instruments	Result from Conversion of Foreign Subsidiaries	Redefined benefits to employees	Net Income	Majority Stockholder's Equity	Non Controlling Interest in Consolidated Subsidiaries	Total Stockholder's Equity
	Paid in Capital	Share Premium	Capital Reserves	Results of prior years								
<i>Figures in million pesos</i>												
<b>Balances as of December 31st, 2018</b>	24,143	15,860	6,901	106,475	(2,246)	(106)	440	(3,342)	46,060	194,185	38	194,223
<b>HOLDERS' MOVEMENTS IN LINE WITH STOCKHOLDERS</b>												
Transfer from net income to results of prior years				46,060					(46,060)	-		-
Decree of dividends				(31,507)						(31,507)		(31,507)
<b>Total</b>	-	-	-	<b>14,553</b>	-	-	-	-	<b>(46,060)</b>	<b>(31,507)</b>	-	<b>(31,507)</b>
<b>HOLDERS MOVEMENTS IN RECOGNITION TO THE REVENUES</b>												
Net income									49,254	49,254	-	49,254
Result from valuation of securities available for sale					2,162					2,162		2,162
Result from valuations of Cash Flow Hedging						(7)				(7)		(7)
Redefined benefits to employees								739		739		739
<b>Total</b>	-	-	-	-	<b>2,162</b>	<b>(7)</b>	-	<b>739</b>	<b>49,254</b>	<b>52,148</b>	-	<b>52,148</b>
<b>Balances as of December 31st, 2019</b>	<b>24,143</b>	<b>15,860</b>	<b>6,901</b>	<b>121,028</b>	<b>(84)</b>	<b>(113)</b>	<b>440</b>	<b>(2,603)</b>	<b>49,254</b>	<b>214,826</b>	<b>38</b>	<b>214,864</b>

"This consolidated variation in stakeholders' equity statement is prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission, based on the Articles 99, 101 and 102 of the Mexican Credit Institutions Law, of general and compulsory observance, consistently applied, reflecting the operations conducted by the Bank up to the above date, which were realized and valued in accordance with sound banking practices and applicable legal and administrative disposals.

The Board of Directors under the responsibility of the managers who subscribe it approved this consolidated financial statement."

Eduardo Osuna Osuna

CEO

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CFO

Adolfo Arcos González

Head of Internal Audit

Ana Luisa Ordorica Amezcua

Director Contabilidad Corporativa

## Regulatory accounting pronouncements recently issued

- I. In accordance with the amendments published in the Diario Oficial de la Federación (“DOF”) on November 4, 2019, the CNBV has resolved to modify the following Financial Reporting Standards (FRS), which published previously in the DOF of December 27, 2017; and this will be effective as of January 1, 2021.

Below is a brief description of the main changes with application as of January 1, 2021:

**Mexican FRS B-17 “Fair Value Determination”**- It defines fair value as the starting price that would be received for selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the valuation date. It is mentioned that the fair value is a market-based determination and not a specific value of an asset or a liability and that, in determining the fair value, the entity must use assumptions that market participants would use when setting the price of an asset or a liability under current market conditions at a certain date, including assumptions about risk. As a result, the entity’s intention to hold or liquidate an asset, or otherwise satisfy a liability, is not relevant in determining fair value.

In the event that the provisions contained in this FRS cause changes in the valuation or disclosure of any element of the financial statements, the Institution must comply with the regulatory provisions of each particular FRS that corresponds prospectively.

**Mexican FRS C-3 “Accounts receivable”**- Main changes issued for this FRS are shown below:

- a. It leaves the Bulletin C-3 “Accounts receivable” without effect.
- b. Specifies that accounts receivable based on a contract represent a financial instrument, while some of the other accounts receivable generated by a legal or fiscal provision may have certain characteristics of a financial instrument, such as generating interest, but they are not considered as a financial instrument.
- c. It establishes that the provisions for loan losses for commercial accounts payable is recognized from the moment the income is accrued, based on expected credit losses.
- d. It establishes that, from the initial recognition, the value of money over time must be considered, so if the effect of the present value of the account receivable is important in view of its term, it must be adjusted based on its present value. The effect of the present value is relevant when it is agreed to collect the account receivable, in whole or in part, for a term greater than one year, since in these cases there is an existence of a financing operation.

The accounting changes that arise must be recognized retrospectively, however, the valuation effects can be recognized prospectively.

**Mexican FRS C-9 “Provisions, contingencies and commitments”**- It leaves without effect the Bulletin C-9 “Liabilities, provisions, contingent assets and liabilities and commitments”, its scope is reduced by relocating the issue related to the accounting treatment of financial liabilities in FRS C-19 “Financial instruments payable” and it modifies the definition of a liability as “virtually unavoidable” and including the term “likely”. First time adoption of this Mexican FRS does not generate accounting changes in the financial statements of the entities.

**Mexican FRS C-16 “Impairment of financial instruments to be collected (IFC)”**- It indicates that, to determine the recognition of the expected loss, the historical experience that the entity has in credit losses should be considered; as well as, current conditions and reasonable and sustainable forecasts for the different quantifiable future events that could affect the amount of future cash flows to be recovered from the financial instruments receivable (IFC).

It also notes that the expected loss should be recognized when, having increased credit risk, it is concluded that a portion of the IFC’s future cash flows will not be recovered. The accounting changes that arise must be recognized retrospectively.

**Mexican FRS C-19 “Financial instruments payable”**- The main characteristics issued for this FRS are shown below:

- The possibility of valuing certain financial liabilities at fair value is established when certain conditions are met.
- Value long-term liabilities at fair value at their initial recognition.
- By restructuring a liability, without substantially modifying the future cash flows to settle it, the costs and commissions disbursed in this process shall affect the amount of the liability and shall be amortized using a modified effective interest rate, instead of affecting directly the net income or loss.
- It incorporates what is established in IFRIC 19 “Extinction of Financial Liabilities with Capital Instruments”, an issue that was not included in the existing regulations.
- The effect of extinguishing a financial liability must be presented as a financial result in the statement of comprehensive income.
- Introduces the concepts of amortized cost to value financial liabilities and the effective interest method, based on the effective interest rate.

The accounting changes that arise must be recognized retrospectively.



**Mexican FRS C-20 “Financial instruments receivable”**- The main characteristics issued for this FRS are shown below:

The way of classifying the financial instruments in the asset is modified, since the concept of intention to acquire and hold them to determine their classification is discarded, instead the adoption of the concept business model of the administration.

- The classification includes financial instruments whose objective is to collect the contractual cash flows and obtain a gain on the contractual interest they generate, having a loan characteristic.
- They include both financial instruments generated by sales of goods or services, financial leases or loans, as well as those acquired in the market.

The accounting changes that arise must be recognized retrospectively.

**Mexican FRS D-1 “Revenues from clients’ contracts”** - The most significant changes refer to:

- Control transfer, based on the opportunity to recognize income.
- Identification of the obligations to be complied with in a contractual agreement.
- The allocation of the transaction price among the complied obligations based on the independent sales price.
- The introduction of the concept of conditioned account receivable.
- The recognition of rights to collect.
- The valuation of income.

The initial application date is the beginning of the period in which the Institution applies this rule for the first time.

**Mexican FRS D-2 “Revenue, costs from agreements with clients”** – The main change in this rule is the separation of the regulations related to the recognition of revenue from clients with customers from the regulations corresponding to the recognition of costs from agreements with clients.

The initial application date is the beginning of the period in which the Institution applies this rule for the first time.

**Mexican FRS D-5 “Leasing”**- Effective from January 1, 2019. Early application allowed for those who use FRS D-1 “Revenue from contracts with customers” and FRS D-2 “Costs from contracts with customers”, before the date of initial application of this FRS. It leaves without effect the Bulletin D-5 “Leases” void. The application for the first time of this FRS generates accounting changes in the financial statements mainly for the lessee and grants different options for recognition. Among the main changes are the following:

- Eliminates the classification of leases as operational or capitalizable for a lessee, and the latter must recognize a liability for leasing at the present value of the payments and an asset for use of rights for the same amount, of all leases with a duration greater than 12 months, unless the underlying asset is of low value.
- An expense for depreciation or amortization of the right-of-use assets and an interest expense on the lease liabilities are recognized.
- It modifies the presentation of related cash flows, as cash outflows from operating activities are reduced, with an increase in cash flow outflows from financing activities.
- It modifies the recognition of the gain or loss when a seller-lessee transfers an asset to another entity and leases that asset on the way back.
- The accounting recognition by the lessor has no changes in relation to the previous Bulletin D-5, and only some disclosure requirements are added.

## II. New Financial Reporting Standards issued by the CINIF

The Mexican Financial Reporting Standards Board (Consejo Mexicano de Normas de Información Financiera, A.C.) (CINIF from its Spanish acronym) has issued the Mexican Financial Reporting Standards (Mexican FRS) and Improvements thereto as mentioned below:

## II. New Standard Pronouncements issued by CINIF

El Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF) issued the following improvements:

### Improvements to 2020 Mexican FRS

In December 2019, the CINIF issued a document titled “Improvements to Mexican FRS 2020”, which includes specific amendments to some existing Mexican FRS. The main amendments made to the FRS do not generate accounting changes in the annual financial statements.

The Bank’s Management is in the process of determining the effects of adopting the new Financial Reporting Standards (FRS) and the improvement to the FRS in the financial statements.

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# BBVA Bancomer, S.A.

## Financial Report

January-December  
2019

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