

BBVA

Creating Opportunities

BBVA Bancomer, S.A.

Financial Report

January-June 2020



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Relevant Information

COVID credit support

Through Official Notice No. P-285/2020 dated on March 26, 2020 and Official statement No. 026/2020 dated April 15, 2020, the local authority, *Comisión Nacional Bancaria y de Valores* (CNBV) authorized credit institutions to apply Special Accounting Standards (SAS) in order to support the clients impacted by the pandemic caused by the SARS-CoV2 virus (COVID-19) and the measures taken to prevent its spread.

The support program consists in granting borrowers a partial or total deferral of principal and / or interest payments for up to 4 months, and with the possibility of an additional 2 months. The referred program will be of up to 18 months in the case of credits granted to the primary agricultural sectors, such as livestock, forestry and fishing and to the industrial, commercial and service sectors integrated into the aforementioned primary sectors.

This will be applicable to credit institutions with respect to the following types of credits and for clients whose loans are classified as performing for accounting purposes as of February 28, 2020 and that at the request of each borrower are required to be adhered to the program within the following 120 days:

- ✓ Credits for housing construction.
- ✓ Individual loans with a mortgage guarantee.
- ✓ Revolving and non-revolving loans, aimed at individuals (auto, personal, payroll, credit card (CC) and microcredits).
- ✓ Commercial loans for legal entities and individuals with business activity.
- ✓ Trusts of the bank considered as debtors.

In all cases, the restructuring/renewal process must not exceed 120 days from February 28 and the expiration period may be granted, if any, may not exceed 6 months, from the date on which it would have expired.

The SAS applicable to BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (BBVA Mexico or the Institution), by type of credit, are as follows:

1. Credits with "one-time payment of principal at maturity and periodic payments of interest, as well as, credits with one-time payment of principal and interest at maturity", which are restructured or renewed, will not be considered as non performing loans in terms of provisions of paragraph 79 of the B-6 Credit Portfolio contained in the Annex 33 of the General Provisions applicable to Credit Institutions (CUB). This as long as the borrowers loans are classified as a performing loans of February 28, 2020, in accordance with paragraph 12 of the B-6.
2. For credits with "periodic payments of principal and interest", which are restructured or renewed, may be considered as due loans, without applying what is established in paragraphs 82 and 84 of the B-6. This as long as, the borrowers are classified as a loan as of February 28, 2020, according to paragraph 12 of the B-6.

3. Credits that are established as revolving from their start, which are restructured or renewed, are not considered to be nonperforming in terms of what is established in paragraphs 80 and 81 of the B-6. This as long as the borrowers are classified as a performing loan as of February 28, 2020, in accordance to paragraph 12 of the B-6.

At BBVA Mexico, in accordance with the SAS previously, the support programs by portfolio type consist of the following:

- ✓ Commercial (Enterprises and SMEs).- Grace period between 4 and 6 months for capital and/or interest. According with each borrower's negotiations, the deferred monthly payments will be required at the expiration of the contract, with the extension of the expiration of the contract or at the end of the deferral period.
- ✓ Mortgages.- Deferral of up to 4 monthly installments that are required upon the maturity of the loan.
- ✓ Payroll, Auto and Personal.- Grace period of 4 months (or 8 fortnights) of capital and/or interest are granted, with an extension of the term.
- ✓ CC.- Consists of deferring the payment enforceability for 4 months.

In all cases, the collection of default interest or charges for collection expenses do not apply and there will not affect the credit bureau.

As a result of the adhesion of the borrowers to the support programs, as of June 30, the total loan portfolio supported corresponds to 324,306 million pesos (mp); of which, the number of cases and the deferred amount by type of credit as of the date mentioned above are detailed below:

Figures in mp

Portfolio	# Supported contracts	Deferred balance	Total Balance
Commercial Activity	9,098	8,035	83,097
SME*	37,697	5,184	51,904
Mortgages	120,079	3,292	104,158
Auto	121,706	1,889	18,190
Payroll	281,017	2,391	22,240
Personal	139,053	1,449	12,461
CC	783,763	4,203	32,256
Total	1,492,413	26,443	324,306

*Under grouping criteria of the CNBV

If the SAS had not been applied, the Institution would have had an immaterial impact on the classification of the credit portfolio in the balance sheet. Considering that these supports in BBVA Mexico were granted starting on April, and as the majority of the portfolio adhered to the program were still classified as performing in the referred month, as of June 30, most of the clients would still be in the performing loan portfolio due to the natural count of the dates without payments; that said, the non-performing loan portfolio supported in June only corresponds to 16.8 mp, which represents 0.01% of the total, which has a marginal impact of less than 1 basis points (bp) on the Non-Performing Loan ratio (NPL).

Given the retroactive application of the support plan to certain performing loans as of February 28 that were in default at the time of the request, a release in the Provisions for Loan Losses

(PLL) for 1,066 million pesos would have been generated. In order not to distort the financial information and given the nature of the potential release, the decision was to maintain them.

As of June 30, accrued interest that would have been recognized in the financial margin of the Income Statement, if the support program had not been granted, would amount to approximately 5,001 mp.

On that same date, the solvency effect for applying of the SAS represented a decrease of 14 bp in the Capitalization Index (ICAP). This decrease is explained by the net effect of the lower generation of financial margin, as well as by the containment of risk-weighted assets of the credit portfolio.

Extension of debtor support facilities. Through Official Notice No. P-325/2020 dated June 23, 2020, the CNBV has communicated the extension of the term to conclude the process of restructuring or renewal of the Official Support Program COVID to July 31st and generally applicable to customers who have been affected and that were accounted as performing as of March 31st.

Decree and distribution of dividends

During the second quarter of 2020, no dividend payments decreed in the Ordinary General Shareholders' Meeting, corresponding to the profits for the 2019 fiscal year were distributed.

The foregoing pursuant to the Official Notice No. P286 / 2020 dated March 30, 2020 of the CNBV, which issued a recommendation that credit institutions refrain from agreeing to pay dividends to shareholders, as well as any mechanism or act that implies a transfer of capital benefits to them, or assume the irrevocable commitment to pay them for the fiscal years of 2019 and 2020, including the distribution of reserves.

Maturity of subordinated note and Bank Stock Certificate

During April 2020, the subordinated Note Tier 1 2020 was settled and matured, the issued date was on April 2010 for an amount of 750 million dollars (USD).

During May 2020, the Bank Stock Certificate (CB Bancomer 17) was settled and expired for an amount of 5,142 mp with an issuance date of May 2017.

Early amortization of the mortgage portfolio securitization trust

In June 2020, the early maturity of the stock certificates corresponding to Trust 847 was carried out, since the stock liability was less than 10% of the original issue, as stipulated in the prospectus. The value of the constancy was 15 mp and the value of the stock certificates was 540 mp.

BBVA Mexico and the Foundation deliver medical equipment to the health sector

As part of the actions to fight COVID-19 in the country, 1,000 'bi-level' positive pressure respiratory support equipment was delivered to the health sector. This type of auxiliaries are used in patients who are in a phase prior to intubation, or who require oxygen after recovery as a special treatment. Likewise, in June, BBVA Mexico, through Fundación BBVA Bancomer, A.C. (Fundación BBVA Mexico) and in conjunction with the Fundación Alberto Baillères, Fundación Televisa and allies such as the Fundación UNAM, Fundación Alfredo Harp Helú, AMSA and Compartamos Banco, delivered 65 intensive care respirators to the health sector.

These deliveries are part of BBVA Mexico's action plan to fight COVID-19. At the beginning of the emergency, BBVA Mexico announced an initial contribution of 470 mp, to which contributions from directors, allies and collaborators have also been added.

Additionally, in order to align efforts, the Institution decided to add its resources and knowledge to the "Together for Health" fund (Juntos por la Salud). This initiative seeks to equip hospitals with the necessary elements for patient care, as well as providing the necessary material resources to health personnel in the first line of defense against the pandemic in the country.

In relation to the delivery of the 65 intensive care respirators, it is estimated it will help more than 950 people who require intensive care in their recovery. While through the "*Juntos por la salud*" initiative, more than 8.7 million supplies of personal protective equipment were delivered to 84 hospitals in 32 states of the country.

With these actions, BBVA Mexico and Fundación BBVA Mexico reaffirm their commitment to the country and to Mexicans, especially in times of emergency. The Institution will continue to support and recognize health personnel with the delivery of protection supplies, and the general population by promoting actions of its own and with allies that help reduce the effects of the pandemic in the country.

BBVA Mexico donates field hospitals with a value greater than 44 mp

As part of the "*Juntos por la salud*" initiative, the Institution supported the Mexican Red Cross and Doctors Without Borders for the treatment of patients with the disease COVID-19, with the installation of a field hospital at the National Institute of Respiratory Diseases (INER), thereby increasing the capacity of the hospital by up to 40%.

For its part, Doctors Without Borders will provide awareness care of up to 6,000 people on the northern, southern border and other cities in the country, such as Tijuana, where it will also assist patients in isolation units.

The purpose of this line of action is to expand the care for patients with COVID-19 and is part of the 470 mp that BBVA Mexico initially contributed.

BBVA Mexico is recognized as the Best Bank in Mexico by the international magazine Euromoney

This, not only for its financial results but also for its leadership in digital transformation. Likewise, the proper management and expense control is recognized by positioning itself as the most efficient bank in the Mexican financial system, with a rate of 36.3% at the end of 2019. This result highlights BBVA Mexico's success in its transformation and innovation process, whose main objective is to increase customer satisfaction and advance digitization.

Progress in transformation is reflected in the number of clients using digital channels. As of December 2019, the bank had more than 10 million digital clients, 47% of the total client base. This is due to a differential value proposition. BBVA Mexico was the first bank in Mexico to use artificial intelligence integrated with WhatsApp technology, and in 2019 maintaining continuous innovation to continue incorporating new solutions in mobile applications.

BBVA Mexico, in the Universum list “Most Attractive Employers in Mexico 2020”

The Institution is characterized for being an innovative bank, with a differentiated proposal, which incorporates the best talent, capable of developing and offering the best financial solutions for clients when and where they need it.

This innovation has made us notable as one of the places where university students and recent graduates seek to work. This is what has given us the distinction of Universum in 2020. For students within the business areas, BBVA Mexico was ranked 6th, being the first bank on the list. The 10 attributes most associated with BBVA Mexico by university students are: success in the market, prestige, good reference for career in the future, high level of responsibility, training and professional development, competitive base salary, stable employment, leadership opportunities, competitive benefits and customer focus.

BBVA Mexico, through BBVA Momentum announces financing for social ventures in 2020

One of the responsible business axes of BBVA Mexico is the development of social entrepreneurship. Through BBVA Momentum, for seven years, this segment has been promoted with training, acceleration and access to loans under unique conditions for the participants of this program. In 2020, the eighth call for this initiative was announced, and it is aimed to support the growth of these companies.

Throughout its history, BBVA Mexico has invested 30 mp in training and acceleration, and has arranged 100 million pesos to grant preferential loans to enterprises that have required it. In its 2020 edition, BBVA Momentum will select 100 startups with a social and environmental focus, adhering to the Sustainable Development Goals set by the United Nations. BBVA Mexico will have up to 150 mp, which will be awarded among the 100 participants.

In face of COVID-19, banks are part of the solution:

At BBVA Mexico we have stepped up and made a difference

Society



We live our values and we help **society**

We launched an action plan focused on three pillars:



Protect our people



Support our clients



Help Mexico: 470 million pesos as seed capital plus contributions from allies, advisors and collaborators.

Employees



We rely on committed **employees** with strong values

Working remotely has been promoted both in central services and in branch networks.

We are strong bank. We have the best team:



Customer comes first



We think big



We are one team



We help our customers in their lives and in their businesses

49%
(of total customers)

Digital Customers

61%
(units)

Digital Sales

25%
(of total loans)

Support programs



We addressed the challenges faced by banks with a **sound capital and liquidity position**

LCR

159.07%

Total Capital Ratio

16.01%

We adapt to the needs of our customers and help them make financial transactions through remote channels.

Customers

Shareholders

“The **health** and well being of all is the first and foremost **priority**”

Analysis and Discussion of Results

Executive Summary

- The financial sector is an essential economic activity and for BBVA Mexico it implies a greater relevance as the Bank is considered to have the most systemic relevance in the country. For this reason, we reiterate our commitment to the country by maintaining business continuity with services and products aimed at the needs of our clients. **The foregoing can be seen in the growth of 105,989 mp in performing loans** during the last twelve months.
- This favorable evolution, combined with a better performance of the institution compared to the market, has allowed **BBVA Mexico** to consolidate its leadership position with an **increase in its market share of 83 bp** to close May with 23.1% according to figures from the CNBV.
- The favorable dynamism of the loan portfolio is explained by **greater financing for businesses**, leading the commercial portfolio to grow 12.6% compared to the end of June 2019.
- **To face the complex situation we are going through BBVA Mexico has supported its clients** by granting grace periods with deferred principal and interest to 25% of the total loan portfolio, supporting more than 1.3 million clients.
- We continue to promote savings, which can be seen in an **annual increase of 135,277 mp in bank deposits** to close the first half of the year with a balance of 1,271,825 mp.
- As in the lending portfolio, **the market share of bank deposits stands at 24.3%** according to CNBV figures as of May 2020, showing an increase of 150 bp.
- Despite the current weak macroeconomic environment, BBVA Mexico was able to generate a **net income of 15,917 mp** in the first six months of the year.
- **We have high levels of solvency and liquidity, above the minimum required** by the financial authorities, with a LCR of 159.07% and a total ICAP of 16.01%.

Main Magnitudes

Information as of June 2020

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer						%			
Main Magnitudes	2Q	3Q	4Q	1Q	2Q		6M	6M	%
Million pesos	2019	2019	2019	2020	2020	Q-o-Q	2019	2020	Y-o-Y
Balance Sheet									
Assets	2,106,291	2,077,810	2,130,588	2,544,942	2,463,250	(3.2)	2,106,291	2,463,250	16.9
Performing Loans	1,173,256	1,180,467	1,216,024	1,311,920	1,279,245	(2.5)	1,173,256	1,279,245	9.0
Liabilities	1,902,329	1,868,778	1,915,724	2,336,475	2,242,454	(4.0)	1,902,329	2,242,454	17.9
Bank Deposits (demand + time)*	1,136,548	1,114,501	1,159,454	1,268,075	1,271,825	0.3	1,136,548	1,271,825	11.9
Equity	203,962	209,032	214,864	208,467	220,796	5.9	203,962	220,796	8.3
Results									
Net Interest Income	32,154	32,374	33,153	33,044	27,684	(16.2)	63,975	60,728	(5.1)
Total Operating Income	40,607	41,965	42,734	42,368	35,615	(15.9)	80,978	77,983	(3.7)
Expenses	(15,606)	(16,023)	(16,257)	(16,581)	(15,849)	(4.4)	(30,970)	(32,430)	4.7
Income Before Tax	15,773	16,507	17,110	9,569	12,142	26.9	33,128	21,711	(34.5)
Net Income	11,505	12,382	12,913	6,444	9,473	47.0	23,959	15,917	(33.6)
Indicators in %									
	2Q	3Q	4Q	1Q	2Q		6M	6M	
	2019	2019	2019	2020	2020	QoQ (bp)	2019	2020	YoY (bp)
Profitability and Asset Quality									
ROE	22.8	24.0	24.4	12.2	17.7	548	24.1	14.6	(945)
Efficiency	38.4	38.2	38.0	39.1	44.5	537	38.2	41.6	334
NPL ratio	2.1	2.2	2.2	2.2	1.9	(25)	2.1	1.9	(14)
Coverage ratio	138.1	130.8	129.0	148.2	167.3	1,908	138.1	167.3	2,914
Solvencia y Liquidez									
Total Capital Ratio	14.2	15.2	15.6	15.1	16.0	92	14.2	16.0	184
Core Equity Tier 1 Ratio	11.9	12.0	12.5	11.5	12.4	92	11.9	12.4	56
CCL	138.12	138.25	145.67	141.88	159.07	1,719	138.12	159.07	2,095
Leverage Ratio	9.4	10.0	10.0	8.6	9.4	82	9.4	9.4	2
Figures in units (#)									
	2Q	3Q	4Q	1Q	2Q		6M	6M	
	2019	2019	2019	2020	2020	QoQ (bp)	2019	2020	YoY (bp)
Infraestructure									
Employees	33,462	33,741	33,705	34,118	33,707	(411)	33,462	33,707	245
Branches	1,821	1,848	1,860	1,864	1,866	2	1,821	1,866	45
ATMs	12,839	13,005	13,170	13,066	13,115	49	12,839	13,115	276

* Customer deposits.

Commercial Activity

Performing Loans

The current complex macroeconomic environment, derived from the closure of activities to prevent the spread of the COVID-19 pandemic, has generated a significant slowdown in economic activity of the country. The financial sector is considered an essential economic activity, and as such, we reiterate our commitment to the country, by continuing to provide products and services to our clients, which can be observed in an annual growth of 9.0% in the performing loan portfolio, to close the first half of the year with a balance of 1,279,245 mp.

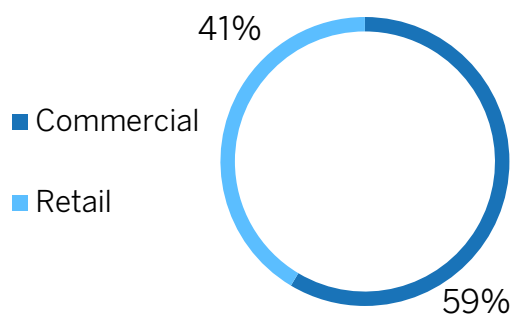
This evolution has allowed us to consolidate the leadership position with a market share of 23.1% as of May 2020, equivalent to an annual growth of 83 bp, according to public figures from the CNBV.

It is worth mentioning that the growth of the performing loans has been driven by greater financing for businesses and the country (through government loans), leading the commercial portfolio to grow by 83,909 mp or 12.6% compared to the previous year.

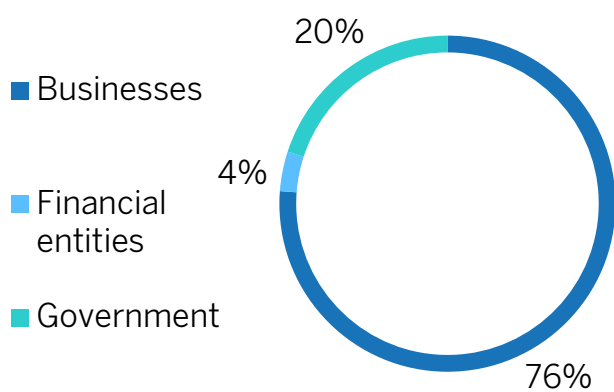
For their part, loans to individuals, registered an annual increase of 4.3%, showing a slowdown in their growth tendency. In detail, the most impacted by the pandemic have been consumer loans and CC, which register a marginal growth of 0.4% in annual terms. While mortgage has managed to maintain a growth trend, with a balance 9.5% higher than that of June 2019, driven by the opening of some economic activities in June.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer					
Performing Loans	6M	3M	6M	%	
Million pesos	2019	2020	2020	Q-o-Q	Y-o-Y
Businesses	509,557	593,575	570,758	(3.8)	12.0
Financial entities	25,275	34,830	28,600	(17.9)	13.2
Government loans	76,897	93,207	93,771	0.6	21.9
State-owned entities	53,460	59,080	55,969	(5.3)	4.7
Government	130,357	152,287	149,740	(1.7)	14.9
Commercial loans	665,189	780,692	749,098	(4.0)	12.6
Consumer	286,707	296,794	287,781	(3.0)	0.4
Mortgage	221,360	234,434	242,366	3.4	9.5
Total Performing Loans	1,173,256	1,311,920	1,279,245	(2.5)	9.0

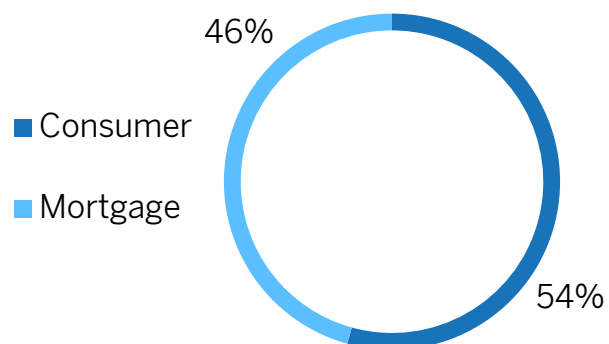
Performing Loans mix (%)



Commercial Loans mix (%)



Retail Lending mix (%)



Asset quality

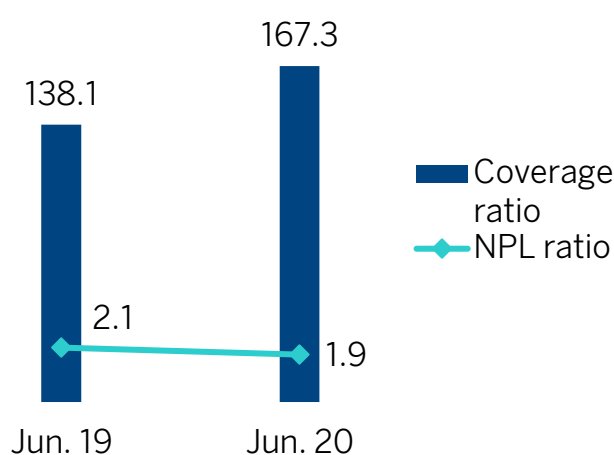
Non-Performing Loans

Despite the complex economic and operating environment in the country, BBVA Mexico has managed to contain the deterioration of the non-performing loans. Although there is an annual growth of 1.7% in the non-performing loans, the NPL ratio has remained at favorable levels of 1.9%.

Additionally, there is an increase in the coverage ratio, mainly due to the change in lending mix as well as the effect of the additional reserves created in a prudent manner during the first months of the year with the aim of absorbing the possible impact on the portfolio derived from the COVID-19 pandemic in the coming months.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer					
Non Performing Loans	6M 2019	3M 2020	6M 2020	% Q-o-Q	Y-o-Y
<i>Million pesos</i>					
Businesses	8,926	10,082	10,243	1.6	14.8
Financial entities	0	0	0	n.a.	n.a.
Government entities	0	0	0	n.a.	n.a.
Commercial loans	8,926	10,082	10,243	1.6	14.8
Consumer	9,385	10,843	8,317	(23.3)	(11.4)
Mortgage	6,291	8,191	6,457	(21.2)	2.6
Total Non Performing Loans	24,602	29,116	25,017	(14.1)	1.7

NPL ratio and Coverage ratio (%)



Loan Portfolio Credit Quality Classification

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

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer										
Loan Portfolio Credit Quality Classification June 2020	Commercial		Mortgage		Consumer		Credit Card		TOTAL	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
<i>Million pesos</i>										
Risk Level										
A1	731,607	1,707	204,354	251	58,649	501	50,887	864	1,045,497	3,323
A2	43,789	467	13,545	76	14,376	362	13,844	537	85,554	1,445
B1	19,092	322	3,681	33	49,391	1,642	7,515	431	79,679	2,466
B2	5,032	113	10,356	126	34,174	1,568	6,801	492	56,363	2,318
B3	14,431	464	4,300	70	9,780	544	6,378	570	34,889	1,654
C1	10,267	699	4,662	145	8,533	627	8,557	1,024	32,019	2,502
C2	2,903	316	1,404	100	5,416	539	8,827	2,059	18,550	3,014
D	5,911	1,946	2,732	839	2,258	518	1,544	796	12,445	4,099
E	8,135	4,921	3,788	1,961	7,229	4,929	1,949	1,674	21,101	13,491
Adicional										7,610
Total required	841,167	10,955	248,822	3,601	189,806	11,230	106,302	8,447	1,386,097	41,922

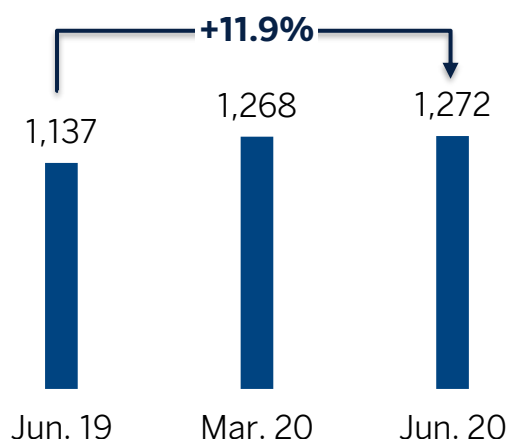
Deposits

The strategy of promoting a saving culture among our clients is seen in the 11.9% annual increase in bank deposits (defined as demand and customer time deposits). There is an annual increase of 131,665 mp in demand deposits and 12,090 mp in time deposits. With this, the funding mix continues to be favored with 80% in demand deposits with low funding cost.

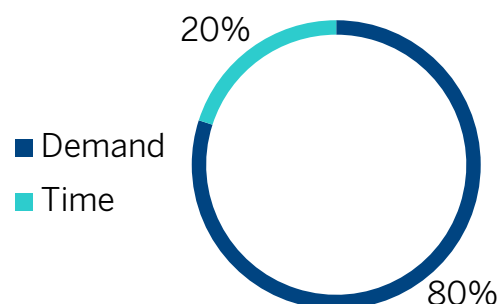
In May 2020, we managed to increase the market share of bank deposits by 150 bp according to CNBV figures compared to the same month of the previous year, to close with a market share of 24.3%.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer					
Deposits	6M 2019	3M 2020	6M 2020	% Q-o-Q	Y-o-Y
<i>Million pesos</i>					
Demand deposits	885,478	1,014,683	1,017,143	0.2	14.9
Time Deposits	270,713	279,495	282,803	1.2	4.5
Customer Deposits	251,070	253,392	254,682	0.5	1.4
Money Market	19,643	26,103	28,121	7.7	43.2
Bonds	98,651	101,903	89,927	(11.8)	(8.8)
Deposits global account without movements	3,614	4,577	4,781	4.5	32.3
Total Deposits	1,258,456	1,400,658	1,394,654	(0.4)	10.8

Bank Deposits (mp)



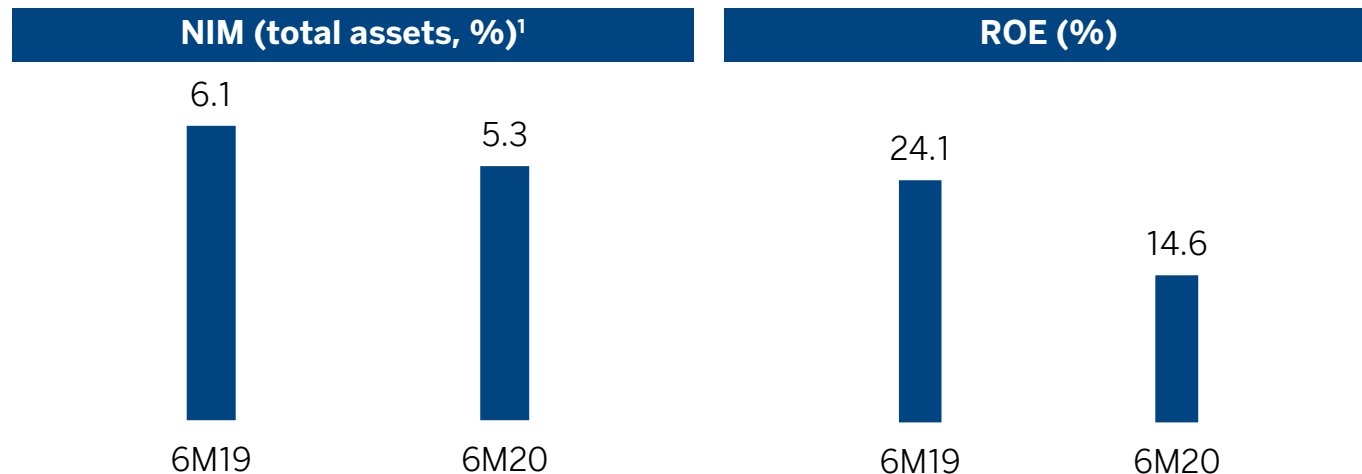
Bank Deposits Mix (%)



Results

During the first six months of the year and despite the complex macroeconomic environment derived from the pandemic, BBVA Mexico recorded a net income of 15,917 mp, 33.6% less than the result obtained in the same period of 2019. The above is explained by the creation of prudential reserves in the first months of the year to face the possible deterioration of the performing loans portfolio in the coming months given the implementation of support programs for our clients.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer							
Income Statement	2Q 2019	1Q 2020	2Q 2020	% Q-o-Q	6M 2019	6M 2020	% Y-o-Y
<i>Million pesos</i>							
Net interest income	32,154	33,044	27,684	(16.2)	63,975	60,728	(5.1)
Provisions for loan losses	(9,246)	(16,237)	(7,609)	(53.1)	(16,903)	(23,846)	41.1
Net interest income after provisions for loan losses	22,908	16,807	20,075	19.4	47,072	36,882	(21.6)
Total Fees & Commissions	7,069	6,928	5,879	(15.1)	13,953	12,807	(8.2)
Trading income	1,418	2,327	2,468	6.1	3,184	4,795	50.6
Other operating income	(34)	69	(416)	n.a.	(134)	(347)	159.0
Total operating revenues	31,361	26,131	28,006	7.2	64,075	54,137	(15.5)
Non-interest expense	(15,606)	(16,581)	(15,849)	(4.4)	(30,970)	(32,430)	4.7
Net operating income	15,755	9,550	12,157	27.3	33,105	21,707	(34.4)
Income before income tax and profit sharing	15,773	9,569	12,142	26.9	33,128	21,711	(34.5)
Net Income	11,505	6,444	9,473	47.0	23,959	15,917	(33.6)



¹ Net Interest Margin (NIM) on total assets.

Net Interest Income

Net interest income in the first six months of the year declined 5.1% compared to the previous year, this explained by the change in the mix of the portfolio towards wholesale, a 325 bp cut in the Mexican reference rate in the last twelve months, and finally the application of the customer support program that allows the deferral in the payment of principal and interest on their loans, to help them face the complex situation that we currently live.

Derived from the creation of prudential reserves to face the current crisis, the net interest income after provisions shows a decline of 21.6% compared to the first six months of 2019.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer								
Net Interest Income	2Q	1Q	2Q	% Y-o-Y		6M	6M	%
Million pesos	2019	2020	2020	Q-o-Q	Y-o-Y	2019	2020	Y-o-Y
Interest Income	50,090	50,150	42,463	(15.3)	(15.2)	98,214	92,613	(5.7)
Interest Expenses	(18,445)	(17,629)	(15,260)	(13.4)	(17.3)	(35,251)	(32,889)	(6.7)
Margin fees	509	523	481	(8.0)	(5.5)	1,012	1,004	(0.8)
Net interest income	32,154	33,044	27,684	(16.2)	(13.9)	63,975	60,728	(5.1)
Provisions for loan losses	(9,246)	(16,237)	(7,609)	(53.1)	(17.7)	(16,903)	(23,846)	41.1
Net interest income after provisions	22,908	16,807	20,075	19.4	(12.4)	47,072	36,882	(21.6)

Fees and Commissions

Fees and commissions decreased in the first six months of the year due to lower commissions charged to businesses, resulting from the closure of economic activities towards the end of March and until June, to avoid the spread of the COVID-19 pandemic. Additionally, as a result of the above-mentioned, there is an increase in digital channel transactions by our clients, who are not charged a commission for the use of these services.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer								
Fees & Commissions	2Q	1Q	2Q	% Y-o-Y		6M	6M	%
Million pesos	2019	2020	2020	Q-o-Q	Y-o-Y	2019	2020	Y-o-Y
Bank fees	1,797	1,772	1,543	(12.9)	(14.1)	3,561	3,315	(6.9)
Credit and debit card	3,821	3,679	2,804	(23.8)	(26.6)	7,603	6,483	(14.7)
Investment funds	961	1,089	1,131	3.9	17.7	1,883	2,220	17.9
Others	490	388	401	3.4	(18.2)	906	789	(12.9)
Commissions and fee income	7,069	6,928	5,879	(15.1)	(16.8)	13,953	12,807	(8.2)

Trading income

A positive performance is seen in trading income derived from the proper management of the Global Markets unit, coupled with a greater placement of foreign exchange operations by the banking segments.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer								
Trading income	2T	1Q	2Q	% Y-o-Y		6M	6M	%
Million pesos	2019	2020	2020	Q-o-Q	Y-o-Y	2019	2020	Y-o-Y
Variable income	(72)	(76)	49	n.a.	n.a.	158	(27)	n.a.
Fixed income and repos	1,280	(2,942)	2,955	n.a.	n.a.	(1,947)	13	(100.7)
Securities	1,208	(3,018)	3,004	n.a.	n.a.	(1,789)	(14)	(99.2)
FX	2,109	(9,022)	3	(100.0)	(99.9)	1,145	(9,019)	n.a.
Derivatives	(4,686)	(5,444)	8,859	n.a.	n.a.	(4,131)	3,415	n.a.
Results from valuation	(1,369)	(17,484)	11,866	n.a.	n.a.	(4,775)	(5,618)	17.7
Variable income	(38)	(1,429)	397	n.a.	n.a.	49	(1,032)	n.a.
Fixed income and repos	(1,391)	2,248	(1,060)	n.a.	(23.8)	2,491	1,188	(52.3)
Securities	(1,429)	819	(663)	n.a.	(53.6)	2,540	156	(93.9)
FX	1,393	1,457	1,600	9.8	14.9	2,787	3,057	9.7
Derivatives	2,823	17,535	(10,335)	n.a.	n.a.	2,632	7,200	n.a.
Results from trading	2,787	19,811	(9,398)	n.a.	n.a.	7,959	10,413	30.8
Trading income	1,418	2,327	2,468	6.1	74.0	3,184	4,795	50.6

Other income (expenses) of the operation

This item shows a negative performance mainly affected by fiscal contingencies.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer								
Other Income	2Q	1Q	2Q	% Y-o-Y		6M	6M	%
Million pesos	2019	2020	2020	Q-o-Q	Y-o-Y	2019	2020	Y-o-Y
Bank Correspondents	0	25	32	28.6	n.a.	0	57	n.a.
Sales and recoveries of loan portfolio	118	19	24	27.7	(79.4)	144	43	(70.0)
Interest of loans to employees	189	204	203	(0.4)	7.5	375	407	8.6
Recovery of warranty payments	0	100	45	(55.0)	n.a.	0	145	n.a.
Result of operation of foreclosed assets	127	184	171	(6.9)	34.8	295	355	20.4
Write-offs	(288)	(164)	(120)	(27.2)	(58.5)	(533)	(284)	(46.7)
Legal contingencies	(129)	(97)	(42)	(56.8)	(67.6)	(229)	(139)	(39.5)
Donations	(214)	(219)	(241)	10.0	12.5	(394)	(460)	16.6
Fiscal contingencies	0	0	(637)	n.a.	n.a.	0	(637)	n.a.
Dividends collected from associates	109	0	137	n.a.	n.a.	109	137	n.a.
Other income	55	17	10	(42.2)	(82.2)	99	27	(73.0)
Other operating income	(33)	69	(416)	n.a.	n.a.	(134)	(347)	158.9

Non-Interest Expenses

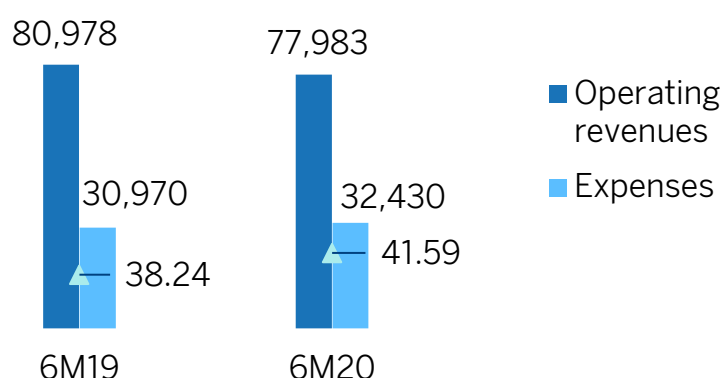
For BBVA Mexico, the priority will always be the health of our clients, employees and society in general. In this sense, during the first six months of 2020, there has been an investment of resources in a large quantity of antibacterial gel and hygienic supplies to maintain the safety and health of employees and customers, while we continue to provide service.

Despite the above, there is a contained increase in administration and promotion expenses in the first half of the year. The efficiency index (measured as expenses divided by income) was 41.6% at the end of June 2020, higher by 334 bp compared to the previous year, impacted by a lower growth in income.

It should be noted that at BBVA Mexico we have a clear focus on the continuous improvement of the experience and service to our clients. In this sense, at the end of June 2020, we continued to strengthen the physical and digital banking infrastructure with 1,866 branches and 13,115 ATMs, in addition to the wide range of digital applications and services to serve our broad customer base.

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer										
Non-Interest Expenses	2Q	3Q	4Q	1Q	2Q	%		6M	6M	%
Million pesos	2019	2019	2019	2020	2020	Q-o-Q	Y-o-Y	2019	2020	Y-o-Y
Administrative and operating expenses	10,179	10,635	10,822	11,160	9,852	(11.7)	(3.2)	20,214	21,012	3.9
Rents	1,460	1,438	1,406	1,527	1,529	0.1	4.7	2,864	3,056	6.7
Depreciation and amortization	1,481	1,477	1,447	1,453	1,461	0.6	(1.4)	2,942	2,914	(1.0)
Taxes	1,150	1,098	1,203	1,025	1,318	28.6	14.6	2,274	2,343	3.0
Deposit guarantee fund (IPAB)	1,336	1,375	1,379	1,416	1,689	19.3	26.4	2,676	3,105	16.0
Administrative and promotional expenses	15,606	16,023	16,257	16,581	15,849	(4.4)	1.6	30,970	32,430	4.7

Operating revenues, expenses and efficiency (%)



Capital and Liquidity

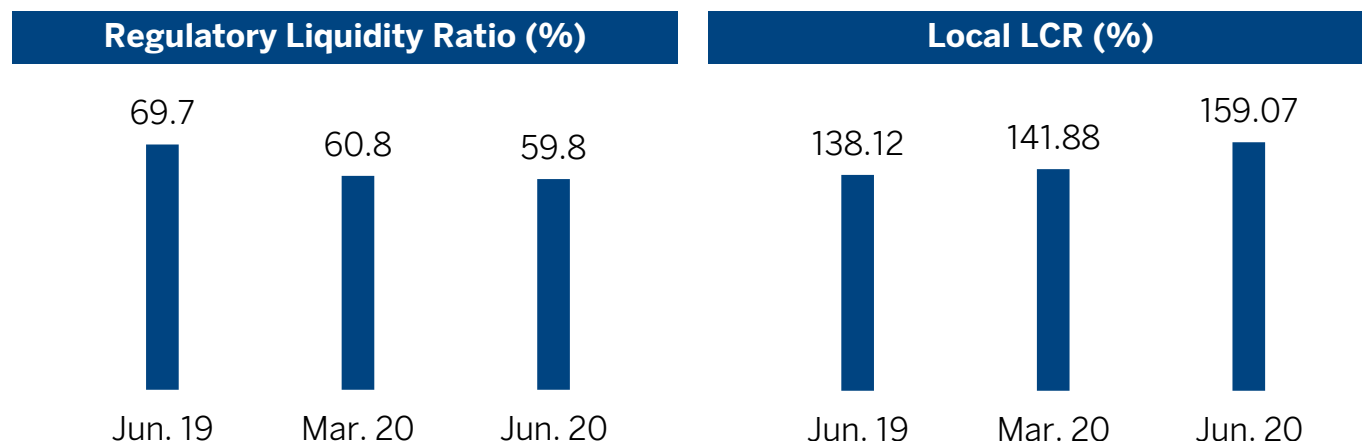
BBVA Mexico estimated capitalization index stood at 16.0% at the end of June 2020, composed by 12.4% of Tier 1 capital and 3.6% of Tier 2 capital. Recurrence of income is observed in the constant generation of organic capital, which allows BBVA Mexico to increase 184 bp compared to 14.2% registered in June 2019.

BBVA Mexico fully covers the minimum capital requirements. By the end of 2020, BBVA Mexico has a minimum requirement of 12.0% for total capital ratio, derived from the additional allocation of capital after being classified as a domestic systemically important financial institution (Grade IV).

BBVA Mexico estimated capitalization index

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer						
Capitalization	June 2019		March 2020		June 2020	
Million pesos						
Tier 1 capital	196,216		197,354		212,394	
Tier 2 capital	38,254		62,544		61,477	
Net capital	234,470		259,898		273,871	
	Credit Risk	Market, Operative & Credit Risk	Credit Risk	Market, Operative & Credit Risk	Credit Risk	Market, Operative & Credit Risk
Risk-weighted assets	1,133,748	1,654,258	1,184,457	1,721,841	1,147,420	1,710,196
Tier 1 as % of risk-weighted assets	17.3%	11.9%	16.7%	11.5%	18.5%	12.4%
Tier 2 as % of risk-weighted assets	3.4%	2.3%	5.3%	3.6%	5.4%	3.6%
Total capital ratio	20.7%	14.2%	21.9%	15.1%	23.9%	16.0%

Despite the complex environment, BBVA Mexico maintains favorable liquidity levels to continue growing. The regulatory liquidity ratio, defined as Liquid assets / Liquid liabilities, stood at 59.8%. The Liquidity Coverage Ratio (Local LCR) stood at 159.07%.



Financial Indicators

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer							
	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	6M 2019	6M 2020
Infrastructure Indicators (#)							
Branches	1,821	1,848	1,860	1,864	1,866	1,821	1,866
ATMs	12,839	13,005	13,170	13,066	13,115	12,839	13,115
Employees	33,462	33,741	33,705	34,118	33,707	33,462	33,707
Profitability Indicators (%)							
a) NIM adjusted (interest bearing assets)	4.8	4.8	4.9	3.1	3.5	4.9	3.5
b) NIM (total assets)	6.2	6.2	6.3	5.7	4.4	6.1	5.3
c) Operating efficiency	3.0	3.1	3.1	2.8	2.5	3.0	2.8
d) Efficiency (cost to income)	38.4	38.2	38.0	39.1	44.5	38.2	41.6
e) Productivity index	45.3	45.9	46.6	41.8	37.1	45.1	39.5
f) ROE	22.8	24.0	24.4	12.2	17.7	24.1	14.6
g) ROA	2.2	2.4	2.5	1.1	1.5	2.3	1.4
Asset Quality Indicators (%)							
h) NPL ratio	2.1	2.2	2.2	2.2	1.9	2.1	1.9
i) Coverage ratio	138.1	130.8	129.0	148.2	167.3	138.1	167.3
Solvency Indicators (%)							
j) Core equity tier 1 ratio	11.9	12.0	12.5	11.5	12.4	11.9	12.4
k) Tier 1 ratio	11.9	12.0	12.5	11.5	12.4	11.9	12.4
l) Total capital ratio	14.2	15.2	15.6	15.1	16.0	14.2	16.0
m) Leverage ratio	9.4	10.0	10.0	8.6	9.4	9.4	9.4
Liquidity Indicators (%)							
n) Liquidity ratio (CNBV requirement)	69.7	64.2	61.6	60.8	59.8	69.7	59.8
o) Liquidity ratio (Loans / Deposits)	101.2	104.5	102.9	101.0	98.0	101.2	98.0
p) Liquidity Coverage Coefficient (Local LCR)	138.12	138.25	145.67	141.88	159.07	138.12	159.07

INFRASTRUCTURE

ATMs: Include those that have activity during the quarter.

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 + commissions and fee income + trading income + other operating income (expense).
- 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: Non performing loans / Total loan portfolio.
- i) Coverage Ratio: Allowance for loan losses / Non performing loans.

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

LIQUIDITY

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

Ratings

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer Ratings		Long Term	Short Term	Outlook
Standard and Poor's				
Issuer Credit Rating - Foreign Currency		BBB	A-2	Negative
Issuer Credit Rating - Local Currency		BBB	A-2	Negative
National Scale		MxAAA	MxA-1+	Stable
Stand Alone Credit Profile (SACP)		bbb+		
Moody's				
Bank Deposits - Foreign Currency		Baa1	P-2	Negative
Bank Deposits - Domestic Currency		Baa1	P-2	Negative
National Scale Rating Bank Deposits		Aaa.mx	MX-1	
Baseline Credit Assessment (BCA)		baa1		
Fitch				
Issuer Default Rating - Foreign Currency		BBB	F2	Stable
Issuer Default Rating - Local Currency		BBB	F2	Stable
National Scale Rating		AAA(mex)	F1 + (mex)	Stable
Viability Rating (VR)		bbb		

Issuances

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer Issuances									
Instruments	Amount	Original Currency	Issue Date	Due/Call Date	Term (years)	Rate	Ratings		
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%		Baa1/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%		Baa1/Aaa.mx	AAA(mex)
Bond 8th Issuance - BACOMER 10	1,078	MXN	06-sep-10	24-ago-20	10.0	7.83%		Baa1/Aaa.mx	AAA(mex)
Bond 2nd Issuance - BACOMER 21145	1,000	MXN	15-abr-11	02-abr-21	10.0	TIIE28 + 0.80%		Baa1/Aaa.mx	AAA(mex)
Bond 4th Issuance - BACOMER 22224	1,000	MXN	07-jun-12	26-may-22	10.0	TIIE28 + 0.85%		Baa1/Aaa.mx	AAA(mex)
Senior Notes Dlls 2014	750	USD	10-abr-14	10-abr-24	10.0	4.38%		Baa1	BBB
Bond 3rd Issuance - BACOMER 17-2	1,858	MXN	26-may-17	26-may-22	5.0	TIIE28+0.35%		Baa1/Aaa.mx	AAA(mex)
Bond 4th Issuance - BACOMER 18V	3,500	MXN	27-sep-18	23-sep-21	3.0	TIIE28+0.1%		Baa1/Aaa.mx	AAA(mex)
Bond 5th Issuance - BACOMER 18	3,500	MXN	27-sep-18	21-sep-21	3.0	TIIE28+0.19%		Baa1/Aaa.mx	AAA(mex)
Bond 6th Issuance - BACOMER 19	5,000	MXN	19-jun-19	17-jun-22	3.0	TIIE+0.07%		Baa1/Aaa.mx	AAA(mex)
Bond 7th Issuance - BACOMER 19-2	5,000	MXN	19-jun-19	11-jun-27	8.0	8.49%		Baa1/Aaa.mx	AAA(mex)
Bond 8th Issuance - BACOMER 20	7,123	MXN	10-feb-20	08-feb-23	3.0	TIIE28 + 5		Baa1/Aaa.mx	AAA(mex)
Bond 9th Issuance - BACOMER 20-2	6,000	MXN	10-feb-20	05-feb-25	5.0	TIIE28 + 15		Baa1/Aaa.mx	AAA(mex)
Bond 10th Issuance - BACOMER 20D	100	USD	10-feb-20	27-ene-23	3.0	Libor3M + 49		Baa1/Aaa.mx	AAA(mex)
Subordinated Debentures									
Subordinated Debentures Tier 2 2021	750	USD	03-mar-11	10-mar-21	10.0	6.50%		Baa2	BB
Subordinated Debentures Tier 2 2022	1,500	USD	12-jul-12	30-sep-22	10.2	6.75%		Baa2	BB
Subordinated Debentures Tier 2 2029 (15NC10)	200	USD	06-nov-14	12-nov-29	15NC10	5.35%		Baa3	BB
Subordinated Debentures Tier 2 2033 (15NC10)	1,000	USD	11-ene-18	18-ene-33	15NC10	5.13%	BB		BB
Subordinated Debentures Tier 2 2034 (15NC10)	750	USD	05-sep-19	13-sep-34	15NC10	5.88%		Baa3	BB
Mortgage Securitization									
5th Issuance Serie 3 - BACOMCB 09-3	3,616	MXN	07-ago-09	24-may-29	19.8	10.48%	mxAAA		AAA(mex)
1st Issuance - BMERCB 13	4,192	MXN	21-jun-13	07-abr-33	19.8	6.38%	mxAAA		AAA(mex)

Financial Statements

Balance Sheet

Assets

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer					
Assets	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020
<i>Million pesos</i>					
CASH AND CASH EQUIVALENTS	222,087	161,091	148,372	156,817	181,520
Margin call accounts	12,912	17,614	18,329	20,919	25,838
SECURITIES	433,963	422,785	463,467	509,820	513,803
Trading	281,339	271,080	281,899	286,335	263,438
Available for sale	119,566	117,973	147,741	178,663	169,268
Held to maturity	33,058	33,732	33,827	44,822	81,097
Debtors from repurchase agreement	157	618	8,044	13,802	7,366
Derivatives	112,162	129,979	120,309	339,543	290,139
Trading	97,222	117,018	109,377	314,102	266,614
Hedging Transactions	14,940	12,961	10,932	25,441	23,525
Valuation adjustments derived from hedges of financial assets	699	1,384	1,310	1,194	2,401
PERFORMING LOANS	1,173,256	1,180,467	1,216,024	1,311,920	1,279,245
Commercial loans	665,189	659,811	684,509	780,692	749,098
Business or commercial activity	509,557	505,879	507,622	593,575	570,758
Financial entities	25,275	26,452	33,162	34,830	28,600
Government entities	130,357	127,480	143,725	152,287	149,740
Consumer	286,707	294,478	300,302	296,794	287,781
Mortgage	221,360	226,178	231,213	234,434	242,366
Residential Mortgages	211,171	216,540	222,023	225,554	233,339
Social Housing	10,189	9,638	9,190	8,880	9,027
NON PERFORMING LOANS	24,602	27,031	27,455	29,116	25,017
Commercial loans	8,926	9,629	9,518	10,082	10,243
Business or commercial activity	8,926	9,629	9,518	10,082	10,243
Consumer	9,385	9,959	10,342	10,843	8,317
Mortgage	6,291	7,443	7,595	8,191	6,457
Residential Mortgages	5,734	6,829	7,033	7,611	5,992
Social Housing	557	614	562	580	465
TOTAL LOANS	1,197,858	1,207,498	1,243,479	1,341,036	1,304,262
Allowance for loan losses	(33,981)	(35,358)	(35,411)	(43,145)	(41,843)
TOTAL LOANS, NET	1,163,877	1,172,140	1,208,068	1,297,891	1,262,419
Receivable benefits from securitization transactions	50	40	25	18	0
Other accounts receivable, net	93,423	106,384	94,054	132,234	106,742
Reposessed assets, net	1,489	1,417	1,438	1,378	1,334
Property, furniture and equipment, net	38,989	38,042	38,459	37,553	36,833
Equity investments	556	562	815	835	818
Deferred taxes, net	18,308	18,115	20,992	24,125	19,964
Other assets	7,619	7,639	6,906	8,813	14,073
Deferred charges, prepaid expenses and intangibles	7,619	7,639	6,906	8,813	14,073
Other assets, short and long term	0	0	0	0	0
TOTAL ASSETS	2,106,291	2,077,810	2,130,588	2,544,942	2,463,250

Liabilities & Stockholders' Equity

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer					
Liabilities & Stockholders' Equity	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020
Million pesos					
TOTAL DEPOSITS	1,258,456	1,223,463	1,267,620	1,400,658	1,394,654
Demand deposits	885,478	843,948	923,191	1,014,683	1,017,143
Time Deposits	270,713	282,353	254,070	279,495	282,803
Customer deposits	251,070	270,553	236,263	253,392	254,682
Money market	19,643	11,800	17,807	26,103	28,121
Bonds	98,651	93,437	85,852	101,903	89,927
Deposits global account without movements	3,614	3,725	4,507	4,577	4,781
INTER BANK LOANS AND LOANS FROM OTHER ENTITIES	16,034	19,685	22,018	18,026	20,358
Payable on demand	0	5,930	7,414	2,349	0
Short- term	8,186	6,815	7,040	6,374	9,604
Long- term	7,848	6,940	7,564	9,303	10,754
Creditors from repurchase agreements	211,923	237,372	226,861	221,662	220,121
Securities creditors	5	2	1	1	2
COLLATERALS SOLD OR DELIVERED IN GUARANTEE	60,788	34,271	47,577	55,304	55,877
Securities lending	60,788	34,271	47,577	55,304	55,877
DERIVATIVES	113,921	137,865	136,301	370,224	302,932
Trading	106,001	129,505	127,913	353,793	285,789
Hedge transactions	7,920	8,360	8,388	16,431	17,143
Valuation adjustments derived from hedges of financial liabilities	4,054	4,646	3,042	10,133	10,770
OTHER PAYABLES	132,469	105,202	109,489	135,311	131,535
Profit taxes payable	852	1,364	3,765	0	0
Employee profit sharing (PTU) payable	2	2	2	2	2
Transaction settlement creditors	71,321	59,877	67,358	81,859	77,516
Creditors from collaterals received in cash	15,789	14,646	10,318	26,385	26,875
Accrued liabilities and other	44,505	29,313	28,046	27,065	27,142
Subordinated debt	96,799	98,558	95,061	117,287	98,793
Deferred credits and advanced collections	7,880	7,714	7,754	7,869	7,412
TOTAL LIABILITIES	1,902,329	1,868,778	1,915,724	2,336,475	2,242,454
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	163,925	168,994	174,823	168,428	180,756
Capital reserves	6,901	6,901	6,901	6,901	6,901
Results of prior years	136,781	128,904	121,028	160,008	160,008
Unrealized gain on available- for- sale securities	(866)	(464)	(84)	(3,055)	457
Result from valuation of cash flow hedging instruments	(157)	(63)	(113)	291	389
Accumulated effect by conversion	440	440	440	440	440
Redefined benefits to employees	(3,133)	(3,065)	(2,603)	(2,601)	(3,356)
Net income	23,959	36,341	49,254	6,444	15,917
MAJORITY STOCKHOLDERS' EQUITY	203,928	208,997	214,826	208,431	220,759
Non- controlling interest in consolidated subsidiaries	34	35	38	36	37
TOTAL STOCKHOLDERS EQUITY	203,962	209,032	214,864	208,467	220,796
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,106,291	2,077,810	2,130,588	2,544,942	2,463,250

Memorandum accounts

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer					
Memorandum accounts	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020
<i>Million pesos</i>					
Contingent assets and liabilities	615	645	730	751	758
Credit commitments	614,354	627,754	632,810	650,132	644,124
In trusts	419,498	419,128	426,149	433,119	439,274
Under mandate	24,265	24,267	24,269	24,261	211
Assets in trust or under mandate	443,763	443,395	450,418	457,380	439,485
Assets in custody or under administration	227,975	233,486	208,960	199,635	196,164
Collaterals received by the institution	92,544	81,521	67,642	87,963	124,208
Collaterals received and sold or pledged as collateral by the institution	87,336	75,249	54,283	63,323	105,378
Investment banking transactions on behalf of third parties, net	1,388,763	1,425,940	1,380,485	1,375,714	1,495,033
Accrued interest on non-performing loans	7,202	7,974	8,432	9,301	7,935
Other record accounts	3,715,254	3,326,863	3,243,969	3,546,720	3,510,908

"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

Adolfo Arcos González

Ana Luisa Ordorica Amezcua

CEO

CFO

Head of Internal Audit

Head of Accounting

P&L (Last 5 quarters)

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer							
Income Statement	2Q	3Q	4Q	1Q	2Q	6M	6M
Million pesos	2019	2019	2019	2020	2020	2019	2020
Interest Income	50,599	51,755	50,577	50,673	42,944	99,226	93,617
Interest Expenses	(18,445)	(19,381)	(17,424)	(17,629)	(15,260)	(35,251)	(32,889)
Net interest income	32,154	32,374	33,153	33,044	27,684	63,975	60,728
Provisions for loan losses	(9,246)	(9,441)	(9,369)	(16,237)	(7,609)	(16,903)	(23,846)
Net interest income after provisions for loan losses	22,908	22,933	23,784	16,807	20,075	47,072	36,882
Fees & Commissions received	11,464	11,824	12,581	11,488	9,328	22,358	20,816
Fees & Commissions paid	(4,395)	(4,472)	(4,998)	(4,560)	(3,449)	(8,405)	(8,009)
Total Fees & Commissions	7,069	7,352	7,583	6,928	5,879	13,953	12,807
Trading income	1,418	1,933	1,286	2,327	2,468	3,184	4,795
Other operating income	(33)	306	712	69	(416)	(134)	(347)
Total operating revenues	31,362	32,524	33,365	26,131	28,006	64,075	54,137
Non-interest expense	(15,606)	(16,023)	(16,257)	(16,581)	(15,849)	(30,970)	(32,430)
Net operating income	15,756	16,501	17,108	9,550	12,157	33,105	21,707
Share in net income of unconsolidated subsidiaries and affiliates	18	6	2	19	(15)	23	4
Income before tax and profit sharing	15,774	16,507	17,110	9,569	12,142	33,128	21,711
Current income tax and profit sharing	(6,554)	(4,151)	(7,294)	(5,220)	82	(11,334)	(5,138)
Deferred income tax and profit sharing	2,285	26	3,100	2,093	(2,750)	2,162	(657)
Net Taxes	(4,269)	(4,125)	(4,194)	(3,127)	(2,668)	(9,172)	(5,795)
Income before discontinued operations	11,505	12,382	12,916	6,442	9,474	23,956	15,916
Non-controlling interest	0	0	(3)	2	(1)	3	1
Net Income	11,505	12,382	12,913	6,444	9,473	23,959	15,917

"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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CEO

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Head of Accounting

Cash Flow Statement

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer Cash Flow Statement (from January 1st to June 30th 2020) <small>Million pesos</small>		
Net income		15,917
Adjustments derived from items not involving cash flow		
Depreciation of property, furniture and fixtures	1,533	
Amortization of intangible assets	1,382	
Provisions	(1,800)	
Income taxes	5,795	
Share in net income of unconsolidated subsidiaries and affiliated companies	(4)	
Noncontrolling interest	(1)	6,905
		<u>22,822</u>
Operating activities		
Change in margin call accounts		(5,689)
Change in investments in securities		(42,378)
Change in debtors from repurchase agreement		677
Change in derivatives (assets)		(157,236)
Change in loan portfolio (net)		(16,978)
Change in receivable benefits from securitization transactions		25
Change in repossessed assets		104
Change in other operating assets		(11,625)
Change in deposits		88,600
Change in interbank loans and other loans from other entities		(1,978)
Change in creditors from repurchase agreements		(6,740)
Change in securities lending		1
Change in collaterals sold or delivered in guarantee		8,300
Change in derivatives (liabilities)		157,876
Change in subordinated obligations with liability characteristics		(14,346)
Change in other operating liabilities		23,192
Change in hedging instruments (of hedge items related to operation activities)		2,645
Income taxes payment		(14,527)
Net cash flows used in operating activities		<u>9,923</u>
Investment activities		
Proceeds from the disposal of property, furniture and fixtures		93
Proceeds from cash dividends		1
Payments for acquisition of intangible assets		(1,319)
Net cash flows used in investment activities		<u>(1,225)</u>
Financing activities		
Cash dividends paid		(10,275)
Net cash flows used in financing activities		<u>(10,275)</u>
Net increase or decrease in cash and cash equivalents		21,245
Effects of changes in cash and cash equivalents		11,903
Cash and cash equivalents at the beginning of the year		<u>148,372</u>
Cash and cash equivalents at the end of the year		<u>181,520</u>

"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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Variation in Stakeholder's Equity

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero 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				
Million pesos													
Balances as of December 31st, 2019	24,143	15,860	6,901	121,029	(84)		(113)	440	(2,602)	49,254	214,828	38	214,866
HOLDERS' MOVEMENTS IN LINE WITH STOCKHOLDERS													
Transfer from net income to results of prior years				49,254					(49,254)		0		0
Decree of dividends				(10,275)							(10,275)		(10,275)
Total	0	0	0	38,979	0		0	0	0	(49,254)	(10,275)	0	(10,275)
HOLDERS MOVEMENTS IN RECOGNITION TO THE REVENUES													
Net income										15,917	15,917	(1)	15,916
Result from valuation of securities available for sale					541						541		541
Result from valuations of Cash Flow Hedging							502				502		502
Redefined benefits to employees									(754)		(754)		(754)
Total	0	0	0	0	541		502	0	(754)	15,917	16,206	(1)	16,205
Balances as of June 30th, 2020	24,143	15,860	6,901	160,008	457		389	440	(3,356)	15,917	220,759	37	220,796

"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."

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Regulatory accounting pronouncements recently issued

I. Adoption of international standard

- a. According to press release No. 022/2020 dated April 8, 2020, the CNBV announced that "the entry into force of the Resolution published on the *Diario Oficial de la Federación* ("DOF") on March 13, 2020, referring to the implementation of the International Financial Reporting Standard ("IFRS 9") and the recalibration of the commercial credit portfolio, will be on January 1, 2022, which was originally scheduled for January 1, 2021", according to what is indicated in subsection b and c of this section.
- b. According to the Resolution that modifies the general provisions applicable to credit institutions, published in the DOF on March 13, 2020, the CNBV has resolved to adopt the IFRS 9, for which it is necessary to update the accounting criteria applicable to credit institutions, to make them consistent with the financial and international reporting standards contained in this resolution, which will allow having transparent and comparable financial information with other countries, with its entry into force on January 1, 2021.

BBVA Mexico's administration is in a process of determining the effects of the adoption of these modifications to the accounting criteria applicable to credit institutions.

- c. In accordance with the amendments that modifies the general provisions applicable to credit institutions, published in the DOF on November 4, 2019, the CNBV has resolved to modify the following Financial Reporting Standards (FRS), which had previously been published in the DOF of December 27, 2017; and this will be effective as of January 1, 2021 rather than on January 1st, 2019.

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

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

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

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

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

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

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

Mexican FRS C-16 "Impairment of Financial Instruments Receivable (FIR)"- It indicates that, to determine the recognition of the expected loss, the historical experience that the entity has in credit losses should be considered; as well as, current conditions; as well as, reasonable and sustainable forecasts for the different measurable future events that could affect the amount of future cash flows to be recovered from the FIR.

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

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

- The possibility of valuing certain financial liabilities at their fair value is established when certain conditions are met.
- Value long-term liabilities at their present value at initial recognition.
- When restructuring a liability, without substantially modifying the future cash flows to settle it, the costs and commissions disbursed in this process will affect the amount of

the liability and will be amortized using a modified effective interest rate, instead of directly affecting the net income or loss.

- It incorporates the provisions in IFRIC 19 “Extinction of Financial Liabilities with Capital Instruments”, an issue that was not included in the existing regulations.
- The effect of extinguishing a financial liability must be presented as a financial result in the comprehensive income statement.
- It introduces the concepts of amortized cost to value financial liabilities and the effective interest method, based on the effective interest rate.

Any accounting changes that arise must be recognized retrospectively.

Mexican FRS C-20 “Financial instruments to collect principal and interest”- The main characteristics issued for this FRS are shown below:

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

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

Any accounting changes that arise should be recognized retrospectively.

Mexican FRS D-1 “Revenues from clients’ contracts” - The main changes issued for this FRS are shown below:

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

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

Mexican FRS D-2 “Revenue, costs from contracts with clients” – The main change in this rule is the separation of the regulations regarding the recognition of revenue from contracts with clients from the regulations for the recognition of costs for contracts with clients.

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

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

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

d. New Standard Pronouncements issued by CINIF

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

Improvements to 2020 Mexican FRS

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

BBVA Mexico’s Management is in the process of determining the effects of adopting the new FRS and the improvement to the FRS in the financial statements.

* * *

BBVA

Creating Opportunities

BBVA Bancomer, S.A.

Financial Report

January-June 2020

Contact Investor Relations

Tel. (52 55) 5621-2555

investorrelations.mx@bbva.com

<https://investors.bbva.mx/>

