BBVA Creating Opportunities

Financial Report
January–June 2018

BBVA Bancomer

Index

Relevant Information

Decree and distribution of dividends

On May 14, 2018, the second dividend was decreed with a charge to the income statement of previous years of the financial statements of BBVA Bancomer, S.A. Multiple Banking Institution, (BBVA Bancomer) and its distribution to shareholders at a rate of $0.506270523033610 for each outstanding shares. The dividend was paid on June 20, 2018.

Early recognition of changes in criterion B-6 Loan Portfolio and D-2 Income Statement

In the DOF in December 27, 2017 the CNBV published an adjustment to the accounting criteria B-6 Loan Portfolio and D-2 Income Statement, to cancel, in the period in which occur, the surplus in the balance of provisions for loan losses, as well as to recognize the recovery of loans written off or eliminated with the provision for loan losses.

These changes take place from January 1, 2019. However, the CNBV established the option to apply the changes from the day following the publication of the provision, only if the CNBV is notified of the antipated application of the change mentioned.

BBVA Bancomer decided to recognize in advance the annulment of surplus and recoveries on loans written off or eliminated, in the line of provisions for loan losses, which was recognized under Other Income (expenses). The financial effect as of June 30, 2018 is 807 million pesos and for comparability purposes to June 2017 is 336 million pesos.

Management and Discussion Analysis

Commercial Activity

Performing Loans

As of June 2018, the loan portfolio reached 1,125,381 million pesos, equivalent to an annual growth of 9.6%.

Inside the breakdown, the commercial portfolio grew at 12.5% over the year. In detail, credits to business or commercial activity (that includes corporate, medium enterprises, developers and SMEs) showed the higher dynamism with an annual increase of 17.4%.

Consumer lending, including credit cards, grew at 5.1% in annual terms. Inside this portfolio, payroll, personal and car loans showed a 6.9% increase to reach a total balance of 160,146 million pesos at the end of June 2018. In the credit card portfolio (+2.5% Y-o-Y), BBVA Bancomer still has a large part of the customers that pay the total amount of the debt at the end of the month, which limits the revolving balance growth.

Mortgage loans registered an annual growth of 6.6%, with a balance of 200,916 million pesos at the end of June. This evolution allows BBVA Bancomer to remain leader in the mortgage market by granting one out of four new mortgages in the private sector according to the public information of the CNBV as of May 2018.

Performing Loans *Figures in million pesos*	6M 2017	3M 2018	6M 2018	% Q-o-Q	Y-o-Y
Business or commercial activity	432,722	446,273	508,093	13.9	17.4
Financial entities	24,803	28,581	28,311	(0.9)	14.1
Government loans	75,565	69,051	72,741	5.3	(3.7)
Parastatals	54,038	56,723	51,619	(9.0)	(4.5)
Government entities	129,604	125,774	124,360	(1.1)	(4.0)
Commercial loans	587,128	600,628	660,764	10.0	12.5
Consumer	250,903	259,176	263,701	1.7	5.1
Mortgage	188,444	197,663	200,916	1.6	6.6
Total Performing Loans	1,026,476	1,057,467	1,125,381	6.4	9.6

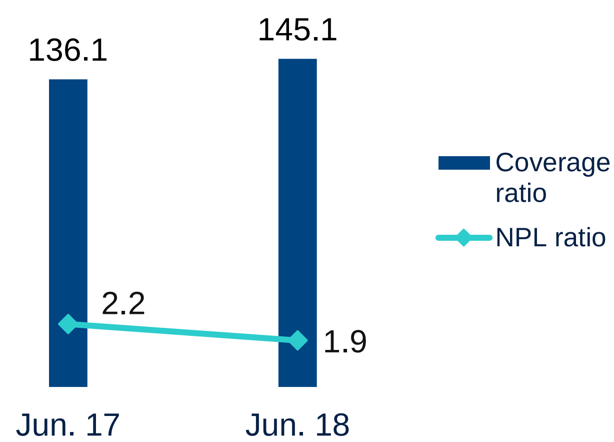
Asset quality

Non-performing loans

BBVA Bancomer's strict risk management is reflected in the evolution of asset quality. The NPL ratio had an improvement of 32 basis points and it stood at 1.9% at the end of June 2018.

Non Performing Loans *Figures in million pesos*	6M 2017	3M 2018	6M 2018	% Q-o-Q	Y-o-Y
Business or commercial activity	6,541	6,382	7,102	11.3	8.6
Financial entities	0	0	0	n.a.	n.a.
Government entities	1	0	1	n.a.	-
Commercial loans	6,542	6,382	7,103	11.3	8.6
Consumer	9,337	9,051	8,911	(1.5)	(4.6)
Mortgage	7,399	6,768	5,777	(14.6)	(21.9)
Total Non Performing Loans	23,278	22,201	21,791	(1.8)	(6.4)

NPL ratio and Coverage ratio (%)



Loan Portfolio Credit Quality Classification

More than 80% of the portfolio is classified with the minimum risk level, which means that BBVA Bancomer has an adequate asset quality.

BBVA Bancomer
Performing Loan Rating
June 2018
Figures in million pesos

	Commercial Loans		Mortgage		Consumer		Credit Card	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
Ratings								
A1	603,247	1,395	179,594	283	47,487	400	40,012	682
A2	86,102	896	6,146	37	17,259	436	14,789	583
B1	9,465	140	2,438	21	43,709	1,453	9,030	518
B2	10,320	141	2,733	33	28,606	1,291	8,860	642
B3	20,157	603	1,556	27	8,175	453	9,257	828
C1	2,723	169	5,083	166	5,561	404	9,927	1,172
C2	1,647	93	3,631	293	4,473	452	11,070	2,654
D	4,636	1,339	4,439	1,018	2,444	565	2,872	1,392
E	5,626	3,010	1,075	604	6,921	4,612	2,174	1,854
Additional				962				
Total required	743,923	7,786	206,695	3,444	164,634	10,066	107,991	10,325

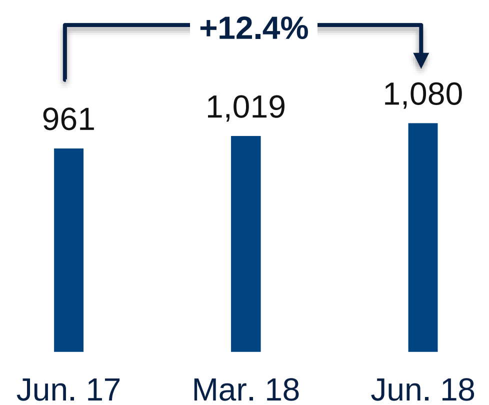
Deposits

Bank deposits (defined as demand and customer deposits) showed an annual growth of 12.4%. Inside the breakdown, demand deposits grow 10.0% since June 2017, while time deposits registered a growth of 17.1% in the same period. This evolution allows BBVA Bancomer to maintain a very profitable funding mix with a higher relative weight of low-cost deposits.

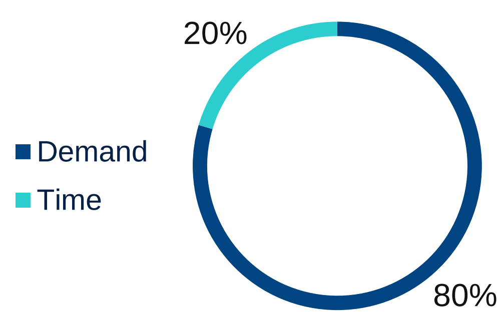
Total deposits also recorded a strong performance with an annual growth of 10.2%.

Deposits *Figures in million pesos*	**6M 2017**	**3M 2018**	**6M 2018**	**% Q-o-Q**	**Y-o-Y**
Demand deposits	781,292	807,977	859,552	6.4	10.0
Time Deposits	208,268	229,447	243,894	6.3	17.1
Customer Deposits	179,675	211,458	220,601	4.3	22.8
Money Market	28,593	17,989	23,293	29.5	(18.5)
Bonds	86,227	81,552	82,307	0.9	(4.5)
Deposits global account without movements	3,118	3,211	3,427	6.7	9.9
Total Deposits	1,078,905	1,122,187	1,189,180	6.0	10.2

Banking Deposits (mp)



Banking Deposits Mix (%)

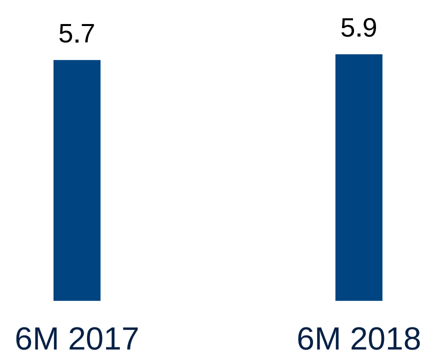


Results

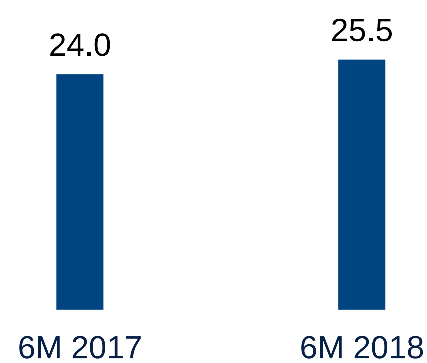
As of June 2018, BBVA Bancomer recorded solid results, maintaining double-digit annual growth in net income, that in the first six months of the year stood at 23,051 million pesos, 16.0% higher than the same period of the previous year.

BBVA Bancomer Income Statement *Figures in million pesos*	2Q 2017	1Q 2018	2Q 2018	% Q-o-Q	 Y-o-Y	6M 2017	6M 2018	% Y-o-Y
Net interest income	27,798	29,485	30,022	1.8	8.0	54,824	59,507	8.5
Provisions for loan losses	(8,056)	(7,740)	(8,591)	11.0	6.6	(16,121)	(16,331)	1.3
Net interest income after provisions for loan losses	19,742	21,745	21,431	(1.4)	8.6	38,703	43,176	11.6
Total Fees & Commission	6,310	6,623	7,144	7.9	13.2	12,669	13,767	8.7
Trading income	1,344	1,709	1,595	(6.7)	18.7	2,775	3,304	19.1
Other operating income	211	110	799	n.a.	n.a.	389	909	133.7
Total operating revenues	27,607	30,187	30,969	2.6	12.2	54,536	61,156	12.1
Non-interest expense	(14,053)	(14,617)	(14,846)	1.6	5.6	(27,658)	(29,463)	6.5
Net operating income	13,554	15,570	16,123	3.6	19.0	26,878	31,693	17.9
Share in net income of unconsolidated subsidiaries and affiliates	16	(24)	41	n.a.	156.3	12	17	41.7
Income before income tax and profit sharing	13,570	15,546	16,164	4.0	19.1	26,890	31,710	17.9
Net Taxes	(3,671)	(4,333)	(4,325)	(0.2)	17.8	(7,020)	(8,658)	23.3
Income before discontinued operations	9,899	11,213	11,839	5.6	19.6	19,870	23,052	16.0
Net Income	9,899	11,212	11,839	5.6	19.6	19,871	23,051	16.0

NIM (total assets, %)[1]



ROE (%)



[1] Net Interest Margin (NIM) on total assets.

Net Interest Income

Net interest income's (NII) breakdown showed that the banking operation registered an annual growth of 8.1%, driven by higher volumes of commercial activity. When adding the net repos financial revenues, the NII grew 8.5% per year.

Additionally, with the provisions for loan losses, the adjusted NII increased at 11.6% when compared with June of the previous year.

Net Interest Income	2Q	1Q	2Q	%		6M	6M	%
Figures in million pesos	2017	2018	2018	Q-o-Q	Y-o-Y	2017	2018	Y-o-Y
Loans and deposits financial revenues	28,173	29,251	29,832	2.0	5.9	54,806	59,083	7.8
Margin fees	372	474	486	2.5	30.6	735	960	30.6
Banking net interest income	28,545	29,725	30,318	2.0	6.2	55,541	60,043	8.1
Repos financial revenues	(747)	(240)	(296)	23.3	(60.4)	-717	(536)	(25.2)
Net interest income	27,798	29,485	30,022	1.8	8.0	54,824	59,507	8.5
Provisions for loan losses	(8,056)	(7,740)	(8,591)	11.0	6.6	(16,121)	(16,331)	1.3
Net interest income after provisions	19,742	21,745	21,431	(1.4)	8.6	38,703	43,176	11.6

Fees and Commissions

Commissions increased at 8.7% in annual terms, driven mainly by the ones coming from higher transaction volume of customers with credit and debit cards.

Fees & Commissions	2Q	1Q	2Q	%		6M	6M	%
Figures in million pesos	2017	2018	2018	Q-o-Q	Y-o-Y	2017	2018	Y-o-Y
Bank fees	1,627	1,676	1,791	6.9	10.1	3,255	3,467	6.5
Credit and debit card	3,329	3,466	3,516	1.4	5.6	6,571	6,982	6.3
Investment funds	760	704	1,216	72.7	60.0	1,498	1,920	28.2
Others	594	777	621	(20.1)	4.5	1,345	1,398	3.9
Commissions and fee income	6,310	6,623	7,144	7.9	13.2	12,669	13,767	8.7

Other income (expenses) of the operation

The positive comparison of this item is due to the fact that in the second quarter of the year there was an extraordinary income derived from the sale of some properties.

Other Income *Figures in million pesos*	2Q 2017	1Q 2018	2Q 2018	% Q-o-Q	% Y-o-Y	6M 2017	6M 2018	% Y-o-Y
Sales and recoveries of loan portfolio	231	111	146	31.5	(36.8)	325	257	(20.9)
Interest of loans to employees	150	161	167	3.7	11.3	298	328	10.1
Dividends collected unlisted	60	-	63		5.0	88	63	(28.4)
Result of operation of foreclosed assets	129	130	83	(36.2)	(35.7)	152	214	40.8
Write-offs	(187)	(162)	(112)	(30.9)	(40.1)	(272)	(274)	0.7
Legal contingencies	(108)	(71)	(160)	125.4	48.1	(201)	(231)	14.9
Donations	(118)	(85)	(135)	58.8	14.4	(191)	(220)	15.2
Other income	54	26	747	n.a.	n.a.	190	772	n.a.
Other operating income	211	110	799	n.a.	n.a.	389	909	133.7

Non-Interest Expenses

During the first six months of the year, we have maintained a continuous investment has been maintained. The aforementioned has been reflected in the strengthening of the banking infrastructure, being the leader in the market. At the end of June 2018, we have 1,836 offices and 11,924 ATMs to serve the entire customer base. With this, expenses recorded a controlled growth of 6.5% over the previous year.

As a result, BBVA Bancomer consolidates its position as one of the most efficient institutions in the financial system, with an efficiency ratio, measured as expenses to income, of 38.0% at the end of June 2018.

Non-Interest Expenses *Figures in million pesos*	2Q 2017	1Q 2017	2Q 2018	% Q-o-Q	% Y-o-Y	6M 2017	6M 2018	% Y-o-Y
Administrative and operating expenses	9,390	9,576	9,825	3	4.6	18,277	19,401	6.1
Manageable expenses	9,390	9,576	9,825	2.6	4.6	18,277	19,401	6.1
Rents	1,183	1,310	1,311	0	10.8	2,376	2,621	10.3
Depreciation and amortization	1,350	1,385	1,408	2	4.3	2,700	2,793	3.4
Taxes	938	1,081	1,005	(7)	7.1	1,891	2,086	10.3
Deposit guarantee fund (IPAB)	1,192	1,265	1,297	3	8.8	2,414	2,562	6.1
Non-manageable expenses	4,663	5,041	5,021	(0.4)	7.7	9,381	10,062	7.3
Administrative and promotional expenses	14,053	14,617	14,846	1.6	5.6	27,658	29,463	6.5

Financial Indicators

BBVA Bancomer	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	6M 2017	6M 2018
Infrastructure Indicators (#)							
Branches	1,841	1,845	1,840	1,833	1,836	1,841	1,836
ATMs	11,583	11,519	11,724	11,798	11,924	11,583	11,924
Employees	30,622	30,831	30,850	31,249	31,715	30,622	31,715
Profitability Indicators (%)							
a) NIM adjusted (interest bearing assets)	4.5	4.4	4.7	4.8	4.7	4.4	4.6
b) NIM (total assets)	5.9	5.9	6.0	6.0	6.0	5.7	5.9
c) Operating efficiency	3.0	3.0	3.1	3.0	3.0	2.9	2.9
d) Efficiency (cost to income)	39.4	39.8	42.1	38.5	37.5	39.1	38.0
e) Productivity index	44.9	44.1	43.7	45.3	48.1	45.8	46.7
f) ROE	24.0	22.0	22.4	25.1	25.8	24.2	25.5
g) ROA	2.1	2.0	2.0	2.3	2.4	2.1	2.3
Asset Quality Indicators (%)							
h) NPL ratio	2.2	2.2	2.1	2.2	1.9	2.2	1.9
i) Coverage ratio	136.1	139.2	138.9	132.5	145.1	136.1	145.1
Solvency Indicators (%)							
j) Core equity tier 1 ratio	11.7	12.1	11.7	11.9	11.5	11.7	11.5
k) Total capital ratio	14.2	14.6	14.3	15.2	14.8	14.2	14.8
l) Leverage ratio	8.7	8.9	8.8	9.0	8.8	8.7	8.8
Liquidity Indicators (%)							
m) Liquidity ratio (CNBV requirement)	74.1	75.9	75.0	77.9	70.8	74.1	70.8
n) Liquidity ratio (Loans / Deposits)	103.4	98.3	98.1	98.6	101.7	103.4	101.7
o) Liquidity Coverage Coefficient (Local LCR)	115.5	124.1	139.6	147.5	135.9	115.5	135.9

PROFITABILITY

a) 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

b) Net Interest Margin (NIM): Net interest income (annualized) / Average total assets

c) Operating efficiency: Expenses (annualized) / Average total assets

d) Efficiency index: Administrative and promotional expenses / Net interest income + fees and commissions, net interest income + net income + other income (expense) of the operation

e) Productivity Index: Commissions and fees, net / Promotion and administrative expenses

f) Return on equity (ROE): Net income (annualized) / Average capital

g) 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 / Outputs – Inputs

Capital and Liquidity

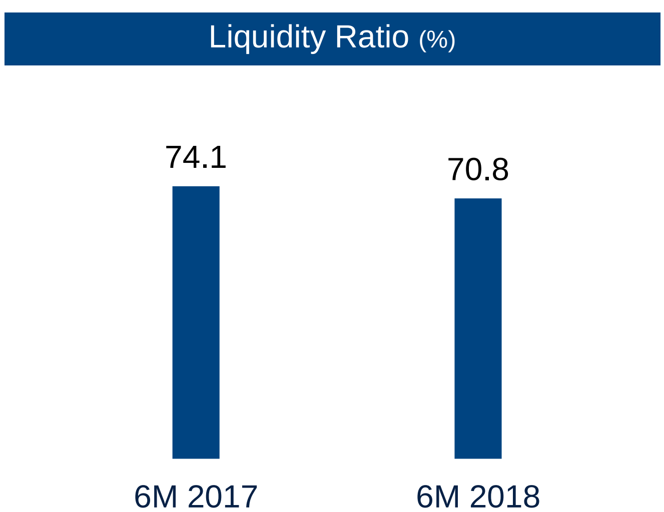
BBVA Bancomer's estimated capitalization index stood at 14.75% as of June 2018, which is composed by 11.91% of Tier 1 capital and 2.84% of Tier 2 capital.

BBVA Bancomer fully covers the minimum capital requirements. For year 2018, derived from the additional allocation of capital for being classified as domestic systemically important financial institutions (Grade IV), BBVA Bancomer has a minimum requirement of 11.625% for the total capital ratio.

BBVA Bancomer
Capitalization (estimate)
Figures in million pesos

	June 2017		March 2018		June 2018	
Tier 1 capital		169,351		180,000		184,062
Tier 2 capital		27,547		42,140		43,864
Net capital		196,898		222,140		227,926
Risk-weighted assets	980,152	1,385,630	994,095	1,464,976	1,080,125	1,545,151
	Credit Risk	Market, Operative & Credit Risk	Credit Risk	Market, Operative & Credit Risk	Credit Risk	Market, Operative & Credit Risk
Tier 1 as % of risk-weighted assets	17.28%	12.22%	18.11%	12.29%	17.04%	11.91%
Tier 2 as % of risk-weighted assets	2.81%	1.99%	4.24%	2.88%	4.06%	2.84%
Net capital ratio	20.09%	14.21%	22.35%	15.16%	21.10%	14.75%

The regulatory liquidity ratio, defined as Liquid Assets / Liquid Liabilities, stood at 70.8%. The Liquidity Coverage Ratio (Local LCR) stood at 135.88%, with a minimum required of 90%, this allows BBVA Bancomer to have comfortable liquidity levels for further growth.



Ratings

BBVA Bancomer Ratings	Long Term	Short Term	Outlook
Standard and Poor´s			
Issuer Credit Rating - Foreign Currency	BBB+	A-2	Stable
Issuer Credit Rating - Local Currency	BBB+	A-2	Stable
National Scale	mxAAA	mxA-1+	Stable
Stand Alone Credit Profile (SACP)	a-		
Moody´s			
Bank Deposits - Foreign Currency	A3	P-2	Stable
Bank Deposits - Domestic Currency	A3	P-2	Stable
National Scale Rating Bank Deposits	Aaa.mx	MX-1	Stable
Baseline Credit Assessment (BCA)	baa2		
Fitch			
Issuer Default Rating - Foreign Currency	A-	F1	Stable
Issuer Default Rating - Local Currency	A-	F1	Stable
National Scale Rating	AAA(mex)	F1 + (mex)	Stable
Viability Rating (VR)	a-		

Issuances

BBVA Bancomer
Issuances

Instruments	Amount - Original Cy	Issue Date	Due/Call Date	Term (years)	Rate	Ratings		
Senior Debt						**S&P**	**Moody's**	**Fitch**
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	1078	06-sep-10	24-ago-20	10.0	7.83%		A3/Aaa.mx	AAA(mex)
Bond 2nd Issuance 2011 - BACOMER 21145	1000	15-abr-11	02-abr-21	10.0	TIIE28 + 0.80%		A3/Aaa.mx	AAA(mex)
Bond 4th Issuance 2012 - BACOMER 22224	1000	07-jun-12	26-may-22	10.0	TIIE28 + 0.85%		A3/Aaa.mx	AAA(mex)
Senior Notes Dlls 2014	US$750	10-abr-14	10-abr-24	10.0	4.38%		A3	A-
Bond 1st Issuance 2016 - BACOMER 16	4000	30-jun-16	27-jun-19	3.0	TIIE28 + 0.23%		A3/Aaa.mx	AAA(mex)
Bond 2nd Issuance 2017 - BACOMER 17	5142	26-may-17	26-may-20	3.0	TIIE28+0.23%		A3/Aaa.mx	AAA(mex)
Bond 2nd Issuance 2017 - BACOMER 17-2	1858	26-may-17	26-may-22	3.0	TIIE28+0.23%		A3/Aaa.mx	AAA(mex)
Subordinated Debentures								
Capital Notes Tier 1 2020	US$1,000	22-abr-10	22-abr-20	10.0	7.25%		Ba1	BB+
Subordinated Debentures Tier 2 2021	US$1,250	10-mar-11	10-mar-21	10.0	6.50%		Baa3	BBB-
Subordinated Debentures Tier 2 2022	US$1,500	19-jul-12	30-sep-22	10.2	6.75%		Baa3	BBB-
Subordinated Debentures Tier 2 2029 (15NC10)	US$200	06-nov-14	06-nov-24	15NC10	5.35%		Ba1	BBB-
Subordinated Debentures Tier 2 2033 (15NC10)	US$1,000	18-ene-18	18-ene-33	15NC10	5.13%	BB+		BBB-
Mortgage Securitization								
1st Issuance - BACOMCB 07	2540	21-dic-07	13-mar-28	20.2	9.05%	mxAAA	A3/Aaa.mx	AAA(mex)
2nd Issuance - BACOMCB 08	1114	14-mar-08	14-jul-28	20.3	8.85%	mxAAA		AAA(mex)
4th Issuance - BACOMCB 08-2	5509	01-dic-08	19-ago-30	21.7	9.91%	mxAAA	A3/Aaa.mx	
5th Issuance Serie 3 - BACOMCB 09-3	3616	07-ago-09	24-may-29	19.8	10.48%	mxAAA		AAA(mex)
1st Issuance - BMERCB 13	4192	21-jun-13	07-abr-33	19.8	6.38%	mxAAA		AAA(mex)

Financial Statements

Balance Sheets (Last 5 quarters)

BBVA Bancomer

Assets *Figures in million pesos*	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018
CASH AND CASH EQUIVALENTS	170,744	231,961	217,126	187,426	154,141
Margin call accounts	11,546	12,518	14,359	11,736	12,938
SECURITIES	430,317	416,531	430,771	463,101	483,223
Trading	274,138	274,279	285,970	319,326	325,029
Available for sale	140,039	127,842	130,137	128,843	141,038
Held to maturity	16,140	14,410	14,664	14,932	17,156
Debtors from repurchase agreement	10,957	232	76	141	67
Derivatives	115,386	107,407	138,558	118,816	129,678
Trading	102,714	94,232	122,524	107,188	115,704
Hedging Transactions	12,672	13,175	16,034	11,628	13,974
Valuation adjustments derived from hedges of financial assets	956	1,102	286	461	112
PERFORMING LOANS	1,026,476	1,047,949	1,056,334	1,057,467	1,125,381
Commercial loans	587,129	602,748	604,832	600,628	660,764
Business or commercial activity	432,722	443,915	452,669	446,273	508,093
Financial entities	24,803	30,477	27,899	28,581	28,311
Government entities	129,604	128,356	124,264	125,774	124,360
Consumer	250,903	254,463	257,669	259,176	263,701
Mortgage	188,444	190,738	193,833	197,663	200,916
Residential Mortgages	174,762	177,609	181,286	185,196	188,996
Social Housing	13,682	13,129	12,547	12,467	11,920
NON PERFORMING LOANS	23,278	23,084	22,745	22,201	21,790
Commercial loans	6,542	6,445	6,366	6,382	7,102
Business or commercial activity	6,541	6,444	6,366	6,382	7,102
Financial entities	0	0	0	0	0
Government entities	1	1	0	0	1
Consumer	9,337	9,850	9,703	9,051	8,911
Mortgage	7,399	6,789	6,676	6,768	5,777
Residential Mortgages	6,610	5,994	5,913	6,014	5,119
Social Housing	789	795	763	754	658
TOTAL LOANS	1,049,754	1,071,033	1,079,079	1,079,668	1,147,171
Allowance for loan losses	(31,682)	(32,133)	(31,596)	(30,841)	(31,621)
TOTAL LOANS, NET	1,018,072	1,038,900	1,047,483	1,048,827	1,115,550
Receivable benefits from securitization transactions	182	165	159	142	119
Other accounts receivable, net	95,615	87,107	80,160	89,740	102,190
Repossessed assets, net	3,351	2,941	2,602	2,357	2,122
Property, furniture and equipment, net	41,418	40,626	41,349	40,365	39,524
Equity investments	1,216	1,228	1,235	1,239	1,278
Deferred taxes, net	15,951	14,715	14,931	14,885	15,716
Other assets	7,165	7,403	7,891	9,072	8,061
Deferred charges, prepaid expenses and intangibles	6,366	6,569	7,891	9,072	8,061
Other assets , short and long term	799	834	0	0	0
TOTAL ASSETS	1,922,876	1,962,836	1,996,986	1,988,308	2,064,719

BBVA Bancomer

Liabilities & Stockholders' Equity

Figures in million pesos

	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018
TOTAL DEPOSITS	1,078,905	1,154,584	1,162,633	1,122,187	1,189,180
Demand deposits	781,292	828,229	835,427	807,977	859,552
Time Deposits	208,268	234,929	237,602	229,447	243,894
Customer deposits	179,675	196,858	198,542	211,458	220,601
Money market	28,593	38,071	39,060	17,989	23,293
Bonds	86,227	88,223	86,280	81,552	82,307
Deposits global gccount without movements	3,118	3,203	3,324	3,211	3,427
INTER BANK LOANS AND LOANS FROM OTHER ENTITIES	16,935	16,869	17,380	15,533	24,737
Payable on demand	67	0	0	0	7,556
Short- term	7,648	7,441	9,164	7,488	8,728
Long- term	9,220	9,428	8,216	8,045	8,453
Creditors from repurchase agreements	249,359	270,756	225,828	245,039	196,110
Securities creditors	1	1	2	4	4
COLLATERALS SOLD OR DELIVERED IN GUARANTEE	64,497	39,738	50,720	74,375	82,999
Repurchase	0	0	0	1	0
Securities lending	64,497	39,738	50,719	74,375	82,999
DERIVATIVES	121,458	111,009	146,348	119,688	132,464
Trading	113,305	101,894	134,985	109,487	121,676
Hedge transactions	8,153	9,115	11,363	10,201	10,788
Valuation adjustments derived from hedges of financial liabilities	4,091	3,783	3,629	660	403
OTHER PAYAB LES	137,321	110,833	127,799	128,998	145,199
Profit taxes payable	1,626	4	0	0	0
Employee profit sharing (PTU) payable	2	3	2	2	2
Transaction settlement creditors	91,380	45,415	65,683	83,088	91,458
Creditors from collaterals received in cash	16,353	16,342	24,394	17,761	21,233
Accrued liabilities and other	27,960	49,069	37,720	28,147	32,506
Subordinated debt	72,539	72,476	78,966	91,386	99,231
Deferred credits and advanced collections	8,100	7,946	7,908	8,647	8,503
TOTAL LIABILITIES	1,753,206	1,787,995	1,821,213	1,806,517	1,878,830
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	129,631	134,802	135,734	141,753	145,849
Capital reserves	6,901	6,901	6,901	6,901	6,901
Results of prior years	104,928	100,291	93,654	127,466	119,786
Unrealized gain on available- for- sale securities	(1,734)	(1,525)	(2,067)	(1,633)	(1,943)
Result from valuation of cash flow hedging instruments	(328)	(213)	122	(174)	22
Accummulated effect by conversion	440	440	440	440	440
Redefined benefits to employees	(446)	(435)	(2,459)	(2,459)	(2,408)
Net income	19,870	29,343	39,143	11,212	23,051
MAJORITY STOCKHOLDERS' EQUITY	169,634	174,805	175,737	181,756	185,852
Non- controlling interest in consolidated subsidiaries	36	36	36	36	37
TOTAL STOCKHOLDERS EQUITY	169,670	174,841	175,773	181,792	185,889
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	1,922,876	1,962,836	1,996,986	1,988,309	2,064,719

Memorandum accounts

BBVA Bancomer Memorandum accounts *Figures in million pesos*	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018
Contingent assets and liabilities	529	489	565	559	554
Credit commitments	531,227	522,833	566,652	563,892	576,798
In trusts	411,620	424,421	419,391	412,185	431,631
Under mandate	24,201	24,202	24,197	24,272	24,258
Assets in trust or under mandate	435,821	448,623	443,588	436,457	455,889
Assets in custody or under administration	181,522	184,712	182,857	184,019	189,719
Collaterals received by the institution	102,424	53,507	57,648	94,618	86,694
Collaterals received and sold or pledged as collateral by the institution	89,064	50,880	53,821	90,917	82,999
Investment banking transactions on behalf of third parties, net	1,159,397	1,172,737	1,212,812	1,152,283	1,273,071
Accrued interest on non- performing loans	8,912	7,613	4,832	4,586	4,706
Other record accounts	3,218,677	3,319,468	3,305,997	3,338,586	3,446,049

“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	Luis Ignacio De La Luz Dávalos	Natalia Ortega Gómez	Sergio Pérez Gaytán
CEO	CFO	Head of Internal Audit	Head of Accounting

P&L (Last 5 quarters)

BBVA Bancomer Financial Results *Figures in million pesos*	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	6M 2017	6M 2018
Interest Income	41,151	42,875	44,639	44,746	46,812	80,151	91,558
Interest Expenses	(13,353)	(14,252)	(15,077)	(15,261)	(16,790)	(25,327)	(32,051)
Net interest income	27,798	28,623	29,562	29,485	30,022	54,824	59,507
Provisions for loan losses	(8,056)	(8,947)	(8,129)	(7,740)	(8,591)	(16,121)	(16,331)
Net interest income after provisions for loan losses	19,742	19,676	21,433	21,745	21,431	38,703	43,176
Fees & Commissions received	9,607	9,678	10,414	10,223	11,015	19,269	21,238
Fees & Commissions paid	(3,297)	(3,290)	(3,650)	(3,600)	(3,871)	(6,600)	(7,471)
Total Fees & Commissions	6,310	6,388	6,764	6,623	7,144	12,669	13,767
Trading income	1,344	1,194	658	1,709	1,595	2,775	3,304
Other operating income	211	217	(228)	110	799	389	909
Total operating revenues	27,607	27,475	28,627	30,187	30,969	54,536	61,156
Non-interest expense	(14,053)	(14,489)	(15,461)	(14,617)	(14,846)	(27,658)	(29,463)
Operating income	13,554	12,986	13,166	15,570	16,123	26,878	31,693
Share in net income of unconsolidated subsidiaries and affiliates	16	14	8	(24)	41	12	17
Income before tax	13,570	13,000	13,174	15,546	16,164	26,890	31,710
Current income tax and profit sharing	(4,627)	(2,431)	(3,124)	(4,438)	(5,120)	(8,309)	(9,558)
Deferred income tax and profit sharing	956	(1,095)	(250)	105	795	1,289	900
Net taxes	(3,671)	(3,526)	(3,374)	(4,333)	(4,325)	(7,020)	(8,658)
Income before discontinued operations	9,899	9,474	9,800	11,213	11,839	19,870	23,052
Discontinued operations	0	0	0	0	0	0	0
Minority Interest	0	(1)	0	(1)	0	1	(1)
NET INCOME	9,899	9,473	9,800	11,212	11,839	19,871	23,051

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

Eduardo Osuna Osuna	Luis Ignacio De La Luz Dávalos	Natalia Ortega Gómez	Sergio Pérez Gaytán
CEO	CFO	Head of Internal Audit	Head of Accounting

Cash Flows

BBVA Bancomer
Cash Flow Statement (from January 1st to June 30th 2018)

Figures in million pesos

Net income	23,051
Adjustments derived from items not involving cash flow	
Profit or loss derived from the valuation of investment and financing activities	(26)
Depreciation of property, furniture and fixtures	1,568
Amortization of intangible assets	1,225
Provisions	937
Income taxes	8,658
Share in net income of unconsolidated subsidiaries and affiliated companies	(17)
Noncontrolling interest	1
Operating activities	
Change in margin call accounts	1,431
Change in investments in securities	(52,214)
Change in deptors from repurchase agreement	10
Change in derivatives (assets)	6,820
Change in loan portfolio (net)	(67,829)
Change in receivable benefits from securitization transactions	39
Change in repossessed assets	480
Change in other operating assets	(21,725)
Change in deposits	26,260
Change in interbank loans and other loans from other entities	7,354
Change in creditors from repurchase agreements	(29,719)
	2
Change in collaterals sold or delivered in guarantee	32,279
Change in derivatives (liabilities)	(13,309)
Change in subordinated debt	20,151
Change in other operating liabilities	17,075
Change in hedging instruments (of hedge items related to operation activities)	(1,672)
Income taxes payment	(9,997)
Net cash flows used in operating activities	(84,564)
Investment activities	
Proceeds from the disposal of property, furniture and fixtures	574
Payments for the acquisition of property furniture and fixtures	(318)
Proceeds from the disposal of subsidiaries	2
Payments for acquisition of intangible assets	(1,189)
Net cash flows used in investment activities	(931)
Financing activities	
Cash dividends paid	(13,011)
Net cash flows used in financing activities	(13,011)
Net increase or decrease in cash and cash equivalents	(63,109)
Effects of changes in cash and cash equivalents	124
Cash and cash equivalents at the beginning of the year	217,126
Cash and cash equivalents at the end of the year	154,141

“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.

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

Eduardo Osuna Osuna	Luis Ignacio De La Luz Dávalos	Natalia Ortega Gómez	Sergio Pérez Gaytán
CEO	CFO	Head of Internal Audit	Head of Accounting

Variation in Stakeholders' Equity

BBVA Bancomer	Subscribed Capital		Earned Capital									
Figures in million pesos	Paid in Capital	Share Premium	Capital Reserves	Results of prior years	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
Balances as of December 31st, 2017	24,143	15,860	6,901	93,654	(2,067)	122	440	(2,459)	39,143	175,737	36	175,773
HOLDERS' MOVEMENTS IN LINE WITH STOCKHOLDERS												
Transfer from net income to results of prior years				39,143					(39,143)	-		-
Payment of cash dividends				(13,011)						(13,011)		(13,011)
Total	**-**	**-**	**-**	**26,132**	**-**	**-**	**-**	**-**	**(39,143)**	**(13,011)**	**-**	**(13,011)**
HOLDERS MOVEMENTS IN RECOGNITION TO THE REVENUES												
Net income									23,051	23,051	1	23,052
Result from valuation of securities available for sale					124					124		124
Result from valuations of Cash Flow Hedging						(100)				(100)		(100)
Redefined benefits to employees								51		51		51
Total	**-**	**-**	**-**	**-**	**124**	**(100)**	**-**	**51**	**23,051**	**23,126**	**1**	**23,127**
Balances as of June 30th 2018	24,143	15,860	6,901	119,786	(1,943)	22	440	(2,408)	23,051	185,852	37	185,889

"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	Luis Ignacio De La Luz Dávalos	Natalia Ortega Gómez	Sergio Pérez Gaytán
CEO	CFO	Head of Internal Audit	Director Contabilidad Corporativa

Regulatory pronouncements recently issued-

I. In accordance with the amendments to the General Provisions Applicable to Credit Institutions (the CUB) issued by the CNBV in DOF of December 27, 2017 and according to the Third and Fourth Transitory, the following NIFs will be effective as of January 1, 2019.

a. A brief description of the main changes and those that can be applied in advance are shown below:

Early recognition of changes in criterion B-6 Credit portfolio and D-2 Income statement.

The accounting criteria **B-6 Credit portfolio and D-2 Income statement**, to cancel, in the period in which they occur, the surpluses in the balance of provisions for loan losses, as well as to recognize the recovery of credits previously punished or eliminated against the provisions for loan losses.

These changes will be effective as of January 1, 2019. However, the Commission established the option to apply the changes, from the day following the publication of the provision, giving notice the exercise of the option to the National Banking and Securities Commission (CNBV) no later than 10 working days after the date on which the anticipated application of the aforementioned criteria will begin.

As indicated in the Relevant Events note, during 2Q 2018 BBVA Bancomer opted to recognize in advance the cancellation of surpluses and recoveries on loans written off or eliminated, in the line of “provisions for loan losses”.

b. Below is a brief description of the main changes with application on January 1, 2019:

Mexican FRS B-17 *“Fair Value Determination”-* It was issued to a) define the fair value; b) establish in a single regulatory framework the fair value determination; and c) standardize the disclosures on fair value determination. It is noteworthy that this Mexican FRS is a reference framework for the conceptual determination and it generates methodologies for determining fair value.

Mexican FRS C-3 *“Accounts receivable”-* Main changes refer to specifying that:
a) accounts receivable are based on an agreement that represents a financial instrument;
b) the allowance for uncollectible commercial accounts is recognized upon income accrual, based on the expected loan losses.
c) since initial recognition, it is required to consider the time value of money. Therefore, if the effect of the account receivable’s present value is significant in relation to its term, it should be adjusted considering such present value.
d) it is required to present an analysis of the change between opening balances and the final estimation for uncollectibility.

Mexican FRS C-9 *“Provisions, contingencies and commitments”-* The term “likely” in the definition of “liability” was adjusted, eliminating the term “virtually unavoidable”. 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 determines when and how expected losses for IFC impairment must be recorded, which must be recognized when the credit risk has increased. It is concluded that a portion of the IFC's future cash flows shall not be recovered and the standard proposes the recognition of the unexpected loss based on the historical experience of credit losses; and the current conditions and reasonable unsustainable forecast of the different quantifiable future events that could affect the amount of the future cash flows to be recovered from the IFC, which involves the preparation of estimates to be adjusted periodically based on the past experience. Likewise, for the IFC earning interest, it is required to determine how and when they are estimated to be recovered given that the recoverable amount must be stated at present value.

Mexican FRS C-19 *"Financial instruments payable"*- It establishes: a) the possibility of valuing, subsequent to its initial recognition, certain financial liabilities at fair value upon meeting certain exceptional conditions; b) valuing long-term liabilities at fair value at their initial recognition, considering its fair value over time when their term is greater than one year or if they do not meet the normal loan conditions; and c) upon restructuring the liability, without substantially modifying the future cash flows to settle it, the cost 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.

Mexican FRS C-20 *"Financial instruments receivable"*- It specifies the classification of financial instruments in assets based on the business model: a) for a profit generated from a contractual yield, previously specified in an agreement, the amortized cost is recognized; b) if they are also used to generate a profit based on their purchase and sale, they are recognized based on fair value. The embedded derivative instrument modifying the capital and interest cash flows of the host instrument shall not be bifurcated; everything shall be valued at fair value as if it were a trading financial
instrument.

Mexican FRS D-1 *"Revenues from clients' contracts"* - The most significant changes refer to the establishment of an income recognition model based on the following steps: a) control transfer, based on the opportunity to recognized income; b) identification of the different obligations to be complied with in an agreement; c) allocation of the transaction amount between the different obligations to be complied with based on the independent sales price; d) introduction of the concept of conditioned account receivable, upon fulfilling an obligation and generating an unconditional right to the consideration given that to have the consideration payment enforceable, only the lapse of time is required; e) the recognition of rights to collection, which in some cases, may have an unconditional right to the consideration before having fulfilled an obligation; and f) the valuation of the income considering aspects such as the recognition of important financing components, the consideration other than cash and the consideration payable to a client.

Mexican FRS D-2 *"Costs from agreements with clients"* - It separates provisions on recognition of costs from agreements with clients and provisions corresponding to recognition of income from agreements with clients and extends the scope to include costs related to the type of agreements with clients.

As of the date of this document, the Bank is in the process of establishing the effect of the new accounting principles on its financial information.

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:

Mexican FRS C-9 *"Provisions, contingencies and commitments"*- It shall be en effect for fiscal years beginning as of January 1, 2018, allowing its early adoption, provided it is done in conjunction with the initial adoption of Mexican FRS C-19 "Payable Financial Instruments". It supersedes Bulletin C-9 "Liability, Provisions, Contingent Assets and Liabilitites and Commitments". First time adoption of this Mexican FRS does not generate accounting changes in the financial statements. Among the main aspects covered by this Mexican FRS are the following:

- It reduces its scope by relocating the topic related to the accounting treatment of financial liabilities in Mexican FRS C-19 "Financial instruments payable".
- The definition of "liability" has been modified to eliminate the concept of "virtually unavoidable" and include the term "likely".
- Terminology used across the standard is updated to uniform its presentation according to the other Mexican FRS.

Improvements to 2018 Mexican FRS -

In December 2017, the CINIF issued a document titled ″Improvements to Mexican FRS 2018″, which includes specific amendments to some existing Mexican FRS. The main amendments that give rise to accounting changes are as follows:

Mexican FRS B-2 "Statement of cash flows"- It requires new disclosures on liabilities associated to financing activities, whether they required or not the use of cash or cash equivalents, preferably with the reconciliation of opening and ending balances. This improvement comes into effect for fiscal years beginning as from January 1, 2018; early adoption is allowed. Accounting changes must be recognized on a retrospective basis.

Mexican FRS B-10 "Effects of inflation"- It requires disclosure of the percentage of accrued inflation for the last three years, which was the basis to rate the economic environment at which the entity operated in the current year as inflationary or non-inflationary, as well as the percentage of accrued inflation of three years, including two previous ones and the own period, which shall be the basis to rate the economic environment at which the entity shall operate in the following year. This improvement comes into effect for fiscal years beginning as from January 1, 2018; early adoption is allowed. Accounting changes must be recognized on a retrospective basis.

Mexican FRS C-6 "Property, plant and equipment" and Mexican FRS C-8 "Intangible Assets" – It establishes that a depreciation and amortization method of an asset based on the amount of income associated to the use thereof is not appropriate, given that such amount of income may be affected by factors other than the consumption pattern of the asset's economic benefits. It clarifies the meaning of the concept asset's consumption of future economic benefits. This improvement comes into effect for year beginning as from January 1, 2018 and the arising accounting changes must be recognized on a retrospective basis.

These improvement to the Mexican FRS did not generate significant effects in the consolidated financial statements of the Bank.

Improvements to Mexican FRS 2018 that do not generate change

Mexican FRS B-7 “Business Acquisitions”- This Mexican FRS establishes that in the process of business acquisition, the contingent liabilities of the business acquired must be recognized, when it is probable that there will be an outflow of economic resources in the future to liquidate said terms.

Mexican FRS B-15 “Conversion of foreign currencies”- Mentions that valuations of assets, liabilities, stockholders’ equity, income, costs and expenses are carried out in the functional currency, given that it is the basis of the economy of the entity.

Mexican FRS C-3 *“Accounts receivable”-* This Mexican FRS establishes only the valuation, presentation and disclosure standards for the initial and subsequent recognition of accounts receivable that do not accrue interest, whether explicit or implicit. Additionally, it specifies that accounts receivable that accrue interest or without explicit interest, but that are long-term, are treated in FRS C-20, financial instruments to collect principal and interest.

New Mexican FRS issued by CINIF:

Mexican FRS B-5, “Leases”- This Mexican FRS introduces a single model for the recognition of leases and requires it to recognize the assets and liabilities of all leases with a duration greater than 12 months, unless the underlying asset is of low value. The lessee is required to recognize a right-of-use asset that reprents its right to use the leased underlying asset and a lease liability that represents its obligation to make lease payments.

As of date of this document, the Commission has not included it as part of the scope of Bulletin A-2 of Exhibit 33 of the CUB; however, the Bank is in the process of measuring the impacts due to the application of this rule.

* * *

Financial report January–June 2018

BBVA Bancomer

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