

**BBVA Bancomer**

# Financial Report January–September 2018

**BBVA Bancomer**

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# Relevant Information

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## Decree and distribution of dividends

On September 2018, BBVA Bancomer, S.A. Multiple Banking Institution decreed the third dividend at the Ordinary General Shareholders' Meeting for the year 2017, at a rate of \$0.506270523033610 for each outstanding shares. The dividend was paid on September 19, 2018.

## Issuance of Senior Bonds

On September 2018, BBVA Bancomer issued two senior bonds for the amount of 3,500 million pesos each:

1. BACOMER 18 with a term of 5 years and a coupon rate of TIIE +19 bp
2. BACOMER 18V (Green Bond) with a term of 3 years and a coupon rate of TIIE +10 bp.

The Green Bond is the first to be issued by a private bank in Mexico.

Both issuances received a rating of "AAA" and "Aaa.mx" the highest grade in the national investment grade of both Fitch and Moody's, respectively.

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

In the Official Gazette 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 anticipated 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 September 2018, the loan portfolio reached 1,123,811 million pesos, equivalent to an annual growth of 7.2%.

Inside the breakdown, the commercial portfolio grew at 8.2% 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 10.9%.

Consumer lending, including credit cards, grew at 4.8% in annual terms. Inside this portfolio, payroll, personal and car loans showed a 7.1% increase to reach a total balance of 163,326 million pesos at the end of September 2018. In the credit card portfolio (+1.5% 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 7.3%, with a balance of 204,647 million pesos at the end of September. 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 August 2018.

<b>Performing Loans</b>	<b>9M</b>	<b>6M</b>	<b>9M</b>	<b>%</b>	
<i>Figures in million pesos</i>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
Business or commercial activity	443,915	508,093	492,217	(3.1)	10.9
Financial entities	30,477	28,311	26,867	(5.1)	(11.8)
Government loans	71,542	72,741	75,685	4.0	5.8
Parastatals	56,815	51,619	57,610	11.6	1.4
Government entities	128,356	124,360	133,295	7.2	3.8
Commercial loans	602,749	660,764	652,379	(1.3)	8.2
Consumer	254,463	263,701	266,785	1.2	4.8
Mortgage	190,738	200,916	204,647	1.9	7.3
<b>Total Performing Loans</b>	<b>1,047,950</b>	<b>1,125,381</b>	<b>1,123,811</b>	<b>(0.1)</b>	<b>7.2</b>



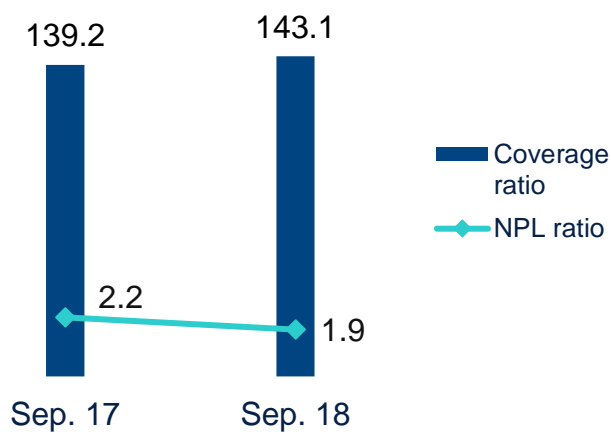
Asset quality

Non-performing loans

BBVA Bancomer’s strict risk management is reflected in the evolution of asset quality. The NPL ratio had an improvement of 24 basis points and it stood at 1.9% at the end of September 2018.

<b>Non Performing Loans</b>	<b>9M</b>	<b>6M</b>	<b>9M</b>	<b>%</b>	
<i>Figures in million pesos</i>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
Business or commercial activity	6,444	7,102	7,051	(0.7)	9.4
Financial entities	0	0	0	n.a.	n.a.
Government entities	1	0	0	n.a.	n.a.
Commercial loans	6,445	7,102	7,051	(0.7)	9.4
Consumer	9,850	8,911	9,035	1.4	(8.3)
Mortgage	6,789	5,777	5,867	1.6	(13.6)
<b>Total Non Performing Loans</b>	<b>23,084</b>	<b>21,790</b>	<b>21,953</b>	<b>0.7</b>	<b>(4.9)</b>

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  
September 2018**

*Figures in million pesos*

Ratings	Commercial Loans		Mortgage		Consumer		Credit Card	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
A1	611,901	1,424	186,732	289	49,966	422	41,206	689
A2	57,963	596	4,386	27	16,382	414	15,112	596
B1	21,646	336	2,170	19	45,439	1,511	9,100	523
B2	9,510	126	2,334	28	28,469	1,285	8,975	651
B3	15,869	399	1,383	24	7,896	438	9,025	807
C1	2,043	121	4,880	150	5,505	401	9,110	1,073
C2	1,520	123	3,346	272	4,607	466	10,475	2,522
D	5,659	1,834	4,174	990	2,566	590	2,721	1,312
E	5,209	2,628	1,108	622	6,952	4,611	2,331	1,991
Additional				1,108				
<b>Total required</b>	<b>731,320</b>	<b>7,587</b>	<b>210,513</b>	<b>3,529</b>	<b>167,781</b>	<b>10,138</b>	<b>108,055</b>	<b>10,164</b>

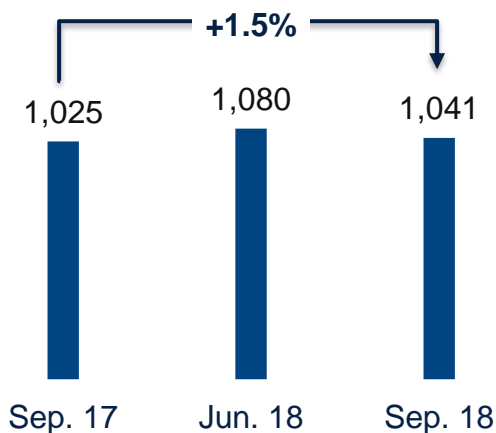
### Deposits

Bank deposits (defined as demand and customer deposits) showed an annual growth of 1.5%. Inside the breakdown, demand deposits decrease 1.9% since September 2017, while time deposits registered a growth of 8.8% in the same period. However, BBVA Bancomer maintains a very profitable funding mix with a higher relative weight of low-cost deposits.

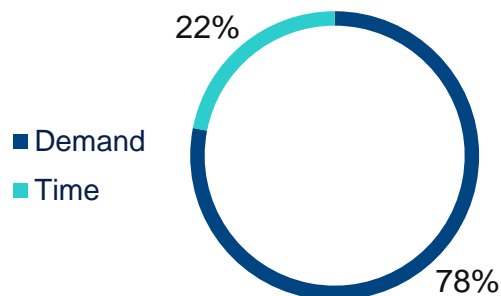
Total deposits remained in levels similar to 2017 and recorded an annual growth of 0.6%.

Deposits	9M 2017	6M 2018	9M 2018	% Q-o-Q	Y-o-Y
<i>Figures in million pesos</i>					
Demand deposits	828,229	859,552	812,555	(5.5)	(1.9)
Time Deposits	234,929	243,894	255,503	4.8	8.8
Customer Deposits	196,858	220,601	228,209	3.4	15.9
Money Market	38,071	23,293	27,294	17.2	(28.3)
Bonds	88,223	82,307	89,695	9.0	1.7
Deposits global account without movements	3,203	3,427	3,473	1.3	8.4
<b>Total Deposits</b>	<b>1,154,584</b>	<b>1,189,180</b>	<b>1,161,226</b>	<b>(2.4)</b>	<b>0.6</b>

Banking Deposits (mp)



Banking Deposits Mix (%)

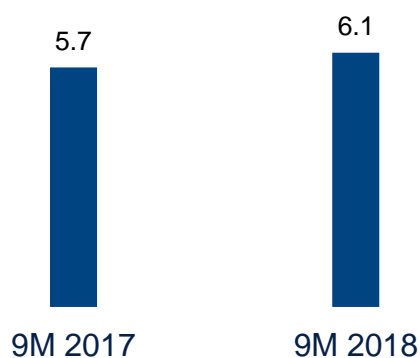


## Results

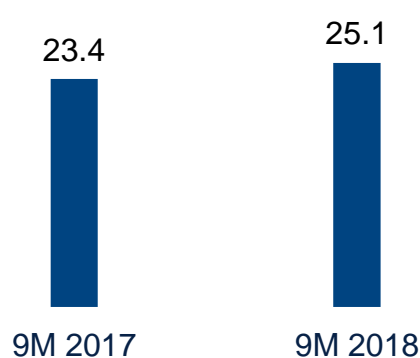
As of September 2018, BBVA Bancomer recorded solid results, maintaining double-digit annual growth in net income, that in the first nine months of the year stood at 34,401 million pesos, 17.2% higher than the same period of the previous year.

BBVA Bancomer Income Statement		3Q	2Q	3Q	%		9M	9M	%
<i>Figures in million pesos</i>		2017	2018	2018	Q-o-Q	Y-o-Y	2017	2018	Y-o-Y
Net interest income		28,623	30,022	31,378	4.5	9.6	83,446	90,885	8.9
Provisions for loan losses		(8,947)	(8,591)	(7,243)	(15.7)	(19.0)	(25,068)	(23,574)	(6.0)
Net interest income after provisions for loan losses		19,676	21,431	24,135	12.6	22.7	58,378	67,311	15.3
Total Fees & Commission		6,388	7,144	7,011	(1.9)	9.8	19,057	20,778	9.0
Trading income		1,194	1,595	(54)	n.a.	n.a.	3,969	3,250	(18.1)
Other operating income		217	800	(416)	n.a.	n.a.	606	493	(18.6)
Total operating revenues		27,475	30,970	30,676	(0.9)	11.7	82,010	91,832	12.0
Non-interest expense		(14,489)	(14,846)	(15,128)	1.9	4.4	(42,147)	(44,591)	5.8
Net operating income		12,986	16,124	15,548	(3.6)	19.7	39,863	47,241	18.5
Share in net income of unconsolidated subsidiaries and affiliates		14	41	10	(75.6)	(28.6)	26	27	3.8
Income before income tax and profit sharing		13,000	16,165	15,558	(3.8)	19.7	39,889	47,268	18.5
Net Taxes		(3,526)	(4,325)	(4,208)	(2.7)	19.3	(10,546)	(12,866)	22.0
Income before discontinued operations		9,474	11,840	11,350	(4.1)	19.8	29,343	34,402	17.2
Non-controlling interest		(1)	(1)	-	n.a.	n.a.	-	(1)	n.a.
Net Income		9,473	11,839	11,350	(4.1)	19.8	29,343	34,401	17.2

NIM (total assets, %)<sup>1</sup>



ROE (%)



<sup>1</sup> 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 7.9%, driven by higher volumes of commercial activity. When adding the net repos financial revenues, the NII grew 8.9% per year.

Additionally, with the provisions for loan losses, the adjusted NII increased at 15.3% when compared with September of the previous year.

<b>Net Interest Income</b>	<b>3Q</b>	<b>2Q</b>	<b>3Q</b>	<b>%</b>		<b>9M</b>	<b>9M</b>	<b>%</b>
<i>Figures in million pesos</i>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>	<b>2017</b>	<b>2018</b>	<b>Y-o-Y</b>
Loans and deposits financial revenues	28,934	29,832	31,018	4.0	7.2	83,739	90,101	7.6
Margin fees	371	486	491	1.0	32.3	1,106	1,451	31.2
Banking net interest income	29,305	30,318	31,509	3.9	7.5	84,845	91,552	7.9
Repos financial revenues	(682)	(296)	(131)	(55.7)	(80.8)	-1,399	(667)	(52.3)
Net interest income	28,623	30,022	31,378	4.5	9.6	83,446	90,885	8.9
Provisions for loan losses	(8,947)	(8,591)	(7,243)	(15.7)	(19.0)	(25,068)	(23,574)	(6.0)
<b>Net interest income after provisions</b>	<b>19,676</b>	<b>21,431</b>	<b>24,135</b>	<b>12.6</b>	<b>22.7</b>	<b>58,378</b>	<b>67,311</b>	<b>15.3</b>

## Fees and Commissions

Commissions increased at 9.0% in annual terms. This growth is mainly driven by the ones coming from a higher transaction volume of customers with credit and debit cards. The commissions from investment funds had a remarkable growth during the third quarter, derived from a higher transaction volume of these products.

<b>Fees &amp; Commissions</b>	<b>3Q</b>	<b>2Q</b>	<b>3Q</b>	<b>%</b>		<b>9M</b>	<b>9M</b>	<b>%</b>
<i>Figures in million pesos</i>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>	<b>2017</b>	<b>2018</b>	<b>Y-o-Y</b>
Bank fees	1,625	1,791	1,824	1.8	12.2	4,880	5,291	8.4
Credit and debit card	3,385	3,516	3,643	3.6	7.6	9,956	10,625	6.7
Investment funds	801	1,216	987	(18.8)	23.2	2,299	2,907	26.4
Others	577	621	557	(10.3)	(3.5)	1,922	1,955	1.7
<b>Commissions and fee income</b>	<b>6,388</b>	<b>7,144</b>	<b>7,011</b>	<b>(1.9)</b>	<b>9.8</b>	<b>19,057</b>	<b>20,778</b>	<b>9.0</b>

## Other income (expenses) of the operation

During the second quarter of the year there was an extraordinary income derived from the sale of some properties. The negative comparison is driven by the negative results of foreclosed assets.

Other Income	3Q	2Q	3Q	%		9M	9M	%
<i>Figures in million pesos</i>	2017	2018	2018	Q-o-Q	Y-o-Y	2017	2018	Y-o-Y
Sales and recoveries of loan portfolio	287	146	181	24.0	(36.9)	612	438	(28.4)
Interest of loans to employees	154	167	177	6.0	14.9	453	505	11.5
Dividends collected unlisted	4	63	-	(100.0)	(100.0)	92	63	(31.5)
Result of operation of foreclosed assets	241	84	(251)	n.a.	n.a.	392	(37)	n.a.
Write-offs	(232)	(112)	(272)	n.a.	17.2	(504)	(547)	8.5
Legal contingencies	(151)	(160)	(292)	82.5	93.4	(352)	(523)	48.6
Donations	(167)	(135)	(122)	(9.6)	(26.9)	(358)	(342)	(4.5)
Other income	81	747	163	(78.2)	101.2	271	936	n.a.
<b>Other operating income</b>	<b>217</b>	<b>800</b>	<b>(416)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>606</b>	<b>493</b>	<b>(18.6)</b>

## Non-Interest Expenses

During the first nine months of the year, we have maintained a continuous investment. This has been reflected in the strengthening of the banking infrastructure, being the leader in the market. At the end of September 2018, we have 1,831 offices and 12,130 ATMs to serve the entire customer base.

The strict management and expenditure control is reflected in a 5.8% annual growth, and allow BBVA Bancomer 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 38.6% at the end of September 2018.

Non-Interest Expenses	3Q	2Q	3Q	%		9M	9M	%
<i>Figures in million pesos</i>	2017	2017	2018	Q-o-Q	Y-o-Y	2017	2018	Y-o-Y
Administrative and operating expenses	9,579	9,825	9,996	1.7	4.4	27,856	29,397	5.5
Manageable expenses	9,579	9,825	9,996	1.7	4.4	27,856	29,397	5.5
Rents	1,343	1,311	1,318	0.5	(1.9)	3,719	3,939	5.9
Depreciation and amortization	1,361	1,408	1,452	3.1	6.7	4,061	4,245	4.5
Taxes	996	1,005	1,061	5.6	6.5	2,887	3,147	9.0
Deposit guarantee fund (IPAB)	1,210	1,297	1,301	0.3	7.5	3,624	3,863	6.6
Non-manageable expenses	4,910	5,021	5,132	2.2	4.5	14,291	15,194	6.3
<b>Administrative and promotional expenses</b>	<b>14,489</b>	<b>14,846</b>	<b>15,128</b>	<b>1.9</b>	<b>4.4</b>	<b>42,147</b>	<b>44,591</b>	<b>5.8</b>

# Financial Indicators

BBVA Bancomer	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	9M 2017	9M 2018
<b>Infrastructure Indicators (#)</b>							
Branches	1,845	1,840	1,833	1,836	1,831	1,845	1,831
ATMs	11,519	11,724	11,798	11,924	12,130	11,519	12,130
Employees	30,831	30,850	31,249	31,715	32,107	30,831	32,107
<b>Profitability Indicators (%)</b>							
a) NIM adjusted (interest bearing assets)	4.4	4.7	4.7	4.6	5.2	4.4	4.9
b) NIM (total assets)	5.9	6.0	5.9	5.9	6.2	5.7	6.1
c) Operating efficiency	3.0	3.1	2.9	2.9	3.0	2.9	3.0
d) Efficiency (cost to income)	39.8	42.1	38.5	37.5	39.9	39.4	38.6
e) Productivity index	44.1	43.7	45.3	48.1	46.3	45.2	46.6
f) ROE	22.0	22.4	25.1	25.8	24.2	23.4	25.1
g) ROA	2.0	2.0	2.3	2.3	2.2	2.0	2.3
<b>Asset Quality Indicators (%)</b>							
h) NPL ratio	2.2	2.1	2.1	1.9	1.9	2.2	1.9
i) Coverage ratio	139.2	138.9	138.9	145.1	143.1	139.2	143.1
<b>Solvency Indicators (%)</b>							
j) Core equity tier 1 ratio	12.1	11.7	11.9	11.5	11.6	12.1	11.6
k) Total capital ratio	14.6	14.3	15.2	14.8	14.7	14.6	14.7
l) Leverage ratio	8.9	8.8	9.0	8.8	9.4	8.9	9.4
<b>Liquidity Indicators (%)</b>							
m) Liquidity ratio (CNBV requirement)	75.9	75.0	77.9	70.8	67.1	75.9	67.1
n) Liquidity ratio (Loans / Deposits)	98.3	98.1	101.6	101.7	104.9	98.3	104.9
o) Liquidity Coverage Coefficient (Local LCR)	124.06	139.58	147.54	135.88	134.42	124.06	134.42

## 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:  $\text{CET1 Capital} / \text{Risk Weighted Assets}$  to credit risk, market and operational (applied in Mexico since January 2013)
- k) Total Capital Ratio:  $\text{Net Capital} / \text{Risk Weighted Assets}$  to credit risk, market and operational (applied in Mexico since January 2013)
- l) Leverage Ratio:  $\text{Risk Capital} / \text{Exposure}$

## LIQUIDITY

- m) Liquidity Ratio:  $\text{Liquid assets} / \text{Liquid liabilities}$
- n) Liquid Assets:  $\text{Cash and cash equivalents} + \text{Trading (securities)} + \text{Available for sale (securities)}$
- o) Liquid Liabilities:  $\text{Demand deposits} + \text{Interbank loans and loans from other entities payable on demand} + \text{Interbank loans and loans from other entities short term}$
- p) Loans / Deposits:  $\text{Performing loans} / \text{Core deposits (demand + time)}$
- q) CCL (Local LCR – Liquidity Coverage Ratio):  $\text{Computable Liquid Assets} / \text{Outputs} - \text{Inputs}$

# Capital and Liquidity

BBVA Bancomer's estimated capitalization index stood at 14.7% as of September 2018, which is composed by 12.0% of Tier 1 capital and 2.7% 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.

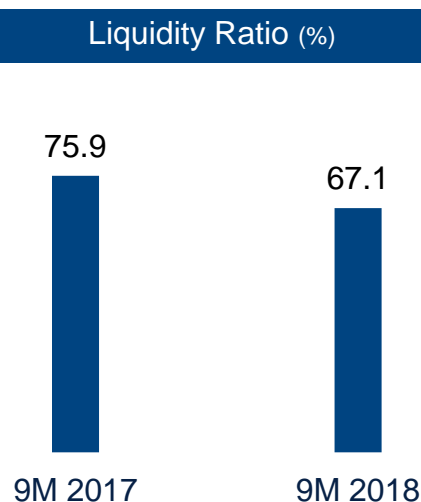
## BBVA Bancomer

### Capitalization

Figures in million pesos

	September 2017		June 2018		September 2018	
Tier 1 capital	176,309		184,062		188,062	
Tier 2 capital	27,575		43,864		42,694	
Net capital	203,884		227,926		230,756	
	Credit Market, Operative Risk & Credit Risk		Credit Market, Operative Risk & Credit Risk		Credit Market, Operative Risk & Credit Risk	
Risk-weighted assets	976,308	1,398,256	1,080,125	1,545,151	1,079,020	1,569,666
Tier 1 as % of risk-weighted assets	18.1%	12.6%	17.0%	11.9%	17.4%	12.0%
Tier 2 as % of risk-weighted assets	2.8%	2.0%	4.1%	2.8%	4.0%	2.7%
Net capital ratio	20.9%	14.6%	21.1%	14.8%	21.4%	14.7%

The regulatory liquidity ratio, defined as Liquid Assets / Liquid Liabilities, stood at 67.1%. The Liquidity Coverage Ratio (Local LCR) stood at 134.42%, 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
<b>Standard and Poor's</b>			
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-		
<b>Moody's</b>			
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		
<b>Fitch</b>			
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 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	1078	MXN	06-sep-10	24-ago-20	10.0	7.83%		A3/Aaa.mx	AAA(mex)
Bond 2nd Issuance 2011 - BACOMER 21145	1000	MXN	15-abr-11	02-abr-21	10.0	TIE28 + 0.80%		A3/Aaa.mx	AAA(mex)
Bond 4th Issuance 2012 - BACOMER 22224	1000	MXN	07-jun-12	26-may-22	10.0	TIE28 + 0.85%		A3/Aaa.mx	AAA(mex)
Senior Notes Dlls 2014	750	USD	10-abr-14	10-abr-24	10.0	4.38%		A3	A-
Bond 1st Issuance 2016 - BACOMER 16	4000	MXN	30-jun-16	27-jun-19	3.0	TIE28 + 0.23%		A3/Aaa.mx	AAA(mex)
Bond 2nd Issuance 2017 - BACOMER 17	5142	MXN	26-may-17	26-may-20	3.0	TIE28+0.23%		A3/Aaa.mx	AAA(mex)
Bond 2nd Issuance 2017 - BACOMER 17-2	1858	MXN	26-may-17	26-may-22	3.0	TIE28+0.23%		A3/Aaa.mx	AAA(mex)
Bond 4rd Issuance 2017 - BACOMER 18V	3500	MXN	27-sep-18	23-sep-21	3.0	TIE28+0.1%		A3/Aaa.mx	AAA(mex)
Bond 5th Issuance 2017 - BACOMER 18	3500	MXN	27-sep-18	21-sep-21	3.0	TIE28+0.19%		A3/Aaa.mx	AAA(mex)
<b>Subordinated Debentures</b>									
Capital Notes Tier 1 2020	1,000	USD	22-abr-10	22-abr-20	10.0	7.25%		Ba1	BB+
Subordinated Debentures Tier 2 2021	1,250	USD	10-mar-11	10-mar-21	10.0	6.50%		Baa3	BBB-
Subordinated Debentures Tier 2 2022	1,500	USD	19-jul-12	30-sep-22	10.2	6.75%		Baa3	BBB-
Subordinated Debentures Tier 2 2029 (15NC10)	200	USD	06-nov-14	06-nov-24	15NC10	5.35%		Ba1	BBB-
Subordinated Debentures Tier 2 2033 (15NC10)	1,000	USD	18-ene-18	18-ene-33	15NC10	5.13%	BB+		BBB-
<b>Mortgage Securitization</b>									
1st Issuance - BACOMCB 07	2540	MXN	21-dic-07	13-mar-28	20.2	9.05%	mxAAA	A3/Aaa.mx	AAA(mex)
2nd Issuance - BACOMCB 08	1114	MXN	14-mar-08	14-jul-28	20.3	8.85%	mxAAA		AAA(mex)
4th Issuance - BACOMCB 08-2	5509	MXN	01-dic-08	19-ago-30	21.7	9.91%	mxAAA	A3/Aaa.mx	
5th Issuance Serie 3 - BACOMCB 09-3	3616	MXN	07-ago-09	24-may-29	19.8	10.48%	mxAAA		AAA(mex)
1st Issuance - BMERCB 13	4192	MXN	21-jun-13	07-abr-33	19.8	6.38%	mxAAA		AAA(mex)

# Financial Statements

## Balance Sheets (Last 5 quarters)

### BBVA Bancomer

Assets	Sep	Dec	Mar	Jun	Sep
	2017	2017	2018	2018	2018
<i>Figures in million pesos</i>					
<b>CASH AND CASH EQUIVALENTS</b>	231,961	217,126	187,426	154,141	136,293
Margin call accounts	12,518	14,359	11,736	12,938	11,501
<b>SECURITIES</b>	416,531	430,771	463,101	483,223	436,757
Trading	274,279	285,970	319,326	325,029	272,340
Available for sale	127,842	130,137	128,843	141,038	141,957
Held to maturity	14,410	14,664	14,932	17,156	22,460
Debtors from repurchase agreement	232	76	141	67	60
Derivatives	107,407	138,558	118,816	129,678	119,668
Trading	94,232	122,524	107,188	115,704	107,868
Hedging Transactions	13,175	16,034	11,628	13,974	11,800
Valuation adjustments derived from hedges of financial assets	1,102	286	461	112	(55)
<b>PERFORMING LOANS</b>	1,047,949	1,056,334	1,057,468	1,125,381	1,123,811
Commercial loans	602,748	604,832	600,628	660,764	652,379
Business or commercial activity	443,915	452,669	446,273	508,093	492,217
Financial entities	30,477	27,899	28,581	28,311	26,867
Government entities	128,356	124,264	125,774	124,360	133,295
Consumer	254,463	257,669	259,176	263,701	266,785
Mortgage	190,738	193,833	197,664	200,916	204,647
Residential Mortgages	177,609	181,286	185,197	188,996	193,230
Social Housing	13,129	12,547	12,467	11,920	11,417
<b>NON PERFORMING LOANS</b>	23,084	22,745	22,201	21,790	21,953
Commercial loans	6,445	6,366	6,382	7,102	7,051
Business or commercial activity	6,444	6,366	6,382	7,102	7,051
Financial entities	0	0	0	0	0
Government entities	1	0	0	0	0
Consumer	9,850	9,703	9,051	8,911	9,035
Mortgage	6,789	6,676	6,768	5,777	5,867
Residential Mortgages	5,994	5,913	6,014	5,119	5,243
Social Housing	795	763	754	658	624
<b>TOTAL LOANS</b>	1,071,033	1,079,079	1,079,669	1,147,171	1,145,764
Allowance for loan losses	(32,133)	(31,596)	(30,841)	(31,621)	(31,418)
<b>TOTAL LOANS, NET</b>	1,038,899	1,047,483	1,048,828	1,115,550	1,114,346
Receivable benefits from securitization transactions	165	159	142	119	107
Other accounts receivable, net	87,107	80,160	89,740	102,190	91,277
Repossessed assets, net	2,941	2,602	2,357	2,122	1,907
Property, furniture and equipment, net	40,626	41,349	40,365	39,524	39,185
Equity investments	1,228	1,235	1,239	1,278	907
Deferred taxes, net	14,715	14,931	14,885	15,716	13,957
Other assets	7,403	7,891	9,072	8,061	8,500
Deferred charges, prepaid expenses and intangibles	6,569	7,891	9,072	8,061	8,500
Other assets , short and long term	834	0	0	0	0
<b>TOTAL ASSETS</b>	1,962,836	1,996,986	1,988,309	2,064,719	1,974,410

**BBVA Bancomer**
**Liabilities & Stockholders' Equity**
*Figures in million pesos*

	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018
<b>TOTAL DEPOSITS</b>	1,154,584	1,162,633	1,122,187	1,189,180	1,161,226
Demand deposits	828,229	835,427	807,977	859,552	812,555
Time Deposits	234,929	237,602	229,447	243,894	255,503
Customer deposits	196,858	198,542	211,458	220,601	228,209
Money market	38,071	39,060	17,989	23,293	27,294
Bonds	88,223	86,280	81,552	82,307	89,695
Deposits global account without movements	3,203	3,324	3,211	3,427	3,473
<b>INTER BANK LOANS AND LOANS FROM OTHER ENTITIES</b>	16,869	17,380	15,533	24,737	17,061
Payable on demand	0	0	0	7,556	0
Short- term	7,441	9,164	7,488	8,728	8,181
Long- term	9,428	8,216	8,045	8,453	8,880
Creditors from repurchase agreements	270,756	225,828	245,039	196,110	197,992
Securities creditors	1	2	4	4	3
<b>COLLATERALS SOLD OR DELIVERED IN GUARANTEE</b>	39,738	50,720	74,375	82,999	60,732
Repurchase	0	0	1	0	0
Securities lending	39,738	50,719	74,375	82,999	60,732
<b>DERIVATIVES</b>	111,009	146,348	119,688	132,464	120,954
Trading	101,894	134,985	109,487	121,676	111,500
Hedge transactions	9,115	11,363	10,201	10,788	9,454
Valuation adjustments derived from hedges of financial liabilities	3,783	3,629	660	403	(708)
<b>OTHER PAYABLES</b>	110,833	127,799	128,998	145,199	126,146
Profit taxes payable	4	0	0	0	0
Employee profit sharing (PTU) payable	3	2	2	2	2
Transaction settlement creditors	45,415	65,683	83,088	91,458	59,597
Creditors from collaterals received in cash	16,342	24,394	17,761	21,233	19,937
Accrued liabilities and other	49,069	37,720	28,147	32,506	46,610
Subordinated debt	72,476	78,966	91,386	99,231	93,647
Deferred credits and advanced collections	7,946	7,908	8,647	8,503	7,673
<b>TOTAL LIABILITIES</b>	1,787,995	1,821,213	1,806,517	1,878,830	1,784,726
<b>SUBSCRIBED CAPITAL</b>	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
<b>EARNED CAPITAL</b>	134,802	135,734	141,753	145,849	149,644
Capital reserves	6,901	6,901	6,901	6,901	6,901
Results of prior years	100,291	93,654	127,466	119,786	112,055
Unrealized gain on available- for- sale securities	(1,525)	(2,067)	(1,633)	(1,943)	(1,394)
Result from valuation of cash flow hedging instruments	(213)	122	(174)	22	(404)
Accumulated effect by conversion	440	440	440	440	440
Redefined benefits to employees	(435)	(2,459)	(2,459)	(2,408)	(2,355)
Net income	29,343	39,143	11,212	23,051	34,401
<b>MAJORITY STOCKHOLDERS' EQUITY</b>	174,805	175,737	181,756	185,852	189,647
Non- controlling interest in consolidated subsidiaries	36	36	36	37	37
<b>TOTAL STOCKHOLDERS EQUITY</b>	174,841	175,773	181,792	185,889	189,684
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	1,962,836	1,996,986	1,988,309	2,064,719	1,974,410

## Memorandum accounts

BBVA Bancomer Memorandum accounts	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018
<i>Figures in million pesos</i>					
Contingent assets and liabilities	489	565	559	554	607
Credit commitments	522,833	566,652	563,892	576,798	565,398
In trusts	424,421	419,391	412,185	431,631	433,864
Under mandate	24,202	24,197	24,272	24,258	24,262
Assets in trust or under mandate	448,623	443,588	436,457	455,889	458,126
Assets in custody or under administration	184,712	182,857	184,019	189,719	197,580
Collaterals received by the institution	53,507	57,648	94,618	86,694	66,805
Collaterals received and sold or pledged as collateral by the institution	50,880	53,821	90,917	82,999	62,734
Investment banking transactions on behalf of third parties, net	1,172,737	1,212,812	1,152,283	1,273,071	1,293,144
Accrued interest on non- performing loans	7,613	4,832	4,586	4,706	5,293
Other record accounts	3,319,468	3,305,997	3,338,586	3,446,049	3,471,319

"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

Natalia Ortega Gómez  
Head of Internal Audit

Sergio Pérez Gaytán  
Head of Accounting

## P&L (Last 5 quarters)

**BBVA Bancomer**
**Financial Results**
*Figures in million pesos*

	3Q	4Q	1Q	2Q	3Q	9M	9M
	2017	2017	2018	2018	2018	2017	2018
Interest Income	42,875	44,640	44,746	46,812	47,881	123,025	139,439
Interest Expenses	(14,252)	(15,077)	(15,261)	(16,790)	(16,503)	(39,579)	(48,554)
Net interest income	28,623	29,563	29,485	30,022	31,378	83,446	90,885
Provisions for loan losses	(8,947)	(8,130)	(7,740)	(8,591)	(7,243)	(25,068)	(23,574)
Net interest income after provisions for loan losses	19,676	21,433	21,745	21,431	24,135	58,378	67,311
Fees & Commissions received	9,607	10,414	10,223	11,015	10,799	28,947	32,037
Fees & Commissions paid	(3,290)	(3,650)	(3,600)	(3,871)	(3,788)	(9,890)	(11,259)
Total Fees & Commissions	6,388	6,764	6,623	7,144	7,011	19,057	20,778
Trading income	1,194	658	1,709	1,595	(54)	3,969	3,250
Other operating income	217	(228)	109	800	(416)	606	493
Total operating revenues	27,475	28,627	30,186	30,970	30,676	82,010	91,832
Non-interest expense	(14,489)	(15,461)	(14,617)	(14,846)	(15,128)	(42,147)	(44,591)
Operating income	12,986	13,166	15,569	16,124	15,548	39,863	47,241
Share in net income of unconsolidated subsidiaries and affiliates	14	8	(24)	41	10	26	27
Income before tax	13,000	13,174	15,545	16,165	15,558	39,889	47,268
Current income tax and profit sharing	(2,431)	(3,123)	(4,438)	(5,120)	(2,786)	(10,740)	(12,344)
Deferred income tax and profit sharing	(1,095)	(250)	105	795	(1,422)	194	(522)
Net taxes	(3,526)	(3,373)	(4,333)	(4,325)	(4,208)	(10,546)	(12,866)
Income before discontinued operations	9,474	9,801	11,212	11,840	11,350	29,343	34,402
Discontinued operations	0	0	0	0	0	0	0
Minority Interest	(1)	(1)	0	(1)	0	0	(1)
<b>NET INCOME</b>	<b>9,473</b>	<b>9,800</b>	<b>11,212</b>	<b>11,839</b>	<b>11,350</b>	<b>29,343</b>	<b>34,401</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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CFO

Natalia Ortega Gómez

Head of Internal Audit

Sergio Pérez Gaytán

Head of Accounting

## Cash Flows

### BBVA Bancomer

#### Cash Flow Statement (from January 1st to September 30th 2018)

*Figures in million pesos*

Net income	34,401
Adjustments derived from items not involving cash flow	
Profit or loss derived from the valuation of investment and financing activities	350
Depreciation of property, furniture and fixtures	2,358
Amortization of intangible assets	1,886
Provisions	755
Income taxes	12,866
Share in net income of unconsolidated subsidiaries and affiliated companies	(27)
Noncontrolling interest	1
<b>Operating activities</b>	
Change in margin call accounts	2,523
Change in investments in securities	(6,956)
Change in debtors from repurchase agreement	17
Change in derivatives (assets)	14,656
Change in loan portfolio (net)	(74,743)
Change in receivable benefits from securitization transactions	51
Change in repossessed assets	694
Change in other operating assets	(10,280)
Change in deposits	7,004
Change in interbank loans and other loans from other entities	(252)
Change in creditors from repurchase agreements	(27,836)
Change in securities lending	1
Change in collaterals sold or delivered in guarantee	10,013
Change in derivatives (liabilities)	(23,485)
Change in subordinated debt	18,456
Change in other operating liabilities	(1,331)
Change in hedging instruments (of hedge items related to operation activities)	(2,018)
Income taxes payment	(13,931)
<b>Net cash flows used in operating activities</b>	<b>(107,417)</b>
<b>Investment activities</b>	
Proceeds from the disposal of property, furniture and fixtures	578
Payments for the acquisition of property furniture and fixtures	(773)
Proceeds from the disposal of subsidiaries	5
Proceeds from cash dividends	2
Payments for acquisition of intangible assets	(2,037)
<b>Net cash flows used in investment activities</b>	<b>(2,225)</b>
<b>Financing activities</b>	
Cash dividends paid	(20,742)
<b>Net cash flows used in financing activities</b>	<b>(20,742)</b>
Net increase or decrease in cash and cash equivalents	(77,794)
Effects of changes in cash and cash equivalents	(3,039)
Cash and cash equivalents at the beginning of the year	217,126
Cash and cash equivalents at the end of the year	136,293

“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 Stakeholders' Equity

BBVA Bancomer	Subscribed Capital		Earned Capital								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	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					
<i>Figures in million pesos</i>														
Balances as of December 31st, 2017	24,143	15,860	6,901	93,654	(2,067)		122	440	(2,458)	39,143	175,737	36	175,773	
<b>HOLDERS' MOVEMENTS IN LINE WITH STOCKHOLDERS</b>														
Transfer from net income to results of prior years				39,143					(39,143)		-		-	
Decree of dividends				(20,742)							(20,742)		(20,742)	
<b>Total</b>	-	-	-	<b>18,401</b>	-	-	-	-	<b>(39,143)</b>		<b>(20,742)</b>	-	<b>(20,742)</b>	
<b>HOLDERS MOVEMENTS IN RECOGNITION TO THE REVENUES</b>														
Net income									34,401		34,401	1	34,402	
Result from valuation of securities available for sale					673						673		673	
Result from valuations of Cash Flow Hedging							(526)				(526)		(526)	
Redefined benefits to employees								104			104		104	
<b>Total</b>	-	-	-	-	<b>673</b>		<b>(526)</b>	-	<b>104</b>	<b>34,401</b>	<b>34,652</b>	<b>1</b>	<b>34,653</b>	
Balances as of September 30th 2018	24,143	15,860	6,901	112,055	(1,394)		(404)	440	(2,355)	34,401	189,647	37	189,684	

“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

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Natalia Ortega Gómez

Head of Internal Audit

Sergio Pérez Gaytán

Director Contabilidad Corporativa

## Regulatory pronouncements recently issued

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- 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 in 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 Liabilities 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 represents 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.

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# Financial report January–September 2018

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