



Consolidated Report

General Coordination

General Accounting

- o.rodriguez@bbva.com
- luzmarina.gutierrez@bbva.com
- yeimycarolina.perez@bbva.com
- angiedaniela.quevedo@bbva.com

Legal

- myriam.cala@bbva.com
- andrea.giraldo@bbva.com

Communication and Image

- constanza.garcia@bbva.com
- williamdavid.vargas@bbva.com
- derlyjosefa.quintero@bbva.com
- rubendario.escobar.contractor@bbva.com

Design and layout

- info@mgcreativos.com

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1. Reports and Certifications

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Statutory Auditor's Report



KPMG S.A.S.
Calle 90 No. 19C-74
Bogotá D.C. - Colombia

Teléfono 57 (1) 6188000
57 (1) 6188100
home.kpmg/co

(FREE TRANSLATION OF THE REPORT ISSUED IN SPANISH)

STATUTORY AUDITOR'S REPORT

To the Shareholders

Banco Bilbao Vizcaya Argentaria Colombia S.A.:

Opinion

I have audited the consolidated financial statements of Banco bilbao Vizcaya Argentaria Colombia S.A. and Subordinates (the Group), which comprise the consolidated statement of financial position at December 31, 2020 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and their respective notes that include the summary of significant accounting policies and other explanatory notes.

In my opinion, the above mentioned consolidated financial statements, attached to this report, present fairly, in all material aspects, the consolidated financial position of the Group at December 31, 2020, the consolidated results of its operations, and its consolidated cash flows for the year then ended, in conformity with Accounting and Financial Reporting Standards accepted in Colombia, applied on a consistent basis with previous year.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) accepted in Colombia. My responsibilities under those standards are further described in the "Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of my report. I am independent of the Group in accordance with the Accountant's Professional Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA Code), included in the Information Assurance Standards accepted in Colombia together with the ethical requirements established in Colombia that are relevant to my audit of the consolidated financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code mentioned.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

| Evaluation of the Loan Portfolio Impairment under IFRS 9 (see notes 3.5 and 10 to the consolidated financial statements) | |
|---|--|
| <p>The Group periodically reviews the credit risk exposure of its loan portfolio. Such determination is one of the most significant and complex estimates in the preparation of the accompanying consolidated financial statements, due to the high degree of judgment involved in the development of the models to determine impairment based on an expected loss approach required in the IFRS 9. The value of the loan portfolio and its respective provision as of December 31, 2020 amounts to \$52.377.459 and \$3.224.230 million, respectively.</p> <p>considered the evaluation of the loan portfolio impairment as a key audit matter, because it involves a significant measurement uncertainty that required complex judgment, and knowledge and experience in the industry, including variables that allow to apprehend the credit risk associated with the effects of the COVID-19 pandemic. These elements can have an effect especially with regard to (1) the evaluation of the methodologies used, including the methodology to estimate the loss due to non-compliance; (2) the probability of loss given the default and its key factors and assumptions; (3) the qualification of loans and qualitative factors that are incorporated into the variables of the internal models established by the Group; and (4) the estimated impairment calculations by the credit risk of the entire loan portfolio.</p> | <p>My audit procedures to assess the sufficiency of credit risk impairment included, among others, the following:</p> <ul style="list-style-type: none"> • Involvement of professionals with experience and knowledge in the assessment of credit risk and information technology, to evaluate certain internal controls related to the Group's process for determining the loan portfolio impairment. This included controls related to (1) validation of the models that determine the probability of loss, severity and exposure at the time of default (2) the Group's monitoring on the determination of portfolio impairment (3) information technology controls on the input data to the models that determine credits impairment, as well as related calculations; (4) the evaluation to identify if there was a significant change in credit risk; and (5) the review of macroeconomic variables and the weighted scenarios used in the models for determining the loan portfolio impairment; and (6), evaluation of controls related to the review of commercial loans analyzed individually. |



| | |
|--|---|
| | <ul style="list-style-type: none"> • Professionals with knowledge in assessment of credit risk and information technology assisted me to (1) evaluate the methodologies and key data used to determine the probability of loss, the severity and exposure at the time of default, and the parameters produced by the models; (2) evaluate the macroeconomic variables and the weighted probability scenarios used in the internal models including the consideration of alternative data for certain variables; (3) recalculation of the expected loss model and its related data; and (4) evaluate the qualitative adjustments applied to the model. • For a sample of loans, I evaluated the credit risk assigned by the Group and the Group's judgement to determine if there was a significant increase in related credit risk. |
|--|---|

Other matters

The consolidated financial statements at and for the year ending December 31, 2019 are submitted only for comparison purposes, were audited by other statutory auditor, member of KPMG S.A.S., whom, in their report dated January 28, 2020, expressed an unqualified opinion thereon.

Other information

Management is responsible for the other information. The other information comprises the information included in the in the yearly report but does not include the consolidated financial statements and the respective audit report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any insurance conclusion about this information.

In relation with my audit of the consolidated financial statements, my responsibility is to read the other information and, when doing so, consider if there is any material incongruence between this information and the consolidated financial statements or my knowledge obtained in the audit or if, in any way, there seems to be a material error.

If, based on the work I have performed, I conclude that there is a material error in this other information, I have the duty to report this fact. I have nothing to report on this matter.



Responsibilities of Management and those in charge with the Group's corporate governance for the consolidated financial statements

Management is responsible for the fair preparation and presentation of these consolidated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing, implementing and maintaining the internal control relevant that management considers necessary for the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern accounting basis unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Statutory Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the users' economic decisions taken on the basis of these consolidated financial statements.

As part of an audit conducted in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant for the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriate accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern hypothesis and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I would conclude that a material uncertainty exists, I am required to draw attention in my statutory auditor's report to the related disclosure in the consolidated financial statements or, if such disclosure is inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Group ceases to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

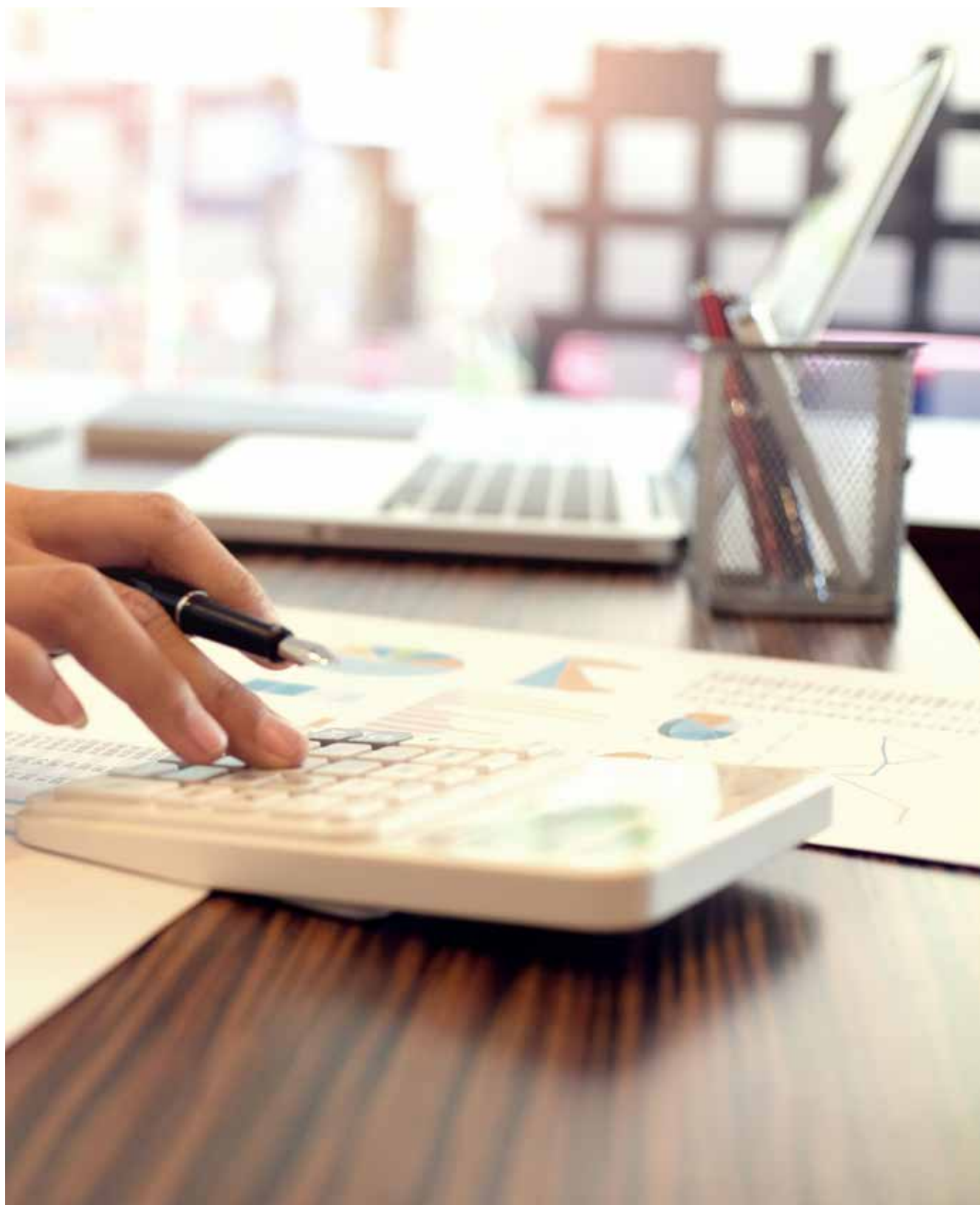
I communicate to those charged with the corporate governance regarding, among other matters, the planned sCOPE and timing for the audit, as well as significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with corporate governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my statutory auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Original signed in Spanish)
Adriana Rocío Clavijo Cuesta
Statutory Auditor of Banco Bilbao Vizcaya
Argentaria Colombia S.A.
Registration 115083-T
Member of KPMG S.A.S.

February 23, 2021



Certification of the Legal Representative and General Accountant



Banco Bilbao Vizcaya
Argentaria Colombia S.A.
Carrera 9 No. 72-21
Bogotá D.C. - Colombia
www.bbva.com.co

The undersigned registered Legal Representative and General Accountant of BBVA Colombia with Article 37 of Law 222 of 1995 and Article 46 of Law 964 of 2005 certify that the Bank's financial statements at December 31, 2020 have been faithfully taken from the books and prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF, for the Spanish original), and before being made available for the Shareholders Assembly and to third parties, we have verified that:

- The figures included in the financial statements and in their explanatory notes have been faithfully taken from the books and prepared in accordance with accounting and financial reporting standards accepted in Colombia "NCIF".
- We have verified that the valuation, valuation and presentation procedures have been applied uniformly with those of the immediately preceding year and reasonably reflect the Financial Situation as of December 31, 2020.
- All assets and liabilities listed in the Bank's financial statements at December 31, 2020 exist and all


the transactions listed in said statements have been carried out during the year ended on that date.

- All the economic events carried out by the Bank during the year ended December 31, 2020 have been recorded in the financial statements.
- All economic events that affect the Bank have been correctly classified, described and disclosed in the financial statements.
- The assets account for probable future economic benefits (rights) and the liabilities account for probable future economic sacrifices (obligations) assumed by the Bank at December 31, 2020.
- All the items have been recorded at their proper values in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF).

In compliance with Article 46 of Law 964/2005, we hereby certify that: the financial statements and other relevant reports for the public contain no defects, inaccuracies or errors that would prevent knowing the entity's true financial circumstances and operations.



GERMÁN ENRIQUE RODRÍGUEZ PERDOMO
Legal Representative



ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant
Prof. License No. 179552-T

2. Consolidated Financial Statements

Banco Bilbao Vizcaya Argentaria Colombia S.A.

At December 31, 2020 (with comparative figures At December 31, 2019)

(Expressed in millions of pesos, except the exchange rate and net earnings per share)

| | |
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Consolidated Statement of Financial Position

At December 31, 2020 (with comparative figures At December 31, 2019)
(Expressed in millions of pesos)

| Item | Nota | At December 31th | |
|---|--------|------------------|---------------|
| | | 2020 | 2019 |
| Asset | | | |
| Cash and cash equivalents | (8) | COP 6,266,488 | COP 5,642,226 |
| • Cash and bank deposits | | 5,745,960 | 5,143,295 |
| • Money market transactions | | 36,313 | - |
| • Financial investment assets | | 484,215 | 498,931 |
| Investments at fair value through profit or loss | (9) | 7,408,591 | 8,667,565 |
| Investments at fair value through profit or loss | | 2,894,835 | 5,413,292 |
| • Investments at fair value delivered in Money Market operations | | 2,775,447 | 2,555,796 |
| • Investments at fair value through Other Comprehensive Income | | 119,388 | 2,857,496 |
| Investments at fair value with change in OCI Debt Instruments | | 2,388,309 | 2,347,507 |
| • Investments at fair value with change in OCI Equity Instruments | | 1,151,941 | 1,497,009 |
| • Investments at fair value with change in OCI delivered in Money Market Operations | | 371,271 | 358,349 |
| • Investments at fair value with exchange in OCI provide as financial collateral | | 146,761 | 492,149 |
| • Investments at amortized cost | | 718,336 | - |
| Investments at amortized cost | | 2,125,447 | 906,766 |
| • Investments at amortized cost with change in results delivered in Money Market operations | | 2,131,188 | 101,109 |
| • Impairment of investments at amortized cost | | - | 814,427 |
| • Derivative financial instruments and cash operations | | (5,741) | (8,770) |
| Trading | (14) | COP 3,809,914 | COP 2,071,592 |

| Item | Nota | At December 31th | |
|--|--------|-------------------|-------------------|
| | | 2020 | 2019 |
| • Hedging | | COP 3,657,534 | COP 2,026,908 |
| • Loan portfolio and financial leasing operations (net) | | 152,380 | 44,684 |
| Commercial | (10) | 47,908,617 | 47,083,326 |
| • Consumer | | 18,826,188 | 18,408,889 |
| • Mortgage | | 19,518,776 | 18,970,748 |
| • Microcredit | | 12,159,294 | 11,802,474 |
| • Employees (mortgage and consumer) | | 2 | 2 |
| • Credit impairment | | 479,043 | 474,519 |
| • Interest Portfolio of credits and other concepts (net) | | (3,074,686) | (2,573,306) |
| Commercial | (10) | 1,244,613 | 522,388 |
| • Consumer | | 258,481 | 194,630 |
| • Mortgage | | 673,262 | 252,613 |
| • Employees (mortgage and consumer) | | 451,323 | 141,941 |
| • Other interest | | 3,297 | 1,190 |
| • Credit impairment | | 7,794 | 5,163 |
| • Others | | (149,544) | (73,149) |
| Accounts receivable (net) | | 2,250,290 | 1,743,293 |
| • Other advances to contracts and suppliers | (15) | 1,003,345 | 430,086 |
| • Investments in joint ventures | (21) | 62,440 | 62,001 |
| • Non-current assets held for sale | (19) | 149,818 | 134,192 |
| • Property and equipment | (16) | 51,675 | 59,061 |
| • Properties taken on operating leases | (17) | 702,364 | 715,102 |
| • Rights over fixed assets | (11) | 136,443 | 169,450 |
| • Intangible assets | (18) | 120,202 | 102,617 |
| • Deferred tax assets | (31) | COP 306 | COP 909 |


| Item | Nota | At December 31th | |
|---|--------|-----------------------|-----------------------|
| | | 2020 | 2019 |
| • Current tax assets | (31) | COP 1,844 | COP 1,181 |
| • Other tax assets | (31) | 723 | 668 |
| • Prepaid expenses | (21) | 17,635 | 23,535 |
| • Other assets (net) | (20) | 3,495 | 44,491 |
| Total Assets | | 68,888,513 | 65,730,390 |
| Liabilities | | | |
| Deposits and current liabilities | (22) | 51,951,600 | 47,320,164 |
| • Checking accounts | | 32,757,435 | 27,738,237 |
| • Term deposits | | 19,194,165 | 19,581,927 |
| Money market and simultaneous operations | (23) | 506,292 | 4,410,752 |
| Derivative financial instruments and cash operations | | 4,107,191 | 2,039,137 |
| • Trading | (25) | 4,106,964 | 2,024,389 |
| • Hedging | (14) | 227 | 14,748 |
| Financial obligations | | 2,606,926 | 2,607,156 |
| • Bank credits and other financial obligations | (24) | 2,606,926 | 2,607,156 |
| Taxes | | 278,178 | 326,095 |
| • Deferred taxes | (31) | 115,091 | 184,900 |
| • Current taxes | (31) | 21,385 | 40,347 |
| • Other taxes | (31) | 141,701 | 103,848 |
| Estimated liabilities and provisions | (29) | 276,494 | 317,376 |
| Accounts payable | (26) | 714,295 | 647,543 |
| Labor liabilities | (30) | 240,871 | 254,728 |
| Other liabilities | (28) | 253,144 | 244,537 |
| Outstanding investment securities | (27) | 2,304,263 | 2,179,625 |
| Lease liability | | 141,036 | 168,364 |
| Total liabilities | | COP 63,380,290 | COP 60,518,477 |


| Item | Nota | At December 31th | |
|----------------------------------|--------|------------------|----------------|
| | | 2020 | 2019 |
| Shareholders' equity | | | |
| Subscribed and paid-in capital | (32) | COP 89,779 | COP 89,779 |
| Reserves | (33) | 3,408,311 | 3,039,130 |
| Additional paid-in capital | | 651,950 | 651,950 |
| Profit and loss statement | (34) | 461,405 | 731,618 |
| Retained earnings | | 114,962 | 52,782 |
| Other comprehensive income (OCI) | (35) | 772,506 | 638,888 |
| Article 6 Law 4/80 | | 506 | 506 |
| Shareholders' equity | | 5,499,419 | 5,204,653 |
| Minority interest | | 8,804 | 7,260 |
| Total equity | | 5,508,223 | 5,211,913 |
| Total liabilities and equity | | COP 68,888,513 | COP 65,730,390 |

See the accompanying notes that are an integral part of the Consolidated Financial Statements

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been taken faithfully from the accounting books of Banco Bilbao Vizcaya Argentaria SA and its subordinates


GERMÁN ENRIQUE RODRÍGUEZ PERDOMO
Legal Representative ⁽¹⁾


ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant ⁽¹⁾
T.P. 179552-T


ADRIANA ROCIO CLAVIJO CUESTA
Statutory Auditor
T.P. No. 115083-T
KPMG S.A.S. member
See my report of February 23, 2021

Consolidated Statement of Income

At December 31, 2020 (with comparative figures At December 31, 2019)
(Expressed in millions of pesos)


| Item | Note | At December 31th | |
|------------------------------------|---------------|-------------------------|-------------------------|
| | | 2020 | 2019 |
| Interest income | (39) | | |
| Loan portfolio | | COP 5,053,726 | COP 5,110,533 |
| • Commercial | | 2,280,644 | 2,117,391 |
| • Consumer | | 1,061,332 | 1,101,454 |
| • Credit card | | 874,155 | 1,036,297 |
| • Mortgage | | 390,838 | 410,715 |
| • Factoring | | 35,399 | 33,732 |
| • Operating Leasing | | 1,359 | 1,569 |
| • Financial leasing | | 133,362 | 161,836 |
| • Residential leasing | | 276,637 | 247,539 |
| Interest expenses | | (1,897,610) | (1,993,032) |
| • Savings accounts | | (523,333) | (660,996) |
| • Term deposit Certificates | | (1,268,596) | (1,220,601) |
| • Banks and financial obligations | | (105,681) | (111,435) |
| Total interest income (net) | | 3,156,116 | 3,117,501 |
| Fee income | (40) | | |
| • Fee income | | 555,452 | 581,325 |
| • Fee expenses | | (349,054) | (545,226) |
| Total net fee income | | 206,398 | 36,099 |
| Operating income | (40) | | |
| Securities | | 1,165,321 | 951,044 |
| Derivatives | | 25,508,493 | 13,060,398 |
| Disposals | | 135,637 | 93,511 |
| Operating expenses | (41) | | |
| Securities | | (900,553) | (670,811) |
| Derivatives | | COP (25,090,194) | COP (13,031,189) |


| Item | Note | At December 31th | |
|---|--------|--------------------|--------------------|
| | | 2020 | 2019 |
| Disposals | | COP (141,121) | COP (65,268) |
| Total operating income | | 677,583 | 337,685 |
| Joint agreements | (40) | 1,598 | 1,320 |
| Impairment of assets | | | |
| Impairment of loan portfolio and financial leasing operation (net) | | (1,501,286) | (952,806) |
| • Refund of impairment in the loan portfolio | | 1,379,509 | 1,333,002 |
| • "Impairment of loan portfolio and financial leasing operation | | (2,880,950) | (2,285,838) |
| Impairment of investments | | 155 | 30 |
| Sale of non-current assets held for sale | | (17,292) | (13,595) |
| Sale of Property and equipment | | (1,397) | (4,731) |
| Impairment of other assets | | 18,645 | (15,895) |
| Total impairment of assets (net) | | (1,501,330) | (987,027) |
| Other operating income | | | |
| Other operating income | (40) | 96,093 | 126,866 |
| Other operating expenses | (41) | (1,729,147) | (1,645,103) |
| Exchange difference (net) | (40) | (203,580) | 80,153 |
| Income before taxes | | 703,731 | 1,067,494 |
| Income tax | | (390,259) | (355,915) |
| Deferred tax | | 150,118 | 18,203 |
| Profit for the year | | 463,590 | 729,782 |
| Profit or loss attributable | | | |
| Owners of the controlling company | | 461,405 | 727,783 |
| Non-controlling interest | | 2,185 | 1,999 |
| Total Net Profit | | COP 463,590 | COP 729,782 |
| Earnings per ordinary share (in COP) | | | |
| Basic | | COP 32 | COP 51 |

See the accompanying notes that are an integral part of the Consolidated Financial Statements

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been taken faithfully from the accounting books of Banco Bilbao Vizcaya Argentaria SA and its subordinates


GERMÁN ENRIQUE RODRÍGUEZ PERDOMO
Legal Representative ⁽¹⁾


ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant ⁽¹⁾
T.P. 179552-T


ADRIANA ROCÍO CLAVIJO CUESTA
Statutory Auditor
T.P. No. 115083-T
KPMG S.A.S. member
See my report of February 23, 2021

Consolidated Statement of Changes in Equity

(Expressed in millions of pesos)

| For the year ended At December 31, 2020 (with comparative figures for the year ended to December 31, 2019) | Suscribed and paid-in capital | | | | | | |
|--|-------------------------------|-------|-------|-----------------|-------|--------|-------------------------------------|
| | Non-voting preferred shares | | | Ordinary shares | | | Legal and occasional reserves |
| | Number | Value | | Number | Value | | |
| Balance of December 31 of 2018 | 479,760 | COP | 2,994 | 13,907,929 | COP | 86,785 | COP 2,764,479 |
| Non controlled interest (minority interest) | | | | | | | |
| Transfers | - | | - | - | | - | - |
| • Reserves | - | | - | - | | - | - |
| • Valuation | - | | - | - | | - | - |
| • Utilidad (perdida) | - | | - | - | | - | - |
| Dividends paid in cash preferred and common shares | - | | - | - | | - | - |
| Appropriation for legal reserve | - | | - | - | | - | 274,651 |
| Net profit for the period | - | | - | - | | - | - |
| Fixed asset valuation update | - | | - | - | | - | - |
| Net deferred tax | - | | - | - | | - | - |
| Retained earnings sales force | - | | - | - | | - | - |
| Unrealized retained earnings in new measurements of financial instruments | - | COP | - | - | COP | - | COP |

| Additional- paid in capital | Net profit For the period | Retained earnings | Adjustments in the adoption for the first time NICF | "Other comprehensive Income (OCI)" | Article 6 Law 4 of 1980 | Total Shareholder Equity | Non- controlling interest | Total stockholders' equity |
|-----------------------------------|---------------------------------|----------------------|---|--|-------------------------------|--------------------------------|---------------------------------|-------------------------------|
| COP651,950 | COP563,653 | COP 130,462 | COP (24,582) | COP 449,954 | COP 506 | COP 4,626,201 | COP 6,972 | COP 4,633,173 |
| - | (563,653) | 563,653 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 312 | 312 |
| - | - | - | - | - | - | - | (33) | (33) |
| - | - | - | - | - | - | - | (1,990) | (1,990) |
| - | - | (274,661) | - | - | - | (274,661) | - | (274,661) |
| - | - | (274,651) | - | - | - | - | - | - |
| - | 731,618 | - | - | - | - | 731,618 | 1,999 | 733,617 |
| - | - | - | (18,880) | - | - | (18,880) | - | (18,880) |
| - | - | (6,013) | 575 | - | - | (5,438) | - | (5,438) |
| - | - | (14,341) | - | - | - | (14,341) | - | (14,341) |
| COP - | COP - | COP (28,780) | COP - | COP - | COP - | COP (28,780) | COP - | COP (28,780) |

| For the year ended At December 31, 2020 (with comparative figures for the year ended to December 31, 2019) | Suscribed and paid-in capital | | | | | |
|--|-------------------------------|-------|-----------------|-------|-------------------------------------|--|
| | Non-voting preferred shares | | Ordinary shares | | Legal and occasional reserves | |
| | Number | Value | Number | Value | | |
| Other Comprehensive Income | | | | | | |

| | | | | | | |
|--|----------------|--------------|-------------------|---------------|------------------|---|
| Hedging with derivatives cash flow | - | COP - | - | COP - | COP - | - |
| Investments accounted for using the equity method | - | - | - | - | - | - |
| Participation in other comprehensive income of the noncontrolled investments | - | - | - | - | - | - |
| Actuarial calculation of employee benefits | - | - | - | - | - | - |
| Unrealised retained earnings in new measurements of financial instruments | - | - | - | - | - | - |
| Credit portfolio measurements | - | - | - | - | - | - |
| Net deferred tax | - | - | - | - | - | - |
| Balance of December 31 of 2019 | 479,760 | 2,994 | 13,907,929 | 86,785 | 3,039,130 | |

**Non controlled interest
(minority interest)**

| | | | | | | |
|--|---|-------|---|-------|-------|---------|
| Transfers | - | - | - | - | - | - |
| • Reserves | - | - | - | - | - | - |
| • Valuation | - | - | - | - | - | - |
| • Net profit for the period | - | - | - | - | - | - |
| • Dividends paid in cash preferred and common shares | - | - | - | - | - | - |
| Appropriation for legal reserve | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | - | 369,181 |
| Fixed asset valuation update | - | - | - | - | - | - |
| Deferred tax | - | - | - | - | - | - |
| Net deferred tax | - | - | - | - | - | - |
| Retained earnings sales force | - | COP - | - | COP - | COP - | - |

| Additional- paid in capital | Net profit For the period | Retained earnings | Adjustments in the adoption for the first time NICF | "Other comprehensive Income (OCI)" | Article 6 Law 4 of 1980 | Total Shareholder Equity | Non- controlling interest | Total stockholders' equity | |
|-----------------------------------|---------------------------------|----------------------|---|--|-------------------------------|--------------------------------|---------------------------------|-------------------------------|-----------|
| COP - | COP - | COP - | COP - | COP 12,095 | COP - | COP 12,095 | COP - | COP | 12,095 |
| - | - | - | - | 561 | - | 561 | - | - | 561 |
| - | - | - | - | 178,856 | - | 178,856 | - | - | 178,856 |
| - | - | - | - | (4,883) | - | (4,883) | - | - | (4,883) |
| - | - | - | - | 24,143 | - | 24,143 | - | - | 24,143 |
| - | - | - | - | 48,139 | - | 48,139 | - | - | 48,139 |
| - | - | - | - | (69,977) | - | (69,977) | - | - | (69,977) |
| 651,950 | 731,618 | 95,669 | (42,887) | 638,888 | 506 | 5,204,653 | 7,260 | 5,211,913 | |
| - | (731,618) | 731,618 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 1,223 | - | 1,223 |
| - | - | - | - | - | - | - | 209 | - | 209 |
| - | - | - | - | - | - | - | 16 | - | 16 |
| - | - | - | - | - | - | - | (2,089) | - | (2,089) |
| - | - | (369,189) | - | - | - | (369,189) | - | - | (369,189) |
| - | - | (369,181) | - | - | - | - | - | - | - |
| - | 461,405 | - | - | - | - | 461,405 | 2,185 | - | 463,590 |
| - | - | - | (2,437) | - | - | (2,437) | - | - | (2,437) |
| - | - | - | 18,219 | - | - | 18,219 | - | - | 18,219 |
| COP - | COP - | COP - | COP 53,150 | COP - | COP - | COP 53,150 | COP - | COP | 53,150 |


| For the year ended At December 31, 2020 (with comparative figures for the year ended to December 31, 2019) | Suscribed and paid-in capital | | | | | |
|--|-------------------------------|-----------|-----------------|------------|-------------------------------------|---|
| | Non-voting preferred shares | | Ordinary shares | | Legal and occasional reserves | |
| | Number | Value | Number | Value | | |
| Other Comprehensive Income: | | | | | | |
| Hedging with derivatives cash flow | - | COP - | - | COP - | COP - | - |
| Profits (losses) other patrimonial items of subordinates | - | - | - | - | - | - |
| Gains (losses) from recovery of impairment of loan portfolio and Financial Leasing Operations | - | - | - | - | - | - |
| Actuarial gains and losses on defined contributions pensions | - | - | - | - | - | - |
| Earnings accumulated by new measurements of financial assets available for sale | - | - | - | - | - | - |
| Participation in other comprehensive income of the noncontrolled investments | - | - | - | - | - | - |
| Net deferred tax | - | - | - | - | - | - |
| Balance of December 31 of 2020 | 479,760 | COP 2,994 | 13,907,929 | COP 86,785 | COP 3,408,311 | |


| Additional- paid in capital | Net profit For the period | Retained earnings | Adjustments in the adoption for the first time NICF | "Other comprehensive Income (OCI)" | Article 6 Law 4 of 1980 | Total Shareholder Equity | Non- controlling interest | Total stockholders' equity |
|-----------------------------------|---------------------------------|----------------------|---|--|-------------------------------|--------------------------------|---------------------------------|-------------------------------|
| COP - | COP - | COP - | COP - | COP 7,899 | COP - | COP 7,899 | COP - | COP 7,899 |
| - | - | - | - | (4,535) | - | (4,535) | - | (4,535) |
| - | - | - | - | 137,760 | - | 137,760 | - | 137,760 |
| - | - | - | - | 2,426 | - | 2,426 | - | 2,426 |
| - | - | - | - | 16,038 | - | 16,038 | - | 16,038 |
| - | - | - | - | 16,321 | - | 16,321 | - | 16,321 |
| - | - | - | - | (42,291) | - | (42,291) | - | (42,291) |
| COP651,950 | COP461,405 | COP 88,917 | COP 26,045 | COP 772,506 | COP 506 | COP 5,499,419 | COP 8,804 | COP 5,508,223 |

See the accompanying notes that are an integral part of the Consolidated Financial Statements

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been taken faithfully from the accounting books of Banco Bilbao Vizcaya Argentaria SA and its subordinates


GERMÁN ENRIQUE RODRÍGUEZ PERDOMO
Legal Representative ⁽¹⁾


ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant ⁽¹⁾
T.P. 179552-T


ADRIANA ROCÍO CLAVIJO CUESTA
Statutory Auditor
T.P. No. 115083-T
KPMG S.A.S. member
See my report of February 23, 2021

Consolidated Cash Flow Statement

At December 31, 2020 (with comparative figures At December 31, 2019)
(Expressed in millions of pesos)


| Item | At December 31th | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| Balance at the beginning of period | COP 5,642,226 | COP 8,461,493 |
| Cash flows from operating activities | | |
| Disbursements and payments received from clients of loan portfolio and leasing operations others | 18.220 | (2.245.613) |
| Payments and Receipts checking accounts | 4.785.128 | 706.494 |
| Payments and Received Term Deposits | (388.062) | 208.373 |
| Payments and Receipts Other Deposits and Requirements | (1.351.488) | 113.341 |
| Payments and other income from debt and derivative financial instruments | 1.362.128 | (381.230) |
| Payments to suppliers and employees | (3.230.221) | (3.637.508) |
| Interest paid deposits and liabilities | 4.113.405 | 4.518.670 |
| Interest paid deposits and obligations | (1.793.225) | (1.883.630) |
| Income tax paid | (504.720) | (375.548) |
| Cash advances and guaranteed loans to third parties | (489.539) | (828.974) |
| Collections on the reimbursement of advances and guaranteed loans to third parties | 489.100 | 970.846 |
| Net cash flow provided by operating activities | 3,010,726 | (2,834,779) |
| Cash flows from investing activities: | | |
| Payments and other investment | (198.529.625) | (290.548.934) |
| Other dividends paid | 196.503.761 | 290.537.594 |
| Other dividends received | 12.325 | 20.396 |
| Acquisition of property and equipment | COP (50.948) | COP (75.514) |


| Item | At December 31th | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| Payments to acquire joint ventures | COP 2.907 | COP 7.395 |
| Sale price of property and equipment | 190.077 | 97.846 |
| Net cash flow used in investment activities | (1,871,503) | 38,783 |
| Payments for share issuance | | |
| Loan payments and other financial liabilities | (3.816.004) | (2.415.692) |
| Loan collections and other financial liabilities | 3.567.380 | 2.460.961 |
| Dividends paid to owners | (393.745) | (269.357) |
| Cash inflows related to financing activities | 448.932 | 160.021 |
| Net cash flow used in (provided by) financing activities | (193,437) | (64,067) |
| Cash and cash equivalents | | |
| Effect of changes in the exchange rate on cash held in foreign currency | (321,524) | 40,796 |
| Balances at the end of period | COP 6,266,488 | COP 5,642,226 |

See the accompanying notes that are an integral part of the Consolidated Financial Statements

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been taken faithfully from the accounting books of Banco Bilbao Vizcaya Argentaria SA and its subordinates


GERMÁN ENRIQUE RODRÍGUEZ PERDOMO
Legal Representative (1)


ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant (1)
T.P. 179552-T


ADRIANA ROCÍO CLAVIJO CUESTA
Statutory Auditor
T.P. No. 115083-T
KPMG S.A.S. member
See my report of February 23, 2021

Consolidated Statement of Other Comprehensive Income

At December 31, 2020 (with comparative figures At December 31, 2019)
(Expressed in millions of pesos)


| Item | Nota | At December 31th | |
|---|------------|------------------|--------------------|
| | | 2020 | 2019 |
| Profit for the year | COP | 461,405 | COP 731,618 |
| Other Comprehensive Income | | | |
| Items that are not reclassified to profit or loss for the period | | | |
| Profits (losses) of other equity items of subordinated | | (4,535) | 560 |
| Profits (losses) due to new measurements of defined benefit plans | | 2,426 | (4,883) |
| Gains (losses) from recovery of impairment of loan portfolio and Financial Leasing Operations | | 137,760 | 178,856 |
| Gains (losses) from uncontrolled interests | | 16,321 | 56,439 |
| Total items that will not be reclassified to profit or loss for the period | | 151,972 | 230,972 |
| Items that can be reclassified after the period result: | | | |
| Profits from new measurements of financial assets available for sale | | 16,038 | 24,143 |
| Profits (losses) from the cash flow hedge | | 7,899 | 12,095 |
| Total items that can be reclassified following the Statement of Income for the period | | 23,937 | 36,238 |
| Total Other Comprehensive Income | COP | 175,909 | COP 267,210 |


| Item | Nota | At December 31th | |
|--|--------|------------------|-------------|
| | | 2020 | 2019 |
| Deferred tax: | | | |
| On investments in equity instruments of other comprehensive income | | COP (1,586) | COP (6,083) |
| On defined benefit plans | | - | 198 |
| On new measurements of financial assets | | (4,300) | (8,301) |
| On application of IFRS9 | | (32,834) | (59,174) |
| On cash flow hedge | | (3,571) | (4,916) |
| Total deferred tax | | (42,291) | (78,276) |
| Total Other Comprehensive Income, net of income taxes | (37) | 133,618 | 188,934 |
| Total statement of comprehensive income for the period | | COP 595,023 | COP 920,552 |

See the accompanying notes that are an integral part of the Consolidated Financial Statements

The undersigned Legal Representative and Accountant certify that we have previously verified the statements contained in these financial statements and that they have been taken faithfully from the accounting books of Banco Bilbao Vizcaya Argentaria SA and its subordinates


GERMÁN ENRIQUE RODRÍGUEZ PERDOMO
Legal Representative ⁽¹⁾


ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant ⁽¹⁾
T.P. 179552-T


ADRIANA ROCÍO CLAVIJO CUESTA
Statutory Auditor
T.P. No. 115083-T
KPMG S.A.S. member
See my report of February 23, 2021

3. Notes to the Consolidated Financial Statements

At December 31, 2020 (with comparative figures At December 31, 2019)

(Expressed in millions of pesos, except the exchange rate and net earnings per share)

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1. Reporting Entity

Banco Bilbao Vizcaya Argentaria Colombia S.A. BBVA Colombia (hereinafter, “the Bank” or “BBVA Colombia S.A.”), acting as the Parent Company of Grupo Empresarial BBVA Colombia, registered in the business register, hereinafter “the Group,” formed by the subsidiaries of BBVA Asset Management S.A. with a 94.51% share and BBVA Valores Colombia S.A. Comisionista de Bolsa with the Parent Company’s 94.44% share, reports Consolidated Financial Statements for the following companies:

BBVA Colombia S.A. is a private banking institution, incorporated under Colombian laws on April 17, 1956 through Public Instrument No. 1160 issued by the Third Notary of Bogotá. Its period of duration ends on December 31, 2099; this term may be extended according to the law. The Financial Superintendence of Colombia (hereinafter, “the Superintendence” or “SFC”) through Resolution No. 3140/September 24, 1993, renewed the operating permit definitively. The main activity of the Bank includes providing loans to public and private sector companies and individual loans. It also carries out international banking activities, privatizations, financial projects and other banking activities in general, and provides leasing services.

The Bank conducts its activities at its main registered office in the city of Bogotá located at Carrera 9 # 72-21, through its 556 and 545 offices for the years ended December 31, 2020 and 2019, respectively, which include branch offices, in-house services at customer facilities, service centers, agencies and cash extensions located in 123 cities of Colombia, distributed as follows:

| Branch | 2020 | 2019 |
|----------------------|------------|------------|
| Branch offices | 380 | 384 |
| In house | 88 | 89 |
| Service centers | 13 | 13 |
| Agencies | 24 | 29 |
| Remote banking | 29 | 30 |
| Total offices | 534 | 545 |

The Bank is a subsidiary of Banco Bilbao Vizcaya Argentaria S.A. España (76% share), which is part of the BBVA Group.

The Bank and its subsidiaries have a national work force that, at the end of December 2020 and 2019, amounted to 5,282 and 5,544 employees, respectively.

BBVA Asset Management S.A. hereinafter, “the Trust Company”, is a private commercial entity of financial services, legally incorporated by Public Instrument 679 issued by the 13th Notary of Bogotá / April 5, 1976.

Through Public Instrument 3742 dated April 29, 2010 issued by the 72nd Notary of Bogotá, the name change to BBVA Asset Management S.A. Sociedad Fiduciaria was made official, and for all legal purposes it may use the name BBVA Asset Management.

The Trust Company is a subsidiary of Banco Bilbao Vizcaya Argentaria Colombia S.A. It has its registered office in the city of Bogotá, with a duration up to May 27, 2098, and a permanent operating license from the Financial Superintendence of Colombia (hereinafter “the Superintendence”), according to Resolution 223/January 12, 1979. At December 31, 2020 and 2019, it had 121 and 119 employees, respectively.

The main objective of the Trust Company consists of entering into commercial trust agreements, entering into state trust agreements as provided by Law 80/1993 and, in general, doing any business that implies a trust management and all the business that trust companies are legally authorized to do. In fulfilling its purpose, the Trust Company may essentially acquire, dispose of, tax, manage real estate and personal property, legally represent bondholders, intervene as a debtor or creditor in all types of credit transactions, and issue, accept, endorse, collect and negotiate, in general, all types of securities.

BBVA Valores Colombia S.A. Comisionista de Bolsa (hereinafter “the Brokerage Firm”) was incorporated on April 11, 1990 following authorization by the Financial Superintendence of Colombia. Its corporate purpose is the development of the commission contract for the purchase and sale of

securities listed in the National Securities Registry, the development of security funds management contracts for its domestic and foreign customers, and the performance of transactions on its own behalf. It is also authorized by the Superintendence to carry out the activities related to the securities market and give advice on capital-market related activities.

The Brokerage Firm is a subsidiary of Banco Bilbao Vizcaya Argentaria Colombia S.A.; its registered office is the city of Bogotá D.C., where it conducts its commercial activity. At December 31, 2020 and 2019, it had 24 and 23 employees, respectively, and its term of duration expires on April 11, 2091.

At December 31, 2020 and 2019, the breakdown of the balance sheet for the consolidated entities was as follows:

December 31, 2020

| Entity | Assets | Liabilities | Equity | Income |
|----------------------------|----------------|----------------|---------------|-------------|
| BBVA Colombia S,A, | COP 68,413,201 | COP 63,416,880 | COP 4,996,322 | COP 469,850 |
| BBVA Asset Management S,A, | 131,062 | 11,648 | 119,414 | 38,801 |
| BBVA Valores S,A, | COP 42,175 | COP 1,684 | COP 40,491 | COP 1,010 |

December 31, 2019

| Entity | Assets | Liabilities | Equity | Income |
|----------------------------|----------------|----------------|---------------|-------------|
| BBVA Colombia S,A, | COP 65,335,779 | COP 60,456,494 | COP 4,879,285 | COP 738,369 |
| BBVA Asset Management S,A, | 130,486 | 15,674 | 114,812 | 38,078 |
| BBVA Valores S,A, | COP 18,949 | COP 1,687 | COP 17,262 | COP (1,630) |

Eliminations in consolidation:

December 31, 2020

| Entity | BBVA | | BBVA Fiduciaria | | BBVA Valores | |
|-------------------------------|------|-----------|-----------------|---------|--------------|---------|
| Eliminations in consolidation | COP | 31,050 | COP | 26,820 | COP | 4,230 |
| Elimination in equity | | (115,283) | | 80,937 | | 34,345 |
| Minority interest (equity) | | - | | (4,424) | | (2,263) |
| Minority interest (income) | COP | - | COP | (2,120) | COP | (12) |

December 31, 2019

| Entity | BBVA | | BBVA Fiduciaria | | BBVA Valores | |
|-------------------------------|------|-----------|-----------------|---------|--------------|--------|
| Eliminations in consolidation | COP | 56,661 | COP | 64,140 | COP | 6,012 |
| Elimination in equity | | (132,074) | | 114,812 | | 17,262 |
| Minority interest (equity) | | - | | (6,300) | | (960) |
| Minority interest (income) | COP | - | COP | 2,089 | COP | (68) |

The Consolidated Financial Statements of the Bank and its subsidiaries have been adjusted with respect to the separate and/or individual financial statements of BBVA Colombia, due to the inclusion of the accounting policies applicable to the Group under the technical regulatory framework in force in Colombia for the preparation of Consolidated Financial Statements.

2. Bases for the Preparation and Presentation of the Consolidated Financial Statements

2.1. Statement of Compliance

In accordance with the current provisions issued by Law 1314/2009, regulated by Decree 2420/2015 amended by Decrees 2496/2015, 2131/2016, 2170/2017, 2483/2018, 2270/2019 and Decree 1432/2020, the Group has prepared its Consolidated Financial Statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (hereinafter NCIF, for the Spanish original), which are based on the International Financial Reporting Standards (hereinafter IFRS), along with their interpretations issued by the International Accounting Standards Board (IASB); the base standards are those officially translated into Spanish and issued by the IASB in the second half of 2018 and the inclusion of the amendment to IFRS 16 COVID-19-related rent concessions in 2020; except for the provisions of the technical regulations issued by the Financial Superintendence of Colombia.

The Group applies the following accounting criteria that differ from the IFRS issued by the IASB in compliance with the Laws, Decrees and other current standards:

Public Notice No. 037 /2015 of the Financial Superintendence of Colombia – The parent company must adjust the Consolidated Financial Statements, prepared using the full NCIF, to include the difference between the value of provisions for the loan portfolio recognized in the Consolidated Financial Statements by the methodology of expected loss and in the Group's individual and/or

separate financial statements by the generated loss methodology, under the same terms as the instructions established in Section 1.5 of Public Notice 036/2014.

Therefore, the adjustment to the consolidated loan portfolio and its impact recognized in the OCI of the Consolidated Financial Statements must be made and recorded on a permanent basis.

Public Notice No. 36/2014 of the Financial Superintendence of Colombia – Establishes how to apply IFRS 1 First-time Adoption of the International Financial Reporting Standards (IFRS), and includes the following, among others:

Decree 2496/December 23, 2015 - Through this decree, it is also determined that the parameters to establish at December 31, 2015 the post-employment benefits for the treatment of IAS 19 must correspond to Decree 2783/2001, as the best market estimate. This decree establishes the actuarial assumptions for calculating future increases of salaries and pensions, establishes the actual technical interest rate applicable and the form of considering the expected increase in income for active and retired personnel.

Decree 2131/2016 – Whereby the disclosure the calculation of pension liabilities is defined in accordance with the parameters established in Decree 1625/2016 and, in the case of partial pension switching pursuant to Decree 1833/2016, informing the variables used and the differences with the calculation in accordance with IAS 19 - Employee Benefits, which represents a change in the accounting estimate.

Regulatory Notice DODM 139 / May 25, 2018 - This notice establishes the calculation of proprietary position, spot proprietary position and gross leverage position of foreign exchange market brokers. (See Notes 7 and 14).

Approval of Consolidated Financial Statements - The Group's Consolidated Financial Statements at and for the year ended December 31, 2020, prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF, for the Spanish original), have been approved by the Bank's Board of Directors for issuance on February 23, 2021. These statements will be

subject to approval by the General Meeting of Shareholders to be held within the terms established by Law. The Consolidated Financial Statements at and for the year ended December 31, 2020 will be approved by the General Meeting of Shareholders held on March 26, 2021.

2.2. Consolidation Criteria

For consolidation purposes, and following the criteria established by the NCIF, the consolidation parameter is defined using the guidelines established by IFRS 10, which basically concern control (power/returns) as a guide to determine the companies susceptible to consolidation and the information to be disclosed regarding shares in other entities. The consolidation method to be applied is a result of total control and/or significant influence over the controlled entity. The Group applies the global integration method, recognizing shares in non-controlled entities as equity and income.

The Group is made up, in addition to the Bank of two subsidiary entities controlled by the Group, a control obtained when the Bank is exposed to, or entitled to, variable returns based on its involvement in the controlled entity and it has the ability to influence these returns through its power over the controlled entity, providing it with the present ability to direct its relevant activities that significantly affect its income.

In all cases, the consolidation of income generated by the companies that make up the Group in any given fiscal year is carried out considering only the income corresponding to the period between the date of acquisition and the close of that fiscal year. Similarly, the consolidation of income generated by companies disposed of in any given fiscal year is carried out considering only the income for the period between the beginning of the fiscal year and the date of disposal.

In the consolidation process, the Group combines the assets, liabilities and income of the entities over which it has control, after standardizing their accounting policies. During this process, it eliminates reciprocal transactions and realized earnings between them. The share of non-controlling interests in the controlled entities is presented in equity, separate from shareholders equity of the Group's controlling company.

To prepare the Consolidated Financial Statements, the financial statements of subsidiaries are included at the dates of their presentation.

Minority interest:

| Entity | 2020 | 2019 |
|----------------------------|--------------------|--------------------|
| BBVA Asset Management S.A. | COP (6,553) | COP (6,300) |
| BBVA Valores S.A. | (2,251) | (690) |
| Total | COP (8,804) | COP (7,260) |

The Bank consolidated the subsidiaries in which it had the following share, at December 31, 2020 and 2019:

| Location | Subsidiary | Share percentage |
|----------|--|------------------|
| Colombia | BBVA Valores Colombia S.A. Comisionista de Bolsa | 94.44% |
| Colombia | BBVA Asset Management S.A. Sociedad Fiduciaria | 94.51% |

This is the first report of annual financial statements in which IFRS 16 “Leases” has been applied. Significant changes in accounting policies are disclosed in Notes 3 and 11.

2.3. Measurement Basis

The Consolidated Financial Statements have been prepared based on historical cost, except for the following items that are measured using a different basis at each reporting period:

- Financial investment assets measured at fair value through profit or loss or changes in derivative financial instruments measured at fair value.
- Non-current assets held for sale measured at fair value less cost of sale.
- Employee benefits, in relation to pension obligations and other long-term obligations through actuarial discount techniques.
- Deferred tax measured at current rates according to their recovery.

- Financial Instruments measured at fair value through other comprehensive income and through profit or loss.

The Group has applied the accounting policies discussed in Note 3, and the judgments and estimates and discussed in Note 2.5.

2.4 Functional and Presentation Currency

The BBVA Group prepares and presents its Consolidated Financial Statements in Colombian pesos, which is its functional currency and the presentation or reporting currency for all purposes. The functional currency is the currency of the main economic environment in which an entity operates, which influences the transactions it carries out and the services it provides, among other factors.

The figures of the Consolidated Financial Statements and the disclosures detailed in the notes are expressed in COP millions and have been rounded to the nearest full figure, unless otherwise specified.

2.5. Judgments and Estimates

The information contained in these Consolidated Financial Statements is the responsibility of the Group's Management. In their preparation, certain estimates are used to quantify some of the assets, liabilities, income, expenses and commitments that are recorded therein, based on experience and other relevant factors. The final results may vary from said estimates.

These estimates are continually reviewed. Modifications to the accounting estimates are recognized prospectively, accounting for the effects of changes made to corresponding accounts of the Consolidated Statement of income for the fiscal year, as applicable, starting from the fiscal year in which such reviews are made.

The estimates and their most important sources of uncertainty for preparing the Consolidated Financial Statements refer to the impairment of financial assets: determination of the inputs within the expected loss model, including the main assumptions used for the estimate and incorporation of forward-looking information (Note 10).

3. Main Accounting Policies for the Preparation and Presentation of the Consolidated Financial Statements

The significant accounting policies used by the Group in the preparation and presentation of its Consolidated Financial Statements at December 31, 2020 are the same as those applied by the Group in the Consolidated Financial Statements audited at December 31, 2019, except for the changes in the accounting policies related to the entry into force IFRS 16.

3.1. Cash and Cash Equivalents

The Group classifies cash, immediately available deposits in Banks (including the Central Bank), exchange checks and remittances in transit as cash, regarding which the following criteria were validated:

- They must meet the definition of assets
- It must be likely that any economic benefit associated with the item will be received by the entity
- The amount can be reliably measured.

The Group classifies investments of money market transactions (interbank funds, swap transactions and overnight investments) as cash equivalents, validating the following criteria:

- Short-term high liquidity investments (less than 90 days)

- Easily convertible into determined amounts of cash
- They are subject to insignificant risk of changes in value

At December 31, 2020 and 2019, all the positions held as money market transactions met the conditions to be classified as cash equivalents (Note 8).

3.2. Money market and related transactions

Swap and simultaneous transactions, temporary security transfers, interbank funds and demand deposits are recognized at the amount of the transaction and measured at present value during the term of the transaction, using the reference short-term interest rate "IBR" (market indicator developed by the private sector, backed by the Central Bank of Colombia and other entities, in order to reflect the liquidity of the Colombian money market), which reflects the price at which banks are willing to offer or collect funds on the money market.

The agreed returns are calculated exponentially during the term of the transaction and recognized in the income statements in accordance with the accrual accounting principle.

3.3. Transactions in Foreign Currency

Transactions in foreign currency are recorded, at the time of initial recognition, using the functional currency, which is also the presentation currency. To this effect, the amounts in foreign currency are converted to functional currency applying the exchange rate on the date of the transaction, which is the date on which said transaction meets the conditions for recognition.

The guidelines below are followed at the close of each reporting period:

- (a) Monetary assets and liabilities denominated in foreign currency are converted using the accounting exchange rate at the closing date of the reporting period.
- (b) Non-monetary assets and liabilities, not valued at fair value, are converted at the exchange rate on the date of the transaction.

- (c) Non-monetary assets and liabilities valued at fair value are converted at the exchange rate on the date on which fair value was determined.

The resulting negative and positive exchange difference is recognized in the exchange difference item, in the Consolidated Statement of Income. The exchange rate used for adjusting the resulting balance in US Dollars at December 31, 2020 and December 31, 2019 was COP 3,432.50 and COP 3,277.14 per USD 1, respectively.

3.4. Financial Collateral

The financial collateral provided is recognized initially by recording a liability at fair value, which is usually the current value of the fees and returns to be received for said contracts throughout their useful life, with the amount of assimilated fees and returns collected at the beginning of the operations and the accounts receivable for the current value of the future cash flows pending receipt as an offsetting entry in assets.

The financial collateral, regardless of the holder, instrumentation or other circumstances, are later analyzed on a periodic basis to determine the credit risk to which they are exposed and, if necessary, to estimate the need to create a provision.

The value of the collateral will subsequently be valued in accordance with the contractual terms for this transaction. Depending on the variation of the threshold, the income or expense is adjusted in the statement of income.

If customers default on obligations with third parties derived from an endorsement or bank guarantee issued by the Bank, an asset valued by credit risk is recognized, which is determined by applying criteria similar to those established to quantify impairment losses for financial assets, along with a provision based on the parameters established by IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, by applying the decision tree.

3.1. Financial investment assets, derivative financial instruments and cash transactions

Financial instruments are classified as assets, liabilities or capital, based on the text of the contractual agreement that gave rise thereto and in accordance with the criteria of the business model. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or liability are recorded as income or expenses in the consolidated statement of income.

Classification and measurement of financial instruments - The Group classifies financial assets according to their subsequent measurement in line with the new classification criteria set forth in IFRS 9 within the following categories:

- Amortized cost
- Fair value through other comprehensive income (OCI)
- Fair value through profit or loss

This classification is carried out in accordance with the Group's business model for managing financial assets and assessing the characteristics of the contractual cash flows of the financial asset.

Financial assets are measured at amortized cost if they meet the following conditions:

- The financial asset is within a business model whose objective is to hold the financial assets to obtain contractual cash flows, and
- The contractual conditions of the financial asset on the stipulated dates meet the cash flow conditions that are only payments of principal and interest on the pending principal, i.e., it meets the criterion of "only payment of principal and interest" (SPPI, for the Spanish original).

Principal is the fair value of the financial assets at the time of initial recognition.

Interest comprises the consideration for the temporary value of money, for the credit risk associated with the principal amount pending over a specific period of time and for other risks and costs of basic loans, as well as a profit margin.

Financial assets are measured at **fair value through other comprehensive Income**, if they meet the following conditions:

- The financial asset is within a business model whose objective is achieved by obtaining contractual cash flows and selling the financial assets, and
- The contractual conditions of the financial asset on the stipulated dates meet the cash flow conditions that are only payments of principal and interest on the pending principal (meets the SPPI criterion).

Unrealized profit or loss is recognized in the consolidated statement of other comprehensive income and are later carried to the consolidate statement of income at the time of their realization.

The rest of the financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

As for equity instruments, at the time of initial recognition, it is decided irrevocably to measure subsequent changes in fair value in other comprehensive Income (OCI).

Financial liabilities are measured subsequently at amortized cost, except for financial liabilities measured at fair value, such as derivative liabilities.

Effective Interest Rate Method - The effective interest rate method is a method used to calculate the amortized cost of a financial instrument and the allocation of financial income throughout the relevant period. The effective interest rate is the discount rate that correctly balances estimated receivable or payable cash flows (including commission, basic interest points paid or received, transaction costs and other premiums or discounts included when calculating the effective interest rate) throughout the

expected life of the financial instrument or, when applicable, over a shorter period, with net carrying amount at the time of initial recognition.

Income is recognized based on the effective interest rate for debt instruments other than the financial assets classified at fair value through profit or loss.

Offsetting Financial Instruments - Financial assets and liabilities are subject to offsetting, i.e., presentation in the Consolidated Statement of Financial Position by net amount, only when controlled entities have both the right, which is legally enforceable, to offset the amounts recognized in said instruments, as well as the intention to liquidate the net amount, or realize the asset and pay the liability simultaneously.

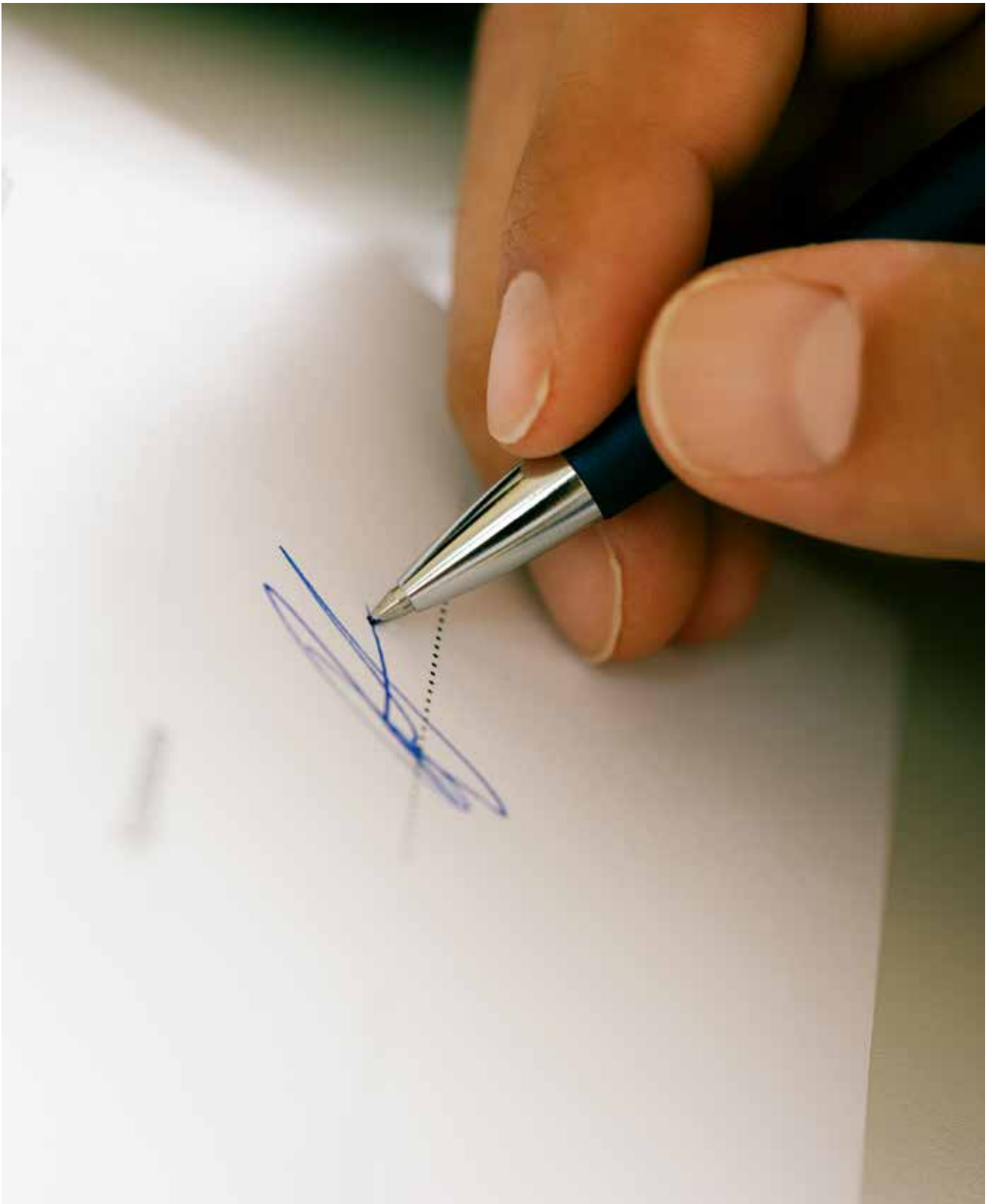
Financial assets and liabilities at fair value through profit or loss- Recorded assets and liabilities are valued at fair value and variations in their value are recorded at their amount in income or expense depending on their nature. However, variations originating from exchange rate differences are recorded in the profit or loss account for (net) exchange differences.

Impairment of financial assets – The new impairment model applies to financial assets measured at amortized cost, contractual assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments.

For assets, impairment losses are expected to increase and become more volatile.

On each reporting date, the Group recognizes the measurement of the value adjustment due to losses of a financial instrument in an amount equal to the expected credit losses during the lifetime of the assets, when the credit risk of the financial asset has increased significantly since its initial recognition. The assessment is carried out on a collective or individual basis, considering all the reasonable and sustainable information, including that referring to the future.

Expected credit losses are an estimate of the weighted probability of credit losses (i.e., the present value of all the cash shortfalls) throughout the expected life of the financial instrument, adjusted by forward-



looking factors. A cash shortfall is the difference between the cash flows due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

When the increase in the credit risk is insignificant, the value adjustment due to losses of the financial asset is measured at an amount equal to the expected credit losses in the next 12 months.

On each reporting date, the Group evaluates whether the credit risk of the loan portfolio has increased significantly since the initial recognition and recognizes the amount of the expected credit losses (or reversals) in Other Comprehensive Income as an impairment gain or loss.

Definition of default: the default is the key to estimating risk parameters and calculating provisions. A default occurs in any of the following circumstances:

- There is objective and substantial evidence of impairment, i.e., default for more than 90 days, with a minimum amount of materiality.
- Subjective arrears: all the transactions rated at the local regulatory level of "CC" are considered to be loans in subjective arrears.

In addition to the criterion of maturity, all the cases in which it is highly unlikely that a debtor will pay its obligations are included as default. The following cases are taken as indicators of unlikely payment:

- Sale of credit obligations: if the Bank sells a credit obligation of a customer, all other credit obligations related to the customer are deemed to be an economic loss, and therefore, the transaction can be classified as a default.
- Rating of carry-over: Transactions affected by the local carry-over criterion are deemed to be in default.
- Refinancing in difficulties or during the grace period.
- Debtor bankruptcy, preventing or delaying the payment of its credit obligations to the Bank.

In the cases where the write-offs of assets refer to reporting criteria within the Conceptual Framework, they will be removed only following authorization by the Board of Directors and/or in accordance with the levels of authorization established in the Internal Standardization Process (PNI, for its Spanish original).

Asset write-offs applied based on forgiveness shall be made following the due approval process stipulated in the Internal Standardization Process (PNI).

Financial liabilities are only written off of balance sheet accounts when their obligations to the Group have been fulfilled.

Financial Assets in Investment Debt Securities

As for the Consolidated Financial Statements, the classification and measurement criteria of investment debt securities established in IFRS 9 are applied, taking into account the business model for managing assets and the contractual cash flow characteristics of the financial asset in three groups:

Debt Securities at Fair Value through Profit or Loss: are managed in the Group using the business model whose main purpose is to earn profits, as a result of variations in the market value of different instruments and in activities involving securities trading. These assets are classified at fair value through profit or loss and the portfolio accounts for debt securities, which the Group values using the price determined by the valuation price vendor. In the exceptional cases where a determined fair value does not exist on the day of valuation, such securities are exponentially valued on a daily basis based on the internal rate of return.

The Global Markets department is an internal department of the Group that manages, classifies and defines the business model for marketable investments.

Debt Securities at Fair Value through Profit or Loss: are held by the Group in a separate portfolio to yield interest revenue and can be sold to meet the liquidity requirements that arise during the normal

course of business. The Group believes that these securities are managed within a business model whose objective is fulfilled through the collection of contractual cash flows and the sale of securities. The securities classified as available for sale in accordance with the contractual terms give rise to cash flows on specified dates that are only payments of principal and interest on the pending principal. Therefore, these assets have been classified as financial assets at fair value through other comprehensive income according to IFRS 9.

Securities at Amortized Cost - The investment debt securities that were formerly classified as held to maturity are not classified at amortized cost. The Group has the intent and legal, contractual, financial and operating capacity of holding until the date of their maturity or redemption, considering that the structure of financial instruments eligible for this portfolio only results in payments of principal and interest. They are valued on a daily basis, exponentially, based on the internal rate of return calculated at the time of purchase.

Investments classified in this category are measured at amortized cost using the effective interest rate method and interest and impairment charges are recognized in the Consolidated Financial Statements.

Impairment of Investments at Amortized Cost: At the end of each period, the Group assesses whether there are signs of impairment of the investments at amortized cost. The amount of the loss is determined by calculating the difference between the carrying value of the investment and the present value of the estimated future cash flows, deducted with the effective interest rate on the initial recognition date of the investment. The carrying amount of the investment is reduced through an allowance account against the Statement of Income. Then, if there is evidence of recovery, the impairment loss recognized in the Statement of Income is adjusted.

The area of COAP Financial Management is an internal department of the Bank that manages, classifies and defines the business model for investments classified as available for sale and at amortized cost.

Initial Recognition of Investments in Debt Securities: At the time of initial recognition, investments in debt securities are measured at fair value.

Subsequent Measurement of Investment in Debt Securities: Subsequent measurement of investment in debt securities is defined, according to the classification assigned, in three categories: fair value through profit or loss, fair value through OCI and at amortized cost, according to the definition of the Group's business model required in IFRS 9.

Investment valuation – The main objective of valuating investments is determining (measuring), recording and disclosing to the market the fair value at which a security can be traded on a certain date, according to its particular characteristics and within market conditions prevalent on that date.

Debt securities are valued based on the classification prescribed and the criteria established in IFRS 9, at fair value, taking the prices published by suppliers according to the fair value hierarchy and at amortized cost.

Investment valuation criteria - Determining the fair value of a security considers all criteria necessary to ensure compliance with the objective of the investment valuation established in IFRS 13, and in all cases: objectivity, transparency and representativeness, permanent assessment and analysis.

Frequency of the valuation and the accounting record thereof - The valuation of investments in debt securities must be carried out on a daily basis, unless other standards indicate a different frequency. Likewise, the accounting records necessary for the recognition of the investment valuation must be made with the same frequency used for the valuation.

Investments in Equity Instruments at Fair Value through OCI

For equity instruments, the measurement techniques established in IFRS 9 are applied, using the fair value hierarchy criteria, based on the internal model of discounted revenue streams, since these shares are not listed on any secondary market and there is no market price available.

The Group estimates the Consolidated Statement of Financial Position, Consolidated Statement of Income and the Consolidated Statement of Changes in Equity of each controlled entity in order to obtain a flow of future dividends.

This flow of dividends is discounted at present value, as is perpetuity, assuming an indefinite interest in the controlled entity, in order to estimate the fair value thereof.

As for all the figures of the Financial Statements under analysis, the real closing data for three years prior to the analysis date are taken, and based on the current year, the figures are estimated with a limit of another five years, in accordance with the criteria presented below.

This valuation is adjusted on a quarterly basis, in accordance with the periodic Financial Statements published by the entity, to compare the estimate made for the following year with the amount executed on each line of the Balance Sheet and Statement of Income, in order to ensure the accuracy of the valuation. The results of the valuation of these investments are recorded in the other comprehensive income account.

At the end of each period, the Group evaluates whether there is objective evidence of impairment from investments in non-controlled entities, by applying the internal model described above.

Investments in Joint Arrangements

A joint arrangement is that in which two or more parties have joint control over the arrangement, i.e., when decisions regarding relevant activities require the unanimous consent of the parties that share control. Joint arrangements, in turn, are divided into joint operation, in which the parties have joint control and have rights to the assets and obligations regarding related liabilities; and in joint venture, in which the parties that have control are entitled to the net assets and liabilities.

Investments in joint arrangements are measured using the equity method in accordance with the criteria of IAS 28. The investment is initially recognized at cost and is later valued by the changes in the part of the Group of the net asset (equity) of the controlled entity.

The Group has a joint operation with the RCI Colombia Commercial Financing Company that belongs to the Renault Group, with a 49% share, where the adjustments for the controlled entity's income for the

fiscal year are recorded in the Statement of Income and the adjustments of all other net asset items using the equity method are recorded in Other Comprehensive Income (OCI).

Derivative Financial Instruments

The Group subscribes a variety of financial instruments to manage its exposure to interest rate and foreign currency exchange rate risks, including exchange risk hedging, interest rate and currency swap contracts. Note 14 includes a more detailed explanation of derivative financial instruments. The Group continues to apply IAS 39 for derivative hedging transactions.

Derivatives are initially recognized at fair value on the date that the derivative contract is signed, and subsequent changes are adjusted through debits or credits in the Statement of Income, as applicable. The resulting profit or loss is recognized in the Consolidated Statement of Income immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profits or losses will depend on the nature of the hedging relationship and on its effectiveness.

Financial derivative contracts are reported as assets when their fair value is positive, and as liabilities when it is negative.

For valuation purposes, presentation in the Financial Statements, and disclosure and reporting information, the Group must include the credit risk adjustment on a daily basis with the respective counterparty or CVA (Credit Valuation Adjustment) or the own credit risk adjustment or DVA (Debit Valuation Adjustment) in the fair value calculation ("free of risk") of transactions with OTC ("Over-the-Counter") or unstandardized derivatives in their portfolios.

CVA and DVA adjustments do not apply when a counterparty clearing house is involved as a counterparty for monitored entities in transactions with derivatives.

The methodologies used to measure a CVA and DVA adjustment for transactions with Over-the-Counter derivatives or unstandardized derivatives should at least consider the following seven (7) criteria:

- Deadline for compliance with and settlement of the transaction;
- Financial strength: of the counterparty for the CVA, as well as the DVA;
- Netting or compensation agreements with counterparties for transactions with derivatives. In this case, a CVA and DVA adjustment should be calculated for the entire portfolio of transactions with derivatives that are open with the respective counterparty and not individually by transaction;
- Collateral associated with the transaction;
- Risk rating, if any, granted by at least one internationally-recognized or authorized risk rating company in Colombia, as applicable;
- Exogenous circumstances or events that may affect payment capacity and fulfillment of obligations: of the counterparty for the CVA and its own for DVA; and
- Any others that the Bank deems relevant.

Implicit Derivatives

Implicit derivatives in main contracts are treated as separate derivatives when they meet the definition of a derivative and when their risks and characteristics are not closely related to said main contracts and the contracts are not measured at fair value through profit or loss.

At December 31, 2020 and 2019, there is no balance for implicit derivatives registered with the Bank.

Hedge Accounting

A derivative intended to achieve the financial hedging of a certain risk is treated in accounting, for the purpose of hedging if, when trading, changes in its fair value or cash flows are expected to be highly effective in offsetting changes in the fair value or cash flows of the hedged item, directly attributable to the hedged risk from the start, which should be documented in the trading of the derivative and during the hedging period. The Bank continues to apply IAS 39 for hedge accounting.

The Group designates certain hedging instruments, which include implicit derivatives and non-derivatives with respect to foreign currency risk, as fair value hedging or cash flow hedging. Foreign currency risk hedging of a firm commitment may be recorded as cash flow hedging.

At the start of the hedging, the entity documents the relationship between the hedging instrument and the hedge item, along with its risk management objectives and its strategy for undertaking several hedging transactions.

At the start of the hedge and on a continuous basis, said documentation shall include the manner in which the entity will measure the effectiveness of the hedging instrument to offset exposure to changes in fair value of the hedged item or to changes in cash flow attributable to the hedged risk.

Note 15 includes details on the fair value of derivatives used for hedging purposes.

Fair value hedging - Changes in the fair value of derivatives that are designated and rated as fair value hedging, recognized from the time that the effective hedge is designated, in profit or loss, along with any other change in the fair value of the hedged asset or liability attributed to the hedged risk. Variations in the fair value of a hedged risk of the hedged item are recognized in the Consolidated Statement of Financial Position in the item related to the hedged item against the Consolidated Statement of Income.

Hedge accounting is suspended when the Bank revokes the hedging relationship, the hedging instrument matures, or is sold, terminated or completed, or it no longer meets the criteria for hedge accounting.

Cash flow hedging - The portion of changes in fair value of derivatives determined as an effective cash flow hedge will be recognized in other comprehensive income and accumulated under the item "cash flow hedging reserve." The ineffective part will be immediately recognized as income for the period, on the line item "other operating profits and losses".

- The amounts previously recognized as Other Comprehensive Income and accumulated in equity, are reclassified in income in the periods when the hedge item affects income, on the

same line item as the recognized hedge item. However, if hedging a planned transaction later results in recognizing a non-financial asset or non-financial liability, the profits or losses previously recognized in other comprehensive income and accumulated in equity are transferred and included in the initial measurement of cost of the non-financial asset or liability.

- Hedge accounting will be suspended when the Bank revokes the hedging relationship, the hedging instrument expires, or is sold, resolved or completed, or it no longer meets the criteria for hedge accounting. The profit or loss that has been recognized as other comprehensive income and accumulated as equity will continue as equity and be recognized when the planned transaction is recognized in the statement of income. When the planned transaction is no longer expected to occur, any profit or loss accumulated in equity is recognized immediately as profit or loss.

Loan portfolio

Considering that the Group's main objective is customer portfolio collection and placement, in accordance with the contractual terms, it has decided to classify the loan portfolio "at amortized cost", since the contractual conditions are met that give rise, on specified dates, to cash flows that are only payments of the principal and interest of the balance due.

Loans are non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Loans are initially recognized at fair value (value of the transaction), plus the transaction costs that are directly attributable.

Costs directly attributable to the credit investment portfolio are made up of the Bank's sales force item. The contract on which the amount is paid for this item is specifically identified and is deferred over the average life of each line of business (mortgage, commercial, consumer and micro-credit).

There is the option to pay all or part of a loan at any time in advance without any penalty. In the case of

partial payments in advance, the debtor has the right to choose whether the amount paid will reduce the value of the installment or the term of the obligation.

Types of Loan Portfolio

Mortgage portfolio - It records, regardless of the amount, the credits granted to individuals for the acquisition of new or used housing, or for the construction of individual housing.

Consumer loan portfolio - It records all credits granted to natural persons (individuals) the purpose of which is to finance the acquisition of consumer goods or the payment of services for non-commercial or non-entrepreneurial purposes, regardless of their amount and are different to those classified as micro-credits.

Commercial loan portfolio - Credits granted to natural or legal persons to carry out organized economic activities, other than those granted under the type of micro-credit.

Micro-credit portfolio – Credits consisting of the active credit transactions referred to in Article 39 of Law 590/2000, or the regulations that amend, replace or add to it, as well as those provided to micro-businesses, in which the main source of payment of the obligations is the revenue derived from its business activity. The balance of the debtor's indebtedness cannot exceed one hundred and twenty (120) minimum monthly salaries at the time of approval of the respective active credit transaction. The balance of indebtedness is understood as the amount of the current obligations payable by the corresponding micro-business with the financial sector and other sectors, that are listed in the records of the database operators checked by the respective creditor, excluding mortgages for financing home loans and including the value of the new obligation.

Value Impairment

The objective of the model is to recognize the credit losses expected from all the financial instruments for which significant increases in credit risk have occurred, from the time of initial recognition, either



assessed on an individual or collective basis, and considering all the reasonable and sustainable information, including forward-looking information.

Expected losses are measured according to default risk on one of the two timeframes taken into account, depending on whether the customer's credit risk has increased significantly since origination.

If credit risk quality **has not been significantly impaired** from the time of initial recognition, or the asset has a low credit risk on the reporting date, it will be established at stage 1 ('Performing') and provisions will be based on an expected loss calculated over 12 months.

If credit risk quality **has been significantly impaired** from the time of initial recognition, but there is no objective evidence of a credit event, the asset will be classified at stage 2 ('Underperforming'); however, if there is objective evidence of impairment on the reporting date, the asset will be left at stage 3 ('Nonperforming'); in both cases, expected losses will be calculated for the time remaining until the end of the transaction.

Transfer logic

As initially established, expected credit losses are calculated as a loss over 12 months or a lifetime credit loss, according to the occurrence of a significant increase in the credit risk from the time of initial recognition of the transaction with regard to the analysis date.

To assess the level of exposure, the portfolio must be segmented in accordance with the possible risk margin of the customer or contract, at the corresponding stage. The assessment of transfer logic at Stage 2 is defined by quantitative and qualitative factors:

IFRS 9 indicates that "a given change, in absolute terms, in the risk of default will be more significant for a financial instrument with a lower initial risk than a financial instrument with a higher initial risk of occurrence."

Although IFRS 9 does not require the use of an explicit likelihood of default to carry out this assessment,

the quantitative analysis is based on the comparison of the lifetime Probability of Default (PD) and the origination PD, adjusted to make a significant comparison possible. The adjustment must ensure that the period is not the same on the reporting date and on the origination date. The origination PD must be adjusted to consider the remaining life of the loan at the reference date. For the initial stock, given that there is no origination PD with the IFRS 9 methodology, an alternative approach is suggested.

In some cases, the modification of a financial asset results in the recognition of a new and modified financial asset. When this occurs, the modification date is considered to be the initial recognition date of that financial asset. This date is considered to be the origination date of the transaction.

Transactions that show a significant increase in the value of the current PD compared to the value of the origination PD will be transferred to stage 2. Two conditions have been defined to carry out this transfer:

- Relative increase in PD greater than X%
- Absolute increase in PD greater than Y%

The two increases must be lower than certain values (X, Y), which are defined using a sensitivity analysis based on a threshold variation process.

According to IFRS 9, the transfer depends on certain indicators, which are included in the quantitative analysis. However, other indicators are not included in this process, so they must be included through the qualitative criteria.

According to this criterion, if certain conditions are met, the contract must be transferred to stage 2, as described below:

- Default of more than 30 days and less than 91 days
- Classify at Watch List levels 1 and 2

- Refinanced and restructured transactions that have complied with a one-year cure rate following the restructuring, of regular and effective payment.

Stage 3 will include everything classified as default.

Segmentation

To assess the staging of the exposures and measure loss provisions collectively, it is important to group exposures in segments / risk drivers based on the shared characteristics of credit risk. Selecting the risk drivers for estimating PD is fundamental. For staging purposes, the more granular the segmentation is, the better it is to avoid the transfer of enormous exposures from stage 1 to stage 2. To assess the provisions, the different segmentations and risk drivers will reflect the differences in PDs, better discrimination and thus, lead to a better calculation of the amount of the expected loss.

There are certain minimum risk drivers that are taken into account, showing that the default behavior is clearly different between them:

- Days past due
- Watchlist level (for wholesale portfolio)
- Restructured

The final selection of the risk drivers requires additional analysis to determine whether they are relevant, assessing whether there is sufficient discrimination, and they are supported with sufficient data. A joint analysis of the risk drivers is necessary to take the joint discrimination into account. The final combination must lead to different homogeneous groups, each of which will have a different temporary PD and Loss Given Default (LGD) structure.

Families have also been established, based on the procedures defined for each of the Bank's portfolios, whose objective is to create groups of transactions that share similar characteristics.

The following families have been defined, including the Repos and Fixed Income segments, in addition to credit information:

| | | |
|-----------------------|----------------|----------------------|
| Hedge | Mortgage | Institutional |
| Revolving-Individuals | SME | Territorial Entities |
| Card-Individuals | Enterprise | Financial Entities |
| Payroll | Representative | Fixed-Income |
| Vehicle | Corporate | Repos |

Parameters (PD, LGD, CCF)

PD: PD refers to the probability that a loan will be in default within a specific time frame, which is usually set at 12 months, given certain characteristics. PD is a very important component to calculate expected loss and assess whether there has been a significant increase in credit risk.

To calculate expected loss, two different PDs are required:

- The PD at 12 months: is the estimated probability of default that is calculated within the next 12 months (or the remaining life of the financial instrument, if it is less than 12 months).
- The Lifetime PD (LT PD): is the estimated probability of default that is calculated during the remaining life of the financial instrument.

The main requirements of IFRS 9 for measuring PD are as follows:

- Lifetime requirement: means that a temporary PD structure must be created.
- The PD must be “Point in time” (PIT).
- The PD must be conditioned to the expectation of future macroeconomic conditions, i.e., incorporating forward-looking information.

In the process of estimating the PD, it is important to define the concept of marginal PD (the frequency of default observed in the interval between t and $t+1$, which refers to the initial number of contracts at $t=0$), which allows the calculation of the probability of default at each specific point in time. The temporary sequence of PDs is known as the temporary PD structure.

In accordance with the sCOPe of IFRS 9, the provisions for contracts at stage 1 will be calculated by using the first year of the temporary structure of the marginal PD, while for contracts at stage 2 the temporary structure of total PD will be used.

The temporary structure will also be used in the “Transfer Logic” process. The significant increase in credit risk (SICR) can be assessed by comparing the temporary structure of PD at origination with the temporary structure of PD on the reporting date.

LGD: is the loss if the financial instrument is at default (loss given default). It captures the proportion of the exposure to loss, and it is determined using the expected cash flows for a financial instrument with such characteristics. It is the complement of the amount recovered.

The severity assessment is based on the calculation of LGD, using the historical data that best reflect current conditions, by segmenting each portfolio with the risk drivers considered relevant and including a projection in the future to take the forward-looking information into account.

The LGD summarizes all the cash flows charged to the customer following the default. It includes the costs and recoveries during the recovery cycle, including those derived from collateral. It also includes the value of money over time, calculated as the present value of the net recoveries of the cost and additional losses.

It uses a historical period that is long enough to cover at least one expansion and recession period, in order to develop a relational model between the LGD and the economic cycle with the readjustment carried out in 2020 (in this case, from January 2011 to December 2018, seen at the end of 2020).

The databases include:

- **Information on recovery cycles in that period:** default date, default type (actual - +90 days past due-, subjective, carry-over effect) cash flows, cure date, foreclosure date, among others.
- **Forward-looking information:** IFRS 9 requires an expected loss assessment based on historical and current information. Therefore, it is necessary to predict how the economy will evolve in the future. To make this prediction, economic indicators such as the Gross Domestic Product, the Unemployment Rate or the Consumer Price Index are used, among others.

Due to the value of money over time, the cash flows observed (from recoveries, as well as costs) must be discounted at the default date and, in accordance with IFRS 9, the discount rate must be the Effective Interest Rate (EIR) of each financial instrument.

To obtain an estimated LGD, the direct costs of the recovery process (such as customer contact costs or legal expenses, among others), must be included as a cash flow that reduces the final recovery. The costs to be included are the direct costs of the process.

As regards the LGD parameter, for assets at stage 1 just one LGD PIT is needed (including relevant forward-looking information) to record attributable losses for the next 12 months. At stage 3, the LGD for portfolios in default already includes all expected future losses (adjusted to current and future economic conditions). On the contrary, for assets at stage 2, where lifetime losses must be calculated, a temporary LGD structure will be required, which means one parameter for each possible future default date.

In the case of collateralized assets, IFRS 9 establishes that, in order to estimate expected credit losses, the estimation of expected cash deficits will reflect the expected cash flows of the collateral and other credit improvements, that are part of the contractual terms and are not separately recognized by the entity. The estimation of expected cash deficits in a collateralized financial instrument reflects the amount and time frame of the cash flows expected from the foreclosure on the collateral, less the costs of obtaining and selling the collateral, regardless of whether the foreclosure is likely.

The indirect costs of the process do not have to be included. Only the incremental costs directly attributable to the disposal of an asset (or disposal of a group of assets) must be considered, excluding the financial costs and income tax.

CCF: The estimation of the CCF captures the potential increase in exposure between the current date and the default date; i.e., the CCF is the percentage of balance off the balance sheet that will be used before the default date.

$$\text{EAD} = \text{current drawn amount}_t + (\text{CCF} * \text{current undrawn amount}_t)$$

The estimated EAD is the amount expected from the contract of a customer that is not currently in default and could be so in the next 12 months.

So, the empirical CCF of a financial instrument is:

$$\text{CCF} = \frac{\text{Current drawn amount}_{t+k} - \text{Current drawn amount}_t}{\text{Current undrawn smount}_t}$$

The factors are estimated based on the entity's historical experience. The final CCF– is calculated using the contract or debtor CCFs (depending on the approach) through the statistics considered. If the average statistical method is chosen, it is weighed according to the number of contracts.

Based on a customer approach, the database contains customers in default who have a contract (whether in default or not) on the customer default date. They are grouped in one-year intervals called cohorts. Each customer in default must be included in each cohort that contains the customers default date.

Within each cohort, the same reference date is defined for all customers in default, as well as for all the contracts of each customer in default.

The required database contains all the customers in default and records the information necessary in the 12 months preceding the customer's default of all the contracts (whether in default or not).

This way, monthly cohorts will be created, with a duration of one year or less, which contain customer defaults and whose references dates belong to the end of each month, where the first cohort is the oldest and the last cohort is the most recent. For the cohorts in which there is a default, in the beginning, all the necessary information (balance available, balance drawn, limit, etc.) of all the contracts must be available to calculate the CCF in each cohort.

Forward Looking and Macroeconomic Models

According to IFRS 9, the expected loss must be forward-looking, i.e., the credit risk parameters must include future projections. The relevant macroeconomic factors, such as GDB, stock index, interest rate, unemployment rates, etc. are used to forecast PD and LGD parameters.

The forecasts and the IFRS 9 models must be consistent with those used in capital planning (stress testing / budget processes). Therefore, to incorporate forward-looking information, the macro-scenarios provided by the Research Area are used, which are updated on a quarterly basis. The ones already in use for these purposes, and the models must be in line with those used for stress testing.

The approach to include the forward-looking information in PDs consists of developing macroeconomic models that reflect the historical correlation observed between the defaults and the state of the economy. In the case of the LGD, it consists of developing macro-models that reflect the historical correlation observed between the recovery cycles or cure rates, and the state of the economy. The macro-variables chosen must be the ones that best explain the behavior of the portfolio and make economic sense. In this sense, the econometric model must comply with the goodness of fit and statistical significance of the variables, and it must be easily understandable and explainable.

Other accounts receivable – Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

These assets are initially recognized at fair value plus the transaction costs directly attributable to their acquisition or issuance.

In subsequent recognitions, the fair value of the accounts receivable is deemed to be equal to their carrying value, where this is the best estimate.

The Group has defined that, to calculate the provision of the accounts receivable, taking into account the type of accounts it holds, their volume and the risk involved in recovering said accounts, it must make a provision equivalent to 100% of the account receivable in the event of a default equal to or greater than 180 days.

Restructured financial assets with collection issues - Restructured financial assets are those that have collection issues and whose debtor has been granted a concession by the Group, which would not have been considered in a different situation. These concessions are usually reductions in the interest rate, extension of terms for payment or reductions in the balances due. Restructured financial assets are recorded at the present value of expected future cash flows, deducted at the original rate of the asset before restructuring.

The Group can eliminate the restructured condition when the debtor makes regular and effective payments to principal and interest for an uninterrupted period of 18 months for micro-credit, 2 years for consumer loans and 4 years for commercial and mortgage loans.

To allow debtors to properly service their debt in the event of real or potential impairment in their payment capacity, the Group may amend the originally agreed conditions for the loans, without the adjustments being considered a restructuring, provided that during the last 6 months, the loan has not reached a consecutive default of more than 60 days for micro-credit and consumer loans, and 90 days for commercial and mortgage loans. These changes can be made at the request of the debtor or by initiative of the entity, subject to agreement with the debtor.

Agreements with creditors – Loans to customers that are admitted to a bankruptcy proceeding are immediately rated “E” (Uncollectible) and are subject to the provisions defined for this category. Once the payment agreement is made within the process, loans may be reclassified as “D” (Significant). Subsequently, reclassifications to lower-risk categories can be made provided that all requirements established by the Superintendence in that respect are met.

Loan portfolio and accounts receivable write-offs - A loan or account receivable is subject to write-off by debiting impairment for loan portfolio or accounts receivable, respectively, when all possible collection mechanisms have been exhausted and it is deemed uncollectible. Write-offs are approved by the Board of Directors.

Financial assets are derecognized from the balance sheet by debiting the impairment provision when they are deemed uncollectible. The recoveries of previously written off financial assets are recorded as recovery income.

3.6. Non-current assets held for sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying value is recoverable through a sales transaction and not through continuous use. This condition is considered to be met only when the sale is highly probable and the asset (or disposal groups) is immediately available for sale in its current state, subject only to the terms that are usual and adapted to the sale of these assets (or disposal groups). Management must commit to the sale, which must be recognized as a final sale within one year of the date of classification.

Non-current assets (and disposal groups) classified as held for sale are calculated at the lowest value between the carrying value and the fair value of assets less estimated costs of sale. The difference between both amounts is recognized in the Statement of Income.

If the assets are not sold within the term, they are reclassified to the categories where they were originated. The Group does not depreciate (or amortize) the asset while it is classified as held for sale.

Derecognition due to sale of the asset - A sale is considered complete when the significant risks and rewards derived from ownership of the assets have been transferred to the buyer, there are no implications in the management associated with the ownership for the selling party, nor is effective control retained. The amount of revenue from ordinary activities can be measured reliably, and it is likely that economic rewards associated with the transaction are received and the costs incurred, or to be incurred, related to the sale can be measured reliably.

The Group records profits or losses not previously recognized at the date of sale for a non-current asset, on the date that the write-off occurs.

3.7. Properties taken on leases

The Group applied IFRS 16 Leases as of January 1, 2019. Using the modified retrospective approach, based on which the cumulative effect of the initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information provided for 2018 is not restated, i.e., it is provided, as previously reported, under IAS 17 and related interpretations.

At the beginning of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

This policy applies to contracts entered into on or after January 1, 2019.

As a lessee. At the beginning or in the amendment of a contract containing a lease component, the Group assigns the consideration in the contract to each lease component on the basis of a separate relative price. However, for property leases, the Group has chosen not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the start date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the start date, plus the initial direct costs incurred and an

estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site where it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank at the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced for impairment losses, if applicable, and adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments not paid at the start date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental loan rate. The Bank defined the funding rate of similar liabilities as a discount rate.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate on the start date;
- amounts expected to be paid as a residual value guarantee; and
- the exercise price of a call option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be paid under a residual value guarantee, if the Bank

changes its assessment of whether it will exercise a call, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset, or it is recorded in the statement of income if the carrying value of the right-to-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment” and lease liabilities in “loans and obligations” in the consolidated statement of financial position.

Short-term leases and leases of low value assets

The Group has decided not to recognize right-of-use assets and lease liabilities for low-value assets and short-term leases, including technological equipment and common areas. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

As a lessor. At the beginning or in the amendment of a contract containing a lease component, the Group assigns the consideration in the contract to each lease component on the basis of their separate relative prices.

When the Bank acts as lessor, it determines at the beginning of the lease whether each lease is a finance or operating lease.

To classify each lease, the Group makes a general assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for most of the economic life of the asset.

If a contract contains both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements of IFRS 9 to the net investment in the lease. In addition, the Group periodically reviews the estimated unguaranteed residual values used in the calculation of the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the term of the lease as part of “other income.”

In general, the accounting policies applicable to the Group as a lessor in the comparative period did not differ from IFRS 16, except for the classification of the sublease made during the current reporting period, which resulted in a classification as a finance lease.

Policy applicable before January 1, 2019

For contracts entered into prior to January 1, 2019, the Group determined whether they were or contained a lease based on the assessment of whether:

- compliance with the contract depended on the use of a specific asset or assets; and
- the contract had entailed a right to use the asset. the contract involved the right to use the asset if one of the following conditions was met:
- the buyer had the ability or right to operate the asset by obtaining or controlling more than a negligible amount of the output;
- the buyer had the ability or right to control physical access to the asset by obtaining or controlling more than a negligible amount of the output; or the facts and circumstances indicated that it was a remote possibility that other parties would obtain more than a negligible amount of the output, and the unit price was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee. In the comparative period, as a lessee, the Group classified as finance leases the leases that transferred substantially all the risks and rewards of ownership. When this was the case, the leased assets were initially measured at the lower of fair value and present value of the minimum lease payments. The minimum lease payments were the payments during the lease term to be made by the lessee, excluding any contingent assets. After initial recognition, assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Bank's consolidated statement of financial position. Payments made under operating leases were recognized in income on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense over the term of the lease.

As a lessor. When the Bank acted as lessor, it determined at the beginning of the lease whether each lease is a finance or operating lease.

To classify each lease, the Group made a general assessment of whether the lease transferred substantially all the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease covered most of the economic life of the asset.

Given under leases - Assets given under lease by the Bank are classified when the contract is signed as finance or operating leases.

A lease is classified as a finance lease when all the risks and rewards inherent to ownership are substantially transferred; otherwise, it is classified as an operating lease.

Leases classified as finance leases are included in the balance sheet in the "loan portfolio and finance lease transactions" line item and recorded in accordance with the regulatory criteria issued by the Financial Superintendence of Colombia for Loan Portfolio.

Leases classified as operating leases are included in the property and equipment account and recorded and depreciated in the same way as this type of assets.

3.8. Property and equipment

Property and equipment are tangible assets held by an entity for its use in the production or supply of goods and services, to lease them to third parties or for administrative purposes, and they are expected to be used for more than one term.

Initial recognition – Property and equipment are initially recognized at cost, which includes the purchase price (import duties and indirect, non-recoverable taxes that make up part of the acquisition, after deducting any commercial discount or price reduction), the costs directly attributable to the startup of the asset in situ and in the conditions necessary for it to function in the manner expected by the Group and the initial estimated disassembly costs, notwithstanding the amount.

For new acquisitions, their recording in the financial statements will be compared to the International Financial Reporting Standards (IFRS) applicable in Colombia.

Initially attributable costs – The cost of property and equipment elements includes:

- a) Their acquisition price, including import duties and indirect, non-recoverable taxes accrued by the acquisition, after deducting any discount or price reduction.
- b) All costs directly attributable to the placement of the asset at the location and in the conditions necessary for it to operate in the manner expected by management.
- c) The initial estimate of disassembly and disposal costs of the element, as well as the restoration of the space where it is located.

Useful life – The Group determines the useful life of an asset in terms of the profit it is expected to provide to the entity. IAS 16 establishes that the useful life of an asset is a matter of judgment, based on

the entity's experience with similar assets, and consequently the Group, based on the historical behavior of the assets, has established the use of its assets as follows:

| Assets | Useful life |
|-------------------------|--|
| Buildings | Economic life established by the appraiser (50 to 100 years) |
| Computer equipment | Between 2 and 6 years, according to the obsolescence management policy |
| Furniture and fixtures | 10 years |
| Machinery and equipment | 10 years |
| Vehicles | 5 años |

Subsequent measurement of property and equipment is valued using the cost model, which equals the cost of acquisition less accumulated depreciation and, if applicable, the accumulated amount of losses due to value impairment.

Interest costs that are directly attributed to the acquisition, construction or production of a qualified asset will form part of the asset's cost under the terms of IAS 23. At December 31, 2020 and 2019, there is no balance recorded for these transactions.

Costs following initial recognition- Costs following initial recognition, such as additions and improvements that increase efficiency, will be capitalized and included as a greater cost of the asset only if it is likely that such costs will result in future economic rewards in addition to those originally assessed and can be reliably measured; regarding certain maintenance costs in which the elements significantly affect the proper operation of the asset, this amount will be included in the value of the asset. Capitalization as a greater value of the asset for refurbishment must be supported by the preparation of a technical document (business case) proving the importance and relevance of said refurbishment for the asset.

Preservation and maintenance expenses of material assets for the entity's own use are recognized as an expense during the fiscal year in which they are incurred.

The Group will not recognize the daily maintenance costs of the elements that are considered necessary for repair and preservation as a greater value of the property and equipment, unless they significantly influence the asset's operation. Daily maintenance costs are mainly labor and consumables, which may include the costs of small parts.

Replacement of parts or repairs that extend future economic rewards are capitalized and the existing cost is retired in turn.

Depreciation - The Group uses the straight line method to depreciate its property and equipment. In addition, the depreciable amount is determined after deducting its residual value. An impairment test will be performed on an annual basis for long-lived assets in order to indicate possible evidence of impairment, in which case the Property and Equipment (PE) will be appraised, which will include the new useful life and the residual value.

Residual Value - This is the estimated amount that an entity may obtain at present for the disposal of an asset, after deducting the estimated disposal costs, if the asset has already aged and the other conditions expected at the end of its useful life have been met.

The factors listed below, among others, may indicate that the residual value or useful life of an asset has changed from the most recent annual reporting date, namely:

- A change in the use of the asset,
- Unexpected, significant wear and tear,
- Changes in market prices.

If these indicators are present, the Group reviews its previous estimates and, if the current expectations are different, it modifies the residual value and records the change in residual value, the impairment method or the useful life as a change in the accounting estimate.

Impairment - At the close of each reporting period, the Group analyzes whether there are internal or external signs that a material asset can be impaired. If there is evidence of impairment, the Group requests an update of the appraisal so the asset can generate the respective alert, if necessary. Based on the result of the appraisal, the Group compares said amount with the net carrying value of the asset and when the carrying value exceeds the appraised value, a loss for value impairment of the asset is recognized and the charges for the asset's depreciation will be adjusted in future periods systematically throughout the remaining useful life thereof.

The Group determines the recoverable value of its buildings by taking the greater value between the sale price less sales costs and the value in use. The sale price is established through independent appraisals by authorized suppliers and, particularly, in the case of the buildings for its own use, based on independent appraisals, in such a way that they are no more than 3-5 years old, except when there are signs of impairment.

The revaluation surplus recognized in first-time adoption adjustments in the process of transition to IFRS, due to the application of the attributed cost exemption included in equity, will be affected by the recognition of the impairment of these assets as a result of the update of their respective commercial appraisals until depleted and then debited to income.

Improvements to Third-party Properties – The Group records improvements to properties under lease in this category, as well as the estimated disassembly costs, amortizing the amounts in the lesser period between the useful life and the term of the lease contract for the property.

Derecognition due to sale of the asset – A sale is considered complete when the significant risks and rewards derived from ownership of the assets have been transferred to the buyer, there are no implications in the management associated with the ownership for the selling party, nor is effective control retained, the amount of revenue from ordinary activities can be measured reliably, and it is likely that economic rewards associated with the transaction are received and the costs incurred, or to be incurred, related to the transaction can be measured reliably.

The Group recognizes profits or losses not previously recognized at the date of sale for a non-current asset, on the date that the write-off occurs..

3.9. Prepaid expenses

Transactions are recognized in prepaid expenses provided that they meet the criteria for recognizing assets, such as the software and hardware maintenance insurance policies that represent an enforceable right due to non-compliance of the supplier for the Group, and contributions.

Contributions that are recognized in this category include payments made for contributions or memberships with entities as long as their amortization does not exceed the fiscal period. Therefore, they are amortized during the accounting period, and they must have a balance of zero at the end of the period.

Prepaid expenses on account of insurance policies are amortized during the term of such expenses.

3.10. Intangible assets

These are non-monetary identifiable assets without physical substance, which are held to be used for the production or supply of goods and services.

Initial recognition – Intangible assets are recognized, if and only if, it is likely that the expected future economic rewards attributable to the asset will flow to the entity and their cost can be reliably measured.

Probability criteria are applied to intangible assets that are acquired independently or in a business combination. In addition, their fair value can be measured with sufficient reliability to be recognized separately from capital gains.

Subsequent disbursement s– Subsequent disbursements are recognized as an expense when they are incurred, on account of research disbursements, when they are development disbursements that do not meet the requirements for being recognized as an intangible asset.

Subsequent disbursements are recognized as intangible assets in the case of a development disbursement that meets the requirements for being recorded as an intangible asset.

All IT software that is strategic for the Group is classified under this category, in addition to projects that have a long estimated useful life. These projects generally maintain a significant amount, and the Group will include software licenses in this category.

Robust local IT developments are also included.

Useful life - An intangible asset is considered to have an indefinite useful life when, based on the analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash inflows for the Group.

The Group, in line with the policies adopted by its parent company, has established a period of five (5) years for amortization of intangible assets (software, licenses and substantial applications), except when, after an analysis of the expected future economic rewards, this term could be extended.

Subsequent measurement – The Group measures its intangible assets using the cost model. Based on the criteria established in IAS 38 for its own software, useful life is defined as finite and the amortization period is dependent upon the time during which the future economic rewards are expected to be obtained, which is five years according to the Group's accounting policies (see above paragraph).

The subsequent valuation of intangible assets is measured at cost less, when applicable, the accumulated amortization and any impairment loss.

Intangible assets with a defined useful life are amortized based on the benefit generation scheme during their useful life. When this pattern cannot be reliably determined, the asset is amortized using the straight line method.

Amortization begins when the asset is in the conditions expected for its use and will end when the asset is classified as a non-current asset for sale or when it is written off on the balance sheet.

Subsequent disbursements of an intangible item are recorded as an expense unless they are part of the intangible asset meeting the recording criteria for this category.

Impairment of intangible assets - At the end of each period, the Group evaluates the end date of the amortization to validate whether there is any sign of impairment in value of the intangible assets, by analyzing variables such as the right to use, term of use of the asset, condition of the asset and time of amortization.

3.11. Impairment of non-financial assets

Non-financial assets are recorded as property and equipment, and intangible assets are recorded in cost.

The Group has a periodic revision scheme that includes a means of optimal recovery in order to detect and alert of asset impairment, through impairment testing based on internal and external sources. If, as a result of applying the test, signs or evidence of impairment are obtained for a type of asset, its recoverable amount will be calculated, i.e., the greater between the fair value and its value in use.

The value of an asset is impaired when its carrying value exceeds its recoverable value. This, in turn, is the greater between its fair value less the costs of disposal and its value in use, and the value in use is the current value of future cash flows estimated to be obtained from an asset or cash-generating unit.

The recoverable value of an intangible asset is the greater between the value in use and its fair value less costs of disposal. The fair value of this type of asset will be calculated by the entity whenever there is evidence of impairment.

After recognizing a loss for value impairment, the charges for the asset's depreciation will be adjusted in future periods, in order to distribute the revised carrying amount of the asset, minus its potential residual value, systematically over the remaining useful life.

3.12. Deposits and current liabilities

Deposits and other demand liabilities: This category includes all demand liabilities, except for deposit accounts, which are not considered to be demand liabilities because of their special features. Demand liabilities are those whose payment could have been required in the period, i.e., those transactions that become payable on the day following the end of the period are not considered to be demand liabilities. Demand deposits are initially recognized at the amount of the transaction less the inherent costs thereof.

Term deposits and other funding: This category presents the balances for funding transactions, in which there has been a period established with the customer through a security, at the end of which they are considered payable. Term deposits are initially recognized at the amount of the transaction less the inherent costs thereof.

Term deposits and other fundings are financial liabilities measured at amortized cost, which is determined using the effective interest rate method, given that the entity's intention is to hold these instruments until maturity.

For term liability transactions, the Group offers the CD Gift product, in which it provides a gift according to the amount and term of the security; the cost of this item is linked to the CD and is amortized during the period thereof, simulating amortized cost for accounting purposes.

Attributable costs - Transaction costs are treated as a lesser amount of the liability measured at amortized cost.

3.13. Financial obligations

Includes liabilities with other banks in the country and banks abroad, measured at amortized cost using the effective interest method.

Banker's acceptances, which are bills accepted by financial entities to be paid to the beneficiaries within a term not to exceed six (6) months, are included in financial obligations. They may only be originated in goods import and export transactions or transactions for the purchase-sale of personal property in the country. When said bills are accepted, the net value of the right and the obligation of the banker's acceptance are recognized in liabilities. After that, the value of the rights is assessed by credit risk.

3.14. Outstanding investment securities

These instruments include liabilities with subordinated bonds or ordinary bonds placed on the local market or abroad.

Regarding bonds issued in foreign currency, the Group, for initial recognition, records them at the price of the transaction, including the costs of the transaction, deferred over the life of the security and its subsequent measurement of the initially recorded amount, less principal reimbursements, plus or less the accumulated amortization of any difference between the initial amount and reimbursement value upon maturity. The effective interest rate in the amortized cost method is IRR (Internal Rate of Return).

3.15. Labor liabilities

Labor liabilities are recorded on a monthly basis and adjusted at the end of each year based on legal standards and labor agreements currently in force. The payroll settlement system calculates the liability amount for each active employee.

Benefits are recorded when the Group has consumed the economic rewards derived from the provision of service by employees. In order to recognize it as a personnel or general expense, the entity differentiates the rewards of work tools.

Cumulative short-term benefits – Short-term employee benefits are those that the Group expects to liquidate completely before 12 months at the end of the annual reporting period, such as wages and

salaries, vacation and severance pay, among others. These benefits are accrued as they are incurred by debiting income.

Long-term benefits – The Group has chosen to apply financial discount techniques (accounting method and actuarial discount techniques) where it is required to use the actuarial hypotheses, directly affecting actuarial gains and losses in the income statement for benefits given to employees per five years of employment (seniority bonus).

Post-retirement and termination benefits - Post-retirement and termination benefits other than defined social security contributions are recorded based on the report generated by the independent actuary by applying the Projected Credit Unit method and affecting the other comprehensive income account.

Retirement pensions – Current values for these commitments are calculated on an individual basis, having applied, in the case of active employees, the valuation method of the “projected credit unit”; this includes each year of service as generating an additional unit of entitlement to benefits, and values each of these units separately.

In order to determine the calculation of post-employment liabilities, the criteria of IAS 19 - Employee Benefits of Annex 1.1 of the Technical Regulatory Framework (Decree 2420/2015 and its amendments) are applied, and the calculation of pension liabilities to be paid by the Group are disclosed in the notes to the financial statements in accordance with the parameters established in Decree 1625/2016 (Articles 1.2.1.18.46 and following), reporting the variables used and the difference with the calculation made under IAS 19.

Actuarial methods - Liabilities and the cost of services for the current period are calculated using the Projected Credit Unit method. This method quantifies the benefits of each participant in the plan as long as they are entitled to them, taking into account future salary increases and the formula for the plan to assign benefits. Therefore, the total estimated benefit that each participant is expected to be entitled to

after departure from the entity is divided into units, each associated with one year of proven service, whether it is in the past or future.

The valuation will be carried out individually for each employee. By applying actuarial hypotheses, the amount of the projected benefit that depends on the estimated date of termination, the proven service and the salary at the time of the act is calculated.

The estimated benefit to which an individual is entitled, for purposes of a valuation associated with a termination date, corresponds to the benefit described in the plan calculated with the projected salary for the benefit at the expected date of termination.

The benefit attributed to service provided during a period is the difference between the liability of the valuation at the end of the period less the liability at the start of the period, in other words at the valuation date.

Therefore, the liability for defined benefits at the end of the period is calculated by applying the proportion between proven service at the date of measurement and the total service that each participant will provide until the expected date of termination to the total amount of estimated benefits.

The liability for benefits defined under the plan is the sum of the liability for each individual at the date of measurement, and the cost of services for the current plan period is calculated as the sum of costs of individual services for the current period.

The Group establishes its pension liability based upon the actuarial valuation that covers all personnel, who according to legal standards are entitled to, or have the expectation of, a retirement pension at the expense of the company, and covers the benefits established in the current pension system.

For commitments for post-employment compensation, the Group applies the defined contribution plan and the defined benefits plan.

Defined contribution plan - In these plans, the Group's liability is limited to the contribution that it has agreed to deliver to a pension fund or insurance company. As a result, the actuarial and investment risk is assumed by the employee.

Defined benefits plans: The liability of the Group is to provide the agreed benefits to current and former employees. The actuarial risk (in the event that people have a greater cost than expected) and the investment risk are assumed by the Group.

Currently, Colpensiones (formerly, Instituto de Seguros Sociales "ISS") and other entities authorized by law (private AFPs since 1994), receive contributions from the Group and its employees to the General Pension System, so those entities are responsible for covering the disability, old age and death risks defined by the System in favor of the employees. The pension liability directly under the Group's responsibility essentially corresponds to personnel hired in or before 1960, and/or with subsequent enrollments up to 1984 and those who worked in certain regions of the country where the Group had offices but did not cover disability, old age and death risks on account of the ISS. The liability amount is determined based on actuarial studies adjusted to the current regulations and standards on the matter.

The total amount of the reserve, as well as the actuarial gains or losses generated were assumed by the Group and were accounted for based on the IAS 19 guideline, where the present cost of the service and the net interest of the liability, are recorded in the statement of income for the period, while new measurements of the liability for defined benefits (actuarial gains and losses) will be accounted for in Other Comprehensive Income.

3.16. Estimated liabilities and provisions

Includes the amounts recorded to cover the Group's current liabilities derived from past events that are clearly identified according to their nature, but have an undetermined amount or payment date; after which, and for the payment thereof, the Group expects to dispose of resources that include economic rewards.

These liabilities may arise from legal or contractual provisions, valid expectations created by the Group regarding third parties in regard to the assumption of certain types of liabilities or through the expected development of the regulatory standards of the entities' operations, and specifically, draft regulations from which the Group cannot be released.

The allowances are liabilities in which there is uncertainty as to their amount or due date. These allowances are recorded in the balance sheet when there is a current liability (legal or implicit) as a result of past actions or events and the Group will likely have to dispose of resources to pay the liability and the amount of these resources can be reliably measured.

When the effect on the value of currency over time is significant, the amount of the allowance is the present value of expenses expected to be incurred for payment thereof.

Among other things, these allowances include commitments made with employees, as well as allowances for tax and legal disputes.

Allowances are recalculated at the close of each accounting period and are used to offset the specific liabilities for which they were originally recognized; they are then reversed, in full or in part, when such liabilities cease to exist or decrease.

Allowances are classified based on the liabilities covered, as follows:

- Allowances for tax and legal disputes.
- Allowances for contingent credit risk.
- Allowances for other contingencies.

Contingent assets are not recognized in the balance sheet or in the profit and loss account, but they are reported in the financial statements provided the increase in resources that include economic rewards for this reason is likely.

Contingent liabilities are the Group's possible liabilities, arising as are a result of past events, whose existence is conditional on the occurrence or non-occurrence of future events that are beyond the

Group's control. They also include the entity's current liabilities, whose payment is not likely to decrease resources including economic rewards or whose amount, in extremely rare cases, cannot be quantified with sufficient reliability.

3.17. Income tax

The income tax expense represents the amount of the current income tax payable and the deferred income tax.

- **Current income tax** - The current tax payable is based on the taxable income recorded during the year. Taxable income is different from the income recorded in the profit and loss statement and other comprehensive income, due to the taxable or deductible income or expense items in other years and items that are never taxable or deductible. The Bank's liabilities for current income tax are calculated using the tax rates mandated or substantially approved at the end of the reporting period. The Bank determines the provision for income tax based on the taxable profit or presumptive income, whichever is higher, estimated at the rates specified by the tax law.
- **Deferred income tax** - The deferred income tax is recognized on temporary differences between the carrying value of the assets and liabilities included in the financial statements and the corresponding tax bases used to determine taxable income. The deferred income tax liability is generally recognized for all temporary tax differences. A deferred income tax asset will be recognized for all the deductible temporary differences, to the extent that the entity is likely to have future taxable income against which it can debit the deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than the business combination) of other assets and liabilities in a transaction that does not affect taxable income or accounting gain.

The deferred tax from taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures must be recognized, except for those in which the Bank can control the underlying temporary difference and when there is the possibility that it may not be reversed in the near future.

The carrying value of a deferred income tax asset must be subject to review at the end of each reporting period and it must be reduced, inasmuch as there will not be sufficient taxable income in the future to recover all or part of the asset.

The deferred income tax assets and liabilities must be measured using the tax rates expected to be applicable in the period in which the assets are realized or the liabilities are canceled, based on the rates (and tax laws) approved or practically approved at the end of the reporting period following the approval process.

Accounting record - Current and deferred income taxes shall be recognized in the profit and loss statement, except when they are related to items recorded in other comprehensive income or directly in equity, in which case the current or deferred income tax is also recognized in other comprehensive income or directly in equity, respectively; in the case of a business combination when the current or deferred income tax arises from the opening entry of the business combination, the tax effect is considered in the entry of the business combination.

3.18. Real value unit – RVU

The real value unit (RVU) is certified by the Central Bank and reflects the purchasing power based upon the variation of the consumer price index (CPI) during the calendar month immediately prior to the month when the calculation period starts.

The RVU is a count unit used for calculating the cost of housing (mortgage) credits that allows financial entities to keep the purchasing power of the money lent. The methodology used for calculating such indicator was established by the Board of Directors of the Central Bank, in strict compliance with the order given by the Constitutional Court in Ruling C-955/2000.

The Group carries out transactions to obtain savings deposits, and grant short- and long-term loans and investments in reduced real value units (RVU) at legal tender in conformity with the provisions of Law 546 / December 23, 1999, which created the legal framework to finance housing.

This law established the general objectives and criteria the National Government should be subject to in order to regulate the system, further creating savings instruments devoted to such financing; the financing system is stated in Real Value Units (RVU) and shall reflect the purchasing power of money, which implies it is linked to the consumer price index.

3.19. Adequate equity

According to the provisions of Section 2.1 of Chapter XIII-16 of the Basic Accounting and Financial Notice (Public Notice 100/1995 of the Financial Superintendence of Colombia- SFC, for the Spanish original), the Bank's adequate equity must comply with the following two minimum levels of solvency:

- **Basic Solvency Ratio:** The value of Ordinary Basic Equity Net of Deductions (hereinafter PBO, for the Spanish original) divided by the value of credit risk weighted assets (RWAs, for the Spanish original) and market and operational risks. This ratio may not be lower than 4.5%.

$$\text{Basic Solvency} = \frac{PBO}{RWAs + \frac{100}{9}(VaR_{RM} + VaR_{RO})} \geq 4.5\%$$

- **Additional Basic Solvency Ratio:** The sum of the value of the PBO and the Additional Basic Equity (PBA, for the Spanish original) divided by the value of the APNR and market and operational risks. This ratio may not be lower than 6%.

$$\text{Additional Basic Solvency} = \frac{PBO + PBA}{RWAs + \frac{100}{9}(VaR_{RM} + VaR_{RO})} \geq 6\%$$

- **Leverage ratio:** The sum of the value of PBO and PBA divided by the leverage value. This ratio may not be lower than 3%.

$$\text{Leverage Ratio} = \frac{PBO + PBA}{\text{Leverage Value}} \geq 3\%$$

• **Total Solvency Ratio:** The value of Technical Equity (PT, for the Spanish original) divided by the value of the APNR and market and operational risks. This ratio may not be lower than 9%.

$$\text{Total Solvency} = \frac{\text{Technical Equity}}{RWAs + \frac{100}{9}(VaR_{RM} + VaR_{RO})} \geq 9\%$$

Where:

PT= Value of Technical Equity calculated as per the instructions given in Subsection 2.3 of this Chapter.

RWAs= Risk-weighted assets by credit risk level calculated according to the instructions provided in Subsection 2.4. of this Chapter and in Form 239 (Proforma F.1000-141 "Report on the Solvency Margin and Other Equity Requirements and Solvency Margin Control Statement."

VaR_{RM} = Value of market risk exposure calculated as per the instructions given in Chapter XXI "Rules concerning the market risk management system" of Basic Accounting and Financial Notice (CBCF, for the Spanish original).

VaR_{RO} = Value of operational risk exposure calculated as per the instructions given in Chapter XXIII "Rules concerning the operational risk management system" of Basic Accounting and Financial Notice of the CBCF.

Leverage value = The sum of the value of all assets net of provisions; net exposures in all repurchase and repo, simultaneous and temporary security transfer transactions; credit exposures in all derivative financial instruments; and the exposure value of all contingencies. To determine the exposure value of the contingencies, the nominal amount of the exposure, net of provisions, must be multiplied by the applicable credit conversion factor as established in items a) to c) of Article 2.1.1.3.5 of Decree 2555/2010.

The value of the assets deducted to calculate the PBO, pursuant to Article 2.1.1.1.11 of Decree 2555/2010, or deducted to calculate the PT, pursuant to Article 2.1.1.3.2 (10) of Decree 2555/2010, must be computed at a value of zero for purposes of determining the leverage value.

The calculation of each of the items that make up the minimum solvency ratios and buffers must be made considering the monthly and quarterly information of the Exclusive Financial Reporting Catalog for Monitoring Purposes and Form 239 (Proforma F.1000-141 "Report on the Solvency Margin and Other Equity Requirements and Solvency Margin Control Statement", as indicated in each of the components of the solvency ratios and buffers, as well as the current instructions established for the Consolidated Financial Statements.

3.20. Additional paid-in capital

The premium on share placement is the additional value to the nominal value of the shares that is charged when transferring them and arises when the shares are placed in the market for a price higher than nominal value.

It is originated in a share subscription agreement and is a legally valid option; however, while the shares obtained as a result of the aforementioned contract are part of the share capital, the premium, as an additional value to the nominal value of the share, constitutes an equity item crediting the legal reserve.

3.21. Recognition of revenue and expenses

Interest revenue and expenses and service fees are recorded in the statement of income for the fiscal year as they are earned, based on the time of the transactions that give rise thereto. Revenues are measured at the fair value of the consideration received or to be received, and represent amounts receivable for the services provided, net of discounts and value added tax. The Group recognizes revenue when its amount can be reliably measured, it is likely that the future economic rewards will flow to the entity and when specific criteria have been met for each of the Group's activities.

In the case of impact on general revenue and expenses, the Group uses the general principles of the conceptual framework, such as: Accrual Basis, Recording, Certainty, Reliable Measurement, Correlation of Revenue and Expenses, Cost-Benefit Consideration, Valuation and Materiality or Relative Importance.

The Group recognizes revenue on the sale of property when the risks and rewards of ownership are

transferred to the buyer, it does not retain ownership or control of the properties sold, the amount of revenue can be reliably measured, it is likely to receive the economic rewards associated with the transaction and the costs incurred by the transaction can be reliably measured.

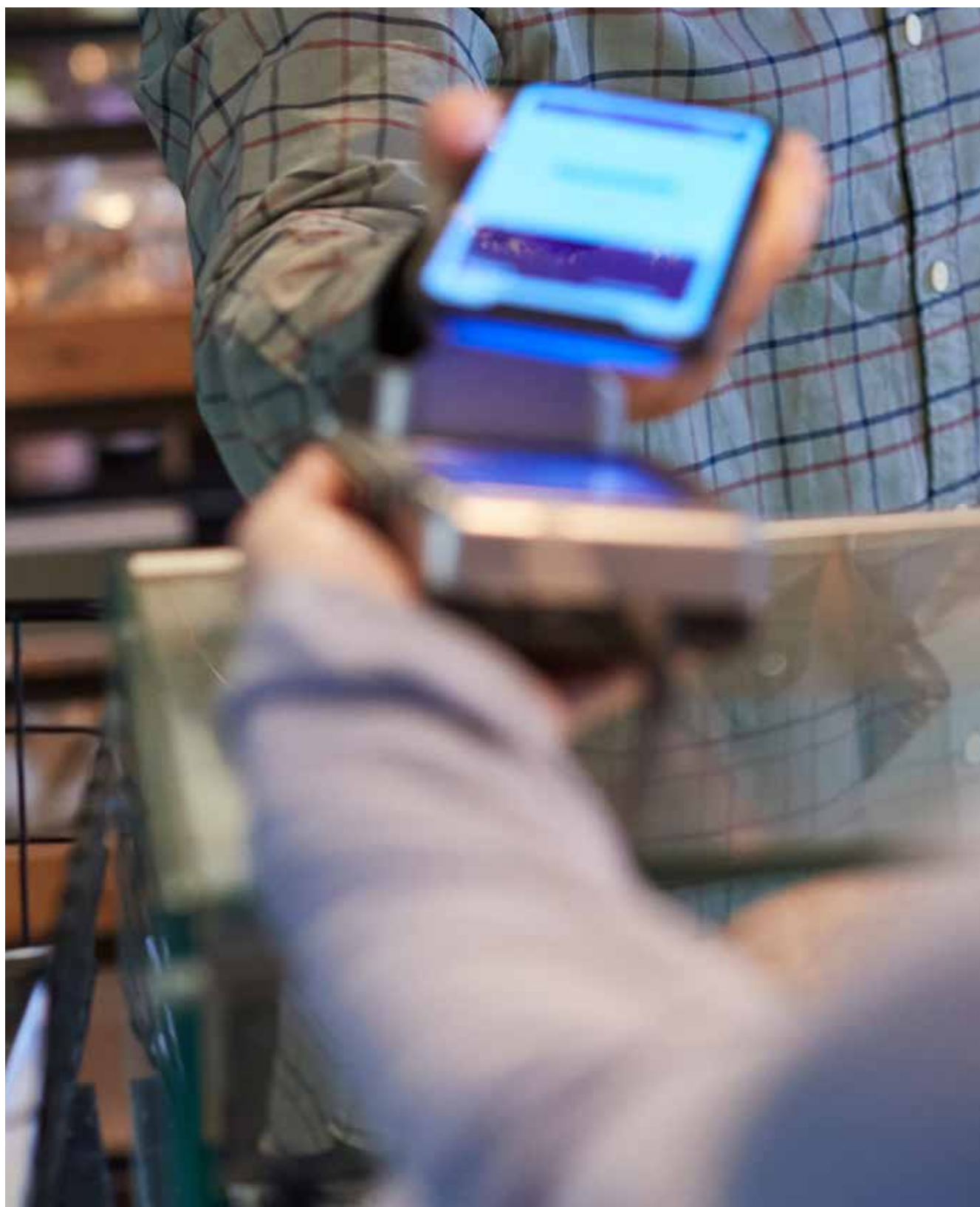
Revenue and expenses originated by transactions or services that extend over time are recognized during the life of said transactions or services.

Dividends received by non-controlled entities and joint ventures are recognized when the right to receive them has been established.

The recognition of interest revenue is applied using the effective interest method, which is a method to calculate the amortized cost of an asset and allocate the interest revenue during the relevant period. The effective interest rate exactly equals estimated future cash payments or collections during the expected life of the financial instrument, or whenever appropriate, for a shorter period, at the initial net carrying value of the asset. To calculate the effective interest rate, cash flows are estimated considering all the contractual terms of the financial instrument, without considering future credit losses and considering the initial balance of the transaction or grant, transaction costs and premiums granted, less the fees and discounts received, which are an integral part of the effective rate.

From the legal standpoint, default interests are contractually agreed and can be equated with variable interests incurred on account of debtor default. These interests are incurred when the contractual obligation to do so arises, regardless of future credit losses, as established by the definition of the effective interest rate; therefore, said balance is part of the total debt with the customer, which is assessed to determine impairment by following the procedures in place to do so, either through individual or collective assessment.

IFRS 15 establishes a conceptual framework to determine the time and the amount of revenue recognition. This standard is applicable since January 1, 2018 and replaced IAS 18 Revenue from Ordinary Activities, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.



Customer Loyalty

The Group classifies the system of points awarded to its customers for the use of electronic means of payment under this concept; these points can be redeemed in different forms.

On account of customer loyalty, the Bank recognizes a deferred liability that is amortized as customers redeem their points, based on the model designed for points awarded for customer loyalty.

The Group runs a loyalty program, in which customers accumulate points for purchases, entitling them to redeem the points for rewards in accordance with the policies and the reward scheme at the time of redemption.

Fee revenues

In general, revenues are recorded at the time of accrual of the service, as required in the new standard; no variable components related to the revenues are observed, nor are any remunerations other than cash received..

3.22. Statement of cash flow

Supervised preparers of financial information can report the Statement of Cash Flow-Direct Method, or the Statement of Cash Flow-Indirect Method, or both. The Group presents the accompanying statements of cash flow using the direct method, according to which the main categories or collections and payments are presented separately in gross terms in accordance with the criteria of IAS 7.

3.23. Earnings per share

Basic earnings per share are calculated by dividing the gain or loss attributable to the holders of ordinary equity instruments of the controlling company (numerator) by the weighted average ordinary shares subscribed and paid-in, both common and preferential outstanding (denominator), during the year.

Diluted earnings per share are calculated by adjusting the year's gain attributable to the owners of the

controlling company and the weighted average ordinary shares outstanding for all the dilutive effects inherent to potential ordinary shares.

This information is intended to provide a measure of the interest of each ordinary share of the controlling company in the entity's performance during the reporting period.

Since the Group has no financial instruments with a dilutive effect, basic and diluted earnings per share are the same.

3.24. Standards issued by the IASB not yet in force

The amendments issued by the IASB in 2019 and 2020 are listed below. Some of them became effective internationally as of January 1, 2020 and 2021 and others will become effective as of January 1, 2022 and 2023. These standards have not yet been adopted in Colombia..

| Financial Reporting Standard | Subject of the Amendment | Details |
|--|---|--|
| Benchmark Interest Rate Reform (amendments to IFRS 9, IAS 39 and IFRS 7), published by the IASB in September 2019. | Hedging relationships affected by the interest rate reform. | <ul style="list-style-type: none"> Paragraphs 6.8.1 to 6.8.12 of IFRS 9 are added, regarding temporary exceptions to the application of specific hedge accounting requirements. Paragraphs 102A to 102N and 108G are included, regarding temporary exceptions to the application of specific hedge accounting requirements. Paragraphs 24H on uncertainty arising from the reform of the benchmark interest rate, 44DE and 44DF (effective date and transition) are added. The amendment applies as of January 1, 2020 and early application is permitted (although no material impact is expected for Colombian entities) and its requirements will be applied retrospectively only to hedging relationships that existed at the beginning of the reporting period in which the entity first applies said requirements. |

| Financial Reporting Standard | Subject of the Amendment | Details |
|---|--|--|
| Classifications of Liabilities as Current or Non-Current (amendments to IAS 1), published by the IASB in January and July 2020. | It modifies the requirement to classify a liability as current by stating that a liability is classified as current when "it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months following the date of the reporting period. | <ul style="list-style-type: none"> • This amendment was issued in January 2020 and subsequently amended in July 2020. • It includes Paragraphs 72A, 75A, 76A, 76B and 139U, deletes Paragraph 139D and amends Paragraphs 69, 73, 74 and 76 of IAS 1. • In added Paragraph 72A, it clarifies that "an entity's right to defer settlement of a liability for at least twelve months following the reporting period must be substantive and, as illustrated in Paragraphs 73-75, must exist at the end of the reporting period." • The amendment applies as of January 1, 2023 and early application is permitted. • The effect of the application on comparative information will be carried out retroactively. |
| Reference to the Conceptual Framework (amendments to IFRS 3), published by the IASB in May 2020. | Amendments are made to the references to align them with the conceptual framework issued by IASB in 2018 and incorporated into our legislation. To this effect, the identifiable assets acquired and liabilities assumed in a business combination, at the transaction date, will be those that meet the definition of assets and liabilities described in the conceptual framework. | <ul style="list-style-type: none"> • Paragraphs 21A, 21B and 21C are incorporated regarding exceptions to the recognition principle for liabilities and contingent liabilities within the sCOPE of IAS 37 and IFRIC 21. • Paragraph 23A is incorporated to define a contingent asset and clarify that the acquirer in a business combination shall not recognize a contingent asset at the acquisition date. • The amendment applies as of January 1, 2022 and early application is permitted. • Any effect on its application will be made prospectively. |

| Financial Reporting Standard | Subject of the Amendment | Details |
|--|---|--|
| Property, Plant and Equipment: Products Obtained before Intended Use (amendments to IAS 16), published by the IASB in May 2020 | The amendment discusses costs directly attributable to the acquisition of the asset (which are part of the PP&E item) and refer to “the costs of verifying that the asset is functioning properly (i.e., whether the technical and physical performance of the asset is such that it can be used in the production or supply of goods or services, for leasing to third parties or for administrative purposes).” | <ul style="list-style-type: none"> Paragraphs 17 and 74 of IAS 16 are amended and Paragraphs 20A, 74A, 80D and 81N of IAS 16 are incorporated. Paragraph 20A states that the production of inventories, while the PP&E item is in the condition expected by management, at the time of sale, will affect the income of the period, together with its corresponding cost. Paragraph 74 (d) is eliminated and incorporated in Paragraph 74 (a) of IAS 16. The amendment applies as of January 1, 2022 and early application is permitted. Any effect on its application will be made retrospectively, but only to those PP&E items that are brought to the location and conditions necessary for them to operate in the manner intended by management as of the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of the initial application of the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other equity component as appropriate) at the beginning of the earliest period presented. |
| Onerous Contracts - Cost of Performance of a Contract (amendments to IAS 37), published by IASB in May 2020 | It is clarified that the cost of contract performance comprises costs directly related to the contract (the costs of direct labor and material, and the allocation of costs directly related to the contract). | <ul style="list-style-type: none"> Paragraphs 68A, 94A and 105 are added and Paragraph 69 of IAS 37 is amended. The amendment applies as of January 1, 2022 and early application is permitted. The effect of applying the amendment will not restate comparative information. Instead, the cumulative effect of the initial application of the amendments will be recognized as an adjustment to the opening balance of retained earnings or other equity component, as appropriate, at the date of initial application. |

The Bank shall quantify the impact on the financial statements once the Decree that incorporates them in the Colombian Technical Regulatory Framework has been issued.

4. Relevant Events

Through Resolution 385, the Ministry of Health and Social Protection declared a health emergency on March 12, 2020, throughout the national territory due to the Coronavirus (COVID-19). Subsequently, through Decree 417/March 17, 2020, the National Government declared a State of Economic, Social and Ecological Emergency throughout the national territory as a mechanism of action to mitigate the effects of the global pandemic declared by the United Nations Organization due to the spread of COVID-19. The spread of the COVID - 19 virus has generated an unprecedented public health situation in the country that has caused the suspension of work and normal activities of the general population.

As a result, at the beginning of the pandemic, the Financial Superintendence issued Notices 007 and 014, in order to maintain the stability of the financial system and public trust in it. Therefore, temporary measures are established to provide debtors with relief plans based on conditions of financial viability that will enable them to fulfill their obligations.

These plans include:

- Grace periods or extensions
- No impact on credit rating
- At the end of the grace periods, the following can be modified/restructured
- No limit to the credit card limits/revolving limits
- Use of countercyclical and general provisioning
- No increase in interest rates
- No capitalization of interest or other items
- No increase in payments

Through Decree 492/March 17, 2020, the National Government approved the capitalization of the National Guarantee Fund (FNG, for the Spanish original), enabling this entity to offer new lines of guarantees through the special “Unidos por Colombia” (United for Colombia) Program, which was disclosed for the first time in Regulatory Public Notice 008/April 5, 2020.

Due to the persistence of the pandemic, the Superintendence ensures the continuity of the risk management strategy established by Notices 007 and 014/2020, through a program that contains structural payment solutions through the redefinition of the credit conditions of debtors whose income has been affected or whose payment capacity has been impacted as a consequence of the situation originated by COVID-19.

On August 1, 2020, it published Public Notice 022, with new measures in accordance with the economic situation, thus establishing the Debtors’ Support Program (PAD, for the Spanish original), with the following application criteria:

- Establish 3 debtor groups or segments that will allow differential measures to be granted
- Special measures for debtors in bankruptcy proceedings
- Credit risk management, the most important being the establishment of the general interest provision
- Adopt a communication and customer service strategy for financial consumers

On December 15, 2020, in view of the persistence of the COVID-19 virus and its effects on debtors’ credit behavior, the Financial Superintendence issued Public Notice 039 to extend the application of the Debtor Support Program, defined in Public Notice 022/2020 until June 30, 2021.

Based on the framework of Public Notices 007, 014, 022 and 039, the Bank designed relief plans according to the needs of its debtors, granting benefits that are reflected in the following figures as of December 31, 2020:

| Portfolio Type | Number of Transactions | Amount |
|----------------|------------------------|---------------|
| Mortgage | 61,777 | COP 6,370,826 |
| Consumer | 327,055 | 4,758,316 |
| Commercial | 14,385 | COP 3,803,124 |

Additionally, it recorded a total expense of COP 1,537,390 million, with an allocation of COP 64,907 million as a general interest provision in compliance with Clause Nine of Public Notice 022, regarding the process of assessment and rating of the loan portfolio, the impact on the financial statements amounted to COP 441,579 million.

As for the transactions carried out with the support of FNG in the Unidos por Colombia Program, there are 5,306 transactions in the commercial portfolio amounting to COP 841,542 million in capital and 175 transactions in the consumer portfolio amounting to COP 3,358 million in capital.

5. Business Segments

5.1 Description of the segments

The Group directs and values the performance of its operations by business segments and the transactions between these segments are carried out based on regulatory commercial terms and conditions. This disclosure reports how the Bank has managed the business segments at December 30, 2020 compared to the year 2019.

To carry out the commercial activity, the BBVA Group has established a specialized banking structure to serve different business segments, as follows:

Commercial Banking: responsible for managing the retail business and the segment of individuals.

Enterprise and Institutional Banking (EIB): responsible for managing corporate customers from the public and private sector.

Corporate and Investment Banking (CIB): the banking segment responsible for corporate customers, in addition to treasury transactions and investment banking.

Assets and Liabilities Committee (COAP, for the Spanish original): is the unit that manages the Bank's liquidity and sets the transfer prices for resources and portfolio going to and from all other banking segments.

In addition, several business sub-segments have been defined within these banking segments in order to direct commercial actions effectively, in accordance with customer profiles, framed within the Group's strategic objectives for the growth of the franchise in Colombia.

Other Segments: The banking industries other than those mentioned above are grouped in other segments, including the Core Areas and Complementary Areas

Allocation of operating expenses:

In relation to the accounting of BBVA Colombia's direct and indirect expenses, they are recorded in each of the cost centers generating said expenses; however, if there are any items affecting the cost centers of core areas after this distribution, they are distributed to the banking industries using the apportionment line, in accordance with the distribution criteria established by the business areas of the Bank's general management.

Cross-selling:

When two business areas interfere in the sale or placement of the bank's products, the actual accounting record of the profit from the transaction is made in just one area in order to avoid duplication. However, the Bank has cross-selling agreements through which the return generated by said sales is analyzed and the percentage to be paid to the banking or business area that arranged the transaction is established, decreasing by the same value the return of the other bank in which the profit was initially recorded, using the Bank's offsetting accounts..

5.2 Income by segments at December 30, 2020 and 2019

The information below contains the distribution of segments in the Group, which is carried out based on corporate guidelines that allow the monitoring and management areas to maintain efficient control of customer behavior for capture and placement products.

To this effect, the Group has created a strategic heading structure that groups the activity into each segment based on accounting information. This allows the business and financial areas to establish the proper market and monitoring strategies based on the behavior of each niche analyzed.

The comparative analysis of balance sheet figures for Q3 2020 and 2019 allows the assessment of business behavior in comparable and similar periods.

December 31, 2020

| COP Mill. | Total bank | Commercial banking | EIB | CIB | COAP | Other |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|----------------------|
| Cash and central banks | COP 4,918,782 | COP 1,857,172 | COP 5,463 | COP 13,874 | COP 2,723,403 | COP 318,869 |
| Brokers | 1,712,476 | 285,905 | 8,530,007 | 1,854,627 | (9,331,330) | 373,266 |
| Securities portfolio | 11,038,576 | - | - | 6,656,844 | 4,300,605 | 81,126 |
| Net credit investment | 48,720,267 | 33,902,207 | 10,423,978 | 4,354,659 | (2,986) | 42,410 |
| Consumer | 17,566,183 | 17,491,895 | 552 | - | - | 73,736 |
| Cards | 1,899,374 | 1,897,797 | 138 | - | - | 1,439 |
| Mortgage | 12,097,204 | 11,992,088 | 673 | - | - | 104,443 |
| Enterprise | 18,527,598 | 3,437,418 | 10,672,330 | 4,416,813 | 1,036 | - |
| Other | (1,370,091) | (916,992) | (249,715) | (62,155) | (4,022) | (137,207) |
| Net fixed assets | 1,036,227 | 188,060 | 2,220 | 9,815 | - | 836,132 |
| Other assets | 1,462,185 | 545,730 | 95,689 | 422,536 | 150,337 | 247,893 |
| Total assets | 68,888,513 | 36,779,075 | 19,057,358 | 13,312,354 | (2,159,970) | 1,899,696 |
| Brokers | 268,274 | 16,576,849 | 3,419,203 | 3,584,325 | (24,238,021) | 925,917 |
| Customer resources | 53,379,435 | 17,879,672 | 14,172,179 | 4,190,650 | 17,134,475 | 2,458 |
| Demand | 8,822,326 | 3,086,655 | 4,878,753 | 854,998 | - | 1,920 |
| Savings | 23,072,572 | 11,617,068 | 8,253,564 | 3,236,640 | (35,238) | 538 |
| CDs | 19,196,095 | 3,175,949 | 1,039,862 | 99,012 | 14,881,272 | - |
| Bonds | 2,288,442 | - | - | - | 2,288,442 | - |
| Other liabilities | 14,779,399 | 2,139,714 | 1,243,737 | 5,247,247 | 4,859,474 | 1,289,228 |
| Statement of income | 461,405 | 182,839 | 222,238 | 290,132 | 84,102 | (317,906) |
| Total liabilities and equity | COP 68,888,513 | COP 36,779,075 | COP 19,057,358 | COP 13,312,354 | COP (2,159,970) | COP 1,899,696 |

Note: Grouping according to Financial Planning and Management, Exact Balance at December 2020.

Note: The income of BBVA Valores was included in the CIB segment

Note: The income of the BBVA Trust Company was included in the Other segment.

Note: The eliminations were included in the COAP segment.

Business Segment Results At December 31, 2019

| COP Mill. | Total bank | Commercial banking | EIB | CIB | COAP | Other |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|----------------------|
| Cash and central banks | COP 3,952,141 | COP 1,889,264 | COP 14,094 | COP 15,988 | COP 2,156,488 | COP (123,694) |
| Brokers | 2,078,105 | 1,240,545 | 7,539,509 | 1,833,595 | (9,029,005) | 493,461 |
| Securities portfolio | 10,450,554 | - | - | 7,421,408 | 2,949,377 | 79,769 |
| Net credit investment | 47,241,655 | 32,347,771 | 11,287,410 | 3,600,835 | (2,893) | 8,533 |
| Consumer | 16,194,779 | 16,191,916 | 216 | 4 | - | 2,643 |
| Cards | 1,902,550 | 1,902,383 | 125 | - | - | 42 |
| Mortgage | 11,196,349 | 11,195,398 | 770 | - | - | 180 |
| Enterprise | 18,059,370 | 3,021,415 | 11,386,026 | 3,648,739 | 1,129 | 2,061 |
| Other | (111,394) | 36,658 | (99,727) | (47,908) | (4,023) | 3,606 |
| Net fixed assets | 1,061,317 | 229,097 | 2,498 | 10,729 | 3 | 818,991 |
| Other assets | 946,618 | 83,262 | 68,083 | 4,742 | 138,956 | 651,577 |
| Total assets | 65,730,390 | 35,789,939 | 18,911,594 | 12,887,297 | (3,787,074) | 1,928,636 |
| Brokers | 4,011,734 | 18,395,535 | 5,010,703 | 4,471,757 | (24,256,238) | 389,977 |
| Customer resources | 47,885,439 | 15,506,301 | 12,165,317 | 4,471,466 | 15,734,955 | 7,399 |
| Demand | 6,791,587 | 2,710,102 | 3,319,478 | 755,155 | - | 6,852 |
| Savings | 19,823,831 | 9,199,712 | 7,142,909 | 3,516,454 | (35,792) | 548 |
| CDs | 19,107,355 | 3,596,486 | 1,702,931 | 199,856 | 13,608,082 | - |
| Bonds | 2,162,666 | - | - | - | 2,162,666 | - |
| Other liabilities | 13,101,598 | 1,442,093 | 1,414,740 | 3,714,667 | 4,733,504 | 1,796,596 |
| Statement of income | 731,618 | 446,010 | 320,834 | 229,408 | 704 | (265,337) |
| Total liabilities and equity | COP 65,730,390 | COP 35,789,939 | COP 18,911,594 | COP 12,887,297 | COP (3,787,074) | COP 1,928,636 |

Note: Grouping according to Financial Planning and Management, Exact Balance at December 2019.

Note: The income of BBVA Valores was included in the CIB segment

Note: The income of the BBVA Trust Company was included in the Other segment.

Note: The eliminations were included in the COAP segment.

When analyzing the balance disaggregated by bank as of December 2020, it is found that the banks that concentrate the Group's assets to a greater extent are Commercial with 53.4%, Business and Institutional Banking (EIB) with 27.7% and Corporate and Investment Banking (CIB) with 19.3%.

Regarding liabilities, the banks that have the highest share with respect to customer funds are Commercial with 33.5%, COAP with 32.1%, BEI with 26.5% and CIB with 7.9%.

When doing an analysis by account, the BBVA Group's Cash and Central Banks line registered an annual variation of 24.5%. The securities portfolio showed an increase of 5.6%, which is explained by the growth of COAP (\$ 1,351,228). Net Credit Investment increased by 3.1%, mainly driven by the variations registered in Commercial (+ \$ 1,554,436), CIB (+ \$ 753,824) and Rest (+ \$ 33,877). In Commercial Banking, the growth in Credit Investment is mainly explained by variations of + 13.8% in Companies, + 8.0% in Consumer credit and + 7.1% in Mortgage credit. In EIB, the credit decrease is mainly due to the 6.3% decrease in loans to companies.

Total Assets showed a growth of 4.8%, being COAP (+ \$ 1,627,105) and Commercial (+ \$ 989,136) the ones that registered the highest growth, these are due to a higher growth in Credit Investment and an increase in the securities portfolio.

For their part, passive financial intermediaries showed a decrease of 93.3%. Regarding the capture of customer funds through sight and savings products, these were captured by Commercial (+ \$ 2,793,908), BEI (+ \$ 2,669,930) and CIB (- \$ 179,971).

For its part, the COAP, which is the area in charge of attracting resources from corporate clients through term certificates of deposit, concentrates 77.5% of the Group's total term deposits. These term deposits showed a variation of + \$ 1,273,190 with respect to 2019 while the Bonds presented a variation of + \$ 125,776 with respect to the previous year.

The COAP has positive assets and liabilities, driven by the balance sheet lines Cash and Central Banks and Investment Securities. Each banking industry has its primary function, they can be attractors (bringing funds to the Bank) or placement agents (generating credit investment). Therefore, the COAP is

the area responsible for collecting the excess funds from an attractor banking industry and “transferring them” to a placement banking industry. However, in order not to affect the financial statements of the attractor banking industry, the COAP “transfers” the investment generated to the attractor banking industry. This is done to reconcile the balance sheets of the banking industries and show how the Bank functions as a whole, without punishing and recognizing the function of each banking industry. Active financial intermediaries showed a negative variation of \$302,325, while passive financial intermediaries showed a positive variation of \$18,216, behaving in line with the Group’s activity.

Core, means and complementary areas are included in the Other areas segment. They are all areas that provide support for the other banking industries. The Means area includes the Formalization Center, where the most activity takes place in credit investment corresponding to investments that are not segmented. The Core areas includes the central account, which reconciles the Bank’s balance sheet and this is where the investment assets for holdings in subsidiaries are included. The asset of the Other segment is mostly made up of net fixed assets. The total asset of this segment showed a variation of -COP 28,940. The other areas are responsible for eliminating duplicities caused by transactions between banking industries or in which more than one banking industry participates. It also includes all the components of the core areas and the adjustments of the Financial Statements of the Business Areas (EFAN, for the Spanish original). Adjustments through the EFAN consider the standardization of local vs. international regulations and reciprocal activities between different countries/banking industries.

In this note, it is important to mention the income of BBVA Valores and Fiduciaria BBVA. In the case of BBVA Valores, the income is included in the CIB area.

The total assets of BBVA Valores showed a variation of +\$23.226, thus closing with a total of \$42.175 in December 2020.

The income of the BBVA Trust Company was included in the other segment. The Trust Company’s total assets showed a variation of +\$576 thus ending the year with a total of \$131.062.

Below are the details of the accumulated income statement for the periods at December 2020 and 2019 by business segments:

December 31, 2020

| Cum. COP Mill. | Total bank | Commercial banking | EIB | CIB | COAP | Other |
|---------------------------------|----------------------|---------------------|--------------------|--------------------|--------------------|----------------------|
| Interest margin | COP 3,094,737 | COP2,235,390 | COP643,880 | COP 217,492 | COP 289,506 | COP (291,531) |
| Net commissions | 384,303 | 273,111 | 58,555 | 84,592 | (7,426) | (24,529) |
| Other Financial Transactions | 306,348 | 29,694 | 23,271 | 240,856 | 6,058 | 6,469 |
| Other net ordinary income | (191,273) | (22,343) | (5,742) | (4,331) | (140,196) | (18,662) |
| Gross margin | 3,594,114 | 2,515,853 | 719,964 | 538,609 | 147,941 | (328,253) |
| General administrative expenses | (1,182,034) | (736,877) | (59,366) | (61,829) | (1,524) | (322,438) |
| • Personnel expenses | (603,115) | (297,699) | (35,166) | (33,752) | (1) | (236,499) |
| • Overhead | (509,107) | (388,822) | (17,050) | (20,969) | (1,312) | (80,954) |
| • Taxes | (69,812) | (50,356) | (7,150) | (7,109) | (211) | (4,985) |
| Amortization and Depreciation | (112,220) | (48,745) | (647) | (2,924) | (2) | (59,901) |
| Apportionment of expenses | - | (259,345) | (61,343) | (30,519) | (10,080) | 361,286 |
| Net margin | 2,299,860 | 1,470,886 | 598,609 | 443,336 | 136,335 | (349,306) |
| Asset impairment loss | (1,539,672) | (1,197,874) | (268,097) | (14,846) | 37 | (58,892) |
| Credit to Provisions | (47,673) | (1,004) | (8) | (428) | 865 | (47,098) |
| Other non-ordinary income | (10,826) | (1,267) | (72) | (12) | - | (9,475) |
| PBT | 701,689 | 270,741 | 330,431 | 428,050 | 137,237 | (464,771) |
| Corporate tax | (240,283) | (87,902) | (108,193) | (137,918) | (53,135) | 146,864 |
| PAT | 461,405 | 182,839 | 222,238 | 290,132 | 84,102 | (317,906) |
| Non-controlling interest | 2,185 | - | - | - | - | 2,185 |
| Total PAT | COP 463,590 | COP 182,839 | COP 222,238 | COP 290,132 | COP 84,102 | COP (315,721) |

Where PBT= Profit before tax and PAT= Profit after tax

Note: Grouping according to Financial Planning and Management, Exact Balance at December 2020.

Note: The income of BBVA Valores was included in the CIB segment

Note: The income of the BBVA Trust Company was included in the Other segment.

Note: The eliminations were included in the COAP segment.

December 31, 2019

| Cum. COP Mill. | Total bank | Commercial banking | EIB | CIB | COAP | Other |
|---------------------------------|----------------------|----------------------|--------------------|--------------------|--------------------|----------------------|
| Interest margin | COP 2,884,581 | COP 2,167,134 | COP 654,874 | COP 190,172 | COP 154,386 | COP (281,985) |
| Net commissions | 422,192 | 315,891 | 49,498 | 81,950 | (3,388) | (21,759) |
| Other Financial Transactions | 226,959 | 25,834 | 29,359 | 155,478 | 12,597 | 3,692 |
| Other net ordinary income | (155,781) | (14,004) | (4,404) | (1,907) | (129,437) | (6,030) |
| Gross margin | 3,377,952 | 2,494,855 | 729,328 | 425,692 | 34,157 | (306,081) |
| General administrative expenses | (1,163,864) | (726,617) | (62,296) | (57,506) | (546) | (316,900) |
| • Personnel expenses | (613,018) | (305,915) | (36,381) | (31,893) | 13 | (238,842) |
| • Overhead | (483,291) | (370,815) | (18,237) | (20,307) | (546) | (73,386) |
| • Taxes | (67,556) | (49,887) | (7,678) | (5,305) | (13) | (4,672) |
| Amortization and Depreciation | (109,426) | (51,269) | (559) | (2,472) | (9) | (55,118) |
| Apportionment of expenses | - | (262,176) | (60,846) | (29,446) | (10,230) | 362,699 |
| Net margin | 2,104,661 | 1,454,794 | 605,627 | 336,269 | 23,372 | (315,401) |
| Asset impairment loss | (985,867) | (806,851) | (144,717) | (5,329) | 54 | (29,024) |
| Credit to Provisions | (24,116) | (319) | 72 | (167) | - | (23,702) |
| Other non-ordinary income | (25,174) | (377) | 623 | - | - | (25,420) |
| PBT | 1,069,503 | 647,246 | 461,604 | 330,772 | 23,427 | (393,547) |
| Corporate tax | (337,885) | (201,237) | (140,771) | (101,365) | (22,722) | 128,210 |
| PAT | 731,618 | 446,010 | 320,834 | 229,408 | 704 | (265,337) |
| Non-controlling interest | 1,999 | - | - | (91) | - | 2,090 |
| Total PAT | COP 733,617 | COP 446,010 | COP 320,834 | COP 229,317 | COP 704 | COP (263,247) |

Where PBT = Profit before tax and PAT = Profit after tax

Note: Grouping according to Financial Planning and Management, Exact Balance at December 2019.

Note: The income of BBVA Valores was included in the CIB segment

Note: The income of the BBVA Trust Company was included in the Other segment.

Note: The eliminations were included in the COAP segment.

When analyzing the statement of income for the year 2020, the segment that generated the greatest benefit for the Group was CIB, followed by EIB, Commercial and COAP. In turn, the performance of the other areas was negative, because they are areas responsible for overseeing the Bank's correct internal operation.

COAP is the unit that manages the Group's liquidity and sets the transfer prices for the resources and portfolio going to and from all other banking segments. It showed a variation of +COP 135,120 in the interest margin. The gross margin stood at COP 147,941.

The other areas are responsible for eliminating duplicities caused by transactions between banking industries or in which more than one banking industry participates. Also, the latter includes all the expenses of the core areas and the adjustments to the Financial Statements of the Business Areas (EFAN, for the Spanish original). The core and means areas give rise to activities corresponding to investment assets and central account, and corresponding to the activity of the formalization center (credit investment). Finally, core area expenses produce greater activity in the segment (including the salary of all the individuals of areas that are not the business areas and administrative overhead).

The BBVA Trust Company showed a 1.9% increase in net profit, driven by the 1.3% variation in the gross margin, thus ending the year with a PAT of COP 38,801 year to date at December 2020. In turn, BBVA Valores had a PAT of COP 1,011 affected by the increase in the gross margin of 111.6%.

The Group's interest margin grew 7.3% compared to the year 2019, explained by the increase in interest revenue. The most important were COAP with a variation of +COP 135,120 (+87.5%) and Commercial Banking with a variation of +COP 68,256 (+3.1%).

The Group's gross margin grew 6.4% compared to the same period in 2019, for which CIB showed the best performance with a variation of +COP 112,917 (+26.5%), followed by Commercial Banking with a variation of +COP 20,997 (+0.8%).

The Group's general operating expenses recorded an increase of 1.6% and it was Commercial and CIB that showed the greatest increase.

Finally, the Group's profit after taxes decreased by 36.9% compared to the same period in 2019.

6. Maturity of Assets and Expiration of Liabilities

The Group has analyzed the maturities of derivative and non-derivative financial assets and liabilities, showing the following contractual maturities that have not been discounted for:

Loan portfolio and financial lease transactions – The Bank has analyzed the financial assets and liabilities for the maturity of the loan portfolio, for which the periodic amortization of the principal and interest of each obligation is taken into account, as contractually agreed with the customer. The maturing process is carried out by considering the balance sheet asset positions of the credit investment and segmented in accordance with the final maturing date of each contract, classifying the commercial loan, consumer loan, mortgage loan and micro-credit portfolio, assessing them separately for legal currency and total currency.

Investment Financial Assets– The maturity of the principal and interest of investment financial assets in marketable fixed-yield debt securities held-to-maturity is classified in the time periods defined by the Superintendence, taking into account the financial conditions of each security. The portfolio of investment financial assets includes securities issued by the Nation and, to a lesser extent, private debt securities, with an average maturing in excess of twelve months. The securities consist mainly of Treasury Securities (TES), Short-term Treasury Securities (TCO) and Certificates of Deposit (CDs).

Deposits and current liabilities - The maturity of savings deposits and current accounts is carried out statistically by combining the historical behavior of the specific balances and the cancellation of accounts, in a system of conditioned probabilities, thus generating a logarithmic behavior in the maturity of the deposits. Fixed term certificates of deposit mature according to the conditions agreed with the customer.

Below is a list of the maturities of discounted and non-discounted financial assets and liabilities:

A continuación, se relaciona la maduración de activos y pasivos financieros descontados y no descontados:

Maturity of assets at December 31, 2020

| Item | Years | | | | Total |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| Cash and deposits in banks | COP 5,745,960 | COP - | COP - | COP - | COP 5,745,960 |
| Money market transactions | 484,215 | - | - | - | 484,215 |
| Investments at fair value through profit or loss | 2,192,848 | 379,404 | 166,436 | 156,147 | 2,894,835 |
| Investments at fair value through other comprehensive income (OCI) | 298,982 | 1,552,438 | 37,489 | 499,400 | 2,388,309 |
| Investments at amortized cost through profit or loss | 2,112,003 | 7,969 | - | 11,216 | 2,131,188 |
| Derivatives | - | - | 152,380 | - | 152,380 |
| Hedging swaps | 2,807,634 | 251,512 | 110,590 | 487,798 | 3,657,534 |
| Commercial loan portfolio | 8,143,281 | 5,148,867 | 3,218,869 | 2,315,171 | 18,826,188 |
| Consumer loan portfolio | 3,272,106 | 6,349,900 | 4,986,560 | 4,910,210 | 19,518,776 |
| Mortgage loan portfolio and finance lease transactions | 756,183 | 1,608,016 | 1,683,925 | 8,111,170 | 12,159,294 |
| Employee loan and micro-credit portfolio | 63,154 | 128,693 | 116,907 | 170,290 | 479,044 |
| Accounts receivable for loans | 1,142,873 | - | - | - | 1,142,873 |
| Other accounts receivable for loans | 7,794 | - | - | - | 7,794 |
| Other non-maturing assets | - | - | - | 1,522,559 | 1,522,559 |
| Total maturity of assets | COP 27,027,033 | COP 15,426,799 | COP 10,473,156 | COP 18,183,961 | COP 71,110,949 |

Maturity of liabilities at December 31, 2020

| Item | Years | | | | Total |
|---|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| Current accounts | COP 4,595,775 | COP - | COP - | COP - | COP 4,595,775 |
| Term deposits | 7,954,834 | 4,722,458 | 2,870,511 | 3,646,362 | 19,194,165 |
| Savings deposits, single deposits, special savings accounts and real value savings certificates | 27,150,995 | - | - | - | 27,150,995 |
| Current liabilities for services | 532,730 | - | - | - | 532,730 |
| Money market transactions | 506,292 | - | - | - | 506,292 |
| Special deposits | 513,296 | - | - | - | 513,296 |
| Derivatives | 2,873,739 | 393,224 | 194,493 | 645,508 | 4,106,964 |
| Hedging swaps | - | - | - | 227 | 227 |
| Bank credits and other financial obligations | 467,753 | 443,022 | 309,716 | 1,386,435 | 2,606,926 |
| Accounts payable - financial expenses | 3,819,090 | 832,691 | - | - | 4,651,781 |
| Outstanding investment securities | 153,163 | 104,744 | 1,848,727 | 197,629 | 2,304,263 |
| Labor liabilities | 1,663,748 | - | - | - | 1,663,748 |
| Estimated liabilities | 1,694 | - | - | - | 1,694 |
| Dividends payable | - | 2,921 | - | - | 2,921 |
| Other liabilities (other than interest) | - | - | - | - | - |
| Taxes (does not include deferred tax) | 3,842,164 | - | - | - | 3,842,164 |
| Other non-maturing financial liabilities | 430,849 | - | - | 1,723,918 | 2,154,767 |
| Total maturity of liabilities | COP 54,506,122 | COP 6,499,060 | COP 5,223,447 | COP 7,600,079 | COP 73,828,708 |

Maturities are different in Investments at fair value through OCI because the maturity is realized based on the maturity of the security and these maturities are realized based on the expectation of the term of the security. Also, in bank credits and other financial obligations, maturity is realized in accordance with the installment plans of the agreements according to the contractual maturities and the maturity is realized considering the actual maturity of the obligations.

Maturity of assets at December 31, 2019

| Item | Years | | | | Total |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| Cash and deposits in banks | COP 5,143,295 | COP - | COP - | COP - | COP 5,143,295 |
| Money market transactions | 498,931 | - | - | - | 498,931 |
| Investments at fair value through profit or loss | 3,724,748 | 1,344,477 | 50,973 | 293,094 | 5,413,292 |
| Investments at fair value through other comprehensive income (OCI) | 148,774 | 147,589 | 1,569,525 | 481,619 | 2,347,507 |
| Investments at amortized cost through profit or loss | 814,427 | - | - | - | 814,427 |
| Investments at amortized cost | 32,115 | 57,778 | - | 11,216 | 101,109 |
| Derivatives | 1,555,916 | 139,381 | 61,286 | 270,325 | 2,026,908 |
| Hedging swaps | - | - | - | 44,684 | 44,684 |
| Commercial loan portfolio | 7,962,778 | 5,034,737 | 3,147,520 | 2,263,854 | 18,408,889 |
| Consumer loan portfolio | 3,180,235 | 6,171,614 | 4,846,552 | 4,772,347 | 18,970,748 |
| Mortgage loan portfolio and finance lease transactions | 733,993 | 1,560,828 | 1,634,510 | 7,873,143 | 11,802,474 |
| Employee loan and micro-credit portfolio | 62,558 | 127,478 | 115,803 | 168,682 | 474,521 |
| Accounts receivable for loans | 448,382 | - | - | - | 448,382 |
| Other accounts receivable for loans | 5,173 | - | - | - | 5,173 |
| Other non-maturing assets | - | - | - | 1,834,800 | 1,834,800 |
| Total maturity of assets | COP 24,311,325 | COP 14,583,882 | COP 11,426,169 | COP 18,013,764 | COP 68,335,140 |

Maturity of liabilities at December 31, 2019

| Item | Years | | | | Total |
|---|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| Current accounts | COP 6,547,255 | COP - | COP - | COP - | COP 6,547,255 |
| Term deposits | 8,115,538 | 4,817,861 | 2,928,502 | 3,720,026 | 19,581,927 |
| Savings deposits, single deposits, special savings accounts and real value savings certificates | 20,412,305 | - | - | - | 20,412,305 |
| Current liabilities for services | 518,323 | - | - | - | 518,323 |
| Money market transactions | 4,410,752 | - | - | - | 4,410,752 |
| Special deposits | 260,354 | - | - | - | 260,354 |
| Hedging swaps | - | - | - | 14,748 | 14,748 |
| Derivatives | 1,416,512 | 193,827 | 95,869 | 318,181 | 2,024,389 |
| Bank credits and other financial obligations | 1,628,730 | 474,091 | 166,191 | 338,144 | 2,607,156 |
| Accounts payable - financial expenses | 6,448 | - | - | - | 6,448 |
| Outstanding investment securities | 144,878 | 99,078 | 186,940 | 1,748,729 | 2,179,625 |
| Other non-maturing financial liabilities | 244,537 | - | - | - | 244,537 |
| Total maturity of liabilities | COP 43,705,632 | COP 5,584,857 | COP 3,377,502 | COP 6,139,828 | COP 58,807,819 |

7. Foreign Currency Transactions

The Bank carried out transactions in the year 2020 in Euro (EUR), British pound (GBP), Canadian dollar (CAD), Swiss franc (CHF), Japanese yen (JPY), Swedish krona (SEK), Chinese yuan (CNY), Mexican peso (MXN) and US dollar (USD), the latter currency being the most representative currency of operation for the Bank.

Therefore, at December 31, 2020 and 2019, the balances in foreign currency were restated in US dollars (USD)

| Item | 2020 | 2019 |
|---------------------------|------------|------------|
| Spot proprietary position | USD 339 | USD 515 |
| Proprietary position | 40 | 41 |
| Gross leverage position | USD 17,837 | USD 15,485 |

These values are within the legal limits in force and effect established by the Central Bank of Colombia.

At December 31, 2020 and 2019, the breakdown of foreign-currency assets and liabilities, equivalent in thousands of US dollars, is as follows:

| Item | Nota | 2020 | 2019 |
|--|--------|----------------|----------------|
| Assets | | | |
| Cash and deposits in banks | (8) | USD 241 | USD 363 |
| Financial investment assets | (9) | 16 | 52 |
| Commercial loan portfolio and lease transactions (net) | (10) | 190 | 386 |
| Interest on loan portfolio and other items (net) | (10) | 176 | 35 |
| Other assets (net) | (20) | - | 12 |
| Total assets in foreign currency | | USD 623 | USD 848 |
| Liabilities | | | |
| Deposits and demand liabilities | (22) | USD 72 | USD 33 |
| Bank credits and other financial obligations | (24) | 106 | 242 |
| Outstanding investment securities | (27) | USD 403 | USD 403 |

| Item | Nota | 2020 | 2019 |
|--|--------|----------------|----------------|
| Accounts payable | (26) | USD 12 | USD 15 |
| Other liabilities | (28) | - | 13 |
| Total liabilities in foreign currency | | 593 | 706 |
| Net assets (liabilities) in foreign currency | | 30 | 142 |
| Rights | | | |
| Cash transactions in USD | | - | 42 |
| Cash transactions in securities | | - | 1 |
| Forex | | 5 | 3 |
| Total rights | | 5 | 46 |
| Obligations | | | |
| Cash transactions in USD | | 21 | - |
| Forex | | 4 | 3 |
| Total liabilities | | 25 | 3 |
| Net rights (liabilities) in foreign currency | | (21) | 43 |
| Exclusions according to the standards of DODM-139/05-25-2015 issued by the Central Bank of Colombia | | 330 | 330 |
| Spot proprietary position | | USD 340 | USD 515 |

Exchange differences - The functional and presentation currency of BBVA Colombia's financial statements is the Colombian peso, known as COP; foreign currency transactions and balances are translated at the official exchange rate regulated by the Central Bank of Colombia and supervised by the Financial Superintendence of Colombia (SFC, for the Spanish original).

The official exchange rates for the 2020 and 2019 periods were:

| Item | 2020 | 2019 |
|------|--------------|--------------|
| TRM | COP 3,432,50 | COP 3,277,14 |

The exchange difference reflected in the statement of income, in revenue and expenses, is a result of the restatement of assets and liabilities, asset realization of transactions in currencies other than the functional currency and the translation at the exchange rates in force.

At December 31, 2020 and 2019, the details of the exchange difference in income are as follows:

| Item | 2020 | 2019 |
|--|----------------------|-------------------|
| Operating revenue - exchange gain | COP 385,094 | COP 177,144 |
| Operating expenses - exchange loss | (588,674) | (96,991) |
| Net loss (gain) | (203,580) | 80,153 |
| Operating expenses - loss on sales | (316,253) | (96,340) |
| Net loss | (316,253) | (96,340) |
| Operating revenue -profit due to exchange adjustment | 385,094 | 177,144 |
| Operating revenue -loss due to exchange adjustment | (272,403) | (651) |
| Net gain | 112,691 | 176,493 |
| Loss (Profit) | COP (203,853) | COP 80,153 |

* Figures delivered in USD and COP

Below is the calculation of the gain from the exchange difference in 2020

| Item | Value in USD | Value in COP | Average exchange rate |
|--|---------------|----------------------|-----------------------|
| Spot proprietary position in Dec 2020 | USD 514 | COP 1,686,983 | COP 3,277,14 |
| • Purchases | 38,613 | 142,506,279 | 3,690,57 |
| Position before sales | 39,128 | 144,193,262 | 3,685,13 |
| • Sales | 38,789 | 142,798,366 | 3,681,38 |
| Profit (loss) on sales | - | (316,248) | - |
| Adjusted proprietary position | 339 | 1,163,703 | 3,432,50 |
| Profit (loss) due to exchange adjustment | - | 112,396 | - |
| Net gain | | COP (203,852) | |

* Figures delivered in USD and COP

Below is the calculation of the gain from the exchange difference in 2019

| Item | Value in USD | Value in COP | Average exchange rate |
|--|---------------|--------------------|-----------------------|
| Spot proprietary position in Dec 2019 | USD 1,071 | COP 3,480,482 | COP 3,250 |
| • Purchases | 34,891 | 113,974,152 | 3,267 |
| Position before sales | 35,962 | 117,454,620 | 3,266 |
| • Sales | 35,448 | 115,850,554 | 3,268 |
| Profit (loss) on sales | - | (96,991) | |
| Adjusted proprietary position | 514 | 1,684,450 | 3,277 |
| Profit (loss) due to exchange adjustment | - | 177,144 | |
| Net gain | | COP 80,153 | |

At December 31, 2020, the exchange rate increased by 4.53% (COP 155.36) compared to the same day of the previous year.

A significant decrease can be observed in net gain of COP 284,126 for the period compared to 2019. This is mainly due to factors such as the fluctuation of the exchange rate, presenting a decrease in both assets and liabilities for the year 2020 compared to 2019. Assets in 2020 decreased by 27%, equivalent to USD 224,369. The same behavior is reflected in liabilities, which decreased by 63% to USD 442,991. In turn, the volume of both purchases and sales for 2020 increased by USD 3,723 million and USD 3,342 million, respectively.

The behavior of the exchange rate for the year 2020 was characterized by high volatility, reaching rates between COP 3,500 and COP 4,000 as maximum, finally ending the year at COP 3,432.50, due to the uncertainty factors at a global level due to the COVID-19 pandemic.

8. Cash and Cash Equivalents

At December 31, 2020 and 2019, the balance of this account is summarized as follows:

| Item | 2020 | 2019 |
|--|----------------------|----------------------|
| Legal tender in Colombian pesos: | | |
| Cash | COP 2,261,590 | COP 1,947,458 |
| Deposits in the Central Bank | 2,656,172 | 2,003,443 |
| Deposits in other banks | 1,745 | 2,150 |
| Remittances in transit of negotiated checks | 101 | 169 |
| Subtotal cash and deposits in banks in legal tender | 4,919,608 | 3,953,220 |
| Foreign currency: | | |
| Cash | 1,031 | 1,251 |
| Foreign correspondents (1) | 825,321 | 1,188,814 |
| Remittances in transit | - | 10 |
| Subtotal cash and deposits in banks in foreign currency | 826,352 | 1,190,075 |
| Total cash and deposits in banks | 5,745,960 | 5,143,295 |
| Investment funds | 36,313 | - |
| Money market transactions | 484,215 | 498,931 |
| Total cash and cash equivalents | COP 6,266,488 | COP 5,642,226 |

(1) Between 2020 and 2019, the most representative transactions in foreign currency took place in Foreign Correspondent Banks, with a significant decrease in 2020 due to the increase in the Non Delivery Forward curve, which allows the cash position in USD to grow and the sale position of derivatives in USD to increase. As it becomes clear that it will be a year-end with excess cash, points are sold to level out the movements.

(2) The increase in the balance of the Central Bank of Colombia account at the end of December 31,

2020 is mainly due to the increase in the reserve in order to increase the average balance required to meet the liquidity requirements of deposits and current liabilities.

At December 31, the balance of money market transactions is summarized as follows:

| Public sector entities | | | | | | |
|--|-------------------|--------|--------------------|-------------------|-------|--------------------|
| Description | Days | Rate | 2020 | Days | Rate | 2019 |
| Ordinary Interbank Funds Sold | | | | | | |
| Financial Corporations | 4 to 8 days | 1.71% | 30,006 | - | - | - |
| Banks | - | - | - | 0 to 3 days | 4.11% | 80,018 |
| Total Ordinary Interbank Funds Sold | | | 30,006 | | | 80,018 |
| Active simultaneous transactions | | | | | | |
| Central Bank of Colombia | 4 to 8 days | 0.78% | 183,132 | 4 to 8 days | 3.43% | 188,579 |
| Pension and Severance Fund Management Companies | - | - | - | 4 to 8 days | 1.00% | 12,555 |
| Insurance and Reinsurance Companies | More than 15 days | 1.71% | 28,967 | More than 15 days | 4.11% | 14,236 |
| Counterparty Clearing House | More than 15 days | 1.75% | 228,272 | - | 4.03% | 194,216 |
| Public sector entities | - | - | - | More than 15 days | 4.16% | 9,327 |
| Nation | 4 to 8 days | -0.03% | 13,838 | - | - | - |
| Total active simultaneous transactions | | | 454,209 | | | 418,913 |
| Total money market and related transactions | | | COP 484,215 | | | COP 498,931 |

In the year 2020, active simultaneous transactions with the Central Bank of Colombia decreased due to lower hedges in commitments originated in short positions for simultaneous transactions.

Legal reserve in Colombia: at December 31, 2020 and 2019, the legal reserve required and maintained in the Central Bank of Colombia amounted to COP 3,684,121 and COP 3,589,393, to comply with the liquidity requirements in deposits and current liabilities, respectively. The restriction is determined according to the

cash reserve standards set by the Central Bank's Board of Directors and is based on percentages of the average deposits held in the Bank by its customers.

For the period between December 2019 and 2020 there are no restrictions on cash and cash equivalents to meet the liquidity requirements in deposits and current liabilities.

The quality indicators of the Central Bank of Colombia, as the sovereign entity where BBVA's funds are located, have the following international risk rating.

| International Rating Agency | Moody's | Fitch Ratings |
|-----------------------------|---------|---------------|
| BBVA Colombia rating | Baa2 | BBB |

Rating of foreign entities

| Credit quality | | | | | |
|----------------------|----------|----------|------|----------------|---------|
| Bank name | Currency | Internal | S&P | External Fitch | Moody's |
| JP Morgan Chase | USD | A | A- | AA- | A2 |
| Citibank N.Y, | USD | A+ | A+ | A+ | Aa3 |
| Wachovia | USD | AA- | | | Aa3 |
| Toronto Dominion | CAD | AA- | AA- | AA- | Aa1 |
| U,B,S, | CHF | AA- | A+ | AA- | Aa2 |
| Barclays | GBP | A | A | A+ | A2 |
| Bank of Tokyo | JPY | A | A | A | A1 |
| BBVA Hong Kong | CNY | A- | A- | A- | A2 |
| BBVA N.Y, | USD | A- | A- | A- | A2 |
| BBVA MADRID | EUR | A- | A- | A- | A2 |
| BBVA Madrid | USD | A | A- | A+ | A2 |
| Bank of America N.Y, | MXN | BBB+ | BBB+ | BBB+ | A3 |
| BBVA Bancomer Mexico | CNY | BBB | BBB+ | BBB+ | Baa2 |
| BBVA MADRID | SEK | A- | A- | A- | A2 |
| JP Morgan Chase | USD | A | A- | AA- | A2 |

At December 31, 2020, there were reconciliation items in foreign currency, represented by two items: one for USD 24,000, which according to management and comments from the COMEX area, will be paid in January because the resources from abroad are pending, and another amounting to USD 35 for correspondent expenses of transaction T231120200, pending collection from the customer due to insufficient funds, both equivalent to COP 82.

9. Financial Investment Assets

At December 31, the balance of this account is summarized by rating and issuer as follows:

| Item | 2020 | 2019 |
|---|--------------------|------------------|
| Financial Investment Assets | | |
| At fair value through profit or loss | | |
| Treasury securities - TES | COP 2,123,496 | COP 894,606 |
| Other securities issued by the National Government | 27,287 | 154,703 |
| Other domestic issuers | 624,664 | 1,506,487 |
| Total investments at fair value through profit or loss | 2,775,447 | 2,555,796 |
| At fair value through OCI provided in money market transactions | | |
| Treasury securities - TES | 119,382 | 2,857,478 |
| Other domestic issuers | 6 | 18 |
| Total investments at fair value through profit or loss provided in money market transactions | 119,388 | 2,857,496 |
| At fair value through OCI | | |
| Treasury securities - TES | 1,122,614 | 1,480,273 |
| Other domestic issuers | 29,327 | 16,736 |
| Total at fair value through OCI | 1,151,941 | 1,497,009 |
| At fair value through OCI | | |
| Domestic issuers | 371,271 | 358,349 |
| Total at fair value through OCI | 371,271 | 358,349 |
| Treasury securities - TES | 146,761 | 492,149 |
| Total investments at fair value through OCI provided in money market transactions | 146,761 | 492,149 |
| Treasury securities - TES | 718,336 | - |
| Total investments at fair value through OCI provided in money market transactions | COP 718,336 | COP - |

| Item | 2020 | 2019 |
|---|----------------------|----------------------|
| At amortized cost | | |
| Treasury securities - TES | COP 48,062 | COP 47,197 |
| Other securities issued by the National Government | 2,063,941 | 32,114 |
| Other domestic issuers | 19,185 | 21,798 |
| Total investments at amortized cost | 2,131,188 | 101,109 |
| At amortized cost through profit or loss provided in money market transactions | | |
| Other securities issued by the National Government | - | 814,427 |
| Total investments at amortized cost through profit or loss provided in money market transactions | - | 814,427 |
| Total investments | 7,414,332 | 8,676,335 |
| Impairment of investments in TIPS | (5,741) | (8,770) |
| Total impairment of investments | (5,741) | (8,770) |
| Total net investments | COP 7,408,591 | COP 8,667,565 |

- Between December 2020 and December 2019 there is a slight increase in the portfolio measured at fair value with changes in OCI, basically in the purchase of securities in real value units (RVU).
- Between December 2020 and December 2019, there was a significant decrease in the portfolio measured at fair value through profit or loss, basically in the Treasury Securities (TES) due to the sale of marketable securities for speculative purposes, which due to the nature of the business, are carried out as part of the Bank's liquidity management activities. In turn, Government and other domestic issuers' securities were sold to a lesser extent.
- In addition, the Yankee Fixed Rate Bonds at fair value through profit or loss show a decrease of COP 111,188,287. These investments now amount to COP 27,287 million maturing in 2021.
- At December 31, 2020, there is an increase in the portfolio measured at amortized cost mainly due to the present value of the investment in the Solidarity Bonds at December 31, 2020 for COP 1,101,190, which were created as a result of COVID-19.

In the case of investments classified as non-controlled entities (Cámara de Riesgo Central de la Contraparte S.A. and Fondo para el Financiamiento del Sector Pecuário - Finagro), they are measured according to the marketability index on the valuation date or considering the changes in equity subsequent to the acquisition of the investment. To this effect, the variation in the issuer's equity is calculated based on the latest certified financial statements.

For the year 2020, Cámara de Compensación de Divisas and the Counterparty Clearing House merged on December 15, according to the statement issued on July 27, 2020; changing the percentage of BBVA's share from 2.14% held with the Counterparty Clearing House and 4.71% with Cámara de Compensación de Divisas de Colombia S.A., to 2.66% as a result of the merger.

For the investment held by the Bank in Credibanco S.A., the valuation is carried out by "Precia" (price vendor for valuation) which is applicable to the entire Colombian Financial sector; by the end of December 2020 and 2019, the price was COP 98.32 and COP 102.42 per share, respectively.

In the case of participation in the Bolsa de Valores de Colombia, the price of the share published on the last day of the year is considered. These shares were valued at a market price of COP 11,600 and COP 11,880 at the end of December 2019 and December 2020, respectively.

As for investments in ACH de Colombia S.A and Redeban S.A., they are presented herein with the valuation of market supplier Precia (price vendor for valuation), due to the change in the valuation method. According to the reports submitted based on the Cash Flow method, they reflect that the share valuation was COP 71,116.56 for ACH Colombia S.A. and COP 19,291.70 for Redeban S.A.

The valuation of investments held in Credibanco S.A., Bolsa de Valores de Colombia, ACH Colombia S.A. and Redeban S.A. is recorded in other comprehensive income.

The principles and policies for investments in non-controlling interests meet the recognition, classification and measurement criteria established in Basic Accounting and Financial Notice No. 100/1995. These accounting policies do not differ from those approved and published at the end of 2019.

For the years 2020 and 2019, the non-controlled entities declared dividends as follows:

| Entity | 2020 | | | 2019 | | |
|--|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | In shares | In cash | Total | In shares | In cash | Total |
| Fondo para el Financiamiento del sector pecuario "FINAGRO" | COP 1,451 | COP 5,804 | COP 7,255 | COP 2,139 | COP 8,556 | COP 10,695 |
| Bolsa de Valores de Colombia | - | 2,179 | 2,179 | - | 2,440 | 2,440 |
| ACH Colombia S.A. | - | 3,157 | 3,157 | - | 2,353 | 2,353 |
| Redeban S.A. | - | - | - | - | 491 | 491 |
| Cámara de Compensación de Divisas de Colombia S.A. | - | 120 | 120 | - | 125 | 125 |
| Cámara de Riesgo Central de Contraparte de Colombia S.A. | - | 54 | 54 | - | 66 | 66 |
| Credibanco S.A. | - | 2,072 | 2,072 | - | 1,974 | 1,974 |
| Total | COP 1,451 | COP 13,386 | COP 14,837 | COP 2,139 | COP 16,005 | COP 18,144 |



Investments in non-controlling interests - These are investments in equity instruments in non-controlled entities, consisting of the following at December 31, 2020 and 2019:

December 31, 2020

| Item | Domicile | Capital | Equity capital |
|--|-------------|------------|----------------|
| Investments in non-controlled entities | | | |
| Bolsa de Valores de Colombia S.A. | Bogotá D.C. | COP 30,257 | COP 2,218 |
| Credibanco S.A. | Bogotá D.C. | 9,031 | 1,142 |
| Fondo para el Financiamiento del Sector pecuario "FINAGRO" | Bogotá D.C. | 400,162 | 36,375 |
| A.C.H. Colombia S.A. | Bogotá D.C. | 6,595 | 707 |
| Redeban S.A. | Bogotá D.C. | 15,792 | 1,628 |
| Cámara de Riesgo Central de Contraparte de Colombia S.A. | Bogotá D.C. | 43,148 | 1,148 |
| Total investments in non-controlled entities | | | |

December 31, 2019

| Item | Domicile | Capital | Equity capital |
|--|-------------|------------|----------------|
| Investments in non-controlled entities | | | |
| Bolsa de Valores de Colombia S.A. | Bogotá D.C. | COP 30,257 | COP 2,218 |
| Credibanco S.A. | Bogotá D.C. | 9,031 | 1,142 |
| Fondo para el Financiamiento del Sector pecuario "FINAGRO" | Bogotá D.C. | 386,527 | 35,135 |
| A.C.H. Colombia S.A. | Bogotá D.C. | 6,595 | 707 |
| Cámara de Compensación de Divisas de Colombia S.A. | Bogotá D.C. | 2,781 | 128 |
| Redeban S.A. | Bogotá D.C. | 15,792 | 1,628 |
| Cámara de Riesgo Central de Contraparte de Colombia S.A. | Bogotá D.C. | 40,367 | 864 |
| Total investments in non-controlled entities | | | |

| | Share percentage | Carrying value | Solvency and market risk rating | Assets | Liabilities | Profits and/or Losses |
|--|------------------|--------------------|---------------------------------|-------------|-------------|-----------------------|
| | 7.33% | COP 61.951 | A | COP 591,689 | COP 43.845 | COP 63.184 |
| | 12.65% | 112.366 | A | 335,930 | 149.391 | 2.156 |
| | 9.09% | 112.113 | A | 12,581,342 | 11.493.368 | 86.291 |
| | 10.72% | 50.277 | A | 122,560 | 59.133 | 39.542 |
| | 10.31% | 31.173 | A | 554,328 | 444.735 | 5.835 |
| | 2.66% | 2.511 | A | 78,938,987 | 78.876.712 | 5.768 |
| | | COP 370,391 | | | | |

| |
|--|
| |
|--|

| | Share percentage | Carrying value | Solvency and market risk rating | Assets | Liabilities | Profits and/or Losses |
|--|------------------|--------------------|---------------------------------|-------------|-------------|-----------------------|
| | 7.33% | COP 60.513 | A | COP 549,517 | COP 42.142 | COP 47.320 |
| | 12.65% | 117.052 | A | 436,333 | 272.770 | 35.637 |
| | 9.09% | 102.375 | A | 10,934,109 | 9.861.752 | 96.501 |
| | 10.72% | 41.915 | A | 86,801 | 35.964 | 28.940 |
| | 4.61% | 1.366 | A | 10,521 | 1.983 | 2.547 |
| | 10.31% | 33.822 | A | 231,453 | 118.474 | 18.031 |
| | 2.14% | 1.306 | A | 67,731,006 | 67.679.682 | 4.002 |
| | | COP 358,349 | | | | |

The maturity of debt security investments at December 31, 2020 and 2019 was as follows:

December 31, 2020

| Maturity of the securities portfolio | Inv. at Fair Value through profit or loss | Inv. at amortized cost (*) | Inv. at Fair Value through OCI | Overall total |
|--------------------------------------|---|----------------------------|--------------------------------|----------------------|
| Less than 1 year | COP 2,172,962 | COP 2,112,004 | 298,102 | COP 4,583,067 |
| From 1 to 5 years | 557,295 | 7,969 | 1,589,927 | 2,155,191 |
| More than 5 years | 164,578 | 11,215 | 499,400 | 675,194 |
| Overall total | COP 2,894,835 | COP 2,131,188 | COP 2,387,429 | COP 7,413,452 |

(*) Measured at amortized cost without impairment

December 31, 2019

| Maturity of the securities portfolio | Inv. at Fair Value through profit or loss | Inv. at amortized cost (*) | Inv. at Fair Value through OCI | Overall total |
|--------------------------------------|---|----------------------------|--------------------------------|----------------------|
| Less than 1 year | COP 3,724,748 | COP 846,542 | COP 148,774 | COP 4,720,064 |
| From 1 to 5 years | 1,395,450 | 57,778 | 1,717,114 | 3,170,342 |
| More than 5 years | 293,094 | 11,216 | 481,619 | 785,929 |
| Overall total | COP 5,413,292 | COP 915,536 | COP 2,347,507 | COP 8,676,335 |

(*) Measured at amortized cost without impairment

Investments at amortized cost

Mortgage securities received in securitization processes - TIPS

Securities issued by Titulizadora Colombia TIPS, derived from Mortgage Portfolio Securitization processes in Colombian pesos, were issued in 10 and 15-year terms.

At December 31, 2020 and 2019, securities (TITIP0CD0099/ TITIP0B0097/INSC15061232 / INSZ15061232) were provisioned for a total of COP 4,022 in accordance with the guidelines established by Chapter I – 1 of the Basic Accounting and Financial Notice (CBCF, for the Spanish original) (Public Notice 100/95) of the SFC, according to the instruction of Section 2.4 of Chapter XV of the CBCF.

For the years 2019 and 2020, the Bank did not participate in securitization processes.

There are currently eight series on the market, of which the Bank holds series B, MZ and C of the N-6 Pesos issuance, and the N-16 Pesos issuance for a total balance at December 31, 2020 and 2019 of COP 35,920 and COP 38,534, respectively. The details and balance of the securities from securitization processes (TIPS) are shown in the table below:

| | Nominal value | Issue date | Maturity date | Term | 2020 | 2019 |
|--------------------------|-------------------|------------|---------------|------|-------------------|-------------------|
| TIP's Pesos N-16 B 2032 | COP 16,604 | 07/12/2017 | 07/12/2032 | 15 | COP 16,736 | COP 16,737 |
| TIP's Pesos N-16 MZ 2032 | 3,180 | 07/12/2017 | 07/12/2032 | 15 | 3,207 | 3,208 |
| TIP's Pesos N-16 C 2032 | 830 | 07/12/2017 | 07/12/2032 | 15 | 839 | 839 |
| Subtotal | 20,614 | | | | 20,782 | 20,784 |
| TIP's Pesos N-6 B 2027 | 26,641 | 23/08/2012 | 23/08/2027 | 15 | 7,968 | 10,581 |
| TIP's Pesos N-6 MZ 2027 | 6,104 | 23/08/2012 | 23/08/2027 | 15 | 6,104 | 6,104 |
| TIP's Pesos N-6 C 2027 | 1,066 | 23/08/2012 | 23/08/2027 | 15 | 1,066 | 1,066 |
| Subtotal | 33,811 | | | | 15,138 | 17,751 |
| Total | COP 54,425 | | | | COP 35,920 | COP 38,534 |

At December 31, 2020, the distribution by rating of debt securities of investments at fair value through other comprehensive income and investments at amortized cost through profit or loss, was as follows:

December 31, 2020

| Debt securities available for sale | | | |
|------------------------------------|-------------------------------|-----------------------------|-------------|
| S&P Global Rating ISSUE | Carrying value sovereign debt | Carrying value - other debt | % |
| A | COP - | COP 370,391 | 16% |
| AAA | - | 29,327 | 1% |
| Unclassified | - | 1,987,711 | 83% |
| Total | - | COP 2,387,429 | 100% |

| Debt securities held to maturity | | | |
|----------------------------------|-------------------------------|-----------------------------|-------------|
| S&P Global Rating ISSUE | Carrying value sovereign debt | Carrying value - other debt | % |
| A | COP 19,185 | COP - | 0% |
| AAA | 962,751 | - | 93% |
| Unclassified | - | 1,149,252 | 7% |
| Total | COP 981,936 | COP 1,149,252 | 100% |

December 31, 2019

| Debt securities available for sale | | | |
|------------------------------------|-------------------------------|-----------------------------|-------------|
| S&P Global Rating ISSUE | Carrying value sovereign debt | Carrying value - other debt | % |
| A | COP - | COP 244,253 | 10% |
| BBB | 2,086,516 | - | 89% |
| Unclassified | - | 16,737 | 1% |
| Total | COP 2,086,516 | COP 260,990 | 100% |

Debt securities held to maturity

| S&P Global Rating ISSUE | Carrying value sovereign debt | Carrying value - other debt | % |
|-------------------------|-------------------------------|-----------------------------|-------------|
| A | COP - | COP - | 0% |
| AAA | 846,542 | - | 93% |
| BBB | 47,197 | - | 5% |
| Unclassified | - | 21,798 | 2% |
| Total | COP 893,739 | COP 21,798 | 100% |

At December 31, 2020, there is a restriction corresponding to the lien on Certificates of Deposit – CDs for a nominal value of COP 5,700.

Global Rating Agency

| Issuer | CDT | TDA | TES | TIP's |
|------------------------------------|-----|-----|-----|-------|
| Banco Popular S.A, | AAA | | | |
| Bancolombia S.A, | AA | | | |
| BBVA Colombia S.A, | AAA | | | |
| Dirección de Tesoro Nacional (TES) | | | BBB | |
| FINAGRO | | AAA | | |
| Titularizadora Colombiana | | | | |
| TITIP0CD0099-142732 | | | | CC |
| TITIPMZD0098-142733 | | | | CCC |
| TITIP0BD0097-142730 | | | | BBB+ |
| INSC15061232-229718 | | | | BB |
| INSZ15061232-229722 | | | | BB+ |
| INSB15061232-229718 | | | | BB+ |
| TIPN16B32-229723 | | | | BBB |

10. Loan Portfolio And Finance Lease Transactions (Net) and Interest on Loan Portfolio and Other Items (Net)

The financial assets account for loan portfolio at amortized cost in the consolidated statement of financial position is presented in accordance with the classification adopted by the Financial Superintendence in the Exclusive Financial Reporting Catalog (CUIF, for the Spanish original). Below is the loan portfolio and finance lease transactions, net including interest and other items at December 31, 2020 and 2019 by type of currency:

December 31, 2020

| Modalities | Stage 1 | | Stage 2 | | Stage 3 | | Total |
|---|------------|-------------------|------------|------------------|------------|------------------|-----------------------|
| Commercial loan portfolio | COP | 15,966,268 | COP | 1,855,023 | COP | 40,328 | COP 17,861,619 |
| Consumer loan portfolio | | 14,741,457 | | 3,496,785 | | 589,524 | 18,827,766 |
| Mortgage portfolio | | 10,457,348 | | 1,627,986 | | 378,511 | 12,463,845 |
| Total Loan Portfolio and Finance Lease Transactions (Net) and Interest on Loan Portfolio and Other Items (Net) | COP | 41,165,073 | COP | 6,979,794 | COP | 1,008,363 | COP 49,153,230 |

December 31, 2019

| Modalities | Stage 1 | | Stage 2 | | Stage 3 | | Total |
|---|------------|-------------------|------------|------------------|------------|------------------|-----------------------|
| Commercial loan portfolio | COP | 16,661,690 | COP | 726,990 | COP | 37,326 | COP 17,426,006 |
| Consumer loan portfolio | | 16,580,018 | | 1,057,114 | | 550,682 | 18,187,814 |
| Mortgage portfolio | | 10,752,861 | | 821,406 | | 417,627 | 11,991,894 |
| Total Loan Portfolio and Finance Lease Transactions (Net) and Interest on Loan Portfolio and Other Items (Net) | COP | 43,994,569 | COP | 2,605,510 | COP | 1,005,635 | COP 47,605,714 |

The tables below provide details by counterparty and by product of the defaulted amounts of the risks that were not considered to be impaired at December 31, 2020, classified according to age of the first defaulted payment, as well as the breakdown of the debt securities and the loans and advances considered to be impaired, determined on an individual and collective basis.

The Group's portfolio shows greater concentration in the consumer portfolio, with an increase of COP 639,952. This category consists of corporate loans and loans to territorial entities, with a variation of 3% compared to December 2019. In addition, there are increases in the commercial portfolio for COP 435,613, a variation of 2% and the housing portfolio for COP 471,951, a variation of 4%, compared to December 2019.

Below are the Loan Portfolio and Lease Transactions by modality, stage and line:

December 31, 2020

| Portfolio | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---------------|--|-----------|---|-----------|---|---------|-------|-----------|
| | Credit losses expected in the next 12 months | | Credit losses expected during the lifetime of the asset | | Credit losses expected during the lifetime of the asset with impairment | | | |
| Banking | | | | | | | | |
| Enterprise | COP | 6,642,796 | COP | 1,085,548 | COP | 489,516 | COP | 8,217,860 |
| Institutional | | 1,342,978 | | 37,087 | | 861 | | 1,380,926 |
| Corporate | COP | 3,451,786 | COP | 62,020 | COP | - | COP | 3,513,806 |

| Portfolio | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--|---|---|-----------------------|
| | Credit losses expected in the next 12 months | Credit losses expected during the lifetime of the asset | Credit losses expected during the lifetime of the asset with impairment | |
| Financial Entities | COP 984,189 | COP 1,550 | COP 2,168 | COP 987,907 |
| Territorial Entities | 2,074,998 | 159,364 | - | 2,234,362 |
| Representative | 677,691 | 168,546 | 68,667 | 914,904 |
| Small Enterprises | 953,906 | 604,635 | 277,640 | 1,836,181 |
| Total Commercial Portfolio | 16,128,344 | 2,118,750 | 838,852 | 19,085,946 |
| Impairment | (162,076) | (263,727) | (798,524) | (1,224,327) |
| Net commercial loan portfolio | 15,966,268 | 1,855,023 | 40,328 | 17,861,619 |
| Consumer | | | | |
| Vehicle | 980,636 | 342,012 | 132,805 | 1,455,453 |
| Payroll | 10,059,787 | 1,740,123 | 288,409 | 12,088,319 |
| Hedge | 2,228,419 | 1,440,208 | 706,476 | 4,375,103 |
| Overdraft | 517 | 494 | 1,027 | 2,038 |
| Cards | 1,439,173 | 420,279 | 157,321 | 2,016,773 |
| Revolving | 221,492 | 94,748 | 48,986 | 365,226 |
| Total Consumer Portfolio | 14,930,024 | 4,037,864 | 1,335,024 | 20,302,912 |
| Impairment | (188,567) | (541,079) | (745,500) | (1,475,146) |
| Net consumer loan portfolio | 14,741,457 | 3,496,785 | 589,524 | 18,827,766 |
| Mortgage (housing) | | | | |
| Total mortgage Portfolio | 10,521,277 | 1,797,575 | 669,750 | 12,988,602 |
| Impairment | (63,929) | (169,589) | (291,239) | (524,757) |
| Net mortgage portfolio | 10,457,348 | 1,627,986 | 378,511 | 12,463,845 |
| Total Loan Portfolio and Finance Lease Transactions and Interest on Loan Portfolio and Other Items | 41,579,645 | 7,954,189 | 2,843,626 | 52,377,460 |
| Impairment | (414,572) | (974,395) | (1,835,263) | (3,224,230) |
| Total Loan Portfolio and Finance Lease Transactions (Net) and Interest on Loan Portfolio and Other Items (Net) | COP 41,165,073 | COP 6,979,794 | COP 1,008,363 | COP 49,153,230 |

December 31, 2019

| Portfolio | Stage 1 | | Stage 2 | | Stage 3 | | Total |
|-------------------------------|--|------------|---|-----------|---|-----------|----------------|
| | Credit losses expected in the next 12 months | | Credit losses expected during the lifetime of the asset | | Credit losses expected during the lifetime of the asset with impairment | | |
| Banking | | | | | | | |
| Enterprise | COP | 7,657,980 | COP | 394,067 | COP | 354,604 | COP 8,406,651 |
| Institutional | | 1,312,435 | | 7,975 | | 2,993 | 1,323,403 |
| Corporate | | 2,754,620 | | 63,893 | | 3 | 2,818,516 |
| Financial Entities | | 1,218,085 | | 236 | | 1,799 | 1,220,120 |
| Territorial Entities | | 2,030,840 | | 5,679 | | 0 | 2,036,519 |
| Representative | | 764,876 | | 181,239 | | 67,695 | 1,013,810 |
| Small Enterprises | | 1,216,716 | | 284,251 | | 284,656 | 1,785,623 |
| Total Commercial Portfolio | | 16,955,552 | | 937,340 | | 711,750 | 18,604,642 |
| Impairment | | (293,862) | | (210,350) | | (674,424) | (1,178,636) |
| Net commercial loan portfolio | | 16,661,690 | | 726,990 | | 37,326 | 17,426,006 |
| Consumer | | | | | | | |
| Vehicle | | 1,146,242 | | 173,594 | | 124,051 | 1,443,887 |
| Payroll | | 10,169,190 | | 198,708 | | 264,218 | 10,632,116 |
| Hedge | | 3,288,322 | | 673,509 | | 762,584 | 4,724,415 |
| Overdraft | | 2,125 | | 787 | | 1,114 | 4,026 |
| Cards | | 1,675,010 | | 202,075 | | 162,579 | 2,039,664 |
| Revolving | | 395,812 | | 49,851 | | 46,757 | 492,420 |
| Total Consumer Portfolio | | 16,676,701 | | 1,298,524 | | 1,361,303 | 19,336,528 |
| Impairment | | (96,683) | | (241,410) | | (810,621) | (1,148,714) |
| Net consumer loan portfolio | | 16,580,018 | | 1,057,114 | | 550,682 | 18,187,814 |
| Mortgage (housing) | | | | | | | |
| Total mortgage Portfolio | | 10,780,361 | | 881,833 | | 648,807 | 12,310,001 |
| Impairment | | (27,500) | | (60,427) | | (231,180) | (319,107) |
| Net mortgage portfolio | COP | 10,752,861 | COP | 821,406 | COP | 417,627 | COP 11,991,894 |

| Portfolio | Stage 1 | | Stage 2 | | Stage 3 | | Total |
|--|--|------------|---|-----------|---|-------------|----------------|
| | Credit losses expected in the next 12 months | | Credit losses expected during the lifetime of the asset | | Credit losses expected during the lifetime of the asset with impairment | | |
| Total Loan Portfolio and Finance Lease Transactions and Interest on Loan Portfolio and Other Items | COP | 44,412,614 | COP | 3,117,697 | COP | 2,721,860 | COP 50,252,171 |
| Impairment | | (418,045) | | (512,187) | | (1,716,225) | (2,646,457) |
| Total Loan Portfolio and Finance Lease Transactions (Net) and Interest on Loan Portfolio and Other Items (Net) | COP | 43,994,569 | COP | 2,605,510 | COP | 1,005,635 | COP 47,605,714 |

Below is the reconciliation of the provision of the loan portfolio and lease transactions by modality

December 31, 2020

| Portfolio | Stage 1 | | Stage 2 | | Stage 3 | | Total |
|---|--|-----------|---|----------|---|---------|---------------|
| | Credit losses expected in the next 12 months | | Credit losses expected during the lifetime of the asset | | Credit losses expected during the lifetime of the asset with impairment | | |
| Banking | | | | | | | |
| Opening balance at January 1, 2020 | COP | 293,862 | COP | 210,350 | COP | 674,424 | COP 1,178,636 |
| Transfers to credit losses expected in the next 12 months | | (138,519) | | 132,232 | | 35,073 | 28,786 |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | COP | 525 | COP | (86,785) | COP | 134,940 | COP 48,680 |

| Portfolio | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--|---|---|------------------|
| | Credit losses expected in the next 12 months | Credit losses expected during the lifetime of the asset | Credit losses expected during the lifetime of the asset with impairment | |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | COP 15 | COP 833 | COP 49,660 | COP 50,508 |
| Impairment | 6,193 | 7,097 | 1,714 | 15,004 |
| Net reconciliation of the commercial loan portfolio provision | 162,076 | 263,727 | 798,524 | 1,224,327 |
| Consumer | | | | |
| Opening balance at January 1, 2020 | 96,683 | 241,410 | 810,621 | 1,148,714 |
| Transfers to credit losses expected in the next 12 months | (124,434) | 286,775 | 213,694 | 376,035 |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | 1,698 | (107,141) | 93,400 | (12,043) |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | 342 | 852 | (117,286) | (116,092) |
| Impairment | 217,256 | 141,823 | 120,391 | 479,470 |
| Loans written off | (2,978) | (22,640) | (375,320) | (400,938) |
| Net reconciliation of the consumer loan portfolio provision Reimbursement of write-offs | 188,567 | 541,079 | 745,500 | 1,475,146 |
| Mortgage | | | | |
| Opening balance at January 1, 2020 | 27,500 | 60,427 | 231,180 | 319,107 |
| Transfers to credit losses expected in the next 12 months | (9,095) | 110,260 | 14,339 | 115,504 |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | COP 1,695 | COP (33,668) | COP 31,970 | COP (3) |

| Portfolio | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--|---|---|---------------|
| | Credit losses expected in the next 12 months | Credit losses expected during the lifetime of the asset | Credit losses expected during the lifetime of the asset with impairment | |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | COP 231 | COP 1,740 | COP (5,417) | COP (3,446) |
| Impairment | 43,598 | 30,833 | 32,272 | 106,703 |
| Loans written off | - | (3) | (13,105) | (13,108) |
| Net reconciliation of the mortgage portfolio provision | 63,929 | 169,589 | 291,239 | 524,757 |
| Balance at December 31, 2020 | COP - | COP - | COP - | COP 3,224,230 |

December 31, 2019

| Portfolio | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--|---|---|---------------|
| | Credit losses expected in the next 12 months | Credit losses expected during the lifetime of the asset | Credit losses expected during the lifetime of the asset with impairment | |
| Banking | | | | |
| Initial balance at January 1, 2019 | COP 249,970 | COP 176,046 | COP 707,532 | COP 1,133,548 |
| Transfers to credit losses expected in the next 12 months | (179,188) | 53,899 | 41,776 | (83,513) |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | 1,287 | (72,826) | COP 58,199 | (13,340) |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | COP 72 | COP 1,662 | COP (3,164) | COP (1,430) |

| Portfolio | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|--|-----------|---|-------------|---|-----------|-------|-----------|
| | Credit losses expected in the next 12 months | | Credit losses expected during the lifetime of the asset | | Credit losses expected during the lifetime of the asset with impairment | | | |
| Impairment | COP | 221,721 | COP | 59,643 | COP | 202,550 | COP | 483,914 |
| Loans written off | | - | | (8,074) | | (332,469) | | (340,543) |
| Net reconciliation of the commercial loan portfolio provision | | 293,862 | | 210,350 | | 674,424 | | 1,178,636 |
| Consumer | | | | | | | | |
| Initial balance at January 1, 2019 | | 244,656 | | 158,595 | | 974,679 | | 1,377,930 |
| Transfers to credit losses expected in the next 12 months | | (156,409) | | 116,996 | | 277,676 | | 238,263 |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | | 3,742 | | \$(114,172) | | 108,499 | | (1,931) |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | | 354 | | 1,374 | | (145,289) | | (143,561) |
| Impairment | | 4,850 | | 86,413 | | 1,577 | | 92,840 |
| Loans written off | | (510) | | (7,796) | | (406,521) | | (414,827) |
| Net reconciliation of the consumer loan portfolio provision | | 96,683 | | 241,410 | | 810,621 | | 1,148,714 |
| Mortgage (housing) | | | | | | | | |
| Initial balance at January 1, 2019 | | 36,455 | | 85,154 | | 224,150 | | 345,759 |
| Transfers to credit losses expected in the next 12 months | | (15,435) | | 38,402 | | 28,579 | | 51,546 |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | COP | 2,625 | COP | (79,023) | COP | 2,805 | COP | (73,593) |

| Portfolio | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--|---|---|----------------------|
| | Credit losses expected in the next 12 months | Credit losses expected during the lifetime of the asset | Credit losses expected during the lifetime of the asset with impairment | |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | COP 401 | COP 2,100 | COP (15,726) | COP (13,225) |
| Impairment | 3,456 | 13,855 | 11,587 | 28,898 |
| Loans written off | (2) | (61) | (20,215) | (20,278) |
| Net reconciliation of the mortgage portfolio provision | 27,500 | 60,427 | 231,180 | 319,107 |
| Amount without deducting from portfolio originated with credit impairment upon initial recognition | - | - | - | - |
| Balance at December 31, 2019 | COP - | COP - | COP - | COP 2,646,457 |



Below are the details of the impairment of the loan portfolio and finance lease transactions and other items by product and type of customer:

December 31, 2020

| Modality | Stage 1 | | | |
|--------------------------------------|----------------|---------|-------------------------|--------|
| | Unmatured risk | | Risk past due < 30 days | |
| Loan portfolio by type of customer | | | | |
| Government agencies | COP | 8,083 | COP | 57 |
| Credit institutions | | 3,295 | | - |
| Other financial institutions | | 1,175 | | - |
| Non-financial corporations | | 153,305 | | 9,520 |
| Individuals | | 219,480 | | 19,657 |
| Total loan portfolio by segment | | 385,338 | | 29,234 |
| Loan portfolio by products | | | | |
| Commercial loan portfolio | | 36,492 | COP | 3,543 |
| Demand accounts and current accounts | | - | | 69 |
| Credit card debts | | 28,306 | | 998 |
| Other credits | | 321,186 | | 23,978 |
| Total loan portfolio by product | COP | 385,984 | COP | 28,588 |

| Stage 2 | | | Stage 3 | | | | |
|--------------------|-------------------------|----------------------|--------------------|-------------------------|----------------------|------------------------|-------|
| Unmatured risk | Risk past due < 30 days | Risk past-due 30 -90 | Unmatured risk | Risk past due < 30 days | Risk past-due 30 -90 | Risk past-due> 90 days | |
| days | | | days | Risk past-due> 90 days | | | |
| COP 8,019 | COP 1,228 | COP - | COP - | COP - | COP - | COP - | COP 1 |
| - | - | - | - | - | - | - | - |
| 20 | - | 10 | 92 | - | - | - | - |
| 289,187 | 32,543 | 6,624 | 106,902 | 37,308 | 37,045 | 321,355 | |
| 473,118 | 81,531 | 82,115 | 374,040 | 99,633 | 98,286 | 760,601 | |
| 770,344 | 115,302 | 88,749 | 481,034 | 136,941 | 135,331 | 1,081,957 | |
| 66,763 | 2,794 | 4,777 | 25,631 | 6,393 | 3,636 | 37,284 | |
| - | - | - | - | 63 | 32 | 4,381 | |
| 26,347 | 2,292 | 12,550 | 30,367 | 3,756 | 7,169 | 57,325 | |
| 677,995 | 109,623 | 71,253 | 425,949 | 128,845 | 86,414 | 1,018,018 | |
| COP 771,105 | COP 114,709 | COP 88,580 | COP 481,947 | COP 139,057 | COP 97,252 | COP 1,117,008 | |

December 31, 2019

| Modality | Stage 1 | |
|--------------------------------------|----------------|-------------------------|
| | Unmatured risk | Risk past due < 30 days |
| Loan portfolio by type of customer | | |
| Government agencies | COP 4,237 | COP 53 |
| Credit institutions | 163 | - |
| Other financial institutions | 784 | 39 |
| Non-financial corporations | 164,771 | 13,696 |
| Individuals | 246,240 | 40,705 |
| Total loan portfolio by segment | 416,195 | 54,493 |
| Loan portfolio by products | | |
| Commercial loan portfolio | 44,491 | 4,701 |
| Demand accounts and current accounts | - | 261 |
| Credit card debts | 36,757 | 2,494 |
| Other credits | 335,339 | 46,645 |
| Total loan portfolio by product | COP 416,587 | COP 54,101 |

| Stage 2 | | | Stage 3 | | | | |
|--------------------|-------------------------|----------------------|--------------------|-------------------------|----------------------|------------------------|---|
| Unmatured risk | Risk past due < 30 days | Risk past-due 30 -90 | Unmatured risk | Risk past due < 30 days | Risk past-due 30 -90 | Risk past-due> 90 days | |
| COP 532 | COP - | COP 4 | COP 83 | COP - | COP - | COP 1 | |
| - | - | - | - | - | - | - | - |
| - | - | 24 | 2 | - | - | - | - |
| 116,233 | 40,607 | 11,562 | 53,366 | 14,376 | 37,045 | 238,137 | |
| 154,877 | 66,907 | 108,306 | 172,472 | 104,945 | 98,286 | 958,004 | |
| 271,642 | 107,514 | 119,896 | 225,923 | 119,321 | 135,331 | 1,196,142 | |
| 18,167 | 6,216 | 3,338 | 18,820 | 7,091 | 6,333 | 50,850 | |
| - | 45 | - | - | 1,096 | 1 | 5,702 | |
| 14,336 | 1,852 | 9,985 | 14,328 | 3,690 | 6,331 | 98,374 | |
| 238,761 | 99,358 | 106,994 | 196,206 | 107,144 | 108,213 | 1,052,538 | |
| COP 271,264 | COP 107,471 | COP 120,317 | COP 229,354 | COP 119,021 | COP 120,878 | COP 1,207,464 | |

(*) In compliance with the regulatory criteria and conditions, the unmatured risk is listed in stages 2 and 3, based on the financial instrument and restructuring policy, in the loan portfolio impairment item.

Below is the breakdown of the loans, under the heading “Financial assets at amortized cost”, impaired assets and the value impairment accumulated by sectors:

December 31, 2020

| Modality | Total Gross Risk | | Total Provision | | Net Carrying Value | | % |
|--|------------------|-------------------|-----------------|------------------|--------------------|-------------------|-----------|
| Government agencies | COP | 4,020,124 | COP | 17,389 | COP | 4,002,735 | 0% |
| Credit institutions | | 272,376 | | 4,963 | | 267,412 | 2% |
| Other financial institutions | | 786,464 | | 1,297 | | 785,167 | 0% |
| Non-financial corporations | | 13,308,780 | | 1,016,305 | | 12,292,475 | |
| • Agriculture, forestry and fishing | | 451,832 | | 38,476 | | 413,356 | 9% |
| • Extractive industries | | 192,758 | | 38,050 | | 154,708 | 20% |
| • Manufacturing industry | | 3,356,062 | | 143,788 | | 3,212,274 | 4% |
| • Supply of electricity, gas, steam and air conditioning | | 1,070,806 | | 3,114 | | 1,067,692 | 0% |
| • Water supply | | 35,249 | | 3,675 | | 31,574 | 10% |
| • Wholesale and retail trade | | 3,058,306 | | 173,919 | | 2,884,387 | 6% |
| • Transport and storage | | 932,941 | | 82,954 | | 849,987 | 9% |
| • Catering | | 213,670 | | 39,450 | | 174,220 | 18% |
| • Information and communications | | 156,874 | | 13,363 | | 143,511 | 9% |
| • Professional, scientific and technical activities | | 241,170 | | 25,272 | | 215,898 | 10% |
| • Administrative activities and back-office | | 300,273 | | 43,115 | | 257,158 | 14% |
| • Education | | 367,426 | | 6,777 | | 360,649 | 2% |
| • Health activities and social work activities | | 481,999 | | 23,894 | | 458,105 | 5% |
| • Artistic, recreational and entertainment activities | | 168,356 | | 23,227 | | 145,129 | 14% |
| • Other services | | 84,741 | | 12,289 | | 72,452 | 15% |
| • Public service and compulsory social security | | 95,152 | | 784 | | 94,368 | 1% |
| • Construction | | 1,021,987 | | 210,005 | | 811,982 | 21% |
| • Real estate activities | | 259,872 | | 29,589 | | 230,283 | 11% |
| • Financial and insurance-related activities | | 819,306 | | 104,564 | | 714,742 | 13% |
| Individuals | | 33,989,716 | | 2,184,276 | | 31,805,440 | 6% |
| Total loan portfolio | COP | 52,377,460 | COP | 3,224,230 | COP | 49,153,230 | 6% |

December 31, 2019

| Modality | Total Gross Risk | | Total Provision | | Net Carrying Value | | % |
|--|------------------|-------------------|-----------------|------------------|--------------------|-------------------|-----------|
| Government agencies | COP | 3,859,055 | COP | 4,911 | COP | 3,854,144 | 0% |
| Credit institutions | | 138,389 | | 163 | | 138,227 | 0% |
| Other financial institutions | | 730,205 | | 848 | | 729,357 | 0% |
| Non-financial corporations | | 13,129,649 | | 692,772 | | 12,436,876 | |
| • Agriculture, forestry and fishing | | 442,127 | | 24,775 | | 417,352 | 6% |
| • Extractive industries | | 293,932 | | 28,016 | | 265,916 | 10% |
| • Manufacturing industry | | 3,214,297 | | 123,737 | | 3,090,560 | 4% |
| • Supply of electricity, gas, steam and air conditioning | | 813,456 | | 2,958 | | 810,498 | 0% |
| • Water supply | | 33,973 | | 3,340 | | 30,633 | 10% |
| • Wholesale and retail trade | | 2,944,219 | | 155,421 | | 2,788,798 | 5% |
| • Transport and storage | | 865,854 | | 39,502 | | 826,352 | 5% |
| • Catering | | 183,378 | | 16,273 | | 167,106 | 9% |
| • Information and communications | | 158,129 | | 10,953 | | 147,176 | 7% |
| • Professional, scientific and technical activities | | 241,823 | | 19,051 | | 222,772 | 8% |
| • Administrative activities and back-office | | 337,362 | | 25,634 | | 311,728 | 8% |
| • Education | | 361,457 | | 14,719 | | 346,738 | 4% |
| • Health activities and social work activities | | 359,101 | | 15,042 | | 344,059 | 4% |
| • Artistic, recreational and entertainment activities | | 126,511 | | 4,998 | | 121,513 | 4% |
| • Other services | | 68,011 | | 8,912 | | 59,099 | 13% |
| • Public service and compulsory social security | | 204,814 | | 3,075 | | 201,740 | 2% |
| • Construction | | 1,370,996 | | 130,236 | | 1,240,760 | 9% |
| • Real estate activities | | 255,850 | | 11,865 | | 243,984 | 5% |
| • Financial and insurance-related activities | | 844,606 | | 54,029 | | 790,577 | 6% |
| • Financial and insurance-related activities | | 9,755 | | 240 | | 9,515 | 2% |
| Individuals | | 32,394,870 | | 1,947,761 | | 30,447,110 | 6% |
| Total loan portfolio | COP | 50,252,171 | COP | 2,646,457 | COP | 47,605,714 | 5% |

Portfolio sales

Year 2020

During 2020, it conducted portfolio sale transactions for a total of COP 392,072, where 93% of said asset was written-off.

The breakdown of the portfolio transferred by modality was represented as follows: Mortgage, 0.90%; Commercial, 7.16%; and Consumer, 91.94%; these transactions were conducted in the months listed in the attached table:

Total debt by portfolio type

| Mes | Consumer | Mortgage | Banking | Total Debt |
|---------------------------|--------------------|------------------|-------------------|--------------------|
| January | COP 210 | COP 265 | COP 272 | COP 747 |
| February | 98 | 298 | - | 396 |
| March | 358,580 | - | 1,805 | 360,385 |
| April | - | - | - | - |
| May | - | - | 580 | 580 |
| June | 45 | 198 | - | 243 |
| July | 236 | 56 | - | 292 |
| August | 45 | 215 | - | 260 |
| September | 312 | 191 | 3,937 | 4,440 |
| October | 5 | 210 | 1,045 | 1,260 |
| November | 708 | 892 | 20,357 | 21,957 |
| December | 230 | 1,195 | 88 | 1,513 |
| Total | COP 360,469 | COP 3,520 | COP 28,084 | COP 392,073 |
| % of portfolio share sold | 91.94% | 0.90% | 7.16% | 100% |

(*) Amount includes principal, interest and accounts receivable balances.

Year 2019

During 2019, it conducted portfolio sale transactions for a total of COP 760,311 million, where 97.45% of said asset was written-off.

The breakdown of the portfolio transferred by modality was represented as follows: Mortgage, 2%; Commercial, 12%; and Consumer, 86%; these transactions were conducted in the months listed in the attached table:

Total debt by portfolio type

| Mes | Consumer | Mortgage | Banking | Total Debt |
|---------------------------|--------------------|-------------------|-------------------|--------------------|
| January | COP 290 | COP 577 | COP - | COP 868 |
| February | 3,023 | 1,565 | - | 4,588 |
| March | 186,532 | 8,371 | 5,167 | 200,070 |
| April | - | 85 | 5,727 | 5,812 |
| May | 72 | 137 | - | 209 |
| June | 138,995 | 328 | 6,135 | 145,459 |
| July | 1,522 | 472 | 748 | 2,742 |
| August | 328 | 144 | 7,413 | 7,885 |
| September | 321,172 | 23 | 4,451 | 325,646 |
| October | 892 | 1,187 | 807 | 2,887 |
| November | 58 | 431 | 1,276 | 1,765 |
| December | 936 | 1,099 | 60,345 | 62,380 |
| Total | COP 653,822 | COP 14,418 | COP 92,069 | COP 760,310 |
| % of portfolio share sold | 86% | 2% | 12% | 100% |

(*) Amount includes principal, interest and accounts receivable balances.r.

Mass portfolio sales transactions were conducted with the companies Sistemcobro S.A.S. and Pra Group CH S.A.S. litigious rights sales to natural and legal persons.

11. Right-of-Use Fixed Assets

At December 31, the balance of this account is summarized as follows:

| Item | 2020 | 2019 |
|--|--------------------|--------------------|
| Right-of-use fixed assets | | |
| Buildings (Premises and ATMs) | COP 195,396 | COP 198,947 |
| Accumulated depreciation | (58,953) | (29,497) |
| Total right-of-use fixed assets | COP 136,443 | COP 169,450 |

The Group analyzed and implemented IFRS 16, choosing to apply the modified retrospective method, which consists of recognizing lease liabilities for an amount equivalent to the present value of the committed future payments. The criteria determination process is mainly derived from the standards that contain the necessary guidelines for the definition of a series of criteria that enable the negotiation, classification of the contract, and estimation of the IFRS 16 parameters.

These criteria are defined by IFRS 16 Governing Bodies, which are responsible for providing the Lease Management areas with the global criteria defined in accordance with the Group's needs.

The following criteria are applied to identify the leases that are in line with the standard:

The keys to determining whether a contract contains a lease are:

- The asset subject to the lease must be identified either implicitly or explicitly; and
- The lessee has the right to obtain all economic benefits from the right to use that identified asset; and the right to direct the use of that identified asset.

At this point, it is important to take the following concepts into account:

Term of the lease

The term of the lease is defined as the non-cancellable period of a lease, where the Lessee has the option to use an underlying asset together with: periods covered by the option to extend the lease or periods covered by the option to terminate the lease, if the lessee is reasonably certain of exercising that option, respectively.

The entity shall take into account all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option or not.

If only the lessor has the right to terminate the lease, the non-cancellable period of the lease includes the period covered up to the option to terminate the lease.

The lessee shall review the term of the lease if there is a significant change or event in the circumstances under its control.

Discount rate

The interest rate implicit in a lease is defined as the rate at which the present value of (a) the lease payments and (b) the unguaranteed residual value equals the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor (IFRS 16 Appendix A). The average discount rate applied at December 31, 2019 is 5.73%.

Lease payments are discounted using (IFRS 16.26):

- The interest rate implicit in the lease; or
- If the interest rate implicit in the lease cannot be easily determined, the lessee shall use the incremental interest rate on the lessee's debt.

The incremental interest rate on the lessee's debt is defined as the interest rate that the lessee would have to pay to borrow, for a similar term and with a similar guarantee, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. (IFRS 16 Appendix A).

If a lease contract involves a payment made in a currency other than that of the lessee, the incremental interest rate must be determined on the basis of a similar loan taken in the foreign currency.

The Group has decided to apply the fund transfer price (FTP) as a discount rate.

Once a lease is identified under IFRS 16, the lessee shall recognize in its assets the right to use the asset and in its liabilities the obligation to make the future lease payments committed.

Right-of-use fixed assets

The Group has applied IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The impact at year-end in 2020 on right-of-use assets recorded a balance of COP 136,443 and COP 149,448 on lease liabilities, which includes the disassembly provision.

At December 31, 2020, the following are the details of the right-of-use fixed assets.

| Assets | | | | | |
|--|------------|----------------|------------------|-----------------|--------------------|
| Item | 2020 | | Movement in 2020 | | 2019 |
| Right-of-use premises | COP | 146,550 | COP | (6,470) | COP 153,020 |
| Right-of-use ATMs | | 48,846 | | 2,919 | 45,927 |
| Depreciation right-of-use premises | | (50,030) | | (25,393) | (24,637) |
| Depreciation right-of-use premises terminated leases | | 1,275 | | 1,275 | - |
| Depreciation right-of-use ATMs | | (10,249) | | (5,389) | (4,860) |
| Depreciation right-of-use ATMs terminated leases | | 51 | | 51 | - |
| Total | COP | 136,443 | COP | (33,007) | COP 169,450 |

Liabilities

| Item | 2020 | Movement in 2020 | 2019 |
|----------------------------|--------------------|---------------------|--------------------|
| Lease liabilities premises | COP 99,887 | COP (26,401) | COP 126,288 |
| Lease liabilities ATMs | 41,149 | (927) | 42,076 |
| Disassembly provision | 8,412 | (215) | 8,627 |
| Total | COP 149,448 | COP (27,543) | COP 176,991 |

Amounts recognized in the consolidated statement of income

| Item | 2020 | 2019 |
|------------------------------------|------------|------------|
| Interest on lease liabilities | COP 11,908 | COP 13,886 |
| Real estate rental expenses | 1,964 | 2,220 |
| Depreciation right-of-use ATMs | 25,393 | 24,661 |
| Depreciation right-of-use premises | COP 5,389 | COP 4,904 |

There are differences between the value of the accumulated depreciation against the expense on this account. This is due to leases that were terminated: two during the first quarter of 2020 and six in the last quarter of the year, of which two are for ATM contracts and six for commercial premises.

Maturity analysis - undiscounted contractual cash flows:

| Lease liabilities for premises | 2020 | 2019 |
|--|--------------------|--------------------|
| No more than one year | COP 27,115 | COP 58,748 |
| More than one year and less than three years | 53,368 | 87,112 |
| More than three years and less than five years | 27,661 | 30,440 |
| More than five years | 6,866 | 7,895 |
| Total undiscounted lease liabilities | COP 115,010 | COP 184,195 |

| Lease liabilities for ATMs | 2020 | 2019 |
|--|-------------------|-------------------|
| No more than one year | COP 7,428 | COP 12,969 |
| More than one year and less than three years | 13,788 | 19,624 |
| More than three years and less than five years | 12,596 | 11,998 |
| More than five years | 22,236 | 21,035 |
| Total undiscounted lease liabilities | COP 56,048 | COP 65,626 |

The Group as a lessee

Lease commitments: The Group, for its functioning and according to its expansion process, leases offices on the national level by entering into agreements with the terms listed in the table below:

| Range | 2020 | 2019 |
|------------------------|-------------------|-------------------|
| One year or less | COP 70 | COP 29 |
| From one to five years | 2,360 | 2,706 |
| More than five years | 37,089 | 43,297 |
| Total | COP 39,519 | COP 46,032 |

These transactions usually contain renewal options, which are generally for the initially agreed term. The lease rates are adjusted as agreed in the lease contract and/or as legally required. The expense recognized for the years ended December 31, 2020 and 2019 was COP 39,519 and COP 46,032, respectively.

12. Securitization and Buyback of Securitized Portfolio

In the processes of securitization, the Bank aims to eliminate the market risk of loans in Colombian pesos, turn the current portfolio into liquid assets by favorably improving the LRI (Liquidity Risk Indicator) ratio, reduce the regulatory capital consumption of the balance sheet, optimize the solvency ratio and create opportunities for growth in the placement of a new portfolio at better rates on the market.

In this sense, it is the Bank's policy to select customers that will allow the efficient performance of the transaction, for which it chooses sound portfolios.

Productive portfolio securitization: During 2020, the Bank did not participate in securitization processes.

The balances of the current issuances and portfolio in which the Bank has participated at December 31 are as follows:

| Item | 2020 | | 2019 | |
|--------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| | Managed portfolio – total principal | Balances in BBVA TIPS securities | Managed portfolio – total principal | Balances in BBVA TIPS securities |
| TIP's E-9 | COP 720 | COP - | COP 1.065 | COP - |
| TIP's E-10 | 1,035 | - | 1,296 | - |
| TIP's E-11 | 638 | - | 858 | - |
| TIP's E-12 | 199 | - | 310 | - |
| TIP's N-6 | 10,753 | 15,138 | 13,987 | 17,751 |
| TIP's N-16 | 79,315 | 20,781 | 98,198 | 20,783 |
| Total | COP 92,660 | COP 35,919 | COP 115,714 | COP 38,534 |

Portfolio buyback: In 2020, 20 credits were bought back from Titularizadora Colombiana S.A. of Issuances TIPS E9 PESOS, TIPS E10 PESOS, TIPS E11 PESOS, E12 PESOS, N6 PESOS and N16 PESOS, for a total of COP 1,716, which included buybacks due to the request to decrease rates, refurbishment and write-offs as follows:

| Item | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|----------------------------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----------|
| No. of credits | - | 2 | 2 | - | - | 1 | 1 | 3 | 1 | 2 | 7 | 1 | 20 |
| Total balance of principal | COP - | 62 | 280 | - | - | 2 | 38 | 203 | 50 | 420 | 606 | 18 | COP 1,679 |
| Total balance of debt | COP - | 63 | 281 | - | - | 2 | 38 | 228 | 51 | 424 | 611 | 18 | COP 1,716 |

Portfolio buyback: In 2019, 44 credits were bought back from Titularizadora Colombiana S.A. of Issuances TIPS E9 PESOS, TIPS E10 PESOS, TIPS E11 PESOS, E12 PESOS, N6 PESOS and N16 PESOS, for a total of COP 2,951, which included buybacks due to the request to decrease rates, refurbishment and write-offs as follows:

| Item | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|----------------------------|---------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----------|
| No. of credits | 6 | 6 | 4 | 1 | 6 | 4 | 5 | 4 | 2 | 4 | - | 2 | 44 |
| Total balance of principal | COP 270 | 405 | 197 | 8 | 590 | 466 | 259 | 332 | 155 | 172 | - | 77 | COP 2,931 |
| Total balance of debt | COP 271 | 411 | 198 | 8 | 593 | 472 | 260 | 332 | 156 | 173 | - | 77 | COP 2,951 |

History of productive portfolio securitization

TIP's E-9 Pesos – In December 2008, TIPS E-9 were issued for a total of COP 401,000, of which BBVA had a share of COP 140,000. The Class A TIPS for COP 369,000, Class B TIPS for COP 30,000 and Class MZ TIPS for COP 2,000 have ratings of AAA, AA- and BBB, respectively, and their maturity is between 2010 and 2023.

In March 2016, the securities of the TIPS E-9 issuance were paid.

TIPS E-10 Pesos – In March 2009, TIPS E-10 were issued for a total of COP 498,593, of which BBVA had a share of COP 74,233. The Class A TIPS for COP 458,000, Class B TIPS for COP 37,000 and Class MZ TIPS for COP 10,000 issued have ratings of AAA, AA-, and BBB, respectively, and their maturity is between 2019 and 2024.

In May 2015, the securities of the TIPS E-10 issuance were paid.

TIPS E-11 Pesos – In May 2009, TIPS E-11 were issued for a total of COP 431,857, of which BBVA had a share of COP 48,650. The TIPS E-11 in Class A for COP 399,000, Class B for COP 32,000 and Class MZ for COP 11,000 issued have ratings of AAA, AA, and BBB-, respectively, and their maturity is between 2019 and 2024.

In November 2014, the securities of the TIPS E-11 issuance were paid.

TIPS E-12 Pesos – In August 2009, TIPS E-12 were issued for a total of COP 376,820, of which BBVA had a share of COP 78,745. The TIPS E-12 in Class A for COP 349,000, Class B for COP 28,000 and MZ for COP 9,000 issued have ratings of AAA, AA, and BBB-, respectively, and their maturity is between 2019 and 2024.

In June 2015, the securities of the TIPS E-12 issue were paid.

At December 31, 2020, the income from the residual rights due to the E9, E10, E11 and E12 issuances was:

| Universality | At fair |
|------------------|------------------|
| TIP's Pesos E-9 | COP 861 |
| TIP's Pesos E-10 | 535 |
| TIP's Pesos E-11 | 289 |
| TIP's Pesos E-12 | 526 |
| Total | COP 2,211 |

TIPS N-6 Pesos - In August 2012, portfolio representative TIPS N6 Pesos Non-LIH were issued; they were originated by BBVA Colombia S.A. for a total of COP 213,130 represented in 2,847 credits and Davivienda S.A. amounting to COP 155,867, represented in 1,661 credits.

On August 23, 2012, Non-LIH TIPS N6 Pesos were issued, for a total of COP 381,882 distributed in the following classes and amounts: Series A2022, for COP 322,872; series B2027 for COP 46,125; series MZ for COP 11,040; and Series C for COP 1,845.

The first lot: Total TIPS purchased by the market (87.5%) corresponded to Series A2022 for COP 322,872; of this first lot, the TIPS sold according to share percentage of the BBVA portfolio were Series A2022 for COP 186,489.

The second lot: TIPS purchased by the originators (12.5%) from their portfolio + excess NPV cash flow (MZ-C) distributed as follows: B2027 for COP 46,125, MZ 2027 for COP 11,040; and C2027 for COP 1,845.

Of the second lot: TIPS purchased by BBVA according to the share percentage of its portfolio (12.5%) + excess NPV cash flow distributed as follows: TIPS B2027 for COP 26,641; TIPS MZ 2027 for COP 6,104; and C2027 for COP 1,066, for a total of COP 33,811.

Class B, MZ and C TIPS issued are rated BBB+, CCC and CC, respectively

TIPS N-16 Pesos – In November 2017, portfolio representative TIPS N16 Pesos LIH and Non-LIH were issued; they were originated by BBVA Colombia S.A. for a total of COP 167,252, Bancolombia COP 105,599 and Davivienda S.A. COP 106,359.

On December 6, LIH and Non-LIH TIPS N16 Pesos were issued, for a total of COP 385,473 distributed in the following classes and amounts: Series A2027 for COP 339,124, Series B2032 for COP 37,680, Series MZ for COP 6,785 and Series C for COP 1,884.

The first lot: Total TIPS purchased by the market (90%) corresponded to Series A2027 for COP 339,124; of this first lot, the TIPS sold according to the share percentage of the BBVA portfolio were Series A2027 for COP 149,443.

The second lot: TIPS purchased by the originators (12.5%) from their portfolio + excess NPV cash flow (MZ-C) distributed as follows: B2027 for COP 46,125, MZ 2027 for COP 11,040; and C2027 for COP 1,845.

Of the second lot: TIPS purchased by BBVA according to the share percentage of its portfolio (12.5%) + excess NPV cash flow distributed as follows: TIPS B2027 for COP 16,604, TIPS MZ 2032 for COP 3,180 and C2032 for COP 830, for a total of COP 20,614.

The Class B, MZ and C TIPS issued are rated BBB, BB+ and BB, respectively.

13. Fair Value

Fair value measurement

In accordance with IFRS 13, fair value is the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between participants of the main market on the measurement date, or in the absence thereof, the most advantageous market to which BBVA Colombia has access at the time.

Financial instruments are initially recognized at fair value, which is equivalent to the transaction price, unless there is evidence otherwise on an active market; after that, and depending on the nature of the financial instrument, it can continue to be recorded at fair value through adjustments in the income statements or in equity or at amortized cost.

Whenever applicable, the Group measures the fair value of an instrument by using a listed price on an active market for said instrument. A market is considered to be active if listed prices can be obtained easily and regularly either from a stock market, operator, broker, industry group and/or pricing service, and these prices represent actual market transactions occurring regularly between independent parties in arm's length conditions.

The Group uses widely recognized valuation models to determine the fair value of common, simpler financial instruments, such as currency swap and interest rates that only use observable market data and require few judgments and calculations by management.

Accordingly, the Group uses the average market prices and methodologies as a basis to establish the fair values of its financial instruments, which are provided by the "Precia" price vendor for valuation, selected by the entity and authorized by the Financial Superintendence of Colombia to do so.

When there is no listed price on an active market, the entity uses valuation techniques that maximize the

use of observable input and minimize the use of non-observable input. The objective of the valuation techniques is to reach a determination regarding fair value that will reflect the price of the financial instrument on the reporting date, that would have been determined by market participants separately.

In the case of financial instruments that are traded infrequently and whose prices are not very transparent, fair value is less objective and requires several degrees of judgment depending on liquidity, concentration, uncertainty of market factors, valuation assumptions and other risks that affect the specific instruments, which requires additional work during the valuation process.

The Group discloses transfers between the levels of fair value hierarchy at the end of the period during which the change occurred. In 2020 and 2019, there were no transfers of financial instruments measured at fair value between the levels of hierarchy.

Valuation techniques

The Group shall use the valuation techniques that are appropriate for the circumstances and on which there is information available to determine the fair value of financial instruments, always maximizing the use of observable input and minimizing the use of non-observable input.

Accordingly, the entity shall use, as the case may be, the following approaches according to IFRS 13 to measure the fair value of financial instruments:

Market approach - Listed prices, and in the absence thereof, other relevant information generated by market transactions involving identical or comparable financial instruments, will be used to determine the fair value of financial instruments, when applicable.

Input approach - Present value techniques and options valuation models (Black & Scholes model) will be used to measure the fair value of financial instruments, as the case may be. The observable input will be maximized always using discount curves, volatilities and other market variables that are observable and reflect the assumptions that the market participants would use for pricing the financial instrument.

Valuation of financial Instruments - The Group measures fair values using the following hierarchy, according to the importance of the input variables used for measurement:

- **Level 1:** The market price listed (unadjusted) on an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable factors, whether directly (such as prices) or indirectly (such as price derivatives). This category includes instruments valued using: market prices listed on active markets for similar instruments; listed prices for similar instruments on markets that are not considered very active; or other valuation techniques where all significant input is directly or indirectly observable based on market data.
- **Level 3 Fixed income:** Input for assets or liabilities that is not based on observable market data. This category includes all the instruments where the valuation technique includes factors that are not based on observable data and the non-observable factors can have a significant effect on the valuation of the instrument. This category includes instruments that are valued based on prices listed for similar instruments where significant non-observable assumptions or adjustments are required to reflect the differences between instruments. If a fair value measurement uses observable market data that require significant adjustments based on non-observable data, the measurement is classified as level 3.

Equities that belong to other references and that are assets with low liquidity because they are low marketability shares and are not valued by an Official Price Vendor are conditioned by the internal valuation assumptions and thus, are classified at levels 2 and 3.

Determining what falls under the term “observable” requires significant criteria on behalf of the entity. Therefore, observable data are understood as the market data that can be easily obtained, are distributed or updated on a regular basis, are reliable and verifiable, are not private (exclusive) and are provided by independent sources that play an active role on the relevant market.

The assumptions and factors used in valuation techniques include risk-free interest rates, reference interest rates, credit spreads and other premiums used to determine discount rates, foreign exchange rates and expected price volatilities.

The availability of observable market prices and factors reduce the need for judgments and calculations

by management, along with the uncertainty associated with determining fair values. The availability of observable market prices and input varies depending on the products and markets and is prone to changes based on specific events and general conditions on financial markets.

The fair value of these products also corresponds to product compliance assumptions; in this case, the portfolio has implicit pre-payment assumptions, while demand and term resources have assumptions regarding their maturity. Additionally, when discounted by a market curve, they include effects such as credit spread that applies to portfolio and deposits.

Valuation sensitivity at hierarchy level 3 - Investments at fair value through OCI Equity instruments

Investments classified at Level 3 have significant non-observable input. Level 3 instruments mainly include investments in equity instruments, which are not traded on the stock market. Since observable prices are not available for these securities, the Group has used valuation techniques, such as discounted cash flow from dividends, to obtain the fair value thereof. The Group has equity investments in various entities holding less than a 20% share of the entity's equity. These investments are acquired because they are mandatory for the development of the operations, such as BVC (Bolsa de Valores de Colombia), the Counterparty Clearing House, Cámara de Compensación de Divisas, ACH, Redeban and Finagro, among others.

The discounted flow of dividends methodology shall be applied on the following financial assets classified at hierarchy level 3:

| Item | BBVA valuation | | | Long-term rate | | |
|--|------------------------|------------------------|------------------------|----------------|--------------|--------------|
| | Lower limit | Average | Upper limit | Lower limit | Average | Upper limit |
| Fondo para el Financiamiento del Sector Agropecuario "FINAGRO" | COP 114,766,310 | COP 112,112,647 | COP 109,582,388 | 0.25% | 0.25% | 0.26% |
| Cámara de Riesgo Central de la Contraparte S.A. | 3,680,133 | 3,574,000 | 3,473,456 | 3.4% | 3.43% | 3.57% |
| Total | COP 118,446,444 | COP 115,686,647 | COP 113,055,844 | 2.31% | 2.38% | 2.44% |
| Average | COP 39,482,148 | COP 38,562,216 | COP 37,685,281 | 0.35% | 0.36% | 0.37% |

| Item | Lower limit | | Average | | Upper limit | |
|--|-------------|--------------------|------------|--------------------|-------------|--------------------|
| Fondo para el Financiamiento del Sector Agropecuario "FINAGRO" | COP | 370,372,139 | COP | 368,860,296 | COP | 367,360,357 |
| Cámara de Riesgo Central de la Contraparte S.A. | | 17,262,412 | | 17,182,159 | | 17,102,568 |
| Total | COP | 387,634,551 | COP | 386,042,455 | COP | 384,462,925 |
| Average | COP | 129,211,517 | COP | 128,680,818 | COP | 128,154,308 |

| Item | | Lower limit | Average | Upper limit |
|------------|-----|-------------|---------|-------------|
| Ke Finagro | COP | 114,766,310 | 0.25% | 0.27% |
| Ke Otras | | 3,680,133 | 9.11% | 9.61% |
| | | | 0.28% | 0.30% |

Sensitivity analysis: The Ke (cost of capital) rate was sensitized using the criteria CPI +25 basis points/-25 basis points.

Sensitivity analysis: The variable to be sensitized during the period was the Ke discount rate; the particular component to be sensitized was inflation. This process took into account the estimates of the Bank's Research Department and the expectations of change in the Central Bank's intervention rate.

It is important to mention that the Group's investments include investments in financial service institutions and in Finagro. This means that the variables that make up the discount rate are different for the two types of investments.

Additionally, it is important to briefly mention the methodology to measure the entities. On one hand, there are the financial service institutions, which basically reflect the upward trend of the latest of each of the entities, always adjusted using the inflation variable estimated by Research. On the other, the valuation of Finagro is not only in line with the evolution of the figures, but also represents growth in the investment portfolio, and the statement of income is simulated using the DTF provided by Research, because it is the variable at which Finagro issues its securities.

Fair value of financial assets and liabilities recorded at amortized cost determined only for disclosure purposes

Below are the details of the way in which the financial assets and liabilities, managed in accounting at amortized cost, were measured at fair value solely for the purposes of this disclosure.

Sensitivity of loan portfolio and lease transactions and deposits in customer accounts

Due to the unavailability of observable market valuation inputs, these assets and liabilities were classified at level 3. Fair value is estimated using the present value of flows method at discount market rates at the time of valuation.

In the case of the loan portfolio, the capital cash flows are constructed based on the contractual agreement with the customer and the cash flows for interest payments are also projected. These cash flows are adjusted for balance reductions due to customer prepayments, which are modeled based on historical information. Finally, the fair value is the discounted value of cash flows using the Colombian market risk-free curve.

In turn, deposits in customer accounts are segmented into term deposits and demand deposits. For the term deposits, the contractually agreed cash flows are deducted using current market rates. For the maturity of demand deposits, assumptions are made on their maturity based on the historical modeling of opening and cancellation. The flows discounted at market rates are also projected.

The rates used for discounting are the Spot Curve in Colombian pesos (CEC COP), Spot Curve for securities in Real Value Units (CEC RVU) and the interbank offered rate in US dollars (USD Libor).

Balances at December 31, 2020

| item | Carrying value | | Fair value | | Level 1 | Level 2 | Level 3 |
|---------------------------|----------------|------------|------------|------------|---------|---------|----------------|
| Assets | | | | | | | |
| Commercial loan portfolio | COP | 17,861,619 | COP | 19,831,642 | COP | - | COP 19,831,642 |
| Mortgage portfolio | | 12,463,845 | | 13,974,464 | | - | 13,974,464 |
| Consumer portfolio | | 18,827,766 | | 22,621,387 | | - | 22,621,387 |
| Total loan portfolio | | 49,153,230 | | 56,427,493 | | - | 56,427,493 |
| Liabilities | | | | | | | |
| Checking accounts | | 32,757,435 | | 28,996,494 | | - | 28,996,494 |
| Term deposits | | 19,194,165 | | 20,338,749 | | - | 20,338,749 |
| Total customer deposits | COP | 51,951,600 | COP | 49,335,243 | COP | - | COP 49,335,243 |

Balances at December 31, 2019

| item | Carrying value | | Fair value | | Level 1 | Level 2 | Level 3 |
|---------------------------|----------------|------------|------------|------------|---------|---------|----------------|
| Assets | | | | | | | |
| Commercial loan portfolio | COP | 17,820,331 | COP | 19,531,930 | COP | - | COP 19,531,930 |
| Mortgage portfolio | | 11,825,976 | | 13,395,688 | | - | 13,395,688 |
| Consumer portfolio | | 17,397,787 | | 21,664,815 | | - | 21,664,815 |
| Total loan portfolio | COP | 47,044,094 | COP | 54,592,433 | COP | - | COP 54,592,433 |
| Liabilities | | | | | | | |
| Checking accounts | COP | 27,774,029 | COP | 24,351,900 | COP | - | COP 24,351,900 |
| Term deposits | | 19,581,927 | | 21,002,458 | | - | 21,002,458 |
| Total customer deposits | COP | 47,355,956 | COP | 45,354,358 | COP | - | COP 45,354,358 |

Determining what falls under the term “observable” requires significant criteria on behalf of the entity.

Therefore, observable data are understood as the market data that can be easily obtained, are distributed or updated on a regular basis, are reliable and verifiable, are not private (exclusive) and are provided by independent sources that play an active role on the relevant market.

The assumptions and factors used in valuation techniques include risk-free interest rates, reference interest rates, credit spreads and other premiums used to determine discount rates, foreign exchange rates and expected price volatilities.

The availability of observable market prices and factors reduce the need for judgments and calculations by management, along with the uncertainty associated with determining fair values. The availability of observable market prices and input varies depending on the products and markets and is prone to changes based on specific events and general conditions on financial markets.

Financial obligations and other liabilities

As for financial obligations and other short-term liabilities, the carrying value was considered to be the fair value, since it is mainly indexed by variable interest rates.

Fair value hierarchy of the Group's financial instruments

Debt Securities in Local Currency

Investments in debt securities are valued on a daily basis and their results are also recorded daily.

The Group determines the market value of investments in debt securities that are marketable and available for sale by using the "unadjusted" prices published on a daily basis by Precia, the official price vendor selected by the entity, which have been determined using the market base. The securities that meet these conditions are classified as Level 1 of the fair value hierarchy.

In the case of instruments that are not 100% observable on the market, whose price is determined according to other inputs provided by the price vendor, such as market interest rates, the fair values are

based on alternative discounted cash flow valuation techniques, and the entity will classify these instruments at level 2.

Investments in financial instruments are measured exponentially based on the internal rate of return (IRR) calculated at the time of the purchase and recalculated on the coupon payment dates or the indicator's re-price date. These securities are classified as Level 3 of the fair value hierarchy.

Debt Securities in Foreign Currency

In the first place, the market value of the respective security is determined in its own currency, based on unadjusted quoted market prices published by the price vendor selected by the entity and authorized by the Superintendence for this purpose, in which case the fair value hierarchy will be level 1.

In the absence of market prices on the part of the official price vendor, the prices determined by international markets, published by Bloomberg will be used; since they are observable on a financial information platform known by all market agents, they would be classified as Level 1 in the fair value hierarchy.

Finally, when there are no observable inputs on the market, the fair value is determined exponentially based on the internal rate of return calculated at the time of the purchase and recalculated on the coupon payment dates of the variable indicator if applicable. Securities calculated based on the latter model (IRR) will be classified as Level 3; the Group currently holds securities under this TIPS model.

Derivative financial instruments

According to the standards of the Superintendence, transactions with derivatives are defined as contracts between two or more parties to purchase or sell financial instruments at a future date, or contracts where the underlying asset is a spot price or index. The Group carries out transactions with commercial purposes or hedging purposes in forwards, options, swaps and futures contracts.

All derivatives are measured at fair value. Changes in fair value are recognized in the consolidated statement of income.

For the derivative financial instruments listed below, except for futures, it calculates fair value based on listed market prices of comparable contracts and represents the amount that the entity would have received from or paid to a counterparty to write-off the contract at market rates on the date of the consolidated statement; therefore, they are classified in level 2 of the fair value hierarchy:

Futures: Futures are measured based on the corresponding market price on the valuation date. These market inputs are published by the official price vendor, "Precia", and taken directly from unadjusted market prices; therefore, they are classified in level 1 of the fair value hierarchy.

FX Forward (Fwd): Discounted cash flow is the valuation model used, using curves assigned in accordance with the source currency of the underlying asset. These market inputs are published by Precia, the official price vendor, based on observable market information.

Interest and exchange swaps: The valuation model is based on discounted cash flows, using curves assigned according to the underlying asset, base swap curves (associated exchange of payment at variable interest rates), domestic and foreign curves, implicit curves associated with forward exchange contracts. These market inputs are taken from the information published by Precia, the official price vendor.

European options - USD/COP: The valuation model is based on the Black Scholes methodology using the variables provided by the official price vendor. These variables are mainly curves assigned according to the functional currency of the underlying asset, forward exchange curves of the domestic currency of the transaction, implicit curves associated with forward exchange contracts, and matrices and curves of implicit volatilities.

Fair value hierarchy of the financial assets and liabilities at December 31, 2020

Assets and liabilities

| Hierarchies | Carrying value | | Fair value | | Level 1 | | Level 2 | | Level 3 | |
|---|-------------------|--|-------------------|--|------------------|--|------------------|--|------------------|--|
| | COP | | COP | | COP | | COP | | COP | |
| Assets | 11,217,625 | | 11,218,009 | | 4,347,703 | | 4,419,299 | | 2,451,008 | |
| Assets at fair value measured on a recurring basis | 9,092,178 | | 9,092,178 | | 4,347,703 | | 4,419,299 | | 325,176 | |
| Investments at Fair Value | 5,282,264 | | 5,282,264 | | 4,347,703 | | 609,385 | | 325,176 | |
| Investments at fair value through profit or loss | 2,775,447 | | 2,775,447 | | 2,178,659 | | 596,788 | | - | |
| • Bonds | 133,408 | | 133,408 | | 86,085 | | 47,323 | | - | |
| • Certificate of deposit | 529,445 | | 529,445 | | - | | 529,445 | | - | |
| • Treasury securities - TES | 2,104,163 | | 2,104,163 | | 2,084,143 | | 20,020 | | - | |
| • Other domestic issuances | 8,431 | | 8,431 | | 8,431 | | - | | - | |
| Investments at fair value through profit or loss provided in Money Market transactions | 119,388 | | 119,388 | | 119,382 | | 6 | | - | |
| • Bonds | 6 | | 6 | | - | | 6 | | - | |
| • Treasury securities - TES | 119,382 | | 119,382 | | 119,382 | | - | | - | |
| Investments at fair value through OCI Debt Instruments | 1,151,941 | | 1,151,941 | | 1,122,614 | | 12,591 | | 16,736 | |
| • Treasury securities - TES | 1,122,614 | | 1,122,614 | | 1,122,614 | | - | | - | |
| • Certificate of deposit | 12,591 | | 12,591 | | - | | 12,591 | | - | |
| • Mortgage securities - TIPS | 16,736 | | 16,736 | | - | | - | | 16,736 | |
| Investments at fair value through OCI Equity instruments | 371,271 | | 371,271 | | 61,951 | | - | | 309,320 | |
| • Bolsa de Valores de Colombia S.A. | 61,951 | | 61,951 | | 61,951 | | - | | - | |
| • Credibanco | 112,366 | | 112,366 | | - | | - | | 112,366 | |
| • Redeban S.A. | 31,173 | | 31,173 | | - | | - | | 31,173 | |
| • ACH Colombia | COP 50,277 | | COP 50,277 | | COP - | | COP - | | COP 50,277 | |

| Hierarchies | Carrying value | | Fair value | | Level 1 | Level 2 | Level 3 |
|---|----------------|------------------|------------|------------------|----------------|------------------|------------------|
| • Counterparty Clearing House | COP | 3,391 | COP | 3,391 | COP | - | COP 3,391 |
| • Fondo para el Financiamiento del Sector Agropecuario "Finagro" | | 112,113 | | 112,113 | - | - | 112,113 |
| Investments at fair value through OCI provided in Money Market transactions | | 146,761 | | 146,761 | 146,761 | - | - |
| Treasury securities - TES | | 146,761 | | 146,761 | 146,761 | - | - |
| Investments at fair value through OCI provided as collateral in transactions | | 718,336 | | 718,336 | 718,336 | - | - |
| • Treasury securities - TES | | 718,336 | | 718,336 | 718,336 | - | - |
| Investments at amortized cost | | 2,125,447 | | 2,125,832 | - | - | 2,125,832 |
| Investments at amortized cost | | 2,125,447 | | 2,125,832 | - | - | 2,125,832 |
| • Treasury securities - TES | | 48,062 | | 48,374 | - | - | 48,374 |
| • Agricultural development securities | | 962,751 | | 949,852 | - | - | 949,852 |
| • Solidarity Securities | | 1,101,190 | | 1,108,359 | - | - | 1,108,359 |
| • Mortgage securities - TIPS | | 13,444 | | 19,247 | - | - | 19,247 |
| Derivative financial instruments and (asset) cash transactions | | 3,809,914 | | 3,809,914 | - | 3,809,914 | - |
| Trading | | 3,657,534 | | 3,657,534 | - | 3,657,534 | - |
| • Forward contracts | | 1,316,595 | | 1,316,595 | - | 1,316,595 | - |
| • Cash transactions | | 79 | | 79 | - | 79 | - |
| • Options | | 5,377 | | 5,377 | - | 5,377 | - |
| • Swaps | | 2,335,483 | | 2,335,483 | - | 2,335,483 | - |
| Hedging | | 152,380 | | 152,380 | - | 152,380 | - |
| • Swaps | | 152,380 | | 152,380 | - | 152,380 | - |
| Liabilities | | 4,107,191 | | 4,107,191 | - | 4,107,191 | - |
| Liabilities at fair value measured on a recurring basis | | 4,107,191 | | 4,107,191 | - | 4,107,191 | - |
| Derivative financial instruments and (liability) cash transactions | COP | 4,107,191 | COP | 4,107,191 | COP | - | COP 4,107,191 |

| Hierarchies | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
|---------------------|----------------|---------------|---------|---------------|---------|
| Trading | COP 4,106,964 | COP 4,106,964 | COP - | COP 4,106,964 | COP - |
| • Forward contracts | 1,205,516 | 1,205,516 | - | 1,205,516 | - |
| • Cash transactions | 134 | 134 | - | 134 | - |
| • Options | 5,379 | 5,379 | - | 5,379 | - |
| • Swaps | 2,895,935 | 2,895,935 | - | 2,895,935 | - |
| Hedging | 227 | 227 | - | 227 | - |
| Swaps | COP 227 | COP 227 | COP - | COP 227 | COP - |

| Hierarchies | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|---------------|----------------|---------------|
| Assets | COP 7,332,273 | COP 7,332,273 | COP 5,745,960 | COP 520,528 | COP - |
| Assets measured on a non-recurring basis | 7,332,273 | 7,332,273 | 5,745,960 | 520,528 | - |
| Cash, cash balances in central banks and other demand deposits | 6,266,488 | 6,266,488 | 5,745,960 | 520,528 | - |
| Cash and deposits in banks | 5,745,960 | 5,745,960 | 5,745,960 | - | - |
| • Investment funds | 36,313 | 36,313 | - | 36,313 | - |
| • Money market and related transactions | 484,215 | 484,215 | - | 484,215 | - |
| Others | 1,065,785 | 1,065,785 | - | - | - |
| • Advances to contracts and suppliers | 62,440 | 62,440 | - | - | - |
| • Accounts receivable (net) | 1,003,345 | 1,003,345 | - | - | - |
| Liabilities | 5,878,628 | 5,878,628 | - | 2,304,263 | 2,606,926 |
| Investment securities | 2,304,263 | 2,304,263 | - | 2,304,263 | - |
| • Outstanding Investment Securities | 2,304,263 | 2,304,263 | - | 2,304,263 | - |
| Financial obligations | 2,606,926 | 2,606,926 | - | - | 2,606,926 |
| • Bank credits and other financial obligations | 2,606,926 | 2,606,926 | - | - | 2,606,926 |
| Others | 967,439 | 967,439 | - | - | - |
| • Accounts payable | 714,295 | 714,295 | - | - | - |
| • Other liabilities | 253,144 | 253,144 | - | - | - |
| Total assets and liabilities at fair value | COP 25,691,934 | COP 25,691,934 | COP 9,375,327 | COP 11,351,281 | COP 2,932,102 |

Fair value hierarchy of the financial assets and liabilities at December 31, 2019

Assets and liabilities

| Hierarchies | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
|---|----------------------|----------------------|----------------------|----------------------|--------------------|
| Assets | COP 9,632,692 | COP 9,632,692 | COP 4,911,717 | COP 2,242,776 | COP 192,789 |
| Assets at fair value measured on a recurring basis | 9,632,692 | 9,632,692 | 4,911,717 | COP 2,242,776 | 192,789 |
| Investments at Fair Value | 7,561,100 | 7,561,100 | 4,911,717 | 171,184 | 192,789 |
| Investments at fair value through profit or loss | 2,470,193 | 2,470,193 | 171,565 | 13,218 | - |
| • Bonds | 183,606 | 183,606 | 170,486 | 13,120 | - |
| • Certificate of deposit | 1,411,372 | 1,411,372 | - | 1,411,372 | - |
| • Treasury securities - TES | 875,215 | 875,215 | 565,057 | 310,158 | - |
| Investments at fair value through profit or loss provided in Money Market transactions | 2,857,496 | 2,857,496 | 2,857,478 | 18 | - |
| • Certificate of deposit | 18 | 18 | - | 18 | - |
| • Treasury securities - TES | 2,857,478 | 2,857,478 | 2,857,478 | - | - |
| Investments at fair value through OCI Debt Instruments | 1,497,009 | 1,497,009 | 1,390,525 | 106,484 | - |
| • Treasury securities - TES | 1,480,272 | 1,480,272 | 1,390,525 | 89,747 | - |
| • Mortgage securities - TIPS | 16,737 | 16,737 | - | 16,737 | - |
| Investments at fair value through OCI Equity instruments | 244,253 | 244,253 | - | 51,464 | 192,789 |
| • Bolsa de Valores de Colombia S.A. | 51,464 | 51,464 | - | 51,464 | - |
| • Credibanco | 117,052 | 117,052 | - | - | 117,052 |
| • Redeban S.A. | 33,822 | 33,822 | - | - | 33,822 |
| • ACH Colombia | 41,915 | 41,915 | - | - | 41,915 |
| Investments at fair value through OCI provided in Money Market transactions | 492,149 | 492,149 | 492,149 | - | - |
| • Treasury securities - TES | COP 492,149 | COP 492,149 | COP 492,149 | COP - | COP - |

| Hierarchies | Carrying value | | Fair value | | Level 1 | | Level 2 | | Level 3 | |
|---|----------------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|------------------|
| Investments at amortized cost | COP | 911,514 | COP | 931,543 | COP | - | COP | 798,251 | COP | 133,292 |
| • Investments at amortized cost | | 97,087 | | 133,292 | | - | | - | | 133,292 |
| Treasury securities - TES | COP | 47,197 | COP | 80,097 | COP | - | COP | - | COP | 80,097 |
| Agricultural development securities | COP | 32,114 | COP | 31,376 | COP | - | COP | - | COP | 31,376 |
| • Mortgage securities - TIPS | | 21,797 | | 21,819 | | - | | - | | 21,819 |
| Investments at amortized cost through profit or loss provided in Money Market transactions | | 814,427 | | 798,251 | | - | | 798,251 | | - |
| Agricultural development securities | | 814,427 | | 798,251 | | - | | 798,251 | | - |
| Derivative financial instruments and (asset) cash transactions | | 2,071,592 | | 2,071,592 | | - | | 2,071,592 | | - |
| Trading | | 2,026,908 | | 2,026,908 | | - | | 2,026,908 | | - |
| • Forward contracts | | 754,470 | | 754,470 | | - | | 754,470 | | - |
| • Cash transactions | | 1 | | 1 | | - | | 1 | | - |
| • Options | | 25,482 | | 25,482 | | - | | 25,482 | | - |
| • Swaps | | 1,246,955 | | 1,246,955 | | - | | 1,246,955 | | - |
| Hedging | | 44,684 | | 44,684 | | - | | 44,684 | | - |
| • Swaps | | 44,684 | | 44,684 | | - | | 44,684 | | - |
| Liabilities | | - | | 2,039,137 | | 2,039,137 | | - | | 2,039,137 |
| Liabilities at fair value measured on a recurring basis | | - | | 2,039,137 | | 2,039,137 | | - | | 2,039,137 |
| Derivative financial instruments and (liability) cash transactions | | - | | 2,039,137 | | 2,039,137 | | - | | 2,039,137 |
| Trading | | - | | 2,024,389 | | 2,024,389 | | - | | 2,024,389 |
| Forward contracts | | - | | 720,739 | | 720,739 | | - | | 720,739 |
| • Cash transactions | | - | | 245 | | 245 | | - | | 245 |
| • Options | COP | - | COP | 25,512 | COP | 25,512 | COP | - | COP | 25,512 |

| Hierarchies | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
|----------------|----------------|---------------|---------------|---------|---------------|
| • Swaps | COP - | COP 1,277,893 | COP 1,277,893 | COP - | COP 1,277,893 |
| Hedging | - | 14,748 | 14,748 | - | 14,748 |
| Swaps | COP - | COP 14,748 | COP 14,748 | COP - | COP 14,748 |

| Hierarchies | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
|---|-----------------------|-----------------------|-----------------------|----------------------|--------------------|
| Assets | COP 6,104,799 | COP 6,104,799 | COP 5,140,987 | COP 499,032 | COP - |
| Assets measured on a non-recurring basis | 6,104,799 | 6,104,799 | 5,140,987 | 499,032 | - |
| Cash, cash balances in central banks and other demand deposits | 5,640,019 | 5,640,019 | 5,140,987 | 499,032 | - |
| Cash and deposits in banks | 5,140,987 | 5,140,987 | 5,140,987 | - | - |
| • Money market and related transactions | 499,032 | 499,032 | - | 499,032 | - |
| Others | 464,780 | 464,780 | - | - | - |
| • Advances to contracts and suppliers | 62,001 | 62,001 | - | - | - |
| • Accounts receivable (net) | 402,779 | 402,779 | - | - | - |
| Liabilities | 5,673,864 | 5,673,864 | - | 2,179,625 | - |
| Investment securities | 2,179,625 | 2,179,625 | - | 2,179,625 | - |
| • Outstanding investment securities | 2,179,625 | 2,179,625 | - | 2,179,625 | - |
| Financial obligations | 2,607,156 | 2,607,156 | - | - | - |
| Bank credits and other financial obligations | 2,607,156 | 2,607,156 | - | - | - |
| Others | 887,083 | 887,083 | - | - | - |
| Accounts payable | 642,546 | 642,546 | - | - | - |
| Other liabilities | 244,537 | 244,537 | - | - | - |
| Total assets and liabilities at fair value | COP 23,450,492 | COP 23,450,493 | COP 10,052,704 | COP 6,960,570 | COP 192,789 |

The Group discloses transfers between the levels of fair value hierarchy at the end of the period during which the change occurred. For the year 2020 and 2019, there was a transfer from level 2 to level 3 of the Investments at fair value through OCI Debt Instruments mortgage security INSB15061232

corresponding to a TIP of Titularizadora Colombia, the low liquidity of these securities and their valuation particularities.

Transfer from level 2 to level 1 of the Investments at fair value through OCI Equity Instruments of the Bolsa de Valores de Colombia S.A. This is due to the greater trading liquidity of this share in December 2020. The model allows a share to be classified as level 1 if daily prices are available for more than 90% of the last 30 trading days (i.e., at least 27 days of daily prices in the last 30 trading days).

14. Financial Instruments, Hedging Derivatives and Cash Transactions

For this class of financial instrument, the difference in valuation between previous GAAP and the IFRS is the incorporation of the credit risk in each transaction, which is known as the CVA and DVA (credit or debit value adjustments), as applicable.

The financial instruments traded by BBVA are classified as assets or liabilities (see Note 27) according to their results. At December 31, the balance of this account classified as an asset is summarized as follows:

| Item | Notional value | | Fair value | |
|-------------------------------------|-------------------|-------------------|------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Forward Transactions | | | | |
| Rights | | | | |
| Obligations | COP 2,808,486 | COP 2,512,296 | COP 2,834,051 | COP 2,548,902 |
| Sale on foreign currency | - | - | (2,796,069) | (2,479,588) |
| Rights | | | | |
| Obligations | 24,396,660 | 17,917,148 | 24,207,801 | 17,607,676 |
| Less credit risk | - | - | (22,927,267) | (16,922,201) |
| Total forward contracts | - | - | (1,921) | (319) |
| Total contratos forward | 27,205,146 | 20,429,444 | 1,316,595 | 754,470 |
| Cash Transactions | | | | |
| Purchase on foreign currency | | | | |
| Rights | 302 | 87 | 302 | 87 |
| Obligations | - | - | (302) | (87) |
| Sales on foreign currency | | | | |
| Rights | - | 295 | - | 295 |
| Obligations | COP - | COP - | COP - | COP (295) |

| Item | Notional value | | Fair value | |
|--|-------------------|-------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Purchase on securities | | | | |
| Rights | COP - | COP - | COP 25,442 | COP - |
| Obligations | - | - | (25,395) | - |
| Sales on securities | | | | |
| Rights | - | - | 13,026 | - |
| Obligations | - | - | (12,994) | - |
| Less CVA credit risk | - | - | - | - |
| Total cash transactions | 302 | 382 | 79 | - |
| Options | | | | |
| Options on foreign currencies purchased - put: | | | | |
| Rights * | - | - | 101,289 | 549,243 |
| Purchase - Put | 101,289 | 549,243 | 5,001 | 11,742 |
| Options on foreign currencies purchased - call: | | | | |
| Rights * | - | - | 329,165 | 633,473 |
| Purchase - Call | 329,165 | 633,473 | 378 | 13,771 |
| Less CVA credit risk | - | - | (2) | (31) |
| Total fair exchange price | 430,454 | 1,182,716 | 5,377 | 25,482 |
| Swaps | | | | |
| On interest rates: | | | | |
| Rights | 57,647,703 | 85,683,722 | 5,958,436 | 8,625,661 |
| Obligations | - | - | (4,081,194) | (7,790,426) |
| On currencies | | | | |
| Rights | 5,520,240 | 4,523,183 | 5,947,159 | 4,854,365 |
| Obligations | - | - | (5,468,882) | (4,436,660) |
| Less CVA credit risk | - | - | (20,037) | (5,984) |
| Total swaps | 63,167,943 | 90,206,905 | 2,335,482 | 1,246,956 |
| Futures | | | | |
| Purchase on foreign currency | | | | |
| Rights | 6,814,249 | 5,760,205 | 6,817,515 | 5,760,205 |
| Obligations | COP - | COP - | COP (6,817,515) | COP (5,760,205) |

| Item | Notional value | | Fair value | |
|--|-----------------------|------------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Sale on foreign currency | | | | |
| Rights | COP 2,306,349 | COP 5,397,245 | COP 2,306,349 | COP 5,397,245 |
| Obligations | - | - | (2,306,349) | (5,397,245) |
| Total futures | 9,120,598 | 11,157,450 | - | - |
| Total cash transactions and derivatives | COP 99,924,443 | COP 122,976,897 | COP 3,657,534 | COP 2,026,908 |

At December 31, 2020 and 2019, the total CVA (Credit Value Adjustments) was COP 21,960 and COP 6,335, respectively. The most significant counterparties for CVA (Credit Value Adjustments) and DVA (Debit Value Adjustments) account for 70%, as follows:

| Counterparty | Rating | 2020 | 2019 |
|------------------------------------|--------|-------------------|------------------|
| Sociedad Portuaria de Santa Marta | BB- | COP 418 | COP 477 |
| GPC TUGS S.A. | B | 1,418 | 1,570 |
| Contecar | BB+ | 397 | 431 |
| Sociedad Portuaria de Cartagena | B+ | 466 | 1,010 |
| Sura Asset Management S.A. | BBB+ | - | 11 |
| Seguros de Vida Alfa | BB- | 62 | 37 |
| FPO Porvenir Moderado | BBB | 646 | 195 |
| BBVA Madrid Tesorería | A | 15,464 | - |
| Constructora Urbana San Rafael S.A | B | 737 | 298 |
| Total | | COP 19,608 | COP 4,029 |

Below is the information on the value of CVA and DVA broken down by product, showing the product with the greatest impact for 2020 and 2019, respectively. Swaps represent 94.65% of the total CVA and DVA and this is also due to the higher volume and volatility in the rate and macroeconomic changes of transactions contracted up to 2020.

| Product | 2020 | 2019 |
|-----------------------|-------------------|------------------|
| DVA | | |
| FW Foreign Currencies | COP 12 | COP 9 |
| FW US Dollars | 322 | 763 |
| Opciones | - | - |
| Swap | 17,398 | 3,937 |
| Total | COP 17,732 | COP 4,709 |
| CVA | | |
| FW Foreign Currencies | COP 32 | COP 45 |
| FW US Dollars | 1,889 | 275 |
| Opciones | 2 | 31 |
| Swap | 20,037 | 5,984 |
| Total | COP 21,960 | COP 6,335 |

The purpose of the CVA is to calculate the amount of expected losses during the life of the transactions stated at present value in the Treasury derivatives portfolio, at a certain point in the future, credit risk losses depend on three components: the counterparties' likelihood of default at that time, severity in the case of default and exposure at the time of default.

Since 2016, the DVA (Debit Value Adjustment) calculation was included in the credit risk valuation adjustments. The nature of this adjustment is contrary to that of the CVA, such that it considers the likelihood that BBVA will default on a positive value transaction for a counterparty due to a credit event. This adjustment is used to report for CVA those counterparties whose portfolio value is positive for BBVA and DVA of portfolios with a negative value for the Group.

The CVA and DVA report is made at the transaction level; therefore, the adjustment is distributed between counterparty transactions with the same market value nature as that of the portfolio aggregate; otherwise, a value of zero is allocated to the credit risk adjustment.

The CVA reported in the BBVA derivatives portfolio is sensitive to USD/COP exchange rate movements,

which had a positive effect on the market value of the portfolio, after going from COP 3,277.14 per USD 1 to COP 3,432.50 in 2020, and netting is allowed between transactions of the same counterparty, because calculations are carried out at the aggregate level. The data reported in the DVA is exclusively due to the model to calculate credit risk value adjustments.

Derivative transactions are basically covered with cross forwards.

The Group has carried out forward transactions on foreign currencies and securities, showing on the latter an increase by the end of 2020 in relation to the previous year. This is due to the increase in the trading transactions of said portfolio, going from 6 transactions in the previous year to 32 contracts for the year 2020. In addition to the foregoing, it signed contracts for transactions with futures derivatives on national bonds at the official exchange rate and standardized forwards, options on currencies, swaps on currencies and swaps on interest rates which are valued in accordance with the provisions of Chapter XVIII of the Basic Accounting and Financial Notice (CBCF, for the Spanish original).

As a general policy for derivative transactions, the Group follows the standards issued by the SFC and considers the restrictions and limits of its proprietary position, its spot proprietary position, the leveraging position, and the interest rates established by the BBVA Group.

At December 31, 2020 and 2019, derivative transactions showed no charges, restrictions or levies of a legal or financial nature, or pledges, seizures, litigation or any other limitation on the rights inherent to these transactions.

The increase in both rights and obligations of the foreign currency forwards and futures contracts is a result of the fluctuations of the exchange rate throughout the year 2020.

At December 31, 2020, the breakdown of transactions with derivative financial instruments was as follows:

At December 31, 2020

| Type of instrument | Type of transaction | Currency | Maturity in days | | Value Right | Value Obligation | Net result |
|---------------------------------|---------------------|----------|------------------|---------|-------------------|---------------------|-----------------|
| | | | Minimum | Maximum | | | |
| Currency forward | Purchase | USD/COP | 4 | 3.340 | COP 31,615,751 | COP (32,773,521) | COP (1,157,770) |
| | Purchase | EUR/COP | 20 | 74 | 112 | (102) | 10 |
| | Purchase | EUR/USD | 13 | 1.474 | 299,605 | (295,400) | 4,205 |
| | Purchase | GBP/COP | 287 | 287 | 1,122 | (1,118) | 4 |
| | Purchase | CAD/COP | 250 | 250 | 150 | (146) | 4 |
| | Sale | COP/USD | 4 | 2.400 | 32,478,469 | (31,214,077) | 1,264,392 |
| | Sale | COP/EUR | 8 | 138 | 60,758 | (60,308) | 450 |
| | Sale | USD/EUR | 13 | 1.474 | 74,844 | (75,054) | (210) |
| | Sale | USD/CAD | 33 | 33 | 144 | (150) | (6) |
| Total currency forward | | | | | 64,530,955 | (64,419,876) | 111,079 |
| Spot on currency | Purchase | USD/COP | 4 | 4 | 256 | (256) | - |
| | Purchase | EUR/COP | 4 | 4 | 93 | (92) | 1 |
| Total spot on currency | | | | | 349 | (348) | 1 |
| Spot on securities | Purchase | COP | 4 | 5 | 25,442 | (25,395) | 47 |
| | Sale | COP | 4 | 6 | 32,400 | (32,409) | (9) |
| Total spot on securities | | | | | 57,842 | (57,804) | 38 |
| Total spot | | | | | COP 58,191 | COP (58,152) | COP 39 |

| Type of instrument | Type of transaction | Currency | Maturity in days | | Value Right | | Value Obligation | Net result |
|---|---------------------|----------|------------------|---------|-----------------------|--|-------------------------|----------------------|
| | | | Minimum | Maximum | | | | |
| Financial options | PUT Purchase | USD/COP | 6 | 340 | COP 4,999 | | COP - | COP 4,999 |
| | CALL Purchase | USD/COP | 7 | 340 | 378 | | - | 378 |
| | PUT Sale | USD/COP | 6 | 340 | - | | (5,001) | (5,001) |
| | CALL Sale | USD/COP | 7 | 340 | - | | (378) | (378) |
| Total financial options | | | | | 5,377 | | (5,379) | (2) |
| Interest rate swap | IRS | COP | 4 | 5.471 | 8,474,931 | | (8,927,852) | (452,921) |
| | IRS | USD | 13 | 3.609 | 290,429 | | (314,024) | (23,595) |
| | OIS | COP | 4 | 3.603 | 370,124 | | (389,367) | (19,243) |
| Total swap on interest rates | | | | | 9,135,484 | | (9,631,243) | (495,759) |
| Swap currencies | CCS | USD | 4 | 3.616 | 10,624,477 | | (10,689,170) | (64,693) |
| Total swap on currencies | | | | | 10,624,477 | | (10,689,170) | (64,693) |
| Swap on currencies hedging | CCS | COP | 1.572 | 1.572 | 1,393,625 | | (1,241,473) | 152,152 |
| Total swap on currencies hedging | | | | | 1,393,625 | | (1,241,473) | 152,152 |
| Total swap | | | | | 21,153,586 | | (21,561,886) | (408,300) |
| Total | | | | | COP 85,748,109 | | COP (86,045,293) | COP (297,184) |

At December 31, 2019

| Type of instrument | Type of transaction | Currency | Maturity in days | | Value Right | Value Obligation | Net result |
|---------------------------------|---------------------|----------|------------------|---------|--------------------|----------------------|------------------|
| | | | Minimum | Maximum | | | |
| Currency forward | Purchase | USD/COP | 2 | 2556 | COP 18,423,107 | COP (19,022,112) | COP (599,005) |
| | Purchase | EUR/COP | 20 | 150 | 33,735 | (34,320) | (585) |
| | Purchase | EUR/USD | 2 | 1840 | 287,971 | (295,972) | (8,001) |
| | Purchase | JPY/USD | 76 | 76 | 4,773 | (4,807) | (34) |
| | Purchase | GBP/COP | 17 | 653 | 1,145 | (1,180) | (35) |
| | Sale | COP/USD | 2 | 2766 | 19,770,035 | (19,136,063) | 633,972 |
| | Sale | COP/EUR | 2 | 330 | 211,246 | (207,547) | 3,699 |
| | Sale | USD/EUR | 9 | 1840 | 113,173 | (109,486) | 3,687 |
| | Sale | USD/JPY | 76 | 76 | 4,807 | (4,773) | 34 |
| Total currency forward | | | | | 38,849,992 | (38,816,260) | 33,732 |
| Spot on currency | Purchase | USD/COP | 2 | 2 | 136,379 | (136,616) | (237) |
| | Purchase | EUR/COP | 2 | 2 | 87 | (87) | - |
| | Sale | USD/COP | 2 | 3 | 295 | (295) | - |
| Total spot on currency | | | | | 136,761 | (136,998) | (237) |
| Spot on securities | Sale | COP | 2 | 3 | 14,630 | (14,636) | (6) |
| Total spot on securities | | | | | 14,630 | (14,636) | (6) |
| Total spot | | | | | COP 151,391 | COP (151,634) | COP (243) |

| Type of instrument | Type of transaction | Currency | Maturity in days | | Value Right | Value Obligation | Net result |
|---|---------------------|----------|------------------|---------|-----------------------|-----------------------|-------------------|
| | | | Minimum | Maximum | | | |
| Financial options | PUT Purchase | USD/COP | 2 | 391 | COP 11,735 | COP - | COP 11,735 |
| | CALL Purchase | USD/COP | 2 | 391 | 13,748 | - | 13,748 |
| | PUT Sale | USD/COP | 2 | 391 | - | (11,742) | (11,742) |
| | CALL Sale | USD/COP | 2 | 391 | - | (13,770) | (13,770) |
| Total financial options | | | | | 25,483 | (25,512) | (29) |
| Interest rate swap | IRS | COP | 3 | 5,257 | 14,705,300 | (14,697,085) | 8,215 |
| | IRS | USD | 10 | 3,562 | 496,317 | (508,060) | (11,743) |
| | OIS | COP | 2 | 3,561 | 435,835 | (430,218) | 5,617 |
| Total swap on interest rates | | | | | 15,637,452 | (15,635,363) | 2,089 |
| Swap currencies | CCS | USD | 10 | 3,621 | 10,230,094 | (10,263,124) | (33,030) |
| Total swap on currencies | | | | | 10,230,094 | (10,263,124) | (33,030) |
| Swap on currencies hedging | CCS | COP | 1,938 | 1,938 | 1,270,417 | (1,240,482) | 29,935 |
| Total swap on currencies hedging | | | | | 1,270,417 | (1,240,482) | 29,935 |
| Total swap | | | | | 27,137,963 | (27,138,969) | (1,006) |
| Futures | Sale COP | | | | 78,930 | (78,930) | - |
| Total futures | | | | | 78,930 | (78,930) | - |
| Total | | | | | COP 66,243,759 | \$(66,211,305) | COP 32,454 |

The collateral received and delivered in derivative transactions at December 31, were:

| Counterparty | Divisa | 2020 | 2019 |
|-------------------------------------|--------|--------------|--------------|
| Active | | | |
| Banco Santander Central Hispano (1) | EUR | 212,415 | 212,415 |
| Banco Bancomer México | USD | 150,000 | - |
| BBVA Madrid (2) | USD | 134,273,819 | 17,455,807 |
| Passive | | | |
| Morgan Stanley and Co Internacional | USD | (47,498,850) | (11,758,850) |
| BBVA Bancomer México | USD | - | (1,210,000) |

(1) The active collateral provided in EUR with Banco Santander Central Hispano in 2018, given that all collateral in previous years had been provided only in USD.

(2) The amount under BBVA Madrid corresponds to the collateral agreement on all the Bank's derivative transactions with this counterparty, with a significant upward variation of the macroeconomic changes of 2020 caused by the health emergency.

14.1 Hedging Derivatives

Bond issuance in foreign currency – The Bank issued subordinated notes abroad in the amount of USD 400 million on April 21, 2015, maturing on February 19, 2025. These bonds mature in 10 years with a coupon rate of 4.875% and will earn interest on a semi-annual basis.

The Subordinated Notes have been issued pursuant to Rule 144A / Regulation S of the US Securities Act of 1933.

BBVA Securities Inc. and Morgan Stanley & Co. LLC., acted as the placement agents.

Hedge Accounting – The Bank constituted cash flow and fair value hedges to hedge the exchange risk and interest rate risk in US dollars, as follows:

Cash flows

These financial instruments were designated as cash flow hedges because both their right and obligation are at a fixed rate and the purpose is to hedge future cash flows for the payment of interest and principal in accordance with the nominal value agreed.

| Transaction | Nominal value of right | EA right rate | Nominal value of obligation | EA obligation rate | Right value 2020 | Obligation value 2020 | Other comprehensive income 2020 |
|--------------|------------------------|---------------|-----------------------------|--------------------|------------------|-----------------------|---------------------------------|
| 9217724 | USD 40 | 9,98% | COP 129,200 | 4,88% | COP 168,924 | COP 169,151 | COP (227) |
| 9315701 | USD 40 | 10,64% | 124,000 | 4,88% | 168,924 | 165,870 | 3,054 |
| 9346154 | USD 40 | 10,71% | 117,600 | 4,88% | 168,924 | 157,664 | 11,260 |
| Total | | | | | | | COP 14,087 |

| Transaction | Nominal value of right | EA right rate | Nominal value of obligation | EA obligation rate | Right value 2020 | Obligation value 2020 | Other comprehensive income 2019 |
|--------------|------------------------|---------------|-----------------------------|--------------------|------------------|-----------------------|---------------------------------|
| 9217724 | USD 40 | 9,98% | COP 129,200 | 4,88% | COP 153,990 | COP 162,629 | COP (8,639) |
| 9315701 | USD 40 | 10,64% | 124,000 | 4,88% | 153,990 | 160,099 | (6,109) |
| 9346154 | USD 40 | 10,71% | 117,600 | 4,88% | 153,990 | 152,240 | 1,750 |
| Total | | | | | | | COP (12,998) |

Fair value hedge accounting

It was designated at fair value because the obligation is indexed at the IBR (Reference Bank Indicator), which was developed by the private sector, with the backing of the Central Bank of Colombia and other entities, in order to reflect the liquidity of the Colombian money market, that is to say when a debt is acquired on the market today, it will be estimated at a rate similar to the reference rate.

| Transaction | Nominal value of right | EA right rate | Nominal value of obligation | EA obligation rate | Right value 2020 | Obligation value 2020 | Other comprehensive income 2020 |
|--------------|------------------------|---------------|-----------------------------|--------------------|------------------|-----------------------|---------------------------------|
| 9217722 | USD 70 | 4,88% | COP 226,100 | IBR+3,19% | COP 295,618 | COP 257,936 | COP 37,682 |
| 9315699 | USD 70 | 4,88% | 217,000 | IBR+3,57% | 295,618 | 251,108 | 44,510 |
| 9346145 | USD 70 | 4,88% | 205,800 | IBR+3,75% | 295,618 | 239,744 | 55,874 |
| Total | | | | | | | COP 138,065 |

| Transaction | Nominal value of right | EA right rate | Nominal value of obligation | EA obligation rate | Right value 2020 | Obligation value 2020 | Other comprehensive income 2019 |
|--------------|------------------------|---------------|-----------------------------|--------------------|------------------|-----------------------|---------------------------------|
| 9217722 | USD 70 | 4,88% | COP 226,100 | IBR+3,19% | COP 269,482 | COP 263,351 | COP 6,131 |
| 9315699 | USD 70 | 4,88% | 217,000 | IBR+3,57% | 269,482 | 256,799 | 12,683 |
| 9346145 | USD 70 | 4,88% | 205,800 | IBR+3,75% | 269,482 | 245,362 | 24,120 |
| Total | | | | | | | COP 42,934 |

Contractual cash flows

The hedged risk is the exchange rate and the interest rate in USD on the fair value of the bonds and to hedge the uncertainty of future cash flows and their implications regarding the entity's hedge activities; a payment schedule for each flow and period of the hedge is included in the structure of the instrument.

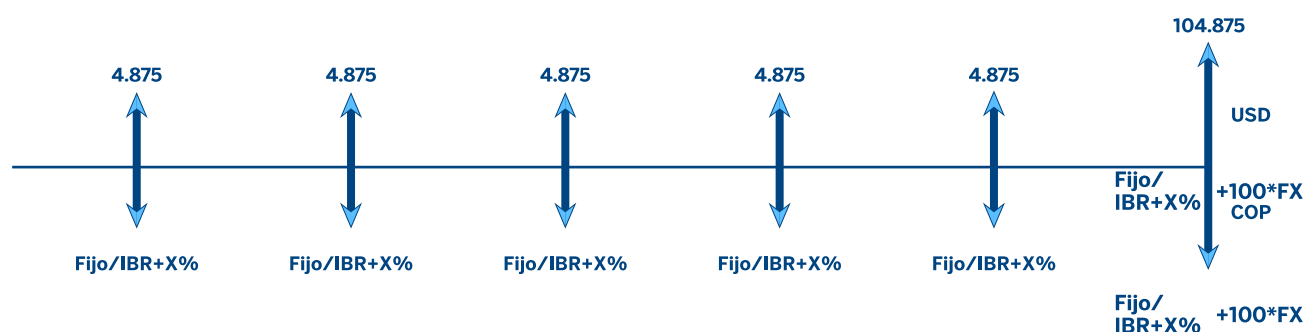
Measurement of hedge effectiveness

IFRS 9, Paragraph B6.4.14 indicates that "when the fundamental conditions (such as nominal amount, maturity and underlying) of the hedging instrument and the hedged item match or are closely aligned, an entity can conclude, based on a qualitative assessment of said fundamental conditions, that the hedging instrument and the hedged item have values that will generally move in the opposite direction due to the same risk and, therefore, there is an economic link between the hedged item and the hedging instrument."

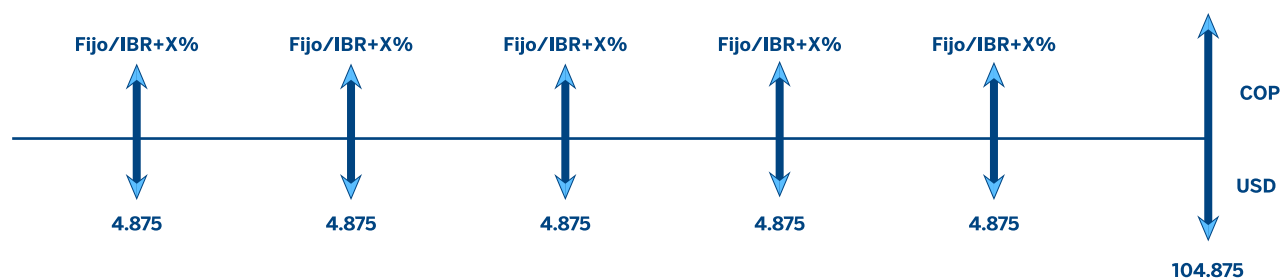
IFRS 9 Paragraph B6.5.5 indicates that “To calculate the change in the value of the hedged item for the purposes of measuring the hedge ineffectiveness, an entity can use a derivative with the conditions that match the fundamental conditions of the hedged item (which is commonly known as a hypothetical derivative)”.

The hypothetical derivative is defined as the perfect mirror in which a leg is fully in line with the economic characteristics of the hedged item, therefore, it is the method used by the Bank to measure the effectiveness of its hedging instruments, concluding that it will be 100% effective over time.

Derivative



Hypothetical derivative



Based on the above the effective part of the profit or loss of the cash flow hedging instrument was recognized in equity (OCI) and the ineffective part will be recognized in the statement of income. Since the conditions of the CCS (cross currency swap) of the payment received by the Bank in US dollars

match those of the hedged item (coupon date, coupon rate, settlement basis of the coupon and final exchange of flows), its effect on the Bank's income statement is expected to be neutral.

At December 31, 2020 and 2019, the items of valuation and actuarial items of the cash flow hedging swap were recorded in Other Comprehensive Income (OCI) for COP 14,087 and COP 12,998, respectively. On the same dates, no reclassifications of equity were made to the statement of income for the year.

The accounting of hedging derivatives at December 31, is as follows:

Active hedging - CCS swap

The hedging transaction negotiated at the lowest rate recorded a positive valuation (Income); therefore, for this period there was recognition in the active part for COP 36,085 compared to the previous year.

At December 31, 2020

| Hedge type | Currency | Value of right | Value of obligation | Statement of financial position | Statement of comprehensive income | Statement of other comprehensive income |
|-----------------------------|----------|----------------|---------------------|---------------------------------|-----------------------------------|---|
| Fair value | USD | \$ (886,853) | COP 748,787 | COP 138,065 | COP - | COP - |
| Cash flow | | (337,849) | 323,534 | - | - | 14,314 |
| Total | | | | 138,065 | - | 14,314 |
| Total active hedging | | | | | | COP 152,380 |

At December 31, 2019

| Hedge type | Currency | Value of right | Value of obligation | Statement of financial position | Statement of comprehensive income | Statement of other comprehensive income |
|-----------------------------|----------|----------------|---------------------|---------------------------------|-----------------------------------|---|
| Fair value | USD | \$ (808,446) | COP 765,512 | COP 42,934 | COP - | COP 42,934 |
| Cash flow | | (153,990) | 152,240 | - | - | 1,750 |
| Total | | | | 42,934 | - | 44,684 |
| Total active hedging | | | | | | COP 44,684 |

Passive hedging - CCS swap 2019

At December 31, 2020

| Hedge type | Currency | Value of right | Value of obligation | Statement of financial position | Statement of comprehensive income | Statement of other comprehensive income |
|-----------------------------|----------|----------------|---------------------|---------------------------------|-----------------------------------|---|
| Cash flow | USD | (168,924) | 169,151 | - | - | 227 |
| Total | | | | - | - | 227 |
| Total active hedging | | | | COP | | 227 |

At December 31, 2019

| Hedge type | Currency | Value of right | Value of obligation | Statement of financial position | Statement of comprehensive income | Statement of other comprehensive income |
|-----------------------------|----------|----------------|---------------------|---------------------------------|-----------------------------------|---|
| Cash flow | USD | (307,980) | 322,728 | - | - | 14,748 |
| Total | | | | - | - | 14,748 |
| Total active hedging | | | | COP | | 14,748 |

In 2020, the value equivalent to the restatement of the cash flow hedge was COP 54,146 over USD 120 million.

Due to fluctuations in the exchange rate during 2020, there is an 61.33% increase in OCI compared to 2019, which means a decrease in our interest obligation balance for the cash flow hedge transactions.

15. Accounts Receivable, Net

At December 31, the balance of this account is summarized as follows:

| Item | 2020 | 2019 |
|---|----------------------|--------------------|
| Deposits for executive proceedings, collateral and others (1) | COP 638,607 | COP 177,510 |
| Accounts transferred to ICETEX (2) | 145,365 | 123,180 |
| Inactive National Treasury Department accounts (3) | 28,123 | 26,486 |
| Fees | 9,806 | 10,557 |
| Securities depositories (4) | 3,937 | - |
| Securitization process (5) | 2,821 | 5,033 |
| Dividends and shares (6) | 1,036 | 1,129 |
| To employees (7) | 246 | 348 |
| To the parent company, Subsidiaries, related parties and associates (8) | 52 | 1 |
| Other (9) | 192,954 | 88,278 |
| Subtotal | 1,022,948 | 432,522 |
| Impairment of other accounts receivable | (19,603) | (2,436) |
| Total other accounts receivable, net | COP 1,003,345 | COP 430,086 |

(1) The increase is due to the contracting of Margin Calls of derivatives in foreign currency in minor amounts; there are also Overnight transactions with BBVA MADRID contracted on December 30, 2020, maturing on January 4, 2021 in the amount of USD 131, equivalent to COP 462,307. Additionally, this item includes residential leasing deposits, which increased their placement due to commercial strategies, showing a variation of more than COP 67,119 in 2020.

(2) These are abandoned accounts transferred to ICETEX, whose balance is greater than 322 RVU and have been inactive for more than 36 months, in accordance with Law 1777/2016, regulated by Decree 953/June 15, 2016. Their increase in 2020 is especially reflected in the transfer of Savings Accounts with an increase of 84% and current accounts with a variation of 16% in 2020.

- (3) Increase due to the transfer of inactive accounts to the National Treasury Department (DTN, for the Spanish original), whose balance is less than 322 RVU and have been inactive for less than 36 months, in accordance with Decree 2331/1998.
- (4) The increase is due to the settlement of the forward transaction of customer PAYDEN on December 30, 2020.
- (5) The change in the Securitization Process item corresponds to the collection of residual rights from issues E9, E10, E11 and E12, for COP 2,211.
- (6) Corresponds to accounts receivable from Credibanco dividends and shares for COP 1,036 at December 31, 2020. This balance is to be paid on November 30, 2021.
- (7) There is a decrease in the Bank's accounts receivable in Corporate Cards and a decrease in advances to employees.
- (8) The variation is due to the recognition of income from leases by subsidiaries BBVA Seguros Vida y Generales and Comercializadora Servicios Financieros and the payment of accounts receivable for corporate social responsibility from BBVA Seguros Generales.
- (9) The balance consists mainly of the commission of Fondo Nacional de Garantías COVID-19 in the amount of COP 21,059, as well as a 10% increase in the amounts contracted in contract settlement transactions with the Counterparty Clearing House carried out in December 2020 for COP 33,980 and 72% in the account receivable for the settlement of derivative transactions at the end of 2020 for COP 120,076.

The movement of the accounts receivable protection provision account in the year ended December 31, 2020 was as follows:

| Item | 2020 | 2019 |
|---|-------------------|------------------|
| Balance at the beginning of year | COP 2,436 | COP 2,721 |
| Provision charged to expenses in the year | 43,740 | 8,855 |
| Transfer other items | 48 | - |
| Provision recovery | (26,621) | (3,885) |
| Provision write-off | - | (5,255) |
| Balance at year end | COP 19,603 | COP 2,436 |

16. Non-Current Assets Held for Sale

Non-current assets held for sale are mainly realizable assets received from the loan portfolio debtors, which the Group intends to sell in the short term; there are departments, processes and programs in place for their sale, either in cash or by granting financing to potential buyers.

At December 31, the balance of this account is summarized as follows:

| Item | 2020 | 2019 |
|---|---------------|---------------|
| Realizable assets | | |
| Real estate | COP 41,340 | COP 39,744 |
| Subtotal realizable assets | 41,340 | 39,744 |
| Assets restituted in lease agreements | | |
| Real estate | 12,636 | 17,288 |
| Vehicles | 234 | 233 |
| Machinery and equipment | 15 | 15 |
| Real estate given under residential leasing | 24,249 | 16,672 |
| Subtotal assets restituted in Lease Agreements | 37,134 | 34,208 |
| Assets not used for the corporate purpose | | |
| Lands | 58 | - |
| Buildings | 551 | - |
| Furniture and fixtures | 209 | - |
| Subtotal assets not used in the corporate purpose: | 818 | - |
| Trusts | 7,175 | 11,803 |
| Subtotal trusts | 7,175 | 11,803 |
| Subtotal realizable and restituted assets | 86,467 | 85,755 |
| Impairment of non-current assets held for sale | | |
| Realizable assets | COP (17,733) | COP (12,437) |

| Item | 2020 | 2019 |
|---|-------------------|-------------------|
| Assets restituted in lease agreements | COP (11,434) | COP (5,607) |
| Trusts | (5,416) | (8,650) |
| Furniture and fixtures | (209) | - |
| Subtotal impairment | (34,792) | (26,694) |
| Total realizable assets, assets received as payment and restituted assets, net | COP 51,675 | COP 59,061 |

At December 31, 2020, the Group had 247 Non-Current Assets Held for Sale amounting to COP 86,467 and an impairment of COP 34,792. At December 31, 2019, the Group had 202 Non-Current Assets Held for Sale amounting to COP 85,755 and an impairment of COP 26,694.

Non-current assets held for sale over two years for the year 2020 and 2019 amounted to COP 16,229 and COP 16,281 respectively.

The amounts, permanence time and level of provision of non-current assets held for sale in the periods compared were:

| Item | 2020 | 2019 |
|--|-------------------|-----------------|
| Balance at the beginning of year | COP 26,694 | COP 16,471 |
| Provision charged to expenses in the year | 17,292 | 13,594 |
| Transfers | (88) | 297 |
| Use of the provision | - | (250) |
| Less – Withdrawal for sales and recoveries | (9,106) | (3,418) |
| Balance at year end | COP 34,792 | \$26,694 |

| Type of asset | Amount | | 2020 | | 2019 | |
|---------------|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | 2020 | 2019 | Permanence time (1) | Provisión | Permanence time (1) | Provisión |
| Real estate | COP 86,467 | COP 85,755 | 15 | COP 34,792 | 23 | COP 26,694 |
| Total | COP 86,467 | COP 85,755 | | COP 34,792 | | COP 26,694 |

(1) Stated as average permanence time in months..

17. Property and Equipment

At December 31, 2020, the balance of this account is summarized as follows:

| Item | Lands | Buildings (2) | Vehicles | Fixtures and accessories |
|--|--------------------|--------------------|------------------|--------------------------|
| Balance at December 31, 2019 | | | | |
| Acquisitions | COP 152,193 | COP 640,148 | COP 2,942 | COP 278,032 |
| Additions | - | - | - | 12,995 |
| Additions for joint operations | - | 7,228 | - | - |
| Sales | - | - | - | - |
| Withdrawals | (12) | (115) | - | (2,781) |
| Accounting adjustments | - | - | - | (9,633) |
| Cost balance at December 31, 2020 | - | - | - | - |
| Saldo costo a December 31, 2020 | 152,181 | 647,261 | 2,942 | 278,613 |
| Depreciation and impairment losses | | | | |
| Balance at December 31, 2019 | - | 218,866 | 2,610 | 188,174 |
| Depreciation for the fiscal year | - | 6,107 | - | 18,027 |
| Derecognition of obsolete real estate | - | - | - | (9,502) |
| Sale of real estate | - | (34) | - | (1,829) |
| Depreciation balance at December 31, 2020 | - | 224,939 | 2,610 | 194,870 |
| Impairment | 6,227 | 40,577 | - | - |
| Carrying value at December 31, 2020 | COP 145,954 | COP 381,745 | COP 332 | COP 83,743 |

| | Computers (1) | Machinery, plant and equipment in assembly | Improvements to assets under lease | Constructions in progress (2) | Total |
|------------|----------------|--|------------------------------------|-------------------------------|----------------------|
| COP | 283,258 | COP 548 | COP 19,124 | COP 7,563 | COP 1,383,808 |
| | 29,338 | - | - | - | 42,333 |
| | 1,387 | 1,361 | - | 3,857 | 13,833 |
| | 220 | - | - | - | 220 |
| | - | - | - | - | (2,908) |
| | (7,529) | - | - | - | (17,162) |
| | - | (1,512) | (1,620) | (8,685) | (11,817) |
| | 305,143 | 397 | 17,504 | 2,735 | 1,408,307 |
| | 214,295 | - | - | - | 623,945 |
| | 29,949 | - | - | - | 54,083 |
| | (2,436) | - | - | - | (11,938) |
| | (5,088) | - | - | - | (6,951) |
| | 236,720 | - | - | - | 659,139 |
| | - | - | - | - | 46,804 |
| COP | 69,734 | COP 397 | COP 17,504 | COP 2,735 | COP 702,364 |

(1) There is an increase in IT equipment in the amount of COP 23,196, corresponding to the investment made by the Group to meet the needs of employees working at home by providing them with computers.

(2) In 2020, there was a decrease in the improvements of assets received under lease since the number of offices decreased due to the COVID-19 pandemic; and the construction works in progress in most of the Group's buildings were activated.

At December 31, 2019, the balance of this account is summarized as follows:

| Item | Lands | | Buildings (1) | | Vehicles | | Fixtures and accessories | |
|---|-------|---------|---------------|---------|----------|-------|--------------------------|---------|
| Cost | | | | | | | | |
| Balance at December 31, 2018 | COP | 152,554 | COP | 627,296 | COP | 2,942 | COP | 256,419 |
| Acquisitions | | - | | - | | - | | 25,106 |
| Additions | | - | | 16,221 | | - | | - |
| Additions for joint operations | | - | | - | | - | | - |
| Sales | | (361) | | (3,369) | | - | | (807) |
| Withdrawals | | - | | - | | - | | (2,680) |
| Others | | - | | - | | - | | (6) |
| Cost balance at December 31, 2019 | | 152,193 | | 640,148 | | 2,942 | | 278,032 |
| Depreciation and impairment losses | | | | | | | | |
| Balance at December 31, 2018 | | - | | 214,204 | | 2,239 | | 172,879 |
| Depreciation for the fiscal year | | - | | 6,180 | | 371 | | 18,220 |
| Derecognition of obsolete real estate | | - | | - | | - | | (2,112) |
| Sale of real estate | | - | | (1,518) | | - | | (807) |
| Others | | - | | - | | - | | (6) |
| Depreciation balance at December 31, 2019 | | - | | 218,866 | | 2,610 | | 188,174 |
| Impairment | | 5,090 | | 39,671 | | - | | - |
| Carrying value at December 31, 2019 | COP | 147,103 | COP | 381,611 | COP | 332 | COP | 89,858 |

1) Renovations, expansions and improvements in General Management at the end of 2018 were recorded in construction in progress; for 2019, they were recorded in buildings since the work was completed.

2) In 2019, ATMs were acquired to meet the network expansion needs and to replace obsolete ATMs according to the Group policies with the Diebold-Nixdorf supplier due to the merger of Diebold and Wincor.

| | Computers (2-3) | Machinery, plant and equipment in assembly | Improvements to assets under lease | Constructions in progress (1) | Total |
|------------|-----------------|--|------------------------------------|-------------------------------|----------------------|
| COP | 274,303 | COP 1,121 | COP 20,004 | COP 15,302 | COP 1,349,941 |
| | 31,508 | - | - | - | 56,614 |
| | 1,626 | 1,054 | - | 13,594 | 34,204 |
| | 1,709 | - | - | - | - |
| | (2,858) | - | - | - | (7,395) |
| | (23,030) | - | - | - | (25,710) |
| | - | (1,627) | (880) | (21,333) | (23,846) |
| | 283,258 | 548 | 19,124 | 7,563 | 1,383,808 |
| | 210,114 | - | - | - | 599,436 |
| | 30,067 | - | - | - | 54,838 |
| | (23,029) | - | - | - | (25,141) |
| | (2,857) | - | - | - | (5,182) |
| | - | - | - | - | (6) |
| | 214,295 | - | - | - | 623,945 |
| | - | - | - | - | 44,761 |
| COP | 68,963 | COP 548 | COP 19,124 | COP 7,563 | COP 715,102 |

All the Group's property and equipment are duly covered against fire, related dangers, damage to electrical and electronic equipment, mechanical breakdown, HAMCCOP (malicious acts) and theft, through insurance policies that are in force and there is no restriction on ownership.

For purposes of constituting provisions or individual valuation on the real estate, commercial appraisals are carried out with independent firms registered at the Realtors Association ("Lonja de Propiedad Raíz"). The term applied to these appraisals is three (3) years.

At December 31, 2019, appraisals were conducted on 100% of the Group's immovable assets.

| Appraisal date | Number | Share % |
|----------------|--------|---------|
| 2018 | 4 | 2% |
| 2019 | 259 | 100% |
| 2020 | 66 | 25% |

Depreciation - Fixed assets are depreciated using the straight line method and begin depreciating when they are in optimal conditions of use.

The useful life and cost of the asset are determined through appraisal by independent experts every 36 months and the basis of depreciation is calculated by subtracting the residual value of each fixed asset (buildings) from the cost.

Impairment – The impairment of fixed assets for the years 2020 and 2019 was COP 2,043 and COP 22,271 respectively, mainly due to the appraisals carried out by the end of December 31, 2019 of 100%, while in 2020, it is due to 25% of appraisals carried out and the retirement due to obsolescence of computers and IT equipment.

18. Intangible Assets

At December 31, the intangible assets are broken down as follows:

| Item | 2020 | 2019 |
|--------------------------------|--------------------|--------------------|
| Software and applications | COP 120,202 | COP 102,617 |
| Total intangible assets | COP 120,202 | COP 102,617 |

The change in software and applications during the years 2020 and 2019 was as follows:

December 31, 2020

| Item | Useful life | Balance at December 31, 2019 | Addition | Amortization/retirement | Balance at December 31, 2020 |
|---------------------------|-------------|------------------------------|-------------------|-------------------------|------------------------------|
| Software and applications | 5 | COP 102,617 | COP 44,546 | COP (26,961) | COP 120,202 |
| Total | | COP 102,617 | COP 44,546 | COP (26,961) | COP 120,202 |

December 31, 2019

| Item | Useful life | Balance at December 31, 2018 | Addition | Amortization/retirement | Balance at December 31, 2019 |
|---------------------------|-------------|------------------------------|-------------------|-------------------------|------------------------------|
| Software and applications | 5 | COP 93,783 | COP 44,519 | COP (35,685) | COP 102,617 |
| Total | | COP 93,783 | COP 44,519 | COP (35,685) | COP 102,617 |

The additions in 2020 correspond to payments made for Corporate Software development contracts, Mobile Banking and licenses in 2020.

Amortization for intangible assets for the years 2020 and 2019 was (COP 26,961) and (COP 35,685), respectively.

19. Investments in Joint Ventures

The balance of the account at December 31, 2020 and 2019 consisted of the following:

December 31, 2020

| Item | Domicile | Equity | Equity capital | Share percentage | Carrying value |
|--|-------------|-------------|----------------|------------------|--------------------|
| RCI Banque Colombia SA | Medellín | COP 234,972 | COP 115,122 | 49,00% | COP 149,740 |
| FAP Asobolsa | Bogotá D.C. | 1,526 | 90 | 5,26% | 78 |
| Total investments in joint arrangements | | | | | COP 149,818 |

| Item | Rating | Assets | Liabilities | Profits and/or Losses |
|-------------------------------------|--------|---------------|---------------|-----------------------|
| Investments in Subsidiaries: | | | | |
| RCI Banque Colombia SA | A | COP 2,364,720 | COP 2,059,129 | COP 30,144 |
| FAP Asobolsa | A | COP 1,295 | COP - | COP - |

For investments classified as controlled holdings, including BBVA Fiduciaria and BBVA Valores, they are valued using the Equity Method according to Law 222/1995.

There is a 16.4% increase, represented by COP 42,438 in investments in subsidiaries and joint arrangements, mainly due to the profit distribution project for COP 45,461 for 2019, of which the most representative is BBVA Fiduciaria for COP 32,389. These dividends were previously agreed at each of the Shareholders' Meetings and the application of the equity method for 2020. RCI Banque Colombia and BBVA Valores Colombia S.A. Comisionista de Bolsa will not distribute dividends, as they will be kept as reserves.

Investments in subsidiaries and joint arrangements - These are investments in equity instruments in non-controlled entities, consisting of the following at December 31, 2020 and 2019:

December 31, 2019

| Item | Domicile | Equity | Equity capital | Share percentage | Carrying value |
|---|-------------|-------------|----------------|------------------|--------------------|
| RCI Banque Colombia SA | Medellín | COP 234,942 | COP 115,122 | 49,00% | COP 133,636 |
| FAP Asobolsa | Bogotá D.C. | 1,526 | 80 | 5,26% | 78 |
| Collective Investment Funds in Joint Operations | Bogotá D.C. | - | - | - | 478 |
| Total investments in joint arrangements | | | | | COP 134,192 |

| Item | Rating | Assets | Liabilities | Profits and/or Losses |
|---|--------|---------------|---------------|-----------------------|
| RCI Banque Colombia SA | A | COP 1,846,723 | COP 1,573,997 | COP 25,942 |
| FAP Asobolsa | A | 1,489 | - | (37) |
| Collective Investment Funds in Joint Operations | A | - | - | - |

RCI Colombia S.A. Compañía de Financiamiento (hereinafter “RCI” or “the Company”): The purpose of RCI is to enter into or carry out all that transactions and contracts legally permitted for financing companies, subject to the requirements and limitations of Colombian Law, namely:

- (1) Attracting term funds for the primary purpose of carrying out active consumer credit, payroll loan, factoring and remittance transactions.
- (2) Providing retail financing (credit, leasing) for buyers of new Renault vehicles and new vehicles of related brands and used vehicles of all brands.

- (3) Providing wholesale financing to Renault dealers and distributors and related brands and spare part inventories.
- (4) Transferring and selling accounts receivable from vehicle loans.
- (5) Obtaining loans from financial institutions, related parties or affiliates of their shareholders in the form of loans, bonds, asset-backed securities, commercial papers and other instruments and to guarantee such obligations to the extent necessary.
- (6) Facilitating the sale of related insurance and other services (including life insurance, payment protection insurance and all-risk vehicle insurance).
- (7) Remarketing the vehicles returned by leasing customers and those recovered from defaulted customers.

20. Other Assets (Net)

The balance of the account at December 31, 2020 and 2019 consisted of the following:

| Item | 2020 | 2019 |
|---|------------------|-------------------|
| Letters of credit of deferred payment (1) | COP 536 | COP 40,631 |
| Activities in joint operations | 4 | 4 |
| Art and cultural assets (2) | 1,108 | 455 |
| Sundries (3) | 3,160 | 5,890 |
| Properties provided on operating leases | - | 1,535 |
| Subtotal other assets | 4,808 | 48,515 |
| Impairment of other assets | (1,313) | (4,024) |
| Total other assets, net | COP 3,495 | COP 44,491 |

(1) The variation corresponds to the full payment of the Expo-Ganados Letter of Credit from 2019; the balance of the account for 2020 corresponds to the deferred payment Letter of Credit in foreign currency from customer DENIM FACTORY SA in the amount of USD 159,697.65. This foreign currency transaction is paid by the customer in terms according to payment agreements.

(2) Provision for not having appraisals updated by certified experts for works of art.

(3) In 2020, there was an increase in changes regarding cash collection from customers with transportation companies and international card redemption.

21. Prepaid Expenses and Advances From Contracts and Suppliers

Prepaid expenses are broken down as follows:

| Item | 2020 | 2019 |
|---|-------------------|-------------------|
| Prepaid expenses | | |
| Corporate software maintenance | COP 11,718 | COP 17,146 |
| Insurance | 2,050 | 1,697 |
| Electronics | 3,460 | 4,091 |
| Others | 407 | 601 |
| Total prepaid expenses | 17,635 | 23,535 |
| Advances to contracts and suppliers | | |
| Advances to contracts and suppliers | | |
| Total advances to contracts and suppliers | 62,440 | 62,001 |
| Total advances to contracts and suppliers | 62,440 | 62,001 |
| Total prepaid expenses and advances to contracts and suppliers | COP 80,075 | COP 85,536 |

Other prepaid expenses includes robust local and corporate software maintenance contracts; the amortization period according to the legal and contractual entitlement cannot exceed the period of those rights, but it can be less than that established by the parties. The time indicated in useful life depends on the period during which the entity expects to use the asset.

Additions presented in 2020 in Prepaid Expenses correspond to payments made as follows:

- a- Payments made to acquire global, multi-risk, life and auto insurance policies.
- b- Payments made for renewals of software maintenance and support, transfer prices and

technical data storage services.

The retirements generated in 2020 correspond to amortizations generated during the year, received for services or whose costs or expenses are incurred.

The movement of prepaid expenses during the year 2020 was as follows:

December 31, 2020

| Item | Balance 2019 | Addition | Amortization / withdrawal | Balance 2020 |
|----------------------|-------------------|--------------------|---------------------------|-------------------|
| Software maintenance | COP 17,146 | COP 37,914 | COP 43,342 | COP 11,718 |
| Insurance | 1,697 | 8,530 | 8,176 | 2,050 |
| Electronics | 4,091 | 6,349 | 6,980 | 3,460 |
| Data transmission | - | 34,169 | 34,169 | - |
| Others | 601 | 18,179 | 18,373 | 407 |
| Total | COP 23,534 | COP 105,141 | COP 111,040 | COP 17,635 |

December 31, 2019

| Item | Balance 2018 | Addition | Amortization / withdrawal | Balance 2019 |
|----------------------|-------------------|-------------------|---------------------------|-------------------|
| Software maintenance | COP 12,109 | COP 33,213 | COP 28,176 | COP 17,146 |
| Insurance | 1,530 | 5,793 | 5,626 | 1,697 |
| Electronics | 962 | 6,145 | 3,016 | 4,091 |
| Data transmission | - | 20,699 | 20,699 | - |
| Others | 195 | 12,223 | 11,817 | 601 |
| Total | COP 14,796 | COP 78,073 | COP 69,334 | COP 23,535 |

22. Deposits and Current Liabilities

The Group's passive portfolio at December consisted of the following::

| item | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Savings deposits | COP 22,743,982 | COP 20,136,180 |
| Deposits in checking accounts | 8,631,986 | 6,547,255 |
| Current liabilities for services | 532,730 | 518,323 |
| Special deposits | 513,293 | 260,354 |
| Special savings accounts | 327,656 | 269,536 |
| Single deposits | 2,304 | 2,604 |
| Canceled accounts | 743 | 728 |
| Banks and correspondents | 2,423 | 2,126 |
| Electronic deposits | 2,318 | 1,131 |
| Total deposits and demand liabilities | 32,757,435 | 27,738,237 |
| Term deposits | 19,183,673 | 19,571,188 |
| Real value savings certificates | 10,492 | 10,739 |
| TOTAL DEPOSITS AND TERM LIABILITIES | 19,194,165 | 19,581,927 |
| Total deposits and current liabilities | COP 51,951,600 | COP 47,320,164 |

A summary of deposits and current liabilities as of December 31, 2020 is as follows:

| | Local currency | Foreign currency | Total currency |
|---------------------------------|-----------------------|------------------|-----------------------|
| Checking account | | | |
| Official sector | COP 1,852,622 | COP - | COP 1,852,622 |
| Private sector | 6,775,209 | 4,155 | 6,779,364 |
| Total checking account | 8,627,831 | 4,155 | 8,631,986 |
| Single deposit | | | |
| Private sector | 2,303 | - | 2,303 |
| Total single deposit | 2,303 | - | 2,303 |
| Term deposits - COP | | | |
| Official sector | 1,820,644 | - | 1,820,644 |
| Private sector | 17,363,029 | - | 17,363,029 |
| Total term deposits -COP | COP 19,183,673 | COP - | COP 19,183,673 |

| | Local currency | | Foreign currency | | Total currency | |
|--|----------------|------------|------------------|---------|----------------|------------|
| Savings deposits | | | | | | |
| Deposits: | | | | | | |
| Official sector | COP | 6,163,345 | COP | - | COP | 6,163,345 |
| Private sector | | 16,615,875 | | - | | 16,615,875 |
| Special savings: | | | | | | |
| Private sector | | 327,656 | | - | | 327,656 |
| Total savings deposits | | 23,071,638 | | - | | 23,071,638 |
| Term deposits– RVU | | | | | | |
| Private sector | | 10,492 | | - | | 10,492 |
| Total Term deposits-RVU | | 10,492 | | - | | 10,492 |
| Other deposits | | | | | | |
| Banks and correspondents | | 2,424 | | - | | 2,424 |
| Special deposits | | 163,026 | | 163,040 | | 326,066 |
| Tax collection | | 189,546 | | - | | 189,546 |
| Banking services | | 453,366 | | 79,363 | | 532,729 |
| Total other deposits | | 808,362 | | 242,403 | | 1,050,765 |
| Others | | | | | | |
| Canceled accounts | | 743 | | - | | 743 |
| Total deposits and current liabilities | COP | 51,705,042 | COP | 246,558 | COP | 51,951,600 |

A summary of deposits and current liabilities as of December 31, 2019 is as follows:

| | Local currency | | Foreign currency | | Total currency | |
|------------------------|----------------|-----------|------------------|-------|----------------|-----------|
| Checking account | | | | | | |
| Official sector | COP | 1,516,691 | COP | - | COP | 1,516,691 |
| Private sector | | 5,027,700 | | 2,864 | | 5,030,564 |
| Total checking account | | 6,544,391 | | 2,864 | | 6,547,255 |
| Single deposit | | | | | | |
| Private sector | | 2,604 | | - | | 2,604 |
| Total single deposit | COP | 2,604 | COP | - | COP | 2,604 |

| | Local currency | | Foreign currency | | Total currency | |
|--|----------------|------------|------------------|---------|----------------|------------|
| Term deposits- COP | | | | | | |
| Official sector | COP | 2,336,947 | COP | - | COP | 2,336,947 |
| Private sector | | 17,234,241 | | - | | 17,234,241 |
| Total Term deposits-COP | | 19,571,188 | | - | | 19,571,188 |
| Savings deposits | | | | | | |
| Depósitos: | | | | | | |
| Deposits: | | 6,111,198 | | - | | 6,111,198 |
| Official sector | | 14,024,982 | | - | | 14,024,982 |
| Private sector | | 269,536 | | - | | 269,536 |
| Total savings deposits | | 20,405,716 | | - | | 20,405,716 |
| Term deposits - RVU | | | | | | |
| Private sector | | 10,739 | | - | | 10,739 |
| Total Term deposits-RVU | | 10,739 | | - | | 10,739 |
| Other deposits | | | | | | |
| Banks and correspondents | | 2,126 | | - | | 2,126 |
| Special deposits | | 179,862 | | 42,501 | | 222,363 |
| Tax collection | | 39,122 | | - | | 39,122 |
| Banking services | | 455,764 | | 62,559 | | 518,323 |
| Total other deposits | | 676,874 | | 105,060 | | 781,934 |
| Others | | | | | | |
| Canceled accounts | | 728 | | - | | 728 |
| Total deposits and current liabilities | COP | 47,212,240 | COP | 107,924 | COP | 47,320,164 |

- There was a significant increase of **18%** in deposits in private sector savings accounts.
- There was a significant increase of **35%** in deposits in private sector current accounts.
- The increase in special deposits is due to the collection of taxes from the Bank's corporate customers.

23. Money Market and Simultaneous Transactions

At December 31, the balance of this account is summarized as follows:

| Item | Rate | 2020 | Rate | 2019 |
|--|-------|--------------------|-------|----------------------|
| Ordinary interbank funds purchased: | | | | |
| Banks | 1.70% | COP 80,008 | 4.11% | COP 340,205 |
| Total interbank funds purchased | | 80,008 | | 340,205 |
| Transfer commitments in closed repo transactions: | | | | |
| Central Bank of Colombia | 1.26% | 85,557 | 4.11% | 3,840,739 |
| Comisionista de Bolsa | 1.62% | 38,550 | - | - |
| Counterparty Clearing House | 1.68% | 119,461 | 4.11% | 58,813 |
| Total closed repo transactions | | 243,568 | | 3,899,552 |
| Commitments originated in short positions for simultaneous transactions | | | | |
| Central Bank of Colombia | - | 66,877 | - | 47,169 |
| Banks | - | - | - | 10,344 |
| Insurance companies | - | - | - | 23,604 |
| Stockbrokers | - | - | - | 19,352 |
| Banks and financial corporations | - | - | - | - |
| Trust companies | - | 9,983 | - | - |
| Fund management companies | - | 28,927 | - | 41,802 |
| Foreign residents | - | 76,929 | - | 28,724 |
| Total commitments for simultaneous transactions | | 182,716 | | 170,995 |
| Total passive positions in money market transactions | | COP 506,292 | | COP 4,410,752 |

At December 2020, ordinary purchased interbank funds of COP 80,008 were agreed at an average rate of 1.70% with a maturity of 1 day, while at December 2019, they were agreed at a rate of 4.11% with a maturity of 3 days.

In turn, at December 30, 2020, repo transactions were agreed with the Central Bank of Colombia at an average rate of 1.26%, with maturities between 1 and 8 calendar days, while at December 31, closed repo transactions were agreed with the Central Bank of Colombia at an average rate of 4.11% and a maturity between 3 and 8 calendar days.

Additionally, at December 30, 2020, repo transactions were agreed with the Counterparty Clearing House at an average rate of 1.68%, with maturities from 1 to 8 calendar days, while at December 31, 2019, closed repo transactions were agreed with the Counterparty Clearing House at an average rate of 4.11% and a maturity between 4 and 7 calendar days.

There was a variation of 89%, representing COP 3,904,460. The year 2019 closed with a highly representative lack of liquidity, which had to be covered by overnight repos, particularly with the Central Bank of Colombia. The opposite is true for the year 2020 where there was no need to contract repos due to the Bank's adequate liquidity.

With regard to the intervention rate, as a consequence of the pandemic, the Central Bank of Colombia took measures to lower rates in order to stimulate the economy.

No transaction costs were earned other than the interest agreed.

24. Bank Loans and Other Financial Obligations

At December 31, the balance of this account is summarized as follows:

| Item | 2020 | 2019 |
|---|----------------------|----------------------|
| Foreign currency | | |
| Citibank NA | COP - | COP 263,343 |
| Corporación Andina De Fomento | - | 230,351 |
| Wells Fargo Bank N.A. | - | 231,761 |
| The Toronto Dominion Bank | - | 66,109 |
| Bank Of Nova Scotia | 191,872 | - |
| Banco Itau Uruguay Sa | 68,658 | - |
| Banco Del Estado De Chile-Chile | 102,981 | - |
| Total foreign currency | 363,511 | 791,564 |
| Legal currency | | |
| Financiera de Desarrollo Territorial - FINDETER | 1,087,903 | 825,310 |
| Banco de Comercio Exterior S.A. - BANCOLDEX | 296,829 | 302,355 |
| Fondo para el Fomento del Sector Agropecuario - FINAGRO | 453,938 | 283,746 |
| International Finance Corporation IFC | 404,745 | 404,181 |
| Total legal currency | 2,243,415 | 1,815,592 |
| Total Bank credits and other financial obligations | COP 2,606,926 | COP 2,607,156 |

During 2020, all foreign currency obligations from the previous year were paid in full, including an exchange difference of COP 37,525, and new obligations were also constituted for COP 363,511.

Foreign-currency denominated financial obligations were contracted to maintain the Bank's liquidity and were acquired without collateral.

The financial costs of the obligations are calculated on a daily basis, based on 360 days on principal defined by their frequency and interest rate.

The rate for foreign currency obligations averaged Libor + 0.49% (Trade), and + 0.60% Working Capital (WK) and Libor + 0.32% (Trade), + 0.58% Working Capital (WK), for short-term obligations maturing within 1 year at December 31, 2020 and 2019, respectively.

Maturity of the loans varies according to the program (typically between one and ten years), and the funds directly provided by the Bank vary from 0% to 40% of the total value of the loan, whereas the balance is provided by Government entities. The obligations are guaranteed by the corresponding loans made to the customers.

The breakdown of these obligations by term was as follows:

| # | Foreign Currency | | Legal currency | |
|---|-------------------|--------------|-------------------|--------------|
| | Category | Time | Category | Time |
| 1 | Less than 1 year | <365 | Less than 1 year | <364 |
| 2 | From 1 to 5 years | > 365 < 1825 | From 1 to 3 years | > 365 < 1095 |
| 3 | More than 5 years | > 1825 | More than 3 years | > 1096 |

The breakdown by term in foreign currency is as follows:

Obligations in Foreign Currency at December 31, 2020

| Entity | Interest | Capital | | | Total |
|-----------------------------------|----------------|--------------------|-------------------|-------------------|--------------------|
| | | Less than 1 year | From 1 to 5 years | More than 5 years | |
| Bank of Nova Scotia | COP 308 | COP 191,564 | COP - | COP - | COP 191,872 |
| Banco Itau Uruguay Sa | 8 | 68,650 | - | - | 68,658 |
| Banco del Estado de Chile - Chile | 6 | 102,975 | - | - | 102,981 |
| Total | COP 322 | COP 363,189 | COP - | COP - | COP 363,511 |

Obligations in Foreign Currency at December 31, 2019

| Entity | Interest | Capital | | | Total |
|-------------------------------|------------------|--------------------|-------------------|-------------------|--------------------|
| | | Less than 1 year | From 1 to 5 years | More than 5 years | |
| Citibank Na | COP 1,172 | COP 262,171 | COP - | COP - | COP 263,343 |
| Corporación Andina de Fomento | 952 | 229,400 | - | - | 230,352 |
| Wells Fargo Bank N.A. | 2,360 | 229,400 | - | - | 231,760 |
| The Toronto Dominion Bank | 566 | 65,543 | - | - | 66,109 |
| Total | COP 5,050 | COP 786,514 | COP - | COP - | COP 791,564 |

The breakdown by term in legal tender is as follows:

Obligations in Legal Currency at December 31, 2020

| Entity | Interest | Capital | | | Total |
|---|------------------|-------------------|--------------------|----------------------|--------------------|
| | | Less than 1 year | From 1 to 5 years | More than 5 years | |
| Financiera de Desarrollo Territorial - FINDETER | COP 1,299 | COP 16,308 | COP 76,741 | COP 993,555 | COP 1,087,903 |
| Banco de Comercio Exterior S.A. – BANCOLDEX | 652 | 28,010 | 184,390 | 83,777 | 296,829 |
| Fondo para el Fomento del Sector Agropecuario – FINAGRO | 3,160 | 53,391 | 181,891 | 215,496 | 453,938 |
| International Finance Corporation IFC | 1,422 | - | - | 403,323 | 404,745 |
| Total | COP 6,533 | COP 97,709 | COP 443,022 | COP 1,696,151 | \$2,243,415 |

Obligations in Legal Currency at December 31, 2019

| Entity | Interest | Capital | | | Total |
|---|------------------|-------------------|--------------------|----------------------|----------------------|
| | | Less than 1 year | From 1 to 5 years | More than 5 years | |
| Financiera de Desarrollo Territorial - FINDETER | COP 3,052 | COP 3,838 | COP 37,404 | COP 781,016 | COP 825,310 |
| Banco de Comercio Exterior S.A. – BANCOLDEX | 743 | 39,180 | 156,432 | 106,000 | COP 302,355 |
| Fondo para el Fomento del Sector Agropecuario – FINAGRO | 2,698 | 24,470 | 69,351 | 187,227 | 283,746 |
| International Finance Corporation IFC | 1,459 | - | - | 402,722 | 404,181 |
| Total | COP 7,952 | COP 67,488 | COP 263,187 | COP 1,476,965 | COP 1,815,592 |

In 2020, there was an increase in the placement of rediscounted portfolio, mainly through Finagro for the lines that have subsidized rates and Findeter due to an increase in the placement of transactions of state and district entities, as a result of the placement strategies and excellent work of our network of offices.

In compliance with IAS 07 Paragraphs 44a and 44c, the reconciliation of cash flow financing activities is disclosed.

| Item | Liabilities | |
|--|--|-----------------------------------|
| | Bank credits and other financial obligations | Outstanding investment securities |
| Updated balance at January 1, 2020 | COP 2,607,155 | COP 2,179,625 |
| Changes in financing cash flows | | |
| Payment of loans and other financial liabilities | (3,816,004) | - |
| Collection of loans and other financial liabilities | 3,567,380 | - |
| Dividends and coupons paid on equity instruments | - | - |
| Other cash inflows (outflows) | - | 57,543 |
| Total changes in cash flow from financing | (248,624) | 57,543 |
| Effect of changes in foreign currency exchange rates | 248,682 | 82,825 |
| Other changes | - | - |
| Interest expenses | 93,773 | 130,739 |
| Interest payment | (94,061) | (146,469) |
| Total other changes related to liabilities | (288) | (15,730) |
| Total other changes related to equity | - | - |
| Balances at December 31, 2020 | COP 2,606,925 | COP 2,304,263 |

| | Capital | | | | | | | Total |
|--|--------------------------------|----------------------------|----------------------------------|--|---------------|--------------------|--------------------------|-----------------|
| | Subscribed and paid-in capital | Premium on share placement | Other comprehensive income (OCI) | Retained earnings and fiscal year income | Reserves | Article 6 Law 4/80 | Non-controlling interest | |
| | COP 89,779 | COP 651,950 | COP 638,888 | COP 784,400 | COP 3,039,130 | COP 506 | COP 7,260 | COP 9,998,693 |
| | - | - | - | - | - | - | - | COP (3,816,004) |
| | - | - | - | - | - | - | - | COP 3,567,380 |
| | - | - | - | (393,745) | - | - | - | COP (393,745) |
| | - | - | - | - | 391,389 | - | - | COP 448,932 |
| | - | - | - | (393,745) | 391,389 | - | - | COP (193,437) |
| | - | - | - | - | - | - | - | COP 331,507 |
| | - | - | - | - | (216) | - | 1,544 | COP 1,328 |
| | - | - | - | - | - | - | - | COP 224,512 |
| | - | - | - | - | - | - | - | COP (240,530) |
| | - | - | - | - | - | - | - | COP (16,018) |
| | - | - | 133,618 | 185,712 | (21,992) | - | - | COP 297,338 |
| | COP 89,779 | COP 651,950 | COP 772,506 | COP 576,367 | COP 3,408,311 | COP 506 | COP 8,804 | COP 10,419,411 |

25. Derivative Financial Instruments and Cash Transactions (Liabilities)

For this class of financial instrument, the difference in valuation between previous GAAP and the IFRS is the incorporation of the credit risk in each transaction, which is known as the CVA and DVA (credit or debit value adjustments), as applicable.

The financial instruments traded by BBVA are classified as assets or liabilities (see Note 28) according to their results. At December 31, the balance of this account classified as liabilities is summarized as follows:

| Item | Notional value | | Fair value | |
|-------------------------------------|-----------------------|-----------------------|----------------------|--------------------|
| | Dec-31-20 | Dec-31-19 | Dec-31-20 | Dec-31-19 |
| Forward contracts | | | | |
| Purchase on foreign currency | | | | |
| Rights | COP 20,604,642 | COP 17,158,972 | COP (19,232,629) | COP (16,201,938) |
| Obligations | - | - | 20,424,225 | 16,879,483 |
| Sale on foreign currency | | | | |
| Rights | 3,420,303 | 2,534,341 | (3,409,202) | (2,491,748) |
| Obligations | - | - | 3,423,456 | 2,535,714 |
| Sale on securities | | | | |
| Rights | - | - | - | - |
| Obligations | - | - | - | - |
| Less credit risk | - | - | (334) | (772) |
| Total forward contracts | COP 24,024,945 | COP 19,693,313 | COP 1,205,516 | COP 720,739 |

| Item | Notional value | | Fair value | |
|---|-----------------------|------------------------|----------------------|----------------------|
| | Dec-31-20 | Dec-31-19 | Dec-31-20 | Dec-31-19 |
| Cash transactions | | | | |
| Purchase on foreign currency | | | | |
| Rights | COP - | COP 136,649 | COP - | COP (136,379) |
| Obligations | - | - | - | 136,617 |
| Sales on foreign currency | | | | |
| Rights | - | - | (71,425) | - |
| Obligations | - | - | 71,519 | - |
| Sales on securities | | | | |
| Rights | 17,251 | 13,949 | (19,374) | (14,630) |
| Obligations | - | - | 19,414 | 14,637 |
| Less DVA credit risk | - | - | - | - |
| Total cash transactions | 17,251 | 150,598 | 134 | 245 |
| Options on foreign currencies issued - put: | | | | |
| Obligations | - | - | 101,289 | 549,243 |
| Sales - Put | 101,289 | 549,243 | 5,001 | 11,742 |
| Options on foreign currencies issued - call: | | | | |
| Obligations | - | - | 329,165 | 633,473 |
| Sales - Call | 329,165 | 633,473 | 378 | 13,770 |
| Less DVA credit risk | - | - | - | - |
| Total fair exchange price | 430,454 | 1,182,716 | 5,379 | 25,512 |
| Swaps | | | | |
| On interest rates: | | | | |
| Rights | 60,739,922 | 84,202,954 | (3,176,646) | (7,010,037) |
| Obligations | - | - | 5,550,051 | 7,844,938 |
| On currencies | | | | |
| Rights | 4,810,086 | 5,478,666 | (4,680,359) | (5,379,532) |
| Obligations | - | - | 5,220,287 | 5,826,461 |
| Less DVA credit risk | - | - | (17,398) | (3,937) |
| Total swaps | 65,550,008 | 89,681,620 | 2,895,935 | 1,277,893 |
| Total cash transactions and derivatives | COP 90,022,658 | COP 110,708,247 | COP 4,106,964 | COP 2,024,389 |

BBVA Colombia is the second largest Bank in the Public Debt Market Makers Arrangement and this

means that it must structurally have a large portfolio of treasury bonds (both fixed-rate TES and RVU TES). This need has increased over time as the Public Credit Office's strategy has been to increase the duration of On the Run bonds. A hedge on the bond position can be covered with IBR swaps, which grew in 2020; also, several local offshore customers have sought hedges which can be seen in the growth in the position of all the Bank's derivatives.

At December 31, 2020 and 2019, the most significant counterparties representing 99% and 98%, respectively, are comprised as follows:

| Counterparty | 2020 | | 2019 | |
|---------------------------|------------|---------------|------------|--------------|
| BBVA Madrid Tesorería (1) | COP | 9,321 | COP | 4,616 |
| GPC TUGS S.A | | 1,418 | | 1,570 |
| Total | COP | 10,739 | COP | 4,648 |

(1) The value with BBVA Madrid Tesorería includes BBVA Madrid and BBVA Madrid Clearing Broker.

26. Accounts Payable

At December 31, the balance of this account is summarized as follows:

| Item | 2020 | | 2019 | |
|---|------------|----------------|------------|----------------|
| Suppliers (1) | COP | 175,652 | COP | 119,413 |
| Labor contributions | | 5,396 | | 5,265 |
| Fogafin deposit insurance (2) | | 79,769 | | 69,381 |
| Dividends and surplus | | 83,881 | | 73,971 |
| Seizure management | | 3,826 | | 6,252 |
| National Law 546/1999 | | 38,303 | | 35,979 |
| Non-bank Colpensiones agreements payroll (3) | | 12,075 | | 102,512 |
| Loan transaction surplus and others | | 39,522 | | 31,568 |
| Uncollected checks | | 25,613 | | 19,649 |
| Intended purchasers(4) | | 35,228 | | 18,193 |
| Costs and expenses payable | | 6,485 | | 6,448 |
| Settlement of National Treasury Department transfer Decree 2331/98 | | 421 | | 461 |
| Settlement and offsetting of POS Counterparty Clearing House (5) | | 90,034 | | 30,349 |
| Collection of fees and VAT payable to the Fondo Nacional de Garantías | | 2,517 | | 3,270 |
| Miles for points | | 6,268 | | 7,695 |
| Visa and MasterCard advertising campaigns | | 938 | | 1,912 |
| Commissions and fees | | 857 | | 1,393 |
| Transfer of check disbursements from other markets (6) | | 10,540 | | 7,784 |
| Other accounts payable (7) | | 96,970 | | 106,048 |
| Total accounts payable | COP | 714,295 | COP | 647,543 |

(1) Vendor payments due mainly for advertising, security, leasing and technology.

(2) Amount to be transferred to Fogafin for deposit insurance, which is calculated monthly but paid quarterly. The balance at 2020 consists of the payment of the last two quarters.

(3) There is a decrease in Colpensiones' non-bank payroll transactions in the amount of COP 90,437 for a total of 2,839 transactions, of which 953 are in a range of 31 to 90 days.

(4) This item varies by 100% due to an increase in the additional charges for residential leasing, pending a request for orders to proceed with disbursements.

(5) The variation is due to the increase in the values contracted in contract settlement transactions with the Counterparty Clearing House carried out on December 31, 2020.

(6) The variation is due to the increase in loans pending disbursement, which are accounted for by the formalization center so that the corresponding checks can be drawn by the Office Network. At the end of 2020, the balance of this item amounted to COP 10,540.

(7) Other accounts payable include withholdings for VAT, ICA and withholding at the source

Financial liabilities are derecognized only when the legal obligations have ended, that is to say, when the obligation specified in the corresponding contract has been paid or canceled, or it has expired. BBVA considers three possible scenarios to derecognize an account payable: The receipt of payment, buy-back of the debt or the forgiveness of the payment.

27. Outstanding Debt Securities

At December 31, 2020, the balance of this account is summarized as follows:

| Item | 2019 | | | 2019 | | |
|---------------------|----------------------|----------------|----------------------|----------------------|----------------|----------------------|
| | Subordinated bonds | Ordinary bonds | Total | Subordinated bonds | Ordinary bonds | Total |
| Capital | COP 2,250,000 | COP - | COP 2,250,000 | COP 2,187,856 | COP - | COP 2,187,856 |
| Interest | 15,821 | - | 15,821 | 16,959 | - | 16,959 |
| Costs and valuation | 38,442 | - | 38,442 | (25,190) | - | (25,190) |
| Total | COP 2,304,263 | COP - | COP 2,304,263 | COP 2,179,625 | COP - | COP 2,179,625 |

The first issuance of Series G - 2009 subordinated bonds amounting to COP 364,000 was made on September 19, 2011 with a redemption term between 10 and 15 years, at CPI + 4.45% for 10 years, and of CPI + 4.70% for 15 years.

The second issuance of Series G - 2009 subordinated bonds amounting to COP 365,000 was made on February 19, 2013 with a redemption term between 10 and 15 years, with yield of maximum variable rate of CPI + 3.60% for 10 years, and of CPI + 3.89% for 15 years.

The third issuance of Series G - 2014 subordinated bonds amounting to COP 250,000 was made on November 26, 2014 with a redemption term between 15 and 20 years, with yield of maximum variable rate of CPI + 4.38% for 15 years, and of CPI + 4.50% for 20 years.

The first issuance of subordinated bonds in USD was carried out on April 21, 2015 with a redemption term of 10 years and a fixed-rate yield of 4.875%.

The issuance prospects contemplate the following characteristics:

Subordinated 2009 Bonds (issued in September 2011, February 2013 and November 2014)

- **Subordination of obligations:** Since they are subordinated bonds, in case of the issuer's settlement, the redemption of the subscribed capital is subordinated to the prior payment of the external liabilities; which constitutes an irrevocable obligation.
- **Capital amortization method, prepayments and buy-back events:** The principal of the bonds will be amortized under the following modalities: month in arrears, quarter in arrears, semester in arrears, and/or year in arrears, and/or only one payment on the maturity date thereof, as determined in the corresponding public offering notice. Pre-payable bonds may be issued, which is determined in the respective public offering notice. The issuance of subordinated bonds under this Program in 2011, 2013 and 2014 does not contemplate the prepayment thereof.

The Issuer may buy back its own subordinated bonds. The buyback shall be conducted through the Colombian Securities Exchange, provided that five years have elapsed since the issuance of the bonds. This transaction is voluntary for the Bondholders. If the issuer acquires its own bonds, the confusion principle shall apply without having to wait until the maturity of the securities.

This issuance is not covered by the deposit insurance of the Financial Institutions Collateral Fund (FOGAFIN, for the Spanish original).

Subordinated Bonds in USD 2015

- **Subordination of obligations:** Since they are subordinated bonds, in case of the issuer's settlement, the redemption of the subscribed capital is subordinated to the prior payment of the external liabilities; which constitutes an irrevocable obligation.
- **Capital amortization method.** prepayments and buy-back events: The principal of the bonds will be amortized under the following modalities: month in arrears, quarter in arrears, semester in

arrears, and/or year in arrears, and/or only one payment on the maturity date thereof, as determined in the corresponding public offering notice.

The issuer cannot buy back its own subordinated bonds until a term of at least 5 years has elapsed. The buyback can only be carried out with the approval and authorization of the Financial Superintendence of Colombia.

This issuance is not covered by the deposit insurance of the Financial Institutions Collateral Fund (FOGAFIN, for the Spanish original).

A summary of the issuances and bonds is shown in the table below:

| Bond issuance | Authorized amount | Term in years | Face rate | Coupon | Nominal value | Issuance date | Maturity date |
|--------------------------|----------------------|---------------|-----------|--------|--------------------|---------------|---------------|
| Subordinated 2011 | COP 2,000,000 | 10 | IPC+4.45% | TV | COP 106,000 | 19/09/2011 | 19/09/2021 |
| | | 15 | IPC+4.70% | TV | 156,000 | 19/09/2011 | 19/09/2026 |
| Subordinated 2013 | | 10 | IPC+3.60% | TV | 200,000 | 19/02/2013 | 19/02/2023 |
| | | 15 | IPC+3.89% | TV | 165,000 | 19/02/2013 | 19/02/2028 |
| | | 15 | IPC+4.38% | TV | 90,000 | 26/11/2014 | 26/11/2029 |
| Subordinated 2014 | | 20 | IPC+4.50% | TV | 160,000 | 26/11/2014 | 26/11/2034 |
| Subordinated 2015 in USD | USD 500 | 10 | 4.88% | SV | USD400 | 21/04/2015 | 21/04/2025 |
| Total bonds COP | COP 2,000,000 | | | | COP 877,000 | | |
| Total bonds USD | USD 500 | | | | USD 400 | | |

28. Other Liabilities

At December 31, the balance of this account is summarized as follows:

| Item | 2020 | 2019 |
|---|--------------------|--------------------|
| Overdue principal and interest CD (1) | COP 87,790 | COP 51,818 |
| Loans and CC subject to collection (2) | 43,424 | 40,222 |
| Deferred partial payments (3) | 5,214 | 3,343 |
| Balances to apply to obligations | 7,091 | 6,899 |
| Network clearance | 9,791 | 11,710 |
| Unearned Income (4) | 5,081 | 11,456 |
| Network transaction surplus (4) | 61,781 | 47,674 |
| Letters of credit of deferred payment (5) | 535 | 40,630 |
| Ascredibanco international purchases | 7,818 | 6,231 |
| Credit balances in foreign currency | 1,142 | 1,814 |
| Surpluses in exchange | 37 | 280 |
| Other liabilities | 23,440 | 22,460 |
| Total other liabilities | COP 253,144 | COP 244,537 |

(1) Between 2020 and 2019, there is a variation due to overdue CD transactions pending to claim the resources corresponding to principal and interest from the customer.

(2) These are payments made by check except for those subject to collection for transactions with credit cards, swap transactions, CD constitution transactions; deposited by customers for loan payments.

(3) The variation between 2020 and 2019 is due to an increase in sales of goods received in lieu of payment (BRPs, for the Spanish original) on credit, recognizing an income as deferred profit as the payment is made. The balance representing the largest increase is from the sale of the released non-housing premises of Centro Comercial el Cacique in Bucaramanga.

(4) The variation corresponds to interest received in advance on the loan portfolio, deferred rental rates on residential leasing and amortization of vehicles during the term of the loan, which had a greater increase for 2019.

(5) The increase is due to surpluses in cash, swaps, cards and ATMs with a balance in favor.

(6) The balance is from deferred payment letters of credit in foreign currency, the balance is from letter of credit 33,390 in USD, customer DENIM FACTORY SA.

29. Accrued Liabilities and Provisions

The Group records provision liabilities based on the concept of experts from the Legal, Labor Relations and Tax Consultancy areas, who rate each case in accordance with the status of the legal process. In addition, decision trees developed in accordance with the type of contingency (legal, labor and tax) are applied for classification in the following criteria to create the provision:

- Likely: they are recorded and disclosed
- Remote: they are not recorded or disclosed

At December 31, 2020 and 2019, the balance of this account is summarized as follows:

| Item | 2020 | | 2019 | |
|--|------------|----------------|------------|----------------|
| Expenses for invoices pending payment (1) | COP | 42,281 | COP | 89,062 |
| Lawsuits due to breach of contracts (2) | | 75,627 | | 73,936 |
| FOGAFIN contingencies | | 8,652 | | 8,652 |
| Provision for fines and penalties (3) | | 3,133 | | 3,788 |
| Labor lawsuits | | 14,604 | | 14,342 |
| Penalties and sanctions other administrative authorities | | 1,207 | | 1,450 |
| Commission sales force (CF, for the Spanish original) | | 1,552 | | 1,352 |
| Expenses associated with savings | | - | | - |
| Other personnel expenses | | 1,809 | | 5,485 |
| IFRS 16 disassembly costs (4) | | 8,412 | | 8,627 |
| Others (5) | | 119,217 | | 110,692 |
| Total estimated liabilities and provisions | COP | 276,494 | COP | 317,376 |

(1) This is the estimated provision for supplier invoices received and pending payment at the end of each accounting period.

(2) Corresponds to the provisions recorded by civil processes that are currently underway against the Group.

(3) These are the provisions recorded for the inspection processes underway against the Group. In addition, it paid the penalty applied by Unión de Gestión de Pensión y Parafiscales (UGPP) for the adjustments of contributions with retroactive application, since the UGPP's stance was the only one validated and it could not be rebutted. It is important to mention that the change in the interpretation of the standards gave rise to the issue, and it was not considered an error before that.

(4) In compliance with the implementation of IFRS 16, in accordance with the corresponding regulations (Decree 2170/2017, amended by Exclusive Decree 2420/2015 and Resolution 033/2018 of the Colombian General Accounting Office (CGN, for the Spanish original), with provision is made in disassembly costs, whose value is given by the expert opinion of the architects, for each lease contract.

These are provisions accounted mainly for: Fees on electronic services for credit and debit card holders (ACH, CENIT, SOIN and PSE, Banking support), gift mortgage and insurance payment, insurance premium fee to BBVA insurance for higher value collected on January 30 and May 24.

At December 31, 2020, the movements of estimated liabilities were as follows:

| Item | Proceedings | | Others | | Total | |
|--|-------------|---------------|------------|----------------|------------|----------------|
| Opening balance at January 01, 2020 | COP | 89,728 | COP | 227,648 | COP | 317,376 |
| Increase | | 2,902 | | 64,439 | | 67,341 |
| Income | | 1,559 | | - | | 1,559 |
| Payment | | (1,538) | | (107,031) | | (108,569) |
| Withdrawal | | (925) | | - | | (925) |
| Decrease | | (288) | | - | | (288) |
| Total provisions and contingencies | COP | 91,438 | COP | 185,056 | COP | 276,494 |

At December 31, 2019, the movements of estimated liabilities were as follows:

| Item | Proceedings | | Others | | Total | |
|---|-------------|----------------|------------|----------------|------------|----------------|
| Opening balance at January 1, 2019 | COP | 101,295 | COP | 154,440 | COP | 255,735 |
| Increase | | 7,224 | | 77,133 | | 84,357 |
| Entry of new processes | | 1,701 | | - | | 1,701 |
| Payment | | (17,790) | | (3,925) | | (21,715) |
| Withdrawal | | (2,702) | | - | | (2,702) |
| Closing balance at December 30, 2019 | COP | 89,728 | COP | 227,648 | COP | 317,376 |

Legal contingencies

The Group is involved in eight hundred and forty-three (843) legal proceedings of a civil, criminal, administrative, tax and labor nature, derived from the normal course of its activity and businesses for an approximate value of COP 421,140 million.

Provisions have been created for legal contingencies in the amount of COP 91,438 million. In addition, for the processes guaranteed by Fogafín, there is a coverage between 85% and 95% of the net economic effect, in accordance with the contingencies contract terms granted by the Fund as part of the privatization process of Banco Granahorrar.

In the opinion of Management, after consulting with its internal and external legal advisors, these proceedings would not reasonably have an adverse material effect on the Group's financial condition or on the results of its operations and they are adequately rated and provisioned.

The main proceedings currently underway against the entity are as follows:

Civil Proceedings:

a. Declaratory action of Servientrega: The conviction of BBVA Colombia, BBVA Fiduciaria, BBVA Valores, BAC International Bank INC and Fenalco is being claimed due to facts related to Banco de Caldas (BNC). The claims amount to COP 74,940 million. On February 3, 2020, the Bogotá Court ruled

in favor of the Group in connection with the claims filed by Servientrega. The proceedings continue due to the counterclaim filed by the Group against Servientrega and the claims filed by Servientrega against Fenalco, which held the Group as an impleader. The parties filed an appeal for annulment against Court's decision. The contingency is classified as remote.

b. Declaratory action of Prounida and Coloca: By means of its ruling on November 18, 2020, the Supreme Court of Justice annulled the Court's conviction and acquitted the Group of all claims.

c. Executory proceedings of IFI vs. Corfigan. This claim is for the collection of the settlement of a contract in which Corfigan was involved in joint venture. Executive proceedings are underway that ordered payment of COP 6,409 million with interest in which an adverse lower court ruling was issued and annulment proceedings of the Group in the Bolivar Court in which the annulment of the contract was declared by the lower court, only to be revoked by the Council of State. A writ of protection, settlement proposal and petition for conciliation were filed with the Comptroller's Office. There is a provision for COP 38,000 million. The contingency is classified as probable.

d. Declaratory action of Protección Agrícola S.A. (PROTAG S.A.). A request was made to declare that the plaintiff, as the integrator for several banks to grant association loans to small-scale producers, was acting as a simple agent, and not in the capacity of a debtor and, therefore, is claiming the refund of the amount paid with damages for COP 155,000 million against all defendants, including BBVA at 3%. The demurrer proposed by the Group was accepted regarding the lack of jurisdiction and ordered the dismissal of the lawsuit and the referral of the file to the Superintendence of Corporations. The contingency is classified as remote.

e. Declaratory action of Sandra Patricia Galvis and others. A lawsuit was filed due to defective properties in the project of "Ciudadela Paseo Real de Soacha," built by the Provisoc construction company and financed by Granahorrar. The contingency is valued at COP 6,000 million and is classified as remote, without provision, and guaranteed by Fogafin. Pending ruling in the first instance.

f. Class actions and group actions: There are several lawsuits filed by BBVA or Granahorrar customers or users regarding mortgage and other types of loans, termination of executory proceedings,



revision of rates, fees, impairment of property provided as collateral, interest on mortgage loans and credit cards. These undetermined-amount proceedings have been classified as a “remote” contingency, with no rulings against the entity.

Labor proceedings

The BBVA Group currently has a total of 173 labor proceedings against it, amounting to COP 21,210, of which COP 14,604 has been provisioned. The main reasons for the lawsuits are payments of pension-related contributions, reimbursement, salaries, damages for alleged unfair dismissals, disputes regarding the legal nature of the conventional vacation and seniority bonuses. These processes are adequately provisioned as per legal standards, the procedures set forth by the Group and the guidelines of the Colombian Financial Superintendence. According to the Group’s legal advisors, it is considered that the result will be in favor of the Group and that there will be no significant losses.

Tax proceedings

The BBVA Group is currently engaged in sixteen (16) tax proceedings through administrative channels and in the administrative jurisdiction with estimated claims amounting to COP 2,235. The provisions amount to COP 1,207, which correspond to the class action proceedings for withholding tax on financial transactions and proceedings regarding regional taxes - basically for property, public lighting, untimely provision of information and tax collection proceedings. The probability of execution of these proceedings is high, so the corresponding provisions have been made considering their classification and characteristics.

Others

The BBVA Group has provisions for items such as: Auditing processes, provision in accordance with IFRS 16, provision for supplier payments, provision for personnel expenses; and others such as: fees for electronic services for credit and debit card holders (ACH, CENITH, SOIN and PSE, banking support), gift mortgage and insurance payments, insurance premium fee.

30. Labor Liabilities

The details of the component of short-term labor liabilities at December 31 are as follows:

| Item | 2020 | 2019 |
|---|--------------------|--------------------|
| Severance pay | | |
| Interest on severance | COP 14,812 | COP 14,441 |
| Vacations | 1,767 | 1,703 |
| Current provisions for employee benefits | 35,516 | 31,324 |
| Other benefits | 56,110 | 74,175 |
| Total short-term benefits | 17,102 | 14,537 |
| | 125,307 | 136,180 |
| Non-current provisions for employee benefits | | |
| Seniority bonus | 55,484 | 57,890 |
| Seniority-based Vacation Bonus | 2,931 | |
| Retirement pension actuarial calculation | 54,776 | 58,194 |
| Retirement plan premium | 2,373 | 2,464 |
| Other items | - | - |
| Total long-term benefits | 115,564 | 118,548 |
| Total labor liabilities | COP 240,871 | COP 254,728 |

Actuarial calculation of retirement and seniority bonuses - As part of the long-term benefits, the Bank pays its employees a seniority bonus for every five years they work with the Bank. This benefit is calculated in days of salary for each five-year period and, if contract termination is not for cause, the bonus is paid in proportion with the time worked. The Bank also grants an additional vacation period (15 days) to employees with the Bank for 30, 35 or 40 years, in recognition of their stability. The additional vacation period created herein may be paid in cash at 100%. Likewise, the Bank shall pay employees who complete the aforementioned years of service a vacation bonus equal to and in addition to that agreed upon, in relation to the extralegal vacations recognized. The vacation bonus is equivalent to

twenty-three (23) days of basic salary without exceeding a fixed amount for each year. For the year 2020, the fixed amount is equivalent to COP 1,849,330:

| Item | 2020 | 2019 |
|---|-------------------|-------------------|
| Liabilities for benefits at the beginning of the 2020 and 2019 period | COP 57,890 | COP 52,716 |
| 1- Cost of services | 6,275 | 5,824 |
| 2- Cost of interest | 3,418 | 3,601 |
| 3- Cash Flow | (10,514) | (6,659) |
| Adjustment for experience | (252) | (59) |
| Adjustment for change in financial assumptions | (1,333) | 2,467 |
| Liabilities at the end of the 2020 and 2019 period | COP 55,484 | COP 57,890 |

Reconciliation

| Item | 2020 | 2019 |
|---|-------------------|-------------------|
| Balance at December 31, 2020 and 2019 | COP 57,890 | COP 52,716 |
| Payment of seniority bonus | (10,992) | (8,607) |
| Expense for seniority bonus benefit | 6,275 | 5,824 |
| Financial cost of seniority bonus | 3,418 | 3,601 |
| Other transfer of funds | 478 | 1,948 |
| Change in demographic variables | (1,585) | 2,408 |
| Liabilities at the end of the 2020 and 2019 period | COP 55,484 | COP 57,890 |

Actuarial calculation of retirement plan premium: The Bank has carried out the actuarial valuation at Thursday, December 31, 2020 and 2019 for the retirement plan premium commitment made by BBVA with its pensioned and active participants.

The following are the details of the actuarial calculation and the results of the study at December 31, 2020 and 2019:

| Item | 2020 | 2019 |
|---|------------------|------------------|
| Liabilities for benefits at the beginning of the 2020 and 2019 period | COP 2,464 | COP 2,061 |
| • 1- Cost of services | 133 | 114 |
| • 2- Cost of interest | 154 | 150 |
| • 3- Cash Flow | (327) | (20) |
| Adjustment for experience | 59 | (15) |
| Adjustment for change in financial assumptions | (109) | 181 |
| Transfer | (1) | (7) |
| Liabilities at the end of the 2020 and 2019 period | COP 2,373 | COP 2,464 |

| Item | 2020 | 2019 |
|---|------------------|------------------|
| Balance at December 31, 2020 and 2019 | COP 2,464 | COP 2,054 |
| Actuarial calculation adjustment by hypothesis | (50) | 167 |
| Actuarial calculation adjustment debited to expenses | 287 | 263 |
| Transfer (1) | (328) | (20) |
| Liabilities at the end of the 2020 and 2019 period | COP 2,373 | COP 2,464 |

(1) Pension transfer due to individual retirement plan premium entry.

Pensions (Prior to Law 100/1993)

Monthly pension payment: the legal and constitutional regulatory framework applicable at the time that the pension entitlement is accrued is taken into account.

The number of monthly pension payments recognized by the ISS in this valuation was determined as follows:

- All pensions accrued **before** July 29, 2005 are calculated based on 14 monthly pension payments per year.
- All pensions accrued **after** July 29, 2005 are calculated based on 13 monthly pension payments per year.
- All pensions accrued **before** July 31, 2011 and whose amount is less than three minimum monthly salaries are calculated based on 14 monthly pension payments per year.

The BBVA, in turn, pays some of its retirees fifteen monthly payments per year, thus providing them with one additional monthly payment in some cases, and two additional monthly payments in others. As for retirees with pension Shares of whom the BBVA is not responsible for their final pension, only the quota-part corresponding to 14 monthly payments per year is granted.

For the purposes of the proforma, monthly payment number 15 is valued as an additional benefit established via a collective agreement, and monthly payment number 14, for retirees granted 13 monthly payments by the ISS, is considered in the pension reserve (columns 31 and 32).

Additional benefits: According to Notice 039 / October 21, 2009, the reserves are calculated based on the extralegal benefits offered by the Company to its retirees and beneficiaries.

In the case of BBVA, these benefits are as follows:

- One extralegal monthly payment. This is the payment of 15 days in June and 15 days in December.
- One funeral benefit for a total of COP 2,756,000 upon the death of the retiree and COP 647,000 upon the death of the retiree's spouse.
- One life insurance policy for all retirees and survivors entitled to a survivor's pension at a cost of COP 75,307 per year in the case of natural death and COP 25,827 per year in the case of accidental death.
- The Company pays the value of a Hospitalization and Surgery policy for some of its retirees. The value paid depends on the number of beneficiaries and, for the current year, for participants in the valuation, this premium is COP 95,979.

Types of pensions and/or contingencies to be assessed

Retirees to be paid by the Bank: These pensions are calculated based on the provisions established in Article 260 of the Labor Code, which applies to all individuals in the transitional system who have provided services for companies that recognize and pay pensions. The amount of the pension is 75% of

the average salaries earned in the last year of service, provided the person has worked 20 or more years for the pension paying company. This pension is granted for life.

Survivors' pensions: Survivors' pensions payable by the Bank are paid to surviving beneficiaries of retirees to be paid by the Bank, in accordance with the regulations established in Law 12 / 1975 Law 113 / 1985 and Law 71 / 1988 and all other related regulations, as follows:

- To the surviving spouse for life in the amount of 100% if there are no children named as beneficiaries.
- If there are children named as beneficiaries, it will be shared in equal parts with the surviving spouse. The beneficiaries must be within the required ages and/or certify their status as students as required by the aforementioned regulations.

According to the provisions set forth in Decree 1889/1994, the funeral benefit is not calculated.

Dismissals without just cause after 10 to 15 years of service: determined in accordance with Article 8 of Law 171 / 1961 which establishes that a person that is dismissed without just cause and has accrued more than ten (10) and less than fifteen (15) years of services, shall be entitled to a pension for life payable by the entity, once he/she reaches the age of 60 years. The amount of the pension is proportional to the amount that would have been applicable if he/she had completed the time of service established in Article 260 of the Labor Code (20 years).

Dismissals without just cause after 15 years of service: Determined in accordance with Article 8 of Law 171/1961 which establishes that a person that is dismissed without just cause and has accrued more than fifteen (15) years of services, shall be entitled to a pension for life payable by the entity once he/she reaches the age of 50 years. The amount of the pension is proportional to the amount that would have been applicable if he/she had completed the time of service established in Article 260 of the Labor Code (20 years).

Voluntarily retirement after 15 years of service: Paid in accordance with the provisions of Article 8 of Law 171/1961, which states that any employee with 15 or more years of services who retires from the company voluntarily shall be entitled to a retirement pension for life to be paid by the company, once he/she reaches the age of 60 years. The amount of the pension is proportional to the amount that would have been applicable if he/she had completed the time of service established in Article 260 of the Labor Code (20 years).

Active employees entitled to a pension from the Bank with expectations of a pension from the ISS: The actuarial reserve is recognized to cover a retirement pension for life in accordance with Article 260 of the Labor Code, which is applicable because they were working at the service of the Bank for more than ten years at the time of enrollment in the General Pension System. The Bank shall pay this pension on a permanent basis until said employee, on whose behalf it continues to make contributions to the ISS, meets the minimum requirements established by the General Pension System. This is based on the date on which the weeks of contribution requirement (increasing annually up to a limit of 1,300 weeks in the year 2017) and the age of retirement will be met (men 60 and women 55, and as of January 1, 2014 men 62 and women 57). Once the old-age pension is accrued in the ISS, an actuarial reserve is calculated to cover a monthly payment for life in an amount equal to the difference resulting between the pension that was being paid by the company and the pension that will be paid by the ISS.

Retirees to be paid by the Bank with a quota-part: an actuarial reserve is recognized on these individuals to cover a retirement pension for life in accordance with Article 260 of the Labor Code. These retirees include those whose final pension is the responsibility of BBVA as well as those to whom the BBVA only grants the corresponding proportion without responsibility for the final pension. As for the retirees for whom the BBVA is not responsible for their final pension, the actuarial reserve is calculated proportional to the quota-part determined by the time of service that said employee worked for the Bank. At the request of the BBVA, the actuarial reserve of the retirees for whom the BBVA is responsible

for their final pension, it is calculated as 100% payable by the company and not proportional to the corresponding quota-part, except for the individuals mentioned in innovations.

Survivors' pensions payable by the Bank with a quota-part: are paid to surviving beneficiaries to be paid by the Bank, in accordance with the regulations established in Law 12/1975 Law 113/1985 and Law 71/1988 and all other related regulations, as follows:

- To the surviving spouse for life in the amount of 100% if there are no children named as beneficiaries.
- If there are children named as beneficiaries, it will be shared in equal parts with the surviving spouse. The beneficiaries must be within the required ages and/or certify their status as students as required by the aforementioned regulations.

As for beneficiaries whose final pension is the responsibility of the BBVA, the actuarial reserve is calculated as 100% payable by the BBVA and not in proportion to the corresponding quota-part, as requested by the BBVA. As for beneficiaries whose final pension is not the responsibility of the BBVA, the actuarial reserve is calculated in accordance with the value of the pension quota-part corresponding to the Bank. According to the provisions set forth in Decree 1889/1994, the funeral benefit is not calculated.

Shared pensions and pensions to be paid by the Bank with expectation of pension by the ISS:

- **Pension sharing:** As a result of the transition to the Pension System of the Colombian Social Security Institute (ISS, for the Spanish original), the legislation established the possibility of pension compatibility, in order for any individual who can eventually become entitled to a pension to maintain the right to be paid by their employer, but with the possibility for the company to transfer this pension obligation to the Social Security Institute, provided the company continues to make the contributions to enable the individual to eventually meet the pension requirements

established by the system. The regulatory framework of this possibility has been established in Article 16 of Agreement 049/1990, which sets out the conditions for the application of pension sharing.

- **Retirees to be paid by the company with the expectation of a pension from the ISS:** A monthly retirement pension is paid in accordance with the requirements set out in Article 260 of the Labor Code, that the Bank shall pay on a permanent basis until the employee, on whose behalf it continues to make contributions to the ISS, meets the minimum requirements established by the General Pension System. This is based on the date on which the weeks of contribution requirement (increasing annually up to a limit of 1,300 weeks in the year 2015) and the age of retirement (men 60 and women 55, and as of January 1, 2014, men 62 and women 57) will be met. Once the old-age pension is accrued in the ISS, an actuarial reserve is calculated to cover a monthly payment for life in an amount equal to the difference resulting between the pension that was being paid by the company and the pension that will be paid by the ISS.
- **Shared pensions:** These pensions recognize only the difference between the value of the pension that the company was paying and that paid by the ISS. They are calculated as a life annuity.

The following methodologies and actuarial bases were used for the evaluation of the mathematical reserve of retirement, pension bonds and securities. They are adjusted to the current regulations for the preparation of actuarial calculations (Decrees 1625/2016 and 2420/2015).

Pension reconciliation:

| Item | 2020 | | 2019 | |
|---|------------|---------------|------------|---------------|
| Balance at December 31, 2020 and 2019 | COP | 58,193 | COP | 52,164 |
| Pension payments | | (4,314) | | (4,170) |
| Pension expenses | | 3,631 | | 3,730 |
| Adjustment against equity | | (2,734) | | 6,469 |
| Liabilities at the end of the 2020 and 2019 period | COP | 54,776 | COP | 58,193 |

Sensitivity the actuarial calculation

| 2020 Disclosure and 2021 Expense | Pensions | Additional benefits | Retirement bonus | Seniority bonus | Vacation bonus | Comments |
|---|----------|---------------------|------------------|-----------------|----------------|--|
| Refund obligation at year end | | | | | | |
| Obl. Refund at year end due to a 25 bp increase | 53,908 | 1,127 | 2,327 | 54,848 | 2,881 | This is the sensitivity to the discount rate: if the discount rate decreases or increases by 25 points. |
| Obl. Refund at year end due to a 25 bp decrease | 56,477 | 1,185 | 2,419 | 56,136 | 2,981 | |
| Long-term inflation rate (CPI) | | | | | | |
| Obl. Refund at year end due to a 25 bp increase | 56,590 | 1,174 | 2,426 | 56,144 | 2,982 | This is the sensitivity to CPI: if the CPI increases or decreases by 25 points using the same discount rate. |
| Obl. Refund at year end due to a 25 bp decrease | 53,796 | 1,138 | 2,320 | 54,837 | 2,880 | |

Bases of the actuarial hypothesis - Over time, the total cost of the plan will depend on a number of factors, including the amount of the benefits paid, the number of individuals receiving benefits, the administrative expenses of the plan and the returns obtained on the assets used to pay the benefits. These amounts and other variables are uncertain and unknown at the time of the calculation and are only predicted within a reasonable range of possibility.

Since it is not possible or practical to measure all the variables, summarized information, estimates or simplified information were used to facilitate the efficient measurement of future events. Also, the figures stated in the actuarial calculation are based on the accounting policies of the Bank.

The actuarial technical bases and hypotheses used in the calculation according to IAS 19, are:

| Economic and demographic hypotheses | For the financing situation at December 31, 2019 and the determination of cost for the 2020 fiscal year |
|--|---|
| Discount rate | 6.50% |
| Inflation | 3.00% |
| Salary increase rate | 5.00% |
| Pension increase rate | Equal to inflation |
| Minimum salary increase rate | 4.00% |
| Increase rate for the benefits granted by the Bank | Equal to inflation |
| Growth rate of the retirement and disability bonus | Equal to inflation |
| Medical expense increase rate | 5.50% |
| Mortality | Colombian Mortality Table of Life Annuities 2008 (RV08) |
| Disability | Active employee disability table - SFC Resolution 0585/1994 |
| Turnover | BBVA turnover table based on age, adjusted to 90% |

31. Income Tax and Deferred Tax

31.1 Components of the income tax expense

The income tax expense for the years 2019 and 2020 is made up of the following:

| Item | 2020 | 2019 |
|------------------------------|--------------------|--------------------|
| Current income tax | COP 401,421 | COP 364,208 |
| Deferred tax | (156,162) | (18,203) |
| Income tax of previous years | (5,118) | (8,293) |
| Total income tax | COP 240,141 | COP 337,712 |

31.2 Reconciliation of the tax rate in accordance with the tax provisions and the effective rate

The current tax provisions applicable to the Group stipulate that in Colombia:

- The income tax rate for 2020 is 32% plus 4 additional points for surtax applicable to financial entities; for 2019 the income tax rate was 33%.
- According to the Economic Growth Law (Law 2010/2019), the income tax rate for the years 2020, 2021, 2022 and following is 32%, 31% and 30%, respectively. The financial institutions with a taxable income greater than or equal to 120,000 Tax Value Units (UVT, for the Spanish original) during the period will apply an additional 4% of income tax for the year 2020 and 3% for the years 2021 and 2022.
- In 2019 and 2020, the presumptive income to determine income tax cannot be greater than

1.5% and 0.5%, respectively, of the net worth on the last day of the preceding tax year.

- The Economic Growth Law (Law 2010/2019) reduces presumptive income to 0.5% of the net worth on the last day of the preceding tax year for the year 2020, and 0% as of the year 2021.
- As of 2017, tax losses can be offset by ordinary net income obtained in the following 12 tax years.
- Excess presumptive income can be offset in the following 5 tax years.
- Through the Economic Growth Law (Law 2010/2019), the income tax and complementary tax returns of taxpayers who determine or offset tax losses or are subject to the transfer pricing regime, will become final in 5 years.
- The tax on occasional gains is taxed at a rate of 10%.
- For the 2019, 2020 and 2021 tax years, the benefit of audit has been created for taxpayers that increase their net income tax for the tax year in relation to the net income tax of the preceding year by at least 30% or 20%, through which the income tax return is considered final within 6 or 12 months following the filing date, respectively.

Since BBVA Valores' ordinary income in 2019 was less than its presumptive income, the taxable base of income tax is determined based on the presumptive income, which is 1.5% of the net worth of the preceding year. The applicable rate is 33%, while in 2020, it generated profits that allowed offsetting tax losses up to the amount of ordinary net income and therefore, the basis for determining income tax was presumptive income, which is 0.5% of the net equity of the preceding year. The applicable rate is 32%.

Below are the details of the reconciliation between the total income tax expense calculated at the tax rates in force for 2020 and 2019, respectively and the tax expense actually recorded in the Statement of Income.

| Item | 2020 | | 2019 | |
|---|---------------|--------------------|---------------|--------------------|
| Profit before taxes from continuing operations | Ratio % | COP 703,731 | Ratio % | COP 1,071,329 |
| Income tax expense calculated at 36% for the year 2020 and 33% for the year 2019 | 36,00% | 253,344 | 33,00% | 353,539 |
| Dividends received that do not constitute income | (0,68)% | (4,810) | (0,45)% | (4,801) |
| Exempt income | (3,49)% | (24,583) | (1,34)% | (14,356) |
| Revenue from valuation using the equity method | (0,46)% | (3,212) | 0,09% | 1,016 |
| Other non-taxable income | (1,18)% | (8,300) | - | - |
| Non-deductible taxes | 2,95% | 20,758 | 2,22% | 23,793 |
| Rate spread deferred tax effect vs. nominal rate | 1,91% | 13,457 | - | - |
| Fines, penalties and expenses from previous years | 3,05% | 21,439 | 0,69% | 7,395 |
| Retirement pensions and social security expenses | 0,28% | 1,997 | - | - |
| Income tax of previous years | (0,73)% | (5,118) | (0,77)% | (8,293) |
| Tax credits | (3,07)% | (21,606) | (2,26)% | (24,223) |
| Amortization of tax credits | (0,03)% | (227) | - | - |
| Others | (0,43)% | (2,998) | 0,34% | 3,642 |
| Income tax expense recognized in the income statement (related to continuing operations) | 34,12% | COP 240,141 | 31,52% | COP 337,712 |

31.3 Current tax assets and liabilities

| Item | 2020 | | 2019 | |
|----------------------------|------|-------|------|-------|
| Current tax assets | | | | |
| Current tax credit balance | COP | 1,844 | COP | 1,181 |
| Total | COP | 1,844 | COP | 1,181 |

| Item | 2020 | | 2019 | |
|-------------------------|------|--------|------|--------|
| Current tax liabilities | | | | |
| Income tax payable | COP | 21,385 | COP | 40,347 |
| Total | COP | 21,385 | COP | 40,347 |

31.4 Deferred taxes by type of temporary difference

The differences between the asset and liability bases for IFRS purposes and the tax bases of the same assets and liabilities for tax purposes give rise to temporary differences that generate deferred taxes that were calculated and recorded at December 31, 2020 and 2019 based on the tax rates currently in force for the years in which said temporary differences will be reversed.

The following is the net income of the assets and liabilities of the deferred tax presented in the statements of financial position at December 31, 2020 and 2019:

| Item | 2019 | | 2019 | |
|------------------------|------------|------------------|------------|------------------|
| Deferred tax asset | COP | 306 | COP | 909 |
| Deferred tax liability | | (115,091) | | (184,900) |
| Total | COP | (114,785) | COP | (183,991) |

Year ended December 31, 2020

| Item | Opening balance | Recognized in the income statement | Recognized in other comprehensive income | Recognized directly in equity | Closing balance |
|---|-----------------|------------------------------------|--|-------------------------------|-----------------|
| Deferred tax asset related to: | | | | | |
| Cash flow hedges | COP 15,935 | COP - | COP (3,570) | COP - | COP 12,365 |
| Derivative Financial Instruments | - | 151,368 | - | - | 151,368 |
| Repos, simultaneous transactions and temporary security transfers | COP 560 | COP (560) | COP - | COP - | COP - |

| Item | Opening balance | Recognized in the income statement | Recognized in other comprehensive income | Recognized directly in equity | Closing balance |
|--|----------------------|------------------------------------|--|-------------------------------|----------------------|
| Property, plant and equipment | COP 39,731 | COP (3,514) | COP - | COP 387 | COP 36,604 |
| Intangible assets | 1,015 | 281 | - | - | 1,296 |
| Estimated liabilities and provisions | 2,546 | 7,060 | - | - | 9,606 |
| Liabilities for defined benefits | 24,094 | (8,547) | - | - | 15,547 |
| Restatement of assets and liabilities in FC | 54,667 | (2,461) | - | - | 52,206 |
| Leases | 2,715 | 1,707 | - | - | 4,422 |
| Industry and commerce tax | - | 8,040 | - | - | 8,040 |
| Total deferred tax asset | 141,263 | 153,374 | (3,570) | 387 | 291,454 |
| Deferred tax liability related to: | | | | | |
| Derivative Financial Instruments | (1,493) | 1,493 | - | - | - |
| Associates | (23,184) | (1,358) | (1,586) | - | (26,128) |
| Property, plant and equipment | (121,686) | 2,964 | - | - | (118,722) |
| Repos, simultaneous transactions and temporary security transfers | (280) | - | - | 280 | - |
| Financial assets at fair value through profit or loss and amortized cost | (23,766) | (1,689) | (4,304) | - | (29,759) |
| Portfolio | (51,118) | 5,209 | - | (36,874) | (82,783) |
| Portfolio provisions | (99,875) | - | (32,831) | (8,458) | (141,164) |
| Unclaimed issuance and buyback costs | (2,157) | 503 | - | - | (1,654) |
| Others | (1,695) | (4,334) | - | - | (6,029) |
| Total deferred tax liability | (325,254) | 2,788 | (38,721) | (45,052) | (406,239) |
| Net deferred tax | COP (183,991) | COP 156,162 | COP (42,291) | COP (44,665) | COP (114,785) |

Year ended December 31, 2019

| Item | Opening balance | Recognized in the income statement | Recognized in other comprehensive income | Recognized directly in equity | Closing balance |
|---|----------------------|------------------------------------|--|-------------------------------|----------------------|
| Deferred tax asset related to: | | | | | |
| Cash flow hedges | COP 20,854 | COP - | COP (4,919) | COP - | COP 15,935 |
| Net investment hedges | 54 | (54) | - | - | - |
| Property and equipment | - | 560 | - | - | 560 |
| Intangible assets | 31,487 | 1,885 | - | 6,359 | 39,731 |
| Deferred income | 3,636 | (2,621) | - | - | 1,015 |
| Provisions | 1,908 | (1,908) | - | - | - |
| Liabilities for defined benefits | 14,614 | (12,068) | - | - | 2,546 |
| Restatement of assets and liabilities in FC | 37,272 | (5,378) | - | (7,800) | 24,094 |
| Total deferred tax asset | 146,683 | 940 | (4,919) | (1,441) | 141,263 |
| Deferred tax liability related to: | | | | | |
| Net investment hedges | (8,393) | 6,900 | - | - | (1,493) |
| Investments in non-controlled entities | (450) | (280) | - | 450 | (280) |
| Property and equipment | (15,771) | (1,329) | (6,084) | - | (23,184) |
| Intangible assets | (128,094) | 6,408 | - | - | (121,686) |
| Investments in fixed-yield securities | (16,152) | 685 | - | (8,299) | (23,766) |
| Loan portfolio | (84,041) | 4,547 | - | 28,376 | (51,118) |
| Portfolio provisions | (36,474) | - | (59,173) | (4,228) | (99,875) |
| Liabilities for defined benefits | (199) | - | 199 | - | - |
| Unclaimed issuance and buyback costs | (2,633) | 476 | - | - | (2,157) |
| Others | (3,566) | (144) | - | 2,015 | (1,695) |
| Total deferred tax liability | (295,773) | 17,263 | (65,058) | 18,314 | (325,254) |
| Net deferred tax | COP (149,090) | COP 18,203 | COP (69,977) | COP 16,873 | COP (183,991) |

For the purposes of disclosure in the consolidated statement of financial position, the Bank and its subsidiaries offset the active and passive deferred taxes pursuant to the provisions of Paragraph 74 of IAS 12, considering the application of the tax provisions in force in Colombia on the legal right to offset current tax assets and liabilities.

31.4.1. Deferred taxes for subsidiaries and joint operations

At December 31, 2020 and 2019, the Bank has not recorded passive deferred taxes regarding temporary differences of the investment in its Subsidiaries, as it has the authority to control the reversal of these temporary differences, and it is not planning on reversing them in the near future (exception of IAS 12). If this passive deferred tax had been recorded, the difference would amount to COP 40,481 and COP 21,450 at December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, the details of tax losses and excess presumptive income that have not been utilized and on which the Company has not recorded deferred tax assets due to the uncertainty of their recovery are as follows:

| Item | December 31, 2020 |
|---|-------------------|
| Tax losses expiring on: | |
| December 31, 2031 | COP 684 |
| No expiration date | - |
| Excess presumptive income expiring on: | |
| December 31, 2024 | 212 |
| Subtotal excess presumptive income | 212 |
| Total tax credits | COP 886 |

31.4.2. Effect of current and deferred taxes on each component of other comprehensive income in equity

The effects of current and deferred taxes on each component of other comprehensive income are detailed below:

Movement at December 31, 2020

| Component | Amount before taxes | Deferred tax | Net |
|--|---------------------|--------------------|--------------------|
| Items that will not be reclassified to the statement of income for the period | | | |
| Surplus from using the equity method | COP (4,535) | COP - | COP (4,535) |
| Share in other comprehensive income of non-controlled entities | 16,321 | (1,586) | 14,735 |
| Loan portfolio | 137,760 | (32,834) | 104,926 |
| Liabilities for defined benefits | 2,426 | - | 2,426 |
| Items that can be reclassified following the statement of income for the period | | | |
| Financial assets available for sale | 16,038 | (4,300) | 11,738 |
| Cash flow hedges | 7,899 | (3,571) | 4,328 |
| Total | COP 175,909 | \$ (42,291) | COP 133,618 |

Movement at December 31, 2019

| Component | Amount before taxes | Deferred tax | Net |
|--|---------------------|---------------------|--------------------|
| Items that will not be reclassified to the statement of income for the period | | | |
| Surplus from using the equity method | COP 560 | COP - | COP 560 |
| Share in other comprehensive income of non-controlled entities | 48,138 | (6,083) | 42,055 |
| Loan portfolio | 178,856 | (59,174) | 119,682 |
| Liabilities for defined benefits | (4,883) | 198 | (4,685) |
| Items that can be reclassified following the statement of income for the period | | | |
| Financial assets available for sale | 24,145 | - | 24,145 |
| Cash flow hedges | 12,095 | (4,918) | 7,177 |
| Total | COP 258,911 | COP (69,977) | COP 188,934 |

31.5 Transfer prices

In compliance with the provisions of Laws 788/2002, 863/2003, 1607/2012 and 1819/2016, regulated by Decree 2120/2017, the Bank and its subsidiary BBVA Valores conducted a transfer price study on the transactions carried out with related parties abroad during the 2019 tax year. The study did not give rise

to any adjustments that would affect the Bank's tax costs, expenses and revenue.

Although the transfer price study for the year 2020 is currently underway, no significant changes are expected in relation to the preceding year.

31.6. Uncertainty in tax positions

As of January 1, 2020 and through Decree 2270/2019, which was adopted for the purposes of the local financial statements of Group 1, the interpretation IFRIC 23- Uncertainties in Income Tax Treatments, in the application of this standard, the Bank and its subsidiaries have analyzed the tax positions adopted in the returns still subject to review by the tax authority, in order to identify uncertainties associated with a difference between such positions and those of the tax administration. According to the evaluation, no facts were identified involving the recording of additional provisions on this account.

32. Subscribed and Paid-In Capital

The Bank's subscribed and paid-in capital is divided into ordinary shares and non-voting preferential dividend shares. The latter may not represent more than 50% of the subscribed capital. At December 31, 2020 and 2019, 13,907,929,071 ordinary shares and 479,760,000 preferred shares were subscribed and paid-in, at a nominal value of COP 6.24, for a total subscribed and paid-in capital of COP 89,779.

33. Reserves

At December 31, the balance of this account was broken down as follows:

| Item | 2020 | 2019 |
|-------------------------------------|----------------------|----------------------|
| Legal reserve | COP 3,407,778 | COP 3,038,597 |
| Occasional reserves: | | |
| Available to the Board of Directors | 1 | 1 |
| To protect investments | 532 | 532 |
| Total reserves | COP 3,408,311 | COP 3,039,130 |

Legal Reserve – In accordance with the statutory provisions, 10% of Bank’s net profit each year must be credited to a “reserve fund” until its balance reaches at least 50.01% of the subscribed capital. As a result, the legal reserve may not be reduced below this percentage, except to respond to excess losses of undistributed earnings. Premiums on share placement are also credited to the legal reserve.

Available to the Board of Directors and others - These reserves may be used for future distributions, and include:

- Non-taxed available to the Board of Directors, the balance of COP 1 million.
- For investment protection, the balance equivalent to COP 532 million.

34. Earnings per Share

Basic and diluted earnings per share are calculated in accordance with the criteria set forth in IAS 33.

| Item | 2020 | 2019 |
|---|----------------|----------------|
| Basic earnings per ordinary and preferred share: | | |
| Net earnings attributable to shareholders | COP 461,405 | COP 731,618 |
| Average number of shares outstanding | 14,387,689,071 | 14,387,689,071 |
| Basic earnings per share (*) | 32 | 51 |
| Diluted earnings per share (*) | COP 32 | COP 51 |

(*) Values in Colombian pesos

During the years ended December 31, 2020 and 2019, there were no other financial instruments or commitments to employees based on shares that may affect the calculation of the diluted earnings per share for those years. Therefore, the basic and diluted earnings per share are the same.

35. Other Comprehensive Income - OCI

The details on the movements in other comprehensive income for the years ended December 31, 2020 and 2019, respectively, are as follows:

Annual movement

| Item | December 31, 2020 | Movimientos del período | December 31, 2019 |
|---|----------------------|----------------------------|----------------------|
| Gain from non-controlling interest, before taxes | COP 849 | COP (4,535) | COP 5,384 |
| Gain from recovery of impaired loan portfolio and finance leasing transactions | (443,739) | 2,426 | (441,313) |
| Actuarial losses on defined benefit plans, before taxes | 473,714 | 137,760 | 335,954 |
| Investment earnings using the equity method | 162,792 | 16,321 | 146,471 |
| Total other comprehensive income that will not be reclassified to the statement of income, before taxes | 633,145 | 151,972 | 481,173 |
| Gains from new measurements of financial assets available-for-sale, before taxes | 94,425 | 16,019 | 78,406 |
| Reclassification adjustments, financial assets available-for-sale, before taxes | (15,150) | 19 | (15,169) |
| Cash flow hedge losses, before taxes | (36,367) | 7,899 | (44,266) |
| Total OCI that is not reclassified to the Statement of Income, before taxes | 490,857 | 23,937 | 466,920 |
| Total other comprehensive incomes, before taxes | 1,124,002 | 175,909 | 948,093 |
| Income tax related to investments in equity instruments of other comprehensive income | (51,876) | (1,586) | (50,290) |
| Income tax related to defined benefit plans of other comprehensive income | (27,065) | (4,300) | (22,765) |
| Income tax on loan portfolio and finance leasing impairment measurements according to IFRS 9 | (284,920) | (32,834) | (252,086) |
| Income tax related to cash flow hedges of other comprehensive income | 12,365 | (3,571) | 15,936 |
| Cumulative income tax related to components of other comprehensive income that will be reclassified to the statement of income | (299,620) | (40,705) | (258,915) |
| Total deferred tax | (351,496) | (42,291) | (309,205) |
| Total Other Comprehensive Income | COP 772,506 | COP 133,618 | COP 638,888 |

The variation of COP 16,019 for new measurements of financial assets available for sale before taxes is mainly due to the valuation of fixed rate and RVU rate treasury securities (TES) and TIPs recorded in 2020.

The balance of COP 15,150 for adjustment of reclassifications of financial assets available for sale before taxes, is due to 3 new ones, in the comparison between the years 2020 and 2019, there was only one security sold, identified as TCO364110320, for COP 19, from the National Treasury Department.

| Item | 2020 | 2019 | Variation |
|----------------------------------|----------------|------------------|--------------------|
| BBVA Fiduciaria (OCI assessment) | COP 1,182 | COP 789 | 393 |
| BBVA Valores (OCI assessment) | (1,070) | 3,858 | (4,928) |
| RCI Banque Colombia | 737 | 737 | - |
| Totales | COP 849 | COP 5,384 | COP (4,535) |

Movement in cash flow hedges underwent the following changes:

| Fecha | Valuation | Accrued interest | Exchange difference | Variations |
|----------------|-------------------|------------------|---------------------|------------------|
| December, 2020 | COP 14,087 | COP 3,691 | COP (54,146) | COP - |
| December, 2019 | 12,998 | (4,235) | 35,504 | - |
| Total | COP 27,085 | COP (544) | COP (18,642) | COP 7,899 |

36. Legal Controls

In the years 2020 and 2019, the Bank complied with all the standards on legal controls set forth by the Financial Superintendence of Colombia, as follows:

- As regards the limit on proprietary position in foreign currency, minimum legal reserve required on deposits in legal currency, standard liquidity risk indicator (IRL, for the Spanish original) and mandatory investments in Agricultural Investment Securities (TDAs, for the Spanish original).
- The Bank's portfolio policy is compliant with the current mortgage law, according to which mortgage loans can be granted as follows:
 - Low-income housing up to 80% financing on the value of the housing unit.
 - Non-low-income housing, up to 70% Financing on the value of the housing.
- The technical reserve of banks in Colombia can be no less than 9% of their total assets and credit-risk-related contingencies, calculated on a monthly basis on the banks' Non-consolidated Financial Statements and calculated on a quarterly basis on the Consolidated Financial Statements with local and foreign subsidiaries of the financial sector; the last calculation being as of June 2013.

The changes in transmission periods came about in compliance with Decree 1771/2012 issued by the National Government and Public Notices 020 and 032/2013 issued by the Financial Superintendence of Colombia, which modify the definitions and the calculation of regulatory capital for Credit Establishments.

At December 31, 2020 and 2019, the Bank's technical reserve represented 11.57% and 12.35%, respectively, of its assets and credit-risk-related contingencies calculated based on the non-Consolidated Financial Statements.

37. Control and Financial Information Disclosure Accounts

As part of its ordinary course of business, the Group had the following contingent liabilities and commitments at December 31, 2020 and 2019, recorded in memorandum accounts

| Item | 2020 | 2019 |
|--|-----------------------|----------------------|
| Contingent accounts payable | | |
| Loan portfolio interest | COP 360,939 | COP 320,891 |
| Finance lease interest | 12,548 | 13,661 |
| Monetary adjustment loan portfolio | 3,504 | 2,935 |
| Lease rates receivable | 1,868,661 | 2,026,738 |
| Purchase options receivable | 73,692 | 86,562 |
| Others | 430,453 | 1,200,656 |
| Total contingent accounts payable | 2,749,797 | 3,651,443 |
| Memorandum accounts debtors | | |
| Assets and securities received in escrow | 4,514,210 | 2,466,581 |
| Assets and securities received as collateral | 245,900 | 4,002,106 |
| Written-off assets | 2,133,638 | 1,735,046 |
| Provision for persons in agreements with creditors | 1,905 | 1,908 |
| Others | 440,344,278 | 461,257,344 |
| Total contingent accounts payable | 447,239,931 | 469,462,985 |
| Contingent accounts creditors | | |
| Loans approved but not disbursed | 784,486 | 1,085,653 |
| Opening of credits | 4,578,901 | 4,081,191 |
| Others | 4,917,969 | 3,425,930 |
| Contingent accounts creditors | COP 10,281,356 | COP 8,592,774 |

| Item | 2020 | 2019 |
|--|-----------------------|------------------------|
| Memorandum accounts receivable | | |
| Assets and securities in escrow | COP 14,578 | COP 13,208 |
| Assets and securities received as collateral | 48,822,338 | 44,657,296 |
| Consumer loan rating | 70,273,060 | 65,193,304 |
| Commercial loan rating | 18,869,372 | 18,183,093 |
| Micro-credit rating | 395,443 | 418,529 |
| Lease transaction rating | 1,665,178 | 1,685,881 |
| Mortgage rating | 13,009,935 | 12,403,078 |
| Others | 76,368,186 | 67,949,949 |
| Securities received in simultaneous transactions | 684,137 | 710,236 |
| Total memorandum accounts receivable | COP230,102,227 | COP 211,214,574 |

38. Commitments and Contingencies

During the normal course of business, the Group issues financial instruments, which are recorded in contingent accounts. Group management does not expect any material losses as a result of these transactions.

The Group issues endorsements and guarantees to guarantee contracts and obligations of special customers. These guarantees expire in 1 to 15 years, and bank correspondents are charged for this service, whether they belong to the Group or not.

At December 31, 2020, the Group recorded the following balances:

In legal currency

| Item | 2020 | 2019 |
|--|----------------------|--------------------|
| Endorsements | COP 21,029 | COP 850 |
| Bank Guarantees | 2,080,051 | 732,389 |
| Total Endorsements and Bank Guarantees LC | COP 2,101,080 | COP 733,239 |

In foreign currency

Stated in millions of foreign currency

| Item | December 31, 2020 | |
|---|--------------------|--------------------|
| | USD | EUR |
| Bank Guarantees | USD 265 | EUR 33 |
| Letters of Credit (LC) | (32) | (7) |
| Total in foreign currency | 233 | 26 |
| Exchange rates (applied on cutoff date) | 3,432 | 4,222 |
| Total in Colombian pesos | COP 799,733 | COP 109,776 |

| Item | December 31, 2019 | |
|---|--------------------|-------------------|
| | USD | EUR |
| Bank Guarantees | USD 103 | EUR 24 |
| Letters of Credit (LC) | (24) | (14) |
| Total in foreign currency | 59 | 10 |
| Exchange rates (applied on cutoff date) | 3,277 | 3,671 |
| Total in Colombian pesos | COP 193,343 | COP 36,710 |

Historically, there has been no default on Bank Guarantees in legal or foreign currency in the Group.

In the event of a default by any of our customers on the obligations incurred with third parties derived from an endorsement or bank guarantee issued by Banco BBVA Colombia S.A., a provision would be recognized based on the parameters established by IAS 37-Provisions, Contingent Liabilities and Contingent Assets, by applying the following decision tree:

| Discriminated decision tree - concepts to be evaluated to define criteria | |
|--|--|
| Contingent liability - endorsements, letters of credit and bank guarantees | Is a possible obligation generated by past events and whose existence has yet to be confirmed only because uncertain future events that are not <u>controlled by the entity</u> occur? |
| | Is it not likely that, in order to be fulfill the obligation the outlay of funds that include future economic benefits will be required? |
| | Can the amount be measured with sufficient reliability? |

In addition, the customer risk rating department was asked to provide the current balance in Bank Guarantees, Endorsements and Letters of Credit in legal tender and foreign currency at December 31, 2020.

Since bank guarantees are not part of the rating processes established for active credit transactions, the Risk Department carried out the following activities:

- a) Find the bank guarantee identification sent and define the risk rating thereof if the identification has active credit transactions at December 31, 2020.
- b) The rating information was taken from identifications that do not have active credit transactions.

The rating is assigned by the analysis of a set of qualitative and quantitative variables established in models, which are analyzed by the Bank's Tools Department; these variables assign a final weight to each customer in order to establish and define the master rating.

This rating is standardized by a computer process according to the parameters of Section 8017 of UGDT37 at the 8 risk levels handled for credit investments; this rating, in turn, finds equivalences at the five levels established by Notice 100.

The rating of the information at December 31, 2020 is as follows:

Bank guarantees in legal currency
(stated in COP millions)

The information rating as of December 31 is as follows:

| Rating | 2020 | |
|--------------|-------------------|-------------|
| | Value | EUR |
| A | COP 21,029 | 100% |
| Total | COP 21,029 | 100% |

| Rating | 2019 | |
|--------------|----------------|-------------|
| | Value | EUR |
| A | COP 850 | 100% |
| Total | COP 850 | 100% |

Bank guarantees in foreign currency (stated in millions of foreign currency)

| Rating | 2020 | | |
|---|--------------------|--------------------|-------------|
| | USD | EUR | Percentage |
| A | USD 263 | EUR 33 | 99,47% |
| Total in foreign currency | 263 | 33 | - |
| Exchange rates (applied on cutoff date) | 3,432,50 | 4,222,15 | 28 |
| Total in Colombian pesos | COP 910,029 | COP 139,604 | 100% |

Letters of credit in foreign currency (stated in millions of foreign currency)

The information rating as of December 31 is as follows:

| Rating | 2020 | | |
|---|----------------|------------|-------------|
| | USD | EUR | Percentage |
| A | 30 | - | 92,43% |
| E | 2 | - | 6,81% |
| Total in foreign currency | 32 | - | |
| Exchange rates (applied on cutoff date) | 3,433 | 4,222 | |
| Total in Colombian pesos | 110,012 | 844 | 100% |

| Rating | 2019 | | |
|--------------------------------------|--------------------|-------------------|-------------|
| | USD | EUR | Percentage |
| A | USD 45 | EUR 14 | 100% |
| Total en divisas | 45 | 14 | 100% |
| Tasas de cambio (aplicadas al corte) | 3,277,14 | 3,671,54 | |
| Total en pesos | COP 147,471 | COP 51,402 | 100% |

As a result of the work carried out to evaluate the current status of the Endorsements, Bank Guarantees and Letters of Credit in force at the end of the year 2020, under the criteria of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, the facts that caught our attention are highlighted below:

- 100% of the customers with transactions (Bank Guarantees) in legal currency do not pose any level of risk as their economic Group rating is "A".
- 92.43% of the letters of credit issued for the quarter in question have the highest rating, which is an A rating.
- Of all the Guarantees issued in F.C., more than 99.47% are made up of customers who are classified in category A, and 0.07% of customers classified in category C in this group, as follows:

Velnec S.A., as in the previous quarter, is the only company with a C rating for the second quarter of the current year. Currently, its most important lines of action are: consulting, project structuring and oversight or audit of infrastructure projects. This company has several projects such as MetroCali, Ositrán and others awarded by INVÍAS, with potential customers such as Aeronáutica Civil, and projection in the market through contracts such as the administration of the Puerta de Hierro road in Magangué.

In accordance with the revised bases, at the end of 2020, it is considered that BBVA Colombia does not require the constitution of any provision for the products of Endorsements, Bank Guarantees and Letters of Credit in Legal and Foreign Currencies, in accordance with the criteria of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

The guarantees created in the name of Velnec S.A., despite being classified as category C only account for a total of USD 223,600, which when compared to the account total (0.07%) is not representative, and therefore, its deterioration is not recognized.

39. Interest Revenues

Revenues from ordinary activities for the years ended December 31, 2020 and 2019 consist of the following:

| Interest revenues | 2020 | 2019 |
|--|------------------|------------------|
| Commercial loan portfolio (1) | | |
| Commercial loans | COP 956,404 | COP 991,555 |
| Overdrafts commercial loans | 6,993 | 8,445 |
| Commercial loan portfolio discount operations | 4,051 | 8,153 |
| Commercial loan portfolio rediscount operations | 76,342 | 73,683 |
| Commercial portfolio default interest | 17,542 | 19,618 |
| Total commercial loan portfolio | 1,061,332 | 1,101,454 |
| Consumer loan portfolio (2) | | |
| Consumer loans | 2,249,185 | 2,081,537 |
| Overdrafts consumer loans | 592 | 1,103 |
| Consumer loan portfolio default interest | 30,867 | 34,751 |
| Total consumer loan portfolio | 2,280,644 | 2,117,391 |
| Credit card loan portfolio | | |
| Commercial credit card loan portfolio | 4,658 | 5,327 |
| Consumer credit card loan portfolio | 386,180 | 405,388 |
| Total credit card loan portfolio | 390,838 | 410,715 |
| Mortgage loan portfolio (3) | | |
| Mortgage and residential leasing loans | 851,473 | 991,039 |
| Default interest on mortgage and residential leasing loans | 9,703 | 9,589 |
| Readjustment of the real value unit (RVU) | 12,979 | 35,669 |
| Total mortgage loan portfolio | 874,155 | 1,036,297 |
| Factoring transactions loan portfolio (4) | | |
| Factoring transactions | 35,399 | 33,732 |
| Total factoring transactions loan portfolio | 35,399 | 33,732 |
| Operating lease loan portfolio | | |
| Operating lease rates | 676 | 1,539 |
| Profit on sale of assets in operating leases | 683 | 30 |
| Total operating lease loan portfolio | COP 1,359 | COP 1,569 |
| Finance leasing loan portfolio (5) | | |

| Interest revenues | 2020 | 2019 |
|--|----------------------|----------------------|
| Penalties for breach of finance lease agreements | COP 3,247 | COP 4,968 |
| Financial component of financial leases - consumer | 214 | 322 |
| Financial component of financial leases - commercial | 129,901 | 156,547 |
| Total finance leasing loan portfolio | 133,362 | 161,837 |
| Residential leasing loan portfolio (6) | | |
| Financial component of residential leasing | 276,637 | 247,538 |
| Total residential leasing loan portfolio | 276,637 | 247,538 |
| TOTAL INTEREST REVENUES | 5,053,726 | 5,110,533 |
| Interest expenses | | |
| Ordinary savings deposits (7) | 523,333 | 660,996 |
| Certificates of deposit (8) | 1,268,426 | 1,220,191 |
| Readjustment of the real value unit (RVU) | 170 | 410 |
| Banks and financial obligations (9) | 105,681 | 111,435 |
| Total interest expenses | 1,897,610 | 1,993,032 |
| Total interest revenues, Net | cOP 3,156,116 | COP 3,117,501 |

(1) Interest income from the commercial portfolio decreased by COP 40,122, reflecting its main variations in commercial portfolio interest for -COP 35,151, commercial portfolio discount transactions for -COP 4,102 and overdrafts for -COP 1,452.

(2) The consumer loan portfolio generated an increase in revenue of COP 163,253, of which COP 308,273 corresponds to an increase in average balances of COP 2,260,804.

(3) The mortgage portfolio generated a lower income of COP 19,877.

(4) In the Discount and Factoring transactions, there was a higher income of COP 1,667.

(5) Financial leasing decreased by COP 28,475 due to a COP 204,110 decrease in average balances.

(6) Residential leasing generated higher income of COP 29,098 due to a volume increase of COP 279,401 in average balances.

(7) The interest expenses on savings deposits decreased by COP 137,663; there was an expense decrease of COP 251,118 due to a lower rate of 79 basis points which was offset by an increase of COP 112,478 resulting from a higher volume of COP 4,231,936.

(8) The interest expenses on certificates of deposit (CDs) increased by COP 48,235, due to a higher volume of COP 2,150,881.

(9) The interest expenses of Banks and Financial Obligations is directly related to the variation in price of the rediscount portfolio.

40. Non-Interest Revenues

For the years ended December 31, 2020 and 2019, the balances of these accounts are summarized as follows:

| Item | 2020 | 2019 |
|---|--------------------|-------------------|
| Fees | | |
| Fee revenues | COP 555,452 | COP 581,325 |
| Fee expenses | (349,054) | (545,226) |
| Total fees (1) | 206,398 | 367,098 |
| Securities | | |
| Money market transactions | | |
| Financial revenue money market transactions and other interests | 71,149 | 110,562 |
| Valuation of short positions for open repo and simultaneous transactions and temporary security transfers | 180,146 | 50,163 |
| Valuation of cash transactions (2) | 324 | 360 |
| Investments at fair value | | |
| Valuation of debt instruments at fair value (2) | 731,893 | 597,174 |
| Valuation of equity instruments at fair value | 8,475 | 2,761 |
| Investments at amortized cost | | |
| By valuation at amortized cost of investments | 157,230 | 176,730 |
| By equity method | 16,104 | 13,293 |
| Total securities | 1,165,321 | 951,044 |
| Derivatives | | |
| Equity derivatives (4) | 25,508,493 | 13,060,398 |
| Total derivatives | 25,508,493 | 13,060,398 |
| Disposals | | |
| Sale of non-current assets held for sale | 1,096 | 1,418 |
| Sale of Property and equipment | - | 398 |
| Sale of investments (5) | 134,541 | 91,695 |
| Total disposals | COP 135,637 | COP 93,511 |

| Item | 2020 | 2019 |
|--|-----------------------|-----------------------|
| Other items | | |
| Sale of checkbooks | COP 8,034 | COP 12,652 |
| Previous years' revenues from derivative financial instruments (CVA) | - | 3 |
| VISA financing payment | 12,377 | 19,239 |
| Dividends | 14,837 | 16,830 |
| Operational risk | 4,488 | 4,778 |
| Provision reimbursement | 3,792 | 3,792 |
| SWIFT messages | 2,862 | 3,068 |
| Leases | 2,424 | 2,368 |
| Payment of the regional VISA agreement | 6,662 | 5,729 |
| Sale of cash | 650 | 1,650 |
| Advertising agency discounts | 7,896 | 8,505 |
| Commercial information for customers | 682 | 1,430 |
| Other revenue | 31,389 | 46,820 |
| Total other items | 96,093 | 126,866 |
| Net exchange difference (6) | (203,580) | 80,153 |
| Activities in joint operations | 1,598 | 1,320 |
| Total other revenue other than interests | COP 26,909,960 | COP 14,349,391 |

(1) The Group's net fee revenue is affected by the implementation of international IFRS 9 standards to the Sales Force, commercial, mortgage and consumer portfolio.

(2) Cash transactions show an increase due to the transfer of the valuation reversion of item 5 for the transactions in force at 12/31/2019 in the month of January 2020, especially for contracts for the sale of foreign currency (Currency/Currency) and contracts for the sale of securities.

(3) The variation in fair value shows an increase in the debt instruments issued as collateral by the Nation whose share in the item accounts for 47%.

(4) The variation in the Equity Derivatives item is mainly reflected in the settlement and valuation of Colombian peso/US dollar currency forward transactions with a 29% share within the item, and currency futures transactions with a share of 48%.

(5) Investment sales reflect an increase due to the maturity of fixed-rate TES securities, whose share in the total item is equivalent to 89%.

(6) The exchange gain is originated by the restatement of assets and liabilities, the realization of assets from foreign currency operations and the fluctuation of the exchange rate from COP 3,249.75 (2019) to COP 3,277.14 (2020) and by the decrease in foreign currency purchases and sales in 2019 compared to the previous year from USD 3,472 million to USD 2,511 million.

41. Non-Interest Expenses

For the years ended December 31, 2020 and 2019, the balances of these accounts are summarized as follows:

| Item | 2020 | 2019 |
|--|-------------------|-------------------|
| Securities | | |
| Money market transactions | | |
| Financial revenue money market transactions and other interests (1) | COP 161,761 | COP 279,468 |
| Valuation of short positions for open repo and simultaneous transactions, and temporary security transfers (2) | 216,147 | 64,966 |
| Valuation of cash transactions | 135 | 500 |
| Investments at fair value | | |
| Valuation of debt instruments at fair value (3) | 484,193 | 295,450 |
| Investments at amortized cost | | |
| By valuation at amortized cost of investments | 38,317 | 30,427 |
| Total securities | 900,553 | 670,811 |
| Derivatives | | |
| Equity derivatives (4) | 25,072,970 | 12,994,181 |
| Hedging Derivatives | 17,224 | 37,008 |
| Total derivatives | 25,090,194 | 13,031,189 |
| Disposals | | |
| Sale of non-current assets held for sale | 2,226 | 1,102 |
| Sale of Property and equipment | - | 152 |
| Sale of investments (5) | 126,523 | 62,346 |
| Portfolio sales | 12,372 | 1,668 |
| Total disposals | 141,121 | 65,268 |
| Other operating expenses | | |
| Employee salaries and benefits | 636,326 | 617,900 |
| Fees | 32,047 | 27,657 |
| Statutory audit fees | COP 3,650 | COP 3,574 |

| Item | 2020 | 2019 |
|---|------------|------------|
| Depreciation of property and equipment | COP 85,301 | COP 85,882 |
| Amortization of intangible assets | 29,639 | 42,706 |
| Taxes | 110,214 | 107,137 |
| Leases | 5,937 | 6,418 |
| Insurance | 178,342 | 157,311 |
| Contributions and memberships | 18,722 | 14,040 |
| Maintenance, improvements and repairs | 108,287 | 80,538 |
| Operational risk | 31,243 | 17,307 |
| Penalties and sanctions, lawsuits, damages | 5,827 | 7,590 |
| Temporary services | 67,586 | 69,514 |
| Advertising | 18,321 | 25,597 |
| Public relations | 889 | 1,870 |
| Utilities | 26,455 | 26,032 |
| Electronic data processing | 105,913 | 102,605 |
| Travel expenses | 3,509 | 12,512 |
| Transportation | 36,254 | 46,980 |
| Office supplies and stationery | 4,759 | 6,392 |
| Miscellaneous administrative expenses | 13,735 | 13,746 |
| Miscellaneous administrative expenses on products | 32,793 | 20,696 |
| Outsourced payroll expense | 8,398 | 6,920 |
| Queries with information centers and repositories | 8,857 | 8,137 |
| Loyalty incentive and customer cost | 1,630 | 4,688 |
| Active product formalization cost | 1,398 | 1,253 |
| Costs on MEP | 7,375 | 11,472 |
| Filing and custody | 7,641 | 7,414 |
| IT developments and support | 13,151 | 27,733 |
| Corporate responsibility | 8,605 | 5,493 |
| Customer loyalty | 36,856 | 48,736 |
| Funding cost | COP 73 | COP 1,892 |

| Item | 2020 | | 2019 | |
|---|------------|-------------------|------------|-------------------|
| TES 546 RVU update | COP | 2,324 | COP | 3,048 |
| Activities in joint operations | | 2,864 | | 2,508 |
| Donations | | 113 | | 333 |
| Management and brokerage services and systems | | 1,335 | | 1,210 |
| Legal expenses | | 296 | | 7 |
| Digital sales | | 2,654 | | 5,615 |
| Other | | 69,826 | | 14,640 |
| Total Other operating expenses | | 1,729,147 | | 1,645,103 |
| Total expenses other than interests | COP | 27,861,015 | COP | 15,412,372 |

(1) The Group's net fee revenue is affected by the implementation of international standards to the Sales Force, commercial, mortgage and consumer portfolio.

(2) The most significant variation was in the treasury securities (TES) issued and guaranteed by the Nation, with a +23% increase in 2020 compared to the same period of the previous year.

(3) The variation of the Speculation Derivatives item is +96% compared to the same period of the previous year, corresponding to the settlement of currency forward transactions that reflect an increase between 2019 and 2020.

(4) For the months of March and April, there was a significant increase in the exchange rate, which reached COP 4,000 per USD 1, due to the drop in oil prices, along with the negative impact of the COVID-19 virus, which led to a loss of COP 284,126 in commitments to be fulfilled by the Bank and sales made.

42. Transactions with Related Parties

Controlling entity and main controlling entity

As the Group's main controlling entity, BBVA Colombia holds a 95.43% percentage share in Banco Bilbao Vizcaya Argentaria, as disclosed below as shareholders with more than 10% of the company.

Recognition of relationship with related parties

Individuals related to the Entity

BBVA Colombia recognizes as related parties the members of the Board of Directors and the registered agents and/or key management personnel that have a significant influence over the organization's decision-making.

Joint ventures

In July 2015, the RCI Colombia financing company was incorporated in a joint arrangement with RCI Banque, property of the Renault Group. This investment represents a holding of 48.99% for the Bank, represented by 11,512,154 shares; the third capitalization was carried out in the month of March. This company carries out its activities at Cra 49 No. 39 Sur 100 Envigado, Antioquia.

Other related parties in Colombia

BBVA recognizes the following companies as related parties: BBVA Seguros Generales in the business of selling general or damage insurance products; and BBVA Seguros de Vida, which only sells life

insurance. Since its shareholding structure reflects 99.95% of BBVA Group's share, they are recognized as economically related parties. These companies carry out their activities at Cra 15 No. 95-65 on the 5th and 6th floors.

The Financial Services Reseller is also considered a related party, since it is a partner responsible for facilitating access to the products and services of BBVA Colombia by presenting the offering of some of its products to customers. BBVA Seguros Colombia has a significant share of its shareholding structure.

This same group includes Telefónica Factoring Colombia, S.A., Opplus Operaciones y Servicios S.A., Fideicomiso de Administración Redetrans, Fideicomiso Horizontes Villa Campestre and Fideicomiso Lote 6.1 Zaragoza.

Other related parties abroad

BBVA Colombia recognizes as economically related parties the companies that are part of the Business Group or those over which it has significant influence, directly or indirectly. The following are recognized in this group: BBVA Bancomer, Banco Continental, S.A, Banco Provincial S.A, BBVA Banco Frances S.A, BBVA Suiza S.A., BBVA Securities and Aplica Tecnología Avanzada S.A.

Compensation received by key management personnel and Board members

In addition to their remuneration, the Company has a system for the settlement and payment of the annual variable remuneration for individuals whose professional activities have a significant impact on the Bank's risk profile, as well as other employees who have oversight roles, including executive directors and other members of BBVA's Senior Management.

The deferred amounts of the annual variable remuneration, both in cash and in shares, are subjected to long-term indicators, so the degree of fulfillment of these objectives determines the amount of the benefit granted to each of the related parties.

Below are the other remunerations paid key management personnel:

| Details | 2020 | 2019 |
|--|-------------------|-------------------|
| Short-term employee benefits | COP 23,632 | COP 9,095 |
| Post-employment benefits | 88 | 101 |
| Share-based payment | 1,224 | 1,188 |
| Remuneration of key management personnel | 273 | 7,938 |
| Total | COP 25,217 | COP 18,322 |

In addition to the remunerations mentioned above, key management personnel and Board members claimed travel expenses for 2020 in the amount of COP 116 million and COP 110 million for 2019, which they paid using corporate cards.

Board members received compensation for fees and attendance of board meetings in the amount of COP 611 million for 2020 and COP 382 million for 2019.

Transactions recognized with shareholders who hold a share of more than 10% in the Company

At December 31, 2020, BBVA Colombia had a balance of COP 128,028 in banking correspondent, BBVA Madrid, in addition to accounts receivable, made up of COP 31,303 for securities depositories and COP 505,095 for deposits as collateral in foreign currency.

BBVA Colombia recognized COP 14,234 in expenses to its controller for data processing service and application maintenance focused mainly on the use of Core Banking and BBVA Colombia information and infrastructure maintenance (December 14, 2017) to its controller for data processing service and application maintenance focused mainly on the use of Core Banking and information and infrastructure maintenance.

Regarding the contingent commitments recognized, the Bank issues Endorsements, Letters of Credit and Bank Guarantees to its economically related parties, which are recorded in contingent accounts.

These guarantees expire in one to fifteen years, and a 0.2% fee is charged for this service, with a USD 80 minimum for members of the Group, and 0.3% of the value of the endorsement or guarantee, with a USD 100 EQQ minimum for corresponding banks that are not members of the BBVA Group.

Below are the details in legal and foreign currency by type of collateral generated for Banco Bilbao Vizcaya Argentaria:

| Details | 2020 | 2019 |
|---------------------------------------|--------------------|--------------------|
| Bank guarantees in domestic currency | COP 427,209 | COP 118,671 |
| Bank guarantees in foreign currency | 279,139 | 449,694 |
| Letters of credit in foreign currency | 896 | 12,204 |
| Total | COP 707,244 | COP 580,569 |



Other transactions with related parties

Relationships between related parties are a normal part of trade and business. BBVA often carries out part of its activities through subsidiaries, joint ventures and other related parties.

The details of transactions with related parties at December 31, 2020, was as follows:

| 2020 | Shareholders with share over 10% | Shares in joint ventures | Board Members | |
|--|----------------------------------|--------------------------|---------------|--|
| | | RCI Colombia | | |
| Assets | | | | |
| Loan portfolio and interest | COP - | COP - | COP - | |
| Investments | - | 38,240 | 112,787 | |
| Derivatives and cash transactions | 2,896,383 | - | - | |
| Banks and other financial entities | 66,914 | - | - | |
| Accounts receivable | 119,411 | 4 | 92 | |
| Deposits as collateral | 460,895 | - | - | |
| Prepaid expenses | - | - | - | |
| Total | - | - | - | |
| Total | 3,543,603 | 38,244 | 112,879 | |
| Liabilities: | | | | |
| Deposits (savings and checking accounts) | - | 7,846 | 27,512 | |
| Outstanding investment securities | - | - | - | |
| Derivatives and cash transactions | 3,425,634 | - | - | |
| Margin call | 39,880 | - | - | |
| Total | 3,465,514 | 7,846 | 27,512 | |
| Revenue: | | | | |
| Dividends from the equity method | - | 954 | 36,597 | |
| Interest and/or return on investments | 879 | - | - | |
| Fees | 2,178 | - | 295 | |
| Leases | - | - | 128 | |
| Total | COP 3,057 | COP 954 | COP 37,020 | |

| | Registered agents and key management personnel | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia | | Other domestic related parties | Other related parties abroad |
|------------|--|--|----------------------|--------------------------------|------------------------------|
| | | BBVA Seguros | BBVA Seguros de Vida | | |
| COP | 552,005 | COP | - | COP | - |
| | 149,740 | | - | | - |
| | - | | - | | 5,232 |
| | - | | - | | 771 |
| | 2,138 | | - | | 7 |
| | - | | - | | 515 |
| | - | 1,396 | - | | - |
| | - | - | - | 12,591 | - |
| | 703,883 | 1,396 | - | 12,591 | 6,525 |
| | 50,322 | 50,117 | 86,271 | 29,170 | - |
| | - | - | 35,188 | - | - |
| | - | - | - | - | 5,571 |
| | - | - | 24 | - | - |
| | 50,322 | 50,117 | 121,483 | 29,170 | 5,571 |
| | 16,104 | - | - | - | - |
| | 36,187 | - | - | 1,190 | 38 |
| | 488 | 20,403 | 72,403 | 40 | 531 |
| | - | 16 | 64 | 1,322 | - |
| COP | 52,779 | COP 20,419 | COP 72,467 | COP 2,552 | COP 569 |

| 2020 | Shareholders with share over 10% | Shares in joint ventures | Board Members | |
|---|-------------------------------------|-----------------------------|---------------|--|
| | | RCI Colombia | | |
| Expenses: | | | | |
| Dividends from the equity method | COP 9 | COP 416 | COP 1,050 | |
| Interest | 5,136 | 3,109 | 39 | |
| Fees | - | - | - | |
| Employee Benefits | - | - | - | |
| Insurance | - | - | - | |
| Leases | - | - | - | |
| Other expenses | 41,611 | - | 40 | |
| Advisory and consultancy fees | 46,756 | 3,525 | 1,129 | |
| Corporate application services | 9 | 416 | 1,050 | |
| Total | 93,521 | 7,466 | 3,308 | |
| Contingent commitments and obligations | 574,046 | - | - | |
| Call and put purchase commitments | 10,545 | - | - | |
| Total | COP 584,591 | COP - | COP - | |
| Other – Dividends paid on preferred and ordinary shares | - | - | - | |

| | Registered agents and key management personnel | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia | | Other domestic related parties | Other related parties abroad |
|------------|--|--|----------------------|--------------------------------|------------------------------|
| | | BBVA Seguros | BBVA Seguros de Vida | | |
| | COP 1,574 | COP - | COP - | COP - | COP - |
| | - | 1,060 | 9,950 | 67 | 23 |
| | - | - | - | 113,832 | 6,153 |
| | - | - | - | - | - |
| | - | 9,264 | 104 | - | - |
| | - | - | - | - | - |
| | - | - | - | 844 | - |
| | 1,574 | - | - | - | - |
| | 1,574 | - | - | - | 71,996 |
| | 4,722 | 10,324 | 10,054 | 114,743 | 78,172 |
| | - | - | - | - | 133,198 |
| | - | - | - | - | 419,908 |
| COP | - | COP - | COP - | COP - | 553,106 |
| | - | - | - | - | - |

The details of transactions with related parties at December 31, 2019, was as follows:

| 2019 | Shareholders with share over 10% | Shares in joint ventures | Board Members | |
|--|----------------------------------|--------------------------|---------------|--|
| | | RCI Colombia | | |
| Assets | | | | |
| Loan portfolio and interest | COP - | COP 511,612 | COP - | |
| Investments | - | 133,636 | 48 | |
| Derivatives and cash transactions | 1,558,972 | | - | |
| Banks and other financial entities | 131,543 | - | - | |
| Accounts receivable | 31,304 | - | - | |
| Deposits as collateral | 57,205 | - | - | |
| Prepaid expenses | - | - | - | |
| Total | 1.779.024 | 645,248 | 48 | |
| Liabilities: | | | | |
| Deposits (savings and checking accounts) | - | 56,077 | 69 | |
| Outstanding investment securities | - | - | - | |
| Derivatives and cash transactions | 1,733,186 | - | - | |
| Margin call | - | - | - | |
| Accounts payable | 50,346 | - | 34 | |
| Total | 1.783.532 | 56,077 | 103 | |
| Revenue: | | | | |
| Dividends from the equity method | - | 13,293 | - | |
| Interest and/or return on investments | 3,742 | 25,992 | 18 | |
| Fees | 1,239 | 860 | 5 | |
| Leases | - | - | - | |
| Total | COP 4.981 | COP 40,145 | COP 23 | |

| | Registered agents and key management personnel | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia | | Other domestic related parties | Other related parties abroad |
|--|--|--|----------------------|--------------------------------|------------------------------|
| | | BBVA Seguros | BBVA Seguros de Vida | | |
| | COP 2,116 | COP 3 | COP 3 | COP 157,634 | COP - |
| | - | - | - | 2,602 | - |
| | - | - | - | - | 28,876 |
| | - | - | - | - | 18 |
| | - | - | - | - | 2,341 |
| | - | - | - | - | - |
| | - | 1,293 | 39 | - | - |
| | <u>2,116</u> | <u>1,296</u> | <u>42</u> | <u>160,236</u> | <u>31,235</u> |
| | 3,712 | 22,906 | 69,923 | 1,100 | - |
| | - | - | 35,178 | - | - |
| | - | - | - | - | 31,501 |
| | - | - | - | - | 3,965 |
| | - | - | - | - | - |
| | <u>3,712</u> | <u>22,906</u> | <u>105,101</u> | <u>1,100</u> | <u>35,466</u> |
| | - | - | - | - | - |
| | 198 | - | - | 133 | 29 |
| | 23 | 14,793 | 62,362 | 20 | 151 |
| | - | 15 | 61 | 1,498 | - |
| | <u>COP 221</u> | <u>COP 14,808</u> | <u>COP 62,423</u> | <u>COP 1,651</u> | <u>COP 180</u> |

| 2019 | Shareholders with share over 10% | Shares in joint ventures | Board Members | |
|--|----------------------------------|--------------------------|---------------|--|
| | | RCI Colombia | | |
| Expenses: | | | | |
| Dividends from the equity method | COP - | COP - | COP - | |
| Interest | 1,163 | 158,397 | 18 | |
| Fees | 1,239 | - | 7 | |
| Employee Benefits | - | - | - | |
| Loss from equity method | - | - | - | |
| Insurance | - | - | - | |
| Derivative transactions | - | - | - | |
| Leases | - | - | - | |
| Other expenses | 6,511 | - | 110 | |
| Advisory and consultancy fees | - | - | 382 | |
| Corporate application services | 14,234 | - | - | |
| Total | 23,147 | 158,397 | 517 | |
| Contingent commitments and obligations | 505,095 | 153 | - | |
| Call and put purchase commitments | - | - | - | |
| Total | COP 505,095 | COP 153 | COP - | |

| | Registered agents and key management personnel | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia | | Other domestic related parties | Other related parties abroad |
|--|--|--|----------------------|--------------------------------|------------------------------|
| | | BBVA Seguros | BBVA Seguros de Vida | | |
| | COP - | COP - | COP - | COP - | COP - |
| | 518 | 500 | 2,362 | 61 | |
| | 50 | - | - | 152,022 | 6,966 |
| | 18,322 | - | - | - | - |
| | - | - | - | - | - |
| | - | 3,318 | 140 | - | - |
| | - | - | - | - | - |
| | - | - | - | 401 | - |
| | - | - | - | 4,374 | 14 |
| | - | - | - | - | - |
| | - | - | - | - | 81,318 |
| | 18,890 | 3,818 | 2,502 | 156,858 | 88,298 |
| | - | 18 | 84 | 2,442 | 117,096 |
| | - | - | - | - | 145,135 |
| | COP - | COP 18 | COP 84 | COP 2,442 | COP 262,231 |

43. Market, Interest, Structural and Credit Risk Report

Market Risk

Banco BBVA Colombia S.A.

Market risk is defined as the possibility that the Bank will incur in losses associated with the decrease in value of its portfolio due to changes in the price of the financial instruments of its positions. Although the Bank manages its risks separately, it maintains a corporate methodology, which manages the market risk resulting from the activity of their operations with the basic objective of limiting possible losses, quantifying the economic capital necessary to carry out their activity and optimizing the relationship between the level of exposure assumed and the results established.

To have the maximum guarantees for this management, the Bank has developed a series of organizational, identification, measurement, control and monitoring systems and policies of the risks inherent to trading, as well as balance sheet transactions.

1.1.1. 1.1.1. Segregation of roles - Depending on the role that the contracting, accounting, compliance or risk monitoring activities are related to, the responsibility was assigned to each of the following areas:

- **Global Markets** - Department responsible for managing the application of defined policies and programs to ensure the efficient management of the Bank's financial resources and also, to control that there is the necessary liquidity for the normal course of the institution's operations, by designing policies on the investment portfolios that contribute to the strengthening of the Group's financial, competitive and expansion position at the national and international levels.

- **Market management** - Area responsible for controlling the trading floor's daily transactions, as well as for confirming, settling and clearing the transactions of the Treasury. In turn, it is responsible for the custody of the contracts and the management of securities deposits, reporting to the Media Vice-Presidency.
- **Market accounting** - Area responsible for validating and ensuring the appropriate incorporation of the treasury transactions in the Bank's balance sheet, as well as controlling, calculating and reporting the proprietary position of foreign currency, dependent of the Finance Vice-Presidency.
- **Market and structural risks** - Area responsible for quantifying, assessing and promptly reporting the risks of Global Market operations, as well as liquidity and structural balance risks, dependent of the Risk Vice-Presidency.
- **Legal Area** - Responsible for analyzing and assessing the legal risks that may result from the arrangements or contracts that formalize the transactions, so as to avoid any legal situation that can legally affect the instrumentation or documentation thereof. As part of its duties, the Legal Area verifies that the relevant legal regulations are observed and that the Entity's policies and standards are in line with them. In all cases, it legally structures transactions based on the current legal regulations that the Bank is subject to, including participation in new markets or products.
- **Internal control and operational risk area** - Responsible for analyzing, assessing and managing internal control (processes) together with the operational risks that may result from the Global Market operations, identifying them and proposing mitigating control measures in compliance with the corporate model and local regulatory guidelines required for adequate maintenance of the Internal Control System (SCI, for the Spanish original) and the Operational Risk Management System (ORMS).

1.1.2. Nature and scope of the risks arising from financial instruments s

Senior Management has assigned the following objectives to the Treasury Department

- Management of the Bank's short-term liquidity; and
- Management of the necessary tools and mechanisms for hedging interest, exchange rate and liquidity risks in the operation of own resources, as well as in operations with customers.

Therefore, the Global Markets area carries out procedures on its own account to meet its liquidity needs and those of external customers. It also actively participates as a market generator in fixed income and in currency and term transactions, as well as in money market transactions. Therefore, it has an organizational structure comprised of a trading floor (interest rates and currency transactions), front office (customer needs) and the structuring activity.

Taking into account the objectives assigned to the Treasury Department and with the aim of optimizing, managing and administrating the risks inherent thereto, Senior Management has decided to establish roles by areas, quantifiable limits and risk measurement tools.

Methods used to measure risk: The Bank uses the standard model for risk measurement, control and management; it also uses tools to determine limits for trading positions and to revise positions and strategies quickly as the market conditions change.

The main sources of market risk by which the Bank is affected are:

- a) Interest rate: The portfolios of the Global Markets area are exposed to this risk when their value depends on the level of certain interest rates on the financial market.
- b) Exchange rate: The banking book and the trading book are exposed to this risk when their values and transactions depend on the exchange between currencies on the financial market.

The methodologies used to measure VaR are assessed on a periodic basis and subjected to back testing to determine their effectiveness. In addition, the Bank has tools to conduct stress and/or sensitivity tests on portfolios under the simulation of extreme scenarios.

1.1.3. Límits - Limits were established for the exposures to risk of the global market activity, by assigning the following:

The main metric is the target average economic capital (CEMO, for the Spanish original) in accordance with the standards defined by Basel 2.5. This indicator is calculated using the VaR; a measurement of stressed VaR is also added, resulting in a final measurement that is the higher of the two (VaR and Stressed VaR) during an average of three months. This way, more weight is given to the stress events of the current or past market. This measurement is rescaled by the multiplier set by Basel of three by the square root of ten to calculate the economic capital charge.

Monitoring is carried out through a “global limit”, which, in turn, is broken down by risk factor, as well as by floor, currency and product, for which there are internal warning signs when the consumption thereof is 85% or higher. Overrunning this warning sign requires express communication from the person in charge of the Global Markets Department to the Market and Structural Risk Department, indicating the strategy to be followed. The Market and Structural Risk Department informs senior management and the Global Market Risk Unit, which will then indicate up to what point said strategy may continue.

The limits are approved by the Board of Directors, while measurement, monitoring and control are carried out daily by the Market and Structural Risk Department, issuing regular reports to senior management and monthly reports to the Board of Directors.

1.1.4. Measurement and monitoring tools - The main risk measurement tools include Value at Risk (VaR), Stress VaR and delta sensitivity. However, other tools are used, such as stress testing and stop loss.

- **Value at Risk - VaR**, The VaR measurement methodology used by the Bank is based on historical simulation, in order to collect the negative impacts that the statements of income

of the trading portfolio may undergo due to negative impacts generated by the history of risk factors on the Bank's current position. When historical data are used, the correlation between these data and their occurrence distributions is included naturally.

To monitor and control limits for the Global Market operations, a measurement is carried out based on the "VaR without exponential smoothing" methodology, using two years of information on the financial markets.

| Item | VaR Figures in COP million | | | |
|-----------|----------------------------|-----------|------------|-----------|
| | December | Minimum | Maximum | Average |
| Year 2019 | COP 2,621 | COP 1,591 | COP 5,891 | COP 2,989 |
| Year 2020 | COP 5,060 | COP 1,512 | COP 16,261 | COP 5,756 |

- **Stop loss:** This is a monitoring measure of the accumulated losses in the global market portfolios with the aim to limit the negative impact on the income statement.

The stop loss was monitored in 2020 through a double control mechanism, implementing an annual limit with the aim to control possible accumulated losses in the income statement, accompanied by a monthly loss limit. These limits aim to minimize the impact on the income statement.

- **Stress Testing:** Is the generation of a set of historical scenarios, which puts pressure on the different risk factors related to the different Global Market positions. The period observed starts in June 2009 and extends to December 2020

| Item | SVaR according to Lehman Figures in COP million | | | |
|-----------|---|-----------|------------|-----------|
| | December | Minimum | Maximum | Average |
| Year 2019 | COP 9,165 | COP 5,387 | COP 18,786 | COP 9,707 |
| Year 2020 | COP 12,577 | COP 5,500 | COP 16,182 | COP 9,503 |

- Sensitivity (Delta):** This is another measure BBVA Colombia uses to estimate the exposure of the global market portfolios. The tool estimates portfolio sensitivity in response to a variation of one basis point in the interest rates, and its purpose is to raise internal warnings of interest rate risk. Therefore, additional sublimits are established by products.

1.1.5. Consolidated market risk profile and positions

Below is a comparative chart that lists the positions of the portfolios of the Bank, the Trust Company and the Broker.

Positions of Global Markets for the years 2020 and 2019
(in billions)

| Classification | Dec-20 | | Local currency | | Other currencies | | | | |
|------------------------------|--------|-------|----------------|---------|------------------|---------|-----|-----|-------|
| | Amount | | Average | Maximum | Average | Maximum | | | |
| Public debt | COP | 2,270 | COP | 2,768 | COP | 36 | COP | 92 | |
| Corporate securities | | 619 | | 796 | | 1,318 | | 34 | 69 |
| Cash FX | | - | | - | | - | | 1 | 4 |
| Forward | | 545 | | (16) | | 383 | | 638 | 1,584 |
| Shares without subsidiaries* | COP | 538 | COP | 546 | COP | 991 | COP | - | - |

| Classification | Dec-19 | Local currency | | Other currencies | |
|------------------------------|-----------|----------------|-----------|------------------|---------|
| | Amount | Average | Maximum | Average | Maximum |
| Public debt | COP 3,733 | COP 4,089 | COP 5,319 | COP 142 | COP 224 |
| Corporate securities | 1,424 | 1,055 | 1,424 | 22 | 57 |
| Cash FX | - | - | - | - | (8) |
| Forward | 35 | 25 | 113 | - | 3 |
| Shares without subsidiaries* | COP 238 | COP 191 | COP 242 | COP - | COP - |

*Include strategic investments made by Banco BBVA Colombia. As a result, they are not included in market risk metrics.

The comparative table of the global market positions that were taken into account for the measurement of the previously described risks is presented below.

2020 and 2019 market risk profile

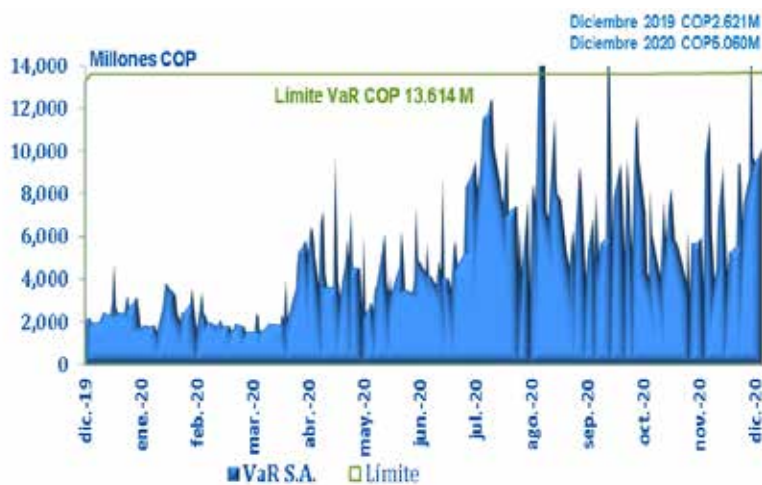
| Global market risks | December 2020 | Average | Maximum | Minimum | December 2019 | Average | Maximum | Minimum |
|------------------------------------|---------------|-----------|------------|-----------|---------------|-----------|-----------|-----------|
| VaR - Interest rates | COP 4,644 | COP 5,879 | COP 16,329 | COP 1,431 | COP 2,588 | COP 2,575 | COP 4,620 | COP 1,471 |
| VaR - Exchange rates | 1,430 | 1,092 | 8,301 | 83 | 85 | 960 | 4,566 | 29 |
| Total VaR | 5,060 | 5,756 | 16,261 | 1,512 | 2,621 | 2,989 | 5,890 | 1,591 |
| Economic capital consumption limit | 65% | 57% | 74% | 40% | 65% | 57% | 74% | 40% |
| Total Delta to 1 bp | (16) | (219) | 79 | 806 | (316) | (243) | 80 | (574) |
| Delta consumption sublimit | 2.5% | 33% | 120% | 0.05% | 47% | 37% | 86% | 0.5% |

In 2020, the average market risk consumption (VaR) of trading operations was COP 5,756 million, with a consumption exceeding the internal limit for authorized economic capital by 57%. The average sensitivity of the interest rate to one basis point (Delta) was COP 219 million with 2.5% consumption over the authorized internal limit.

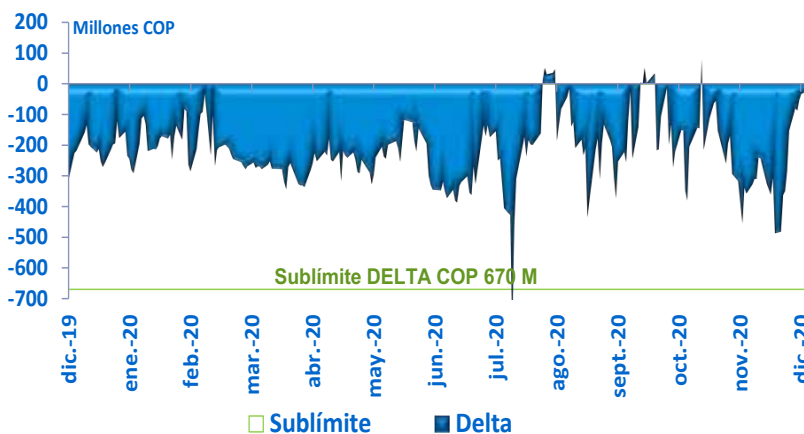
Evolution of the trading market risk: Daily measurements and controls were carried out in 2020 on the consumption levels of the authorized internal limits, regularly reporting their compliance to Senior Management.

The following graphs show their evolution:

Monitoring of Market Risk VaR Evolution



Monitoring of Market Risk Evolution of total sensitivity before 1 bp December 2019 - December 2020



During the year, the fixed-income trading portfolio was characterized by presenting a concentration of the short-term position held mainly by TCO and TES with short-term maturities, as well as Certificates of deposit (CDs). In turn, the derivatives portfolio maintained the composition by type of product; the main products are USD-COP forwards and IRS in IBR. The sensitivities are concentrated by type in COP and USD, consistently with portfolio composition. The portfolio characteristics described above keep the average VaR low, because short-term positions cause relatively low sensitivities and interest rate deltas had a conservative risk consumption throughout the period.

The market risk monitoring process is complemented with stress-testing scenarios, which aim to estimate the losses that the Bank would incur in the event that extreme situations occur on the markets.

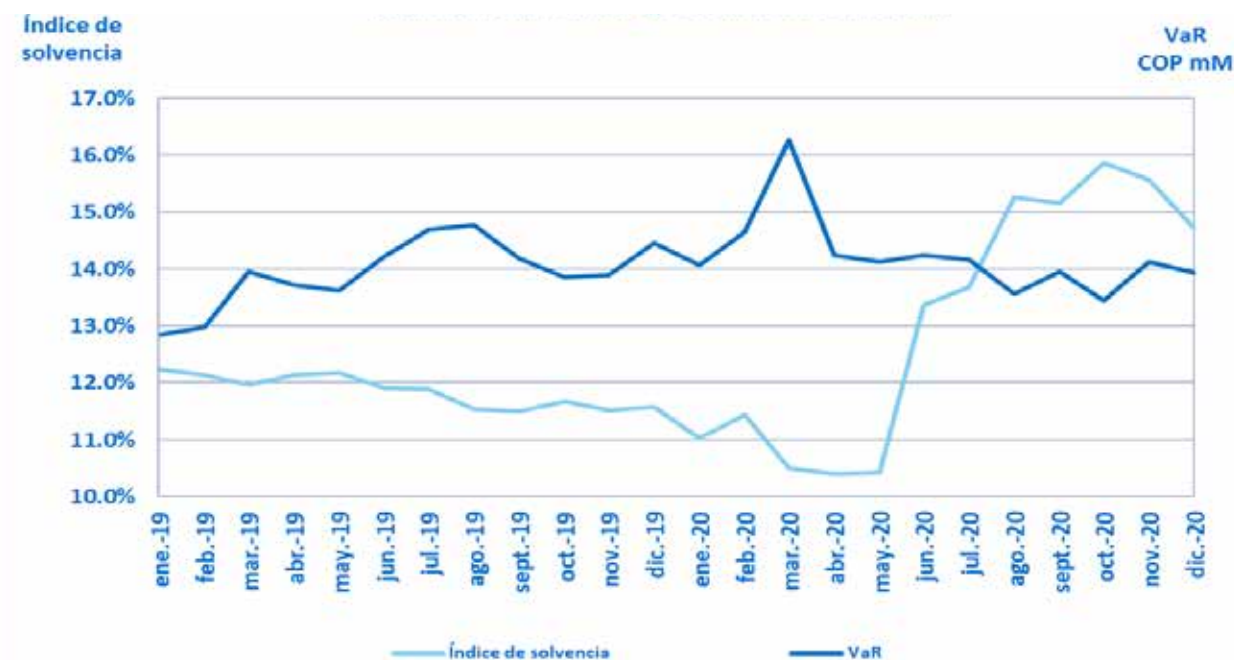
It subjects the positions held to strong hypothetical market oscillations based on historical or possible situations obtained through the generation of scenarios. This is done to quantify the effect of the results in order to identify possible adverse impacts and those greater than the VaR figures that could potentially occur, and design contingency plans to be applied immediately in the event that an abnormal situation occurs.

Monitoring of Value at Risk Regulatory Model - Standard Model

In accordance with Public Notice 09/2007 of the Financial Superintendence of Colombia, the Bank has been assessing its exposure to market risks, of both interest rate and exchange rate, on a daily basis. This includes the measurement for Global Markets' available-for-sale and tradable positions, and securities classified upon maturity that are delivered to create collateral in a central counterparty clearing house. This is done in order to determine the effect that possible changes in market conditions may have on the economic value of the Bank's equity.

This impact is also reflected in the solvency ratio.

The following figure shows the value at risk assessment and the solvency margin:
Evolución Valor en Riesgo vs. índice de Solvencia



Consolidated VaR

Market risk profile of the Bank, BBVA Fiduciaria and BBVA Valores

| Consolidated VaR (Figures in millions) | 2020 | | 2019 | |
|--|------------|----------------|------------|----------------|
| Interest rate | COP | 320,785 | COP | 379,119 |
| Exchange rate | | 16,594 | | 4,648 |
| Share price | | 936 | | 857 |
| Mutual funds | | 36 | | 23 |
| Total Value at Risk (VaR) | COP | 338,531 | COP | 384,647 |

The Bank, together with BBVA Fiduciaria and BBVA Valores, is consolidating the risk exposure based on the methodology published in Annex 1 of Chapter XXI of Notice 100/1995 issued by the Financial Superintendence of Colombia, in which a 61% variation is seen between 2019 and 2020; originated by the interest rate item due to an increase in the duration of the TES portfolio.

BBVA Fiduciaria

Interest rate risk management: Since the portfolio may suffer losses due to the exposures of financial instruments subject to changes in the interest rate in local currency and foreign currency, or indexed to RVU, CPI or DTF, the VAR for this type of component is calculated.

Share price risk management: Since the entity has positions in Shares or ETFs (Exchanged Traded Funds), there is the possibility of suffering losses when the prices of the shares that make up the fund change, showing variability in the index.

Exchange rate risk: When there are financial instruments in foreign currency, there is a risk of loss due to exchange rate variability.

Fund investment risk: When there are resources in investment funds, there is a risk of loss due to changes on the market.

Sensitivity Analysis (Delta): The basic measure for estimating the sensitivity of the portfolios to interest rate risk is the so-called Delta, which is estimated by means of modified duration, the sensitivity of the price of the securities to a 1 basis-point change in interest rates.

BBVA Valores

The Broker manages market risk by using the basic objectives of limiting potential losses, optimizing the ratio between the level of exposure assumed and the target results, and by managing the mechanisms and tools necessary to hedge interest rate and equity risks.

To have the maximum guarantees for this management, the Broker has developed a series of organizational systems and policies for the identification, measurement, control and monitoring of the risks inherent to transactions. Therefore, the Front Office carries out procedures on its own account to meet its liquidity needs and those of external customers.

Value at Risk (VaR) - Regulatory Model

According to Chapter XXI of the Basic Accounting and Financial Notice (Public Notice No. 100/1995) of the Financial Superintendence of Colombia, the Broker measures its exposure to market risk (interest rate and equity), which incorporates the measurement for the positions held with own resources in order to establish the effect that possible changes in market conditions may have on the value of the Broker's portfolio, whose impact is reflected in the solvency ratio, measured on a monthly basis.

Policies regarding Assessment at Fair Value

As a policy of BBVA Valores Colombia S.A., it has been defined that the party responsible for providing end-of-day market prices for the valuation of third-party and proprietary position portfolios is the Market Risk Department.

The sources of information used for the valuation of the portfolios are those approved by the Financial Superintendence and published by the official price vendor, Precia, on a daily basis.

The tool used for capturing and disseminating the market values to the different management, accounting and risk measurement systems on a daily basis is Asset Control.

Liquidity Risk

The liquidity and financing risk is defined as the potential loss caused by events that affect the capacity to have resources available to fulfill passive obligations, either because of the impossibility to sell the assets, the unexpected reduction in commercial liabilities or the closing of the regular sources of financing both in normal situations and under stress.

The management of financing and liquidity at BBVA Colombia is based on the principle of financial autonomy, which means that management is decentralized and independent from the BBVA Group's other regions. This principle helps prevent and limit the liquidity risk of each of the entities by limiting their vulnerability to events that affect the BBVA Group in periods of elevated risk. Therefore, the entity acts independently to cover its liquidity needs on the market in which it operates.

Internal model - There were no changes in the metrics of the financing structure and liquidity in comparison with 2018; these calculations were made on a daily basis using three indicators defined as follows

- Monitoring of the balance sheet financing structure, Loan to Stable Customer Deposits (LtSCD), which compares the net credit investment granted with stable customer deposits, and has an upper limit set at 125%. The objective is to preserve a stable financing structure in the medium term, considering that maintaining an adequate volume of stable customer resources is key to achieving a solid liquidity profile.
- Basic Capacity is the management and control metric for short-term liquidity risk, which is defined as the ratio between the explicit assets available and the maturities of wholesale liabilities and volatile resources, in different time frames, with particular relevance for those of 30 days. This metric aims to promote the short-term resistance of the liquidity risk profile, by ensuring that BBVA Colombia has sufficient collateral to deal with the risk of closing wholesale markets. The limit for 2020 is set at 120% at 30 days.
- To achieve the proper diversification of the financing structure, avoiding high dependency on short-term financing, a limit is set on the attraction of Short-term Financing (STF), which consists of both wholesale financing and less stable customer resources. For 2020, the limit was set at COP 13 trillion.

The Liquidity Committee and Senior Management are informed on a monthly basis of the evolution of these indicators for timely decision-making.

In 2019, BBVA Colombia held a solid liquidity position, by increasing stable resources through savings of the commercial segment and part of the institutional segment. This strategy has allowed the diversification of sources of financing and has maintained the robustness of the financing structure.

The following tables show the evolution of short-term liquidity for 2020 and 2019:

| Month | 2020 | | | 2019 | | |
|-----------|-----------|-------------|-----------|-----------|-------------|-----------|
| | LtSCD (%) | CB 30 D (%) | FNCP (MM) | LtSCD (%) | CB 30 D (%) | FNCP (MM) |
| January | 108% | 242% | 7,415 | 107% | 303% | 7,545 |
| February | 108% | 437% | 5,656 | 107% | 435% | 7,880 |
| March | 103% | 420% | 5,005 | 111% | 189% | 9,856 |
| April | 101% | N,C | 3,159 | 110% | 294% | 7,104 |
| May | 100% | N,C | 2,377 | 113% | 213% | 8,435 |
| June | 98% | N,C | 2,451 | 110% | 216% | 9,085 |
| July | 101% | N,C | 2,998 | 110% | 189% | 8,859 |
| August | 106% | 4691% | 4,312 | 109% | 223% | 8,290 |
| September | 106% | 1421% | 5,079 | 111% | 269% | 7,908 |
| October | 104% | N,C | 4,398 | 109% | 286% | 7,590 |
| November | 105% | 757% | 5,171 | 109% | 326% | 7,188 |
| December | 105% | 475% | 4,430 | 113% | 155% | 9,343 |
| Limit | 120% | 140% | 13,000 | 125% | 120% | 13,000 |

Details of Basic Capacity by time frames.

| 2020 | | | 2019 | | |
|---------|----------|-----------|---------|----------|-----------|
| 1 month | 3 months | 12 months | 1 month | 3 months | 12 months |
| 475% | 234% | 137% | 155% | 115% | 90% |

Regulatory model – In addition to the main indicators mentioned above, BBVA Colombia reports the regulatory Liquidity Risk Indicator (LRI) using the regulatory weekly and monthly format, which contains the short-term contractual and non-contractual flows. For each of the time frames (7 and 30 days), the ratio between liquid assets adjusted according to market liquidity and exchange risk, and the total net liquidity requirement for the LRI must be at a level above 100%. In 2019, the liquidity risk indicator (LRI) with a 7-day time frame stood at average levels (651%), while the 30-day LRI stood at an average of

(223%), which indicates that for a short-term horizon, BBVA Colombia has more than enough liquidity to fulfill its short-term financing commitment.

| LRI | 2020 | | 2019 | |
|------------------|------------|-------------|------------|-------------|
| | 7 days (%) | 30 days (%) | 7 days (%) | 30 days (%) |
| January | 1001% | 248% | 529% | 338% |
| February | 841% | 240% | 641% | 282% |
| March | 1,177% | 230% | 400% | 208% |
| April | 972% | 244% | 772% | 185% |
| May | 911% | 237% | 676% | 239% |
| June | 964% | 267% | 543% | 193% |
| July | 976% | 220% | 719% | 213% |
| August | 688% | 185% | 559% | 202% |
| September | 845% | 213% | 715% | 196% |
| October | 956% | 240% | 690% | 197% |
| November | 891% | 232% | 921% | 205% |
| December | 960% | 208% | 576% | 166% |
| Limit | 100% | 100% | 100% | 100% |
| Management Limit | 150% | 150% | 150% | 150% |

By the end of 2020 and 2019, the 30-day LRI is summarized as follows:

| LRI | Contractual maturities in 2020 in Millions of COP | | | |
|---|---|----------------------|-----------------------|-----------------------|
| | Days 1 to 7 - total | Days 8 to 15 - total | Days 16 to 30 - total | Days 31 to 30 - total |
| CDs | COP 305,948 | COP 346,749 | COP 599,060 | COP 1,251,757 |
| Interbank funds | 80,018 | - | - | 80,019 |
| Repos, simultaneous and T.T.S. | 205,094 | - | 38,602 | 243,696 |
| Transactions with derivative financial instruments | 208,440 | 205,220 | 501,551 | 915,213 |
| Bank credits and other financial obligations | 54,554 | - | 171,697 | 226,252 |
| Accounts payable not associated with cds and savings certificates (cdats, for the spanish original) | 100,879 | 115,291 | 216,170 | 432,341 |
| Other liabilities and credit contingencies | COP 379,600 | COP 36,893 | COP 101,752 | COP 518,245 |

Note: 1. They are contractual maturities of principal and interest for periods of no more than 90 days.

2. The 2018 LRI table shows the adjustment made by placing the market values of the entire inventory of transactions that currently make up the BBVA portfolio, as opposed to the previous one that only reported some Global Markets portfolios.

BBVA Fiduciaria

To deal with the possibility of having insufficient liquid assets to fulfill obligations, this entity has set up indicators and tests for the control and monitoring of this type of risks. These indicators enable us to monitor the inflow and outflow of resources by establishing a quantitative analysis to avoid possible illiquid scenarios.

Since the portfolio position is not considered to be within the application scope of Chapter VI of Public Notice 100/1995 corresponding to the rules related to the Liquidity Risk Management System, Liquidity Risk Management is subject to the investment policy.

BBVA Valores

According to Chapter VI of the Basic Accounting and Financial Notice (Public Notice No. 100/1995) of the Financial Superintendence of Colombia, the Broker has been measuring the Liquidity Risk Indicator to quantify the adequate level of liquid assets that must be maintained daily and to prevent or mitigate liquidity risk during high-risk periods.

The limits are approved by the Board of Directors, while measurement, monitoring and control are carried out daily by the Market Risk Department, issuing regular reports to senior management and monthly reports to the Board of Directors.

To estimate liquidity risk, a liquidity risk indicator (LRI) is calculated, which corresponds to the ratio between liquid assets, Own Net Liquidity Requirement and Third-party Net Liquidity Requirement for time frames of one business day and between the second business day and seven calendar days. This indicator shows the liquidity coverage for the different time frames.

In addition to the Regulatory Liquidity Measurement, the Broker monitors other metrics and limits on trading positions to quickly review positions and strategies as market conditions change. This way, limits and controls are set for the maximum amount per transaction, transaction volumes per counterparty and accrued defaults per counterparty.

The Liquidity Committee and Board of Directors are regularly informed of the evolution of these indicators for timely decision-making.

Counterparty Risk (SARiC)

BBVA Valores

The Market Risk Department is responsible for the daily control and monitoring of issuer and counterparty risk limits and the settlement of transactions according to the current authorizations provided by the Board of Directors.

The counterparty risk measurement process comprises all the transactions and starts with the initial process of identifying the type of customer with which the transaction is closed for each type of risk.

The management procedures include the authorization processes of the counterparty limits and an internal monitoring model, using tools to control and measure counterparty limits, compared to the transactions pending completion. BBVA Valores Colombia S.A. applies clear policies in the event that limits are transferred and for the procedure in the case of exceeded limits.

Allocation of Limits

The limits for the operation of the firm's proprietary position are allocated as follows:

- Front Office proposes the credit limits that it considers appropriate for the development of the operations of the business. This proposal is prepared with the support of the Market Risk Department of BBVA Valores Colombia S.A.

- The Market Risk Department of BBVA Valores Colombia S.A. sends a proposal to the Credit Risk Area of BBVA Colombia S.A. for study. The Credit Risk Department of BBVA Colombia S.A. studies the proposal and issues an opinion thereon, making recommendations regarding the limits. The recommendations of the Credit Risk department of BBVA Colombia are taken into account by BBVA Valores Colombia S.A. and are submitted for authorization by General Management to the Board of Directors.

Structural Risk

BBVA Colombia`s Bank

Structural interest rate risk - The control and monitoring of the management of BBVA Colombia's structural interest rate risk is based on a set of metrics and tools that allow the proper monitoring of the entity's risk profile. Structural interest-rate risk refers to the potential impact caused by variations in market interest rates on the entity's interest margin and equity value. At BBVA Colombia, the following are considered to be the main sources of this risk: repricing risk, yield curve risk, optionality risk and basis risk, which are analyzed from two complementary perspectives: the interest margin (short-term) and economic value (long-term). Under this kind of structure, a dynamic (going concern) model is used, which is consistent with the corporate assumptions of results forecasting.

The monitoring encompasses the Banking Book positions and excludes all the Trading Book positions, is carried out on a monthly basis and consists of a wide range of scenarios, which include sensitivities in the event of changes parallel to the different impacts, and changes in slope and curvature. For 2019, the aggregate sensitivity calculation is included, in order to obtain the total sensitivity figure for the different balances in each currency (COP; RVU and USD); this measurement takes into account the volatility of the currencies and their correlation, in order to calculate the parallel movements of the curves.

Other probabilistic metrics are evaluated based on statistical methods for the simulation of scenarios, such as Margin at Risk (MaR) and Economic Capital (EC), which are defined as the maximum adverse

deviations in the interest margin and the economic value, respectively, for a given timeframe and confidence level. Impact thresholds are established based on these management metrics, in terms of deviations from the interest margin, as well as from the standpoint of impact on economic value. This is all done differently for each of the main foreign currencies to which the BBVA balance sheet is exposed, and subsequently considers the diversification effect between foreign currencies.

In order to ensure the effectiveness of the model, it is subjected to internal validation on a regular basis. In addition, exposures to Banking Book interest risk are subjected to different stress scenarios in order to show the vulnerabilities of the balance sheet under extreme scenarios.

Below are the average interest-rate risk levels in terms of sensitivity for the BBVA Colombia balance sheet during the 2020 fiscal year:

| Item | Límit | December, 2020 | December, 2019 |
|--|-------------|----------------|----------------|
| Margin sensitivity warning (- 100 basis points) | 5,0% | 1,29% | 1,46% |
| Margin at risk limit (*) | 7,0% | 1,09% | 1,06% |
| Economic value sensitivity warning (+100 basis points) | COP 650,000 | COP 173,074 | COP 554,736 |
| Economic capital limit | COP 650,000 | COP 565,564 | COP 670,434 |

(*) Percentage in relation to the projected “1 year” interest margin of each unit.

(**) Values presented in the balance

Structural currency risk - Its purpose is to assess and control potential impacts caused by fluctuations in exchange rates by positions in foreign currency, on the solvency and income of BBVA Colombia. During 2020, the impact on solvency is maintained in the face of movements in 10% of the representative exchange rate (TRM, for the Spanish original):

Table of sensitivity: solvency to variations in exchange rates for December 2020 and 2019

| Impact in the event of a 10% change in the TRM | | | |
|--|---------------------|--------------------------|---------------------|
| 2020 | | 2019 | |
| Impact on solvency ratio | Real solvency ratio | Impact on solvency ratio | Real solvency ratio |
| 25 pbs | 14.72% | 23 pbs | 11.51% |

Credit risk

BBVA Colombia's Bank

Risk management and exposure at December 2020 and 2019 were as follows:

| Maximum risk exposure | December 31 2020 | December 31 2019 |
|--|----------------------|----------------------|
| Cash and Cash Equivalents | COP 3,427,184 | COP 4,137,714 |
| Financial assets held for trading | 1,151,413 | 4,466,753 |
| Financial assets available for sale | 247,400 | 212,895 |
| Investments held to maturity | 2,082,345 | 883,472 |
| Derivatives and hedge accounting | 2,308,641 | 1,395,215 |
| Consumer portfolio | 20,302,912 | 19,336,528 |
| Commercial loan portfolio | \$19,085,946 | 18,604,642 |
| Mortgage portfolio | 12,988,602 | 12,311,001 |
| Credit investment | 52,377,460 | 50,252,171 |
| Loans approved but not disbursed | 784,486 | 1,085,653 |
| Credit limits | 4,578,901 | 4,081,191 |
| Bank guarantees | 3,148,963 | 1,157,708 |
| Letters of credit | 616,205 | 1,153,056 |
| Total net maximum risk exposure | COP 9,128,555 | COP 7,477,608 |

Note: This information contains the implicit risk for the concepts of fixed income and derivatives, for which reason no direct cross-referencing with Balance Sheet balances is established.

With respect to cash equivalents for risk exposure, deposits in the Central Bank of Colombia are not considered since it is the country's Central Bank.

Evolution of Credit Risk Quality and Exposure

By June 1, 2020, Public Notice 31/2019 of the Financial Superintendence of Colombia was implemented, which modified the credit exposure of derivatives computed in the solvency calculation, so the Bank's total credit exposure goes from COP 4,953,910 at the end of June and to COP 4,982,197 at the end of September 2020.

The maximum risk exposure presented is based on the market risk management system (SARM, for the Spanish original) that allows the Bank to identify, measure, control and monitor the market risk to which it is exposed, based on the positions assumed in the performance of its operations, as well as using the regulatory methodology to measure the risk of financial instruments. For investments, the maximum risk per issuer at nominal value of the securities and the counterparty risk of derivatives without intergroup operations with collateral were considered.

Portfolio Management & Reporting

It carries out the follow-up of the Commercial and Consumer Reference Models, according to the provisions of Annexes 3 and 5 of Chapter II of the Basic Accounting and Financial Notice of the Financial Superintendence, complying with the regulations related to provisions and qualifications. It also verifies the correct application of the regulations for the traditional models of housing loans and employee loans.

The New Definition of Default project is under construction, which aims to generate the parameters required by the European standard, for the calculation of credit risk parameters for Regulatory Capital, based on advanced models. This development should be completed by Jun-20.

In turn, portfolios are monitored on a regular basis in accordance with corporate requirements and using internal management tools such as Core, RiDE, Capital Map and Asset Allocation.

In terms of models, we have continued to monitor the admission scoring for individual portfolios, which help in the discrimination capacity of the tools; also, for the Wholesale world, we began by re-estimating the Sector Rating, which is expected to be completed in Q2 2020.

We are working proactively, together with the recovery area, in order to be able to focus management on customers who can reduce the impact on local and consolidated NPAs, which in the end provides benefits in terms of write-offs in the Bank's provisions.

Retail Credit

The Retail Risk area includes the following units:

Individuals Admission Management

Dedicated to the process of analysis and decision regarding credit operations originated for individuals through the different channels.

Specialized evaluation of customer profiles adjusted to the established risk levels. There is an improvement in the portfolio indicators, as a result of the implementation of policies and controls in the Admission processes even in a scenario of slight expansion in placement.

Permanent support and training of the commercial staff is in place for the correct implementation of the operations focused on the target market for the bank.

SMEs Admission Management

This area is responsible for admitting all the Bank's customers with sales of less than COP 12 billion. The process has been centralized since December 2017 in one factory, which carries out a process of assembly and validation of information from each of the proposals, before it is evaluated by the Risk Admission analysts.

The Bpm CAP - PCO tool was used on a mass scale in September 2020, where the filing of credit applications for new resources of the SME segment is centralized. This tool communicates with the

Power Curve Origination tool in order to obtain customer information automatically, performing online validations that ensure improved portfolio quality and mitigate reprocessing. The automatic assignment of credit transactions to the SME risk admission team is already in production and there is an assessment model for customers with sales of up to COP 6,000 million, based on qualitative and quantitative information. Requirements are being developed for MVP 6, which contains information on external filters, sanction flow, captures information for the decision-making body and Delegation Control. The project is expected to be completed in 1Q 2021.

In line with the country's economic situation and in support of Government regulations, admission focuses on assessing customers with an 80% and 90% FNG guarantee under the Unidos por Colombia Program. Sector reports will be updated with Guidelines by subsector so that both the office network and the admissions areas can take them into account when making decisions.

Follow-up Department

Carry out actions aimed at measuring the risk of individual portfolios and controlling their evolution, assessing growth trends and the behavior of credit operations granted to individuals, in order to establish objective risk or high-risk risk profiles.

The improvement of the processes for generating tracking figures through an integral vision, as well as the inclusion of new axes and dimensions, has allowed us to respond more quickly to Bank demands regarding risk appetite, proposing changes in admission and supporting decision making.

The constant monitoring of the quality of placements made under the attribution of the office network continues to be one of the most relevant processes within the follow-up process, which now, based on the system of attributions by level, provides managers with greater autonomy in accordance with their experience and the performance of the risk indicators.

In addition, support is provided in the preventive management of portfolio customers in order to anticipate portfolio impairment based on statistical information in accordance with the risk group associated with each customer's profile.

In turn, there is constant monitoring of each of the products, the quality of the new originations and KPI compliance to support the growth of retail banking.

Regulation, Policy, Process and Campaign Department

It is responsible for updating the regulations in accordance with the guidelines of the corporate and the local regulator. It also defines the new policies and adjustments of admissions based on the periodic review of the portfolio behavior and economic evolution.

In general, the implementation and alignment of policies continues according to the guidelines issued by corporate and in coordination with Business, figures are reviewed and evaluated to support the admission process by adapting the most relevant filters. In line with the country's economic situation, adjustments are made to policies, the Commercial Network's credit attributions for Consumer products remain suspended, approvals are concentrated in Risks, and the capacities are returned as of October 2020 for housing products. With regard to customer profiles, there is a focus on the Mortgage line, aimed at Payroll and Non-Payroll Wage-earning customers, in Payroll Loans, with an in-depth focus on Public Sector agreements and in CIB companies and Large Companies in resilient sectors.

Automatic, cross-cutting and comprehensive credit processes are being promoted through Retail Policies and Campaigns, and while they involve and adapt to the established risk levels, they allow the development of a digital culture both within the Bank and for a better customer experience.

Campaigns properly manages the processes and circuits for mass approvals of current or new portfolios, monitors the quality of the products placed in order to make adjustments to policies and establishes controls on the limits offered.

The generation of Pre-approved offers is limited to Payroll Customers only, aimed at the public and private sector (Resilient Companies), focused mainly on the pre-approval of payroll loans and credit cards.

Recovery & Workout

During the last quarter of the year, we strengthened collection management supported by the Emerge Plan, where customers are contacted in order to normalize their products, including those that were subject to relief during the validity of Notices 007 and 014 issued by the Financial Superintendence of Colombia.

The follow-up and application of the Debtors' Support Program (PAD) has continued through the Inbound and Outbound channels provided by the Bank, in order to contact our customers in advance and thus agree on structural solutions.

The above actions have led to the achievement of important results in the recovery and containment of the local non-performing loan portfolio during the quarter, with a recovery efficiency of 74% in October, 127% in November and 136% in December.

PAD applications are being filed through the Bank's apps, by means of mass uploads and tactical operations, while the automatic developments are being completed, all with the support of the Engineering area.

Wholesale Credit

Wholesale EAD continued to decline in 4Q 2020, recording a 4% decrease, mainly in the Utilities sectors (Grupo Promigas COP 183 billion, EPM COP 64 billion and ISA COP 56 billion),

Consumer (C.I. Tequendama COP 50 billion, ORF COP 43 billion, Adidas COP 34 billion and Crystal COP 20 billion), Basic Materials (Prodeco COP 90 billion and Icoperfiles COP 25 billion) and Autos (GM COP 40 billion and Porsche COP 30 billion). This led to an 83% use of Asset Allocation lending limits by the end of the year, highlighting the growth in the Institutions, Financial Services and Retail sectors.

At year-end 2020, there were redefinitions in the amount of COP 627 billion for 117 customers (3.6% of wholesale EAD), based on Public Notice 022 of the Financial Superintendence of Colombia (SFC, for the

Spanish original) and reliefs from Public Notices 007 and 014 of the SFC had been finalized, equivalent to 90% of the total authorized amount, with payments pending mainly from territorial entities that, for market reasons, were granted longer terms.

In relation to the updating and validation of ratings, 2020 ended with a validation indicator of 98% in terms of amount and 88% in terms of number of customers.

BBVA Valores

In accordance with its investment policy for own resources, it limits its exposure to credit risk to investing in liquid debt instruments and with issuers that have a long-term credit rating of at least AA+ (international BB+). Management actively monitors credit ratings and given that the Broker, at the end of December 2020, had only investments in instruments rated AAA long-term and F1+ short-term, Management does not expect any of its counterparties to fail to fulfill their obligations.

The maximum exposure to credit risk is as follows:

| Maximum exposure to credit risk | Value | Comment |
|-------------------------------------|------------|---|
| Financial assets held for trading | COP - | |
| Equity | COP - | *Nominal value of the equity position |
| Debt securities | COP 23,398 | *Nominal value of the fixed-income position |
| Financial assets available for sale | COP - | |
| Equity | COP 0,53 | *Nominal value of the equity position |
| Debt securities | COP - | *Nominal value of the fixed-income position |
| Investments held to maturity | COP - | |
| Derivatives and hedge accounting | COP - | |

*Figures stated in COP millions

Operational risk

BBVA Colombia`s Bank

BBVA has a general risk management and control model adapted to its business model and its organization, which allows it to carry out its activities within the framework of its risk management and control strategy and policy and adapt to a changing economic and regulatory environment. The Internal Control and Country Operational Risk area is responsible for establishing mechanisms to follow-up and control its execution under the protection of local requirements on operational risk and internal control (Public Notice 041/2007 and Public Notice 038/2009).

The internal control and operational risk management model is based on the regulatory definition, which establishes that Operational Risk “is that which may cause losses as a result of human error, inadequate or defective internal processes, system failures and as a consequence of external events, including legal and reputational risk.” It has one anticipatory and preventive approach (ex-ante) of the analysis of the causes for their mitigation and another, which measures the consequences (ex-post) through the effectiveness of the defined controls, in order to define cross-cutting action plans and achieve the continuous improvement of the control environment.

This model is structured on three lines of defense and a governance model:

First line: Composed of the Business and Support Areas, responsible for the management of the operational risks in their products, activities, processes and systems, carrying out the identification and evaluation of operational risks, establishing the objective risk proposal, carrying out the controls and executing the mitigation plans for risks with a residual level greater than that which can be assumed.

Second line: Composed of Internal Control and Country Operational Risk, which are responsible for maintaining the management model and assessing the degree of implementation in the scope of the different Areas; and the Control Specialists (Compliance, Internal Risk Control, Internal Financial Control, Operational Risk Control, IT Risk Control, Legal Services, Talent & Culture and Responsible Business),

which define the Mitigation and Control Framework in their area of specialty and contrast it with that implemented by the first line. The specialists have a cross-cutting role, exercising their functions in the areas where the operational risks of their field may materialize.

Third line: Performed by Internal Audit, which carries out an independent review of the management model.

Governance Model:

Corporate Assurance Committee: Committee that allows the second line of defense to provide Senior Management with a comprehensive and homogeneous vision on the identification and/or prioritization of relevant situations, in order to ensure an adequate control and management environment for non-financial risks, through the adoption of prompt and anticipatory decisions for their mitigation.

Operational Risk Admission and Product Governance Committee (CARO&GP, for the Spanish original) It ensures the proper assessment of initiatives with significant operational risk (new business, product, outsourcing, process transformation, new systems, etc.) from the operational risk perspective and the approval of the proposed control environment.

Area Internal Control and Operational Risk Committee: It ensures the correct implementation of the operational risk management model in the areas and promotes its active management, making mitigation decisions in the event of identification of control weaknesses and monitoring them.

Continuous management is carried out through the implementation of principles and parameters of admission, monitoring, mitigation and specific tools that support the actions of the model; while Control Specialists and Managers continuously report to Internal Control and Country Operational Risk.

The operational risk appetite indicator (IRO, for the Spanish original) is monitored based on execution within the thresholds defined and assigned by the Board of Directors and Corporate bodies.

To strengthen the management of the first and second line of defense (1LoD and 2LoD) in the Bank's production model, the implementation of the organizational project started in the second half of this year.

Internal Control Model - Non-Financial Risk. In alignment with the Agile Model, this will incorporate new management elements in 2020 for the different roles of the organization regarding control:

- Frontline (1LoD), responsible for non-financial risk management.
- Risk Control Assurer (RCA 1LoD), promoter of the proper management of all the non-financial risks of the projects and processes in the area to which it belongs by the frontline.
- Risk Control Specialist (RCS 2LoD), ensures a proper control environment of its risk specialty, cutting across the entire organization.

To this end, the following activities were carried out:

- Alternatives for financing new resources
- Assessment process and skills of the current Internal Control and Operational Risk staff
- Issuance of resources for the selection of RCA and RCS leaders and managers
- Definition, appointment and selection of teams (in progress).

In turn, Internal Control and Country Operational Risk, included the analysis of outsourcing within operational risk admission governance. Relevant services were evaluated, the admission flow was reinforced and a unique contribution was made to the construction of specific control frameworks by service, and progress was made in raising awareness by training the control teams and Contract Managers.

With regard to the risk prevention culture, training activities were carried out together with the Talent & Culture area, for all staff (Bank and subsidiaries). The virtual course "The Legal Challenge" to be carried

out in 2020 was available starting in November, while the third-party (Outsourcing) ORMS training, was carried out through Asobancaria (between the months of September and November) with the participation of the entity providing expert training.

BBVA Valores

The assessment of BBVA Valores' Operational Risk Management System has required Management to become more involved, considering the weaknesses identified in the stages and components, as a result of successive changes in the Company's organizational structure leading to a certain deterioration of the control environment. As part of the measures that are being developed, each of the Company's processes and the internal control structure are reviewed, thereby adjusting the activity and the current situation.

In 2020, the Risk Management Systems were assessed, under the responsibility of Internal Audit, with no significant considerations (except for those discussed in the section on operational risk). Similarly, on the other risks that are part of the Risk Assessment and on which work was carried out in line with the 2020 plan, no additional significant considerations were observed. It is important to note that the work properly addressed the AGILE archetype, thus allowing us to fulfill our plan for 2020.

In October 2020, Internal Audit defined its purpose as follows: "We help BBVA to improve every day, as a team that inspires others... having fun."

BBVA Fiduciaria

During the course of 2019, the Trust Company continued the actions and assessments that allow the permanent monitoring and management of the risks related to its activities, achieving a level of mitigation in line with the realities that can affect the business, in compliance with the standards set out in Public Notices 041/2007, 038/2009 and 029/2014 issued by the Financial Superintendence of Colombia regarding the implementation and monitoring of the operational risk management systems (ORMS) and the internal control system.



Operational risk management was managed using the STORM (Support Tool for Operational Risk Management) tool, whose platform and structure satisfies the needs and demands required by the new methodology.

The ORMS training plan is carried out through the e-campus tool for all employees when they join the company and annual training updates are carried out to strengthen the knowledge of all employees in compliance with the standard.

The company reports and follows up on risk events through a procedure established under the management of the Internal Control and Operational Risk area, which analyzes, assesses, controls, and monitors the timely recording and processing of relevant approvals, along with the corresponding action plans to mitigate risk exposure levels.

At December 31, 2020, losses amounting to COP 293,836 were recorded in the financial statements, along with recoveries amounting to COP 1,605, derived from the materialization of operational risks throughout the year.

In relation to the continuity plan, BBVA AM has an Alternate Operations Center (COA, for the Spanish original), where the respective quarterly testing has been carried out on the critical processes established by the BIA in order to ensure business continuity. The results of the testing in 2020 have been favorable.

Cash and cash equivalents

With respect to cash equivalents for risk exposure, deposits in the Central Bank of Colombia are not considered since it is the country's Central Bank.

Corporate operational risk model - In 2020, the quarterly Internal Control and Operational Risk committee meetings continued, presenting the management and results of the risk profile. Other risk exposures include put and call market transactions and the settlement of inactive accounts.

44. Corporate Governance

BBVA Colombia's Corporate Governance System is in line with international, corporate and local trends and recommendations. Its principles, elements and practices are contained in different instruments that guide the structure and roles of the corporate bodies, such as the Corporate Governance Code, the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Board of Director's Supporting Committees.

The System is also complemented with the internal rules of conduct, included in the BBVA's Code of Conduct, Code of Conduct in the Securities Market and Code of Conduct for the Prevention of Money Laundering and Terrorist Financing, which state the tenets that govern the actions of its executives, managers and employees.

The Group's Corporate Governance is based on the distribution of roles between the Board of Directors and its different supporting committees, each with specific roles allowing an appropriate decision-making process: Audit Committee, Risk Committee, Corporate Governance Committee and Appointment and Remuneration Committee.

The Group's Bylaws establish that the Board of Directors is the Company's natural administration, management and oversight body, and in 2020, it was made up of five Principal Board members, two of whom are independent, pursuant to Law 964/2005, and are aware of the responsibility involved in managing the different risks, and are familiar with the Group's business structure and processes, which enables them to provide the proper support and supervision.

For the 2020 fiscal year, the Board of Directors performed its functions in compliance with the timetable of meetings following the announcement thereof, in which Board members were informed of the agenda and provided with the supporting documents and information required for each of the topics to be discussed at the meetings.

The four supporting committees of the Board of Directors (Audit Committee, Risk Committee,

Corporate Governance Committee and Appointment and Remuneration Committee) have extensive roles assigned in their respective rules of procedure, which provide support in subjects specific to their area of competence, having established a work system coordinated between the committees, and between the committees and the Board. This ensures the corporate bodies' awareness of the relevant matters, reinforcing the existing control environment in the Group.

These Committees are chaired by independent Board Members with extensive experience in their areas of competence, in accordance with their rules of procedure. They also have extensive powers and autonomy in the management of their corresponding Committees, allowing them to call for the meetings they deem necessary to perform their roles, decide their agenda and have the support of Bank executives and external experts whenever they consider it appropriate, depending on the importance or relevance of the topics to be discussed.

The rules of procedure of the Board of Directors and the Committees, as well as their Annual Management Reports can be referred to on the BBVA Colombia website:

www.bbva.com.co/atencionalinversionista/gobiernocorporativo

Risk Management

Regarding our Risk Management Policy, in the first instance, the Board of Directors is responsible for approving the risk management strategy and policies, as well as for overseeing the internal control and management systems which are incorporated in the institution's other activities. In greater detail, the risk strategy approved by the Board of Directors includes at least: a) the statement of the risk appetite; b) the fundamental metrics and basic structure of limits; c) the types of risk and classes of assets; and d) the foundations of the control and risk management models.

At the Senior Management or Bank Management level, the role of risk management is led by the Executive Risk Vice-Presidency, which has a decision-making process underpinned by a system of

committees comprised of highly qualified professionals on the subject. These professionals study and propose the strategies, policies, procedures and infrastructures necessary to identify, assess, measure and manage the material risks faced by the Group in the development of its businesses.

As a result, please note that the Board of Directors and Senior Management are duly aware of the Entity's business structure and processes, and provide the proper support, monitoring and supervision; the final determination of policies, the risk profile and the approval of the operating limits of the different transactions under the responsibility of the Board of Directors.

Therefore, building on the framework established by the Board of Directors and Senior Management, the business units have the responsibility of daily risk management. Similarly, in order to manage risk management adequately, it is understood as an exclusive, global and independent role of the sales units.

At each ordinary meeting of the Board of Directors, the entity's risk positions are clearly, concisely, quickly and accurately reported, indicating exposures by type of risk, business unit and portfolio, and their budget alignment with the approved risk appetite. Similarly, the credit transactions corresponding to its level of delegation are reported, including the companies or individuals associated with the Group.

The Entity's risk function is unique and independent, where the risks assumed must be compatible with the target level of solvency, they must be identified, measured and assessed, and there must be procedures in place for monitoring and management, as well as solid control and mitigation mechanisms. All risks must be managed in a comprehensive manner throughout their life cycle with differentiated treatment according to type. The risk integration model recognizes the diversification among the different types of risks: credit, market, liquidity, operational, etc. The business areas are responsible for proposing and maintaining the risk profile within their autonomy and scope of action (defined as the set of risk policies and procedures). The risk infrastructure is adequate in terms of human resources, tools and technology, information systems, and methodologies for measuring the different types of risks and procedures, which facilitates the clear definition of roles and responsibilities, ensuring independence between the trading, risk control and accounting areas, as well as the efficient allocation of resources.



Regarding the technology infrastructure of the Risk Department, it is important to highlight the ongoing optimization and implementation of the tools throughout the life cycle of the managed risks. This is reflected in the following aspects: i) The closing of the implementation of Power Curve for all lines of credit for Individuals, and the constant improvement of the pre-approved mechanism in digital banking; ii) The development and implementation of PF Lite as control and monitoring tools in the Corporate segment; iii) The project to modernize the tool for the SME segment continued; iv) The incorporation of structural issues in the Single Development Agenda (SDA), such as information automation and process redefinition, to help in the reduction of response times and risk management.

In the Loan Acceptance Departments, policies, mechanisms and regulations were reviewed on a regular basis with the continuous training for the network, maintaining the adequate use of authorities, which has allowed it to maintain the leading position in terms of portfolio quality and the sustained increase in the market limit.

Regarding market risk, during the fiscal year, the established controls continued: the measurement limits of Treasury VaR were maintained and the short-term liquidity was regularly reviewed, along with the financial structure of the balance sheet.

From a corporate perspective, the Group has processes for risk identification and analysis of scenarios that allow it to carry out dynamic and prospective risk management. The risks are demonstrated and measured with the methods deemed appropriate in each case. Their measurement includes the design and application of scenario analysis and stress testing, and controls to which the risks are subject are taken into account. In this context, emerging risks have been identified that could affect the evolution of the Group's business, which include macroeconomic and geopolitical risk, and regulatory, legal and reputational risks. Therefore, changes in the regulatory framework are monitored on a constant basis, in order to anticipate and adapt to them in time, adopting the most efficient and rigorous best practices and criteria in their implementation. It is also evident that the financial sector is subject to a growing level of scrutiny by regulators, governments and society itself. Therefore, negative news or inappropriate

behavior can cause significant damages to reputation and affect an entity's capacity to develop a sustainable business. For these reasons, the behavior of the Group's members is governed by principles of integrity, honesty, long-term vision and best practices, all under the Group's Internal Control Model, Code of Conduct and Responsible Business Strategy.

A final risk identified by the Group is business and operational risk, which results from the evolution of the digital and information technology world, which involves significant challenges for financial entities, leading to threats and new opportunities, a new framework of customer relations, greater capacity to adapt to customer needs, and new products and distribution channels. Therefore, digital transformation is a priority for the Group.

In terms of internal control and operational risk, removing control weaknesses identified in the Risk and Control Self-Assessment (RCSA); operational risk management's focus on critical processes; and detailed monitoring of the operating losses were relevant, promoting improvements for the control and mitigation processes and activities.

At the same time and considering threats that have been identified as cyberattacks, fraud in payment systems, etc., important investment is required in security, from both the technological and human perspective. In the Group, with the support of the HR Department, work has continued in the training and generation of a culture of control for this kind of risk. Additionally, the local regulatory requirements on operational risk in cyber security were met, and through the Technology Risk Management Department, the necessary campaigns were carried out to raise awareness in the digital transformation framework at BBVA.

Audit

In turn, the Internal Auditor and the Statutory Auditor are aware of the Entity's operations and made recommendations regarding compliance with the limits, closure of operations and market conditions, as

well as the transactions carried out between related parties. Specifically, the Statutory Auditor reported that it had not observed significant situations that would lead it to believe that the Group is not following the practices, methodologies, procedures and standards established for management of the different kinds of risk.

In view of the above, it was concluded that the Group has an adequate general control and management model for its business profile, organization and region in which it operates, which allows it to carry out its activity in the framework of the Corporate Governance System, in turn, adapting to a changing economic and regulatory environment.

IR (Investor Relations) Recognition

For the seventh consecutive time, BBVA Colombia received the Issuer Recognition (IR) certification awarded by the IR Committee of Bolsa de Valores de Colombia (BVC) for the 2019-2020 period. The IR certification is awarded by Bolsa de Valores de Colombia to issuers that voluntarily certify compliance with best practices in matters of investor relations and disclosure of information to investors and the market in general. Considering the relevance of having sufficient and timely information, at the time of making investment decisions and with the objective of making Colombia a more attractive market for investment, the Bolsa de Valores de Colombia (BVC) promotes among issuers the adoption of best practices in terms of information disclosure and investor relations. As a result of the measures taken, BBVA Colombia has positioned itself as the main foreign bank in the country and is listed as one of the issuers with the best content standards, with the highest standards in Corporate Governance and with the greatest evolution in 2016-2020, reiterating its commitment to adopting best practices in disclosure and Corporate Governance, thereby strengthening the security and confidence of domestic and foreign investors.

45. Subsequent Events

The Bank is considering refinancing a portion of its current dollar-denominated issuance, in order to replace it with a new issuance or subordinated loan that is Tier 2 Capital and in accordance with Basel III - loss absorption - in order to improve the cost of funds, extend the term of the debt and improve capital metrics, among others. This is done through a cash tender offer on the current issuance, an unwind of the existing hedge on the repurchased amount and the end of hedge accounting for this portion. The new issuance or subordinated loan is for a 10-year term with a call option at year 5 -10NC5- and a call date hedging with a cash flow CCS.

On January 5, 2021, a joint venture called Movistar Money was established, in which the Bank has a share of 49%. The initial activity of the new company will be to finance third parties for the acquisition of cellular equipment in Movistar stores through consumer credits. Subsequently, the company will review new financing opportunities for other types of items or products for next year. The estimated production start-up date for the company is July 2021, which may vary depending on the completion of pending activities by the company.

46. Other Items of Interest

Tax regulations. The Bank applied, among other tax provisions, the Tax Reform corresponding to the Economic Growth Law - Law 2010/December 27, 2019, according to which the most relevant changes were as follows:

1. Special Income Tax Rate.

| year | General corporate rate | Additional points | Final rate |
|------|------------------------|-------------------|------------|
| 2020 | 32% | 4 | 36% |
| 2021 | 31% | 3 | 34% |
| 2022 | 30% | 3 | 33% |

2. The inflationary component of financial returns for banking products was revived.
3. The consumption tax on the sale of real estate exceeding 26,800 was eliminated.
4. Exemption is maintained on interest from loans for the acquisition of low-income and priority interest housing, with a mortgage guarantee or through financial leasing, for a term of five years from the date of payment of the first installment of the loan repayment or the first leasing fee.
5. Presumptive income was decreased as follows: 2020: 0.5%; 2021: 0%

As announced by the Government, the proposal of a new tax reform will be presented in 2021, which will likely modify the taxation of banking entities.

Impact on the Financial Statements of Secured Overnight Financing Rate (SOFR) and Euro Short-Term Rate (ESTR)

In 2020, Counterparty Clearing Houses transitioned the transactions that were clearing to be discounted with SOFR in exchange for FED Funds. At the local level, at October 16, 2020, BBVA Colombia had just 26 transactions with London Clearing House (LCH) through the Clearing Broker service provided by BBVA Madrid. This impact on the Bank amounted to USD 102.9 of which LCH only recognized USD 70.78 explained by the difference in valuation inputs. The Bank does not have a Euro Derivatives position offset by a clearing house. Therefore, the effect of the transition from EONIA to ESTR was zero.

Transition from Libor

In 2021, BBVA expects to transition the rest of the portfolio, for all counterparties that, due to a change in the remuneration of the collateral in the CSA contracts, are held in USD or EUR. This effect is estimated to be approximately USD 600. It is important to mention that this projection does not consider the changes in the LIBOR or EONIA indexed flows of the portfolio's Derivatives, because there is still no market consensus on the final form that these projection indices will have.

Benchmark rates are indicators that reflect the cost of money over a period of time, market liquidity and expectations about central bank interest rates. In addition, they are indices to which a wide variety of financial instruments are indexed. One of the most widely used and well-known indicators is the London Interbank Offered Rate (LIBOR), which represents the interest rate at which participating banks expect to borrow on the interbank market. The rate is published daily for overnight, weekly, monthly, bimonthly, quarterly, semiannual and annual terms, and is calculated based on a survey answered by 8 to 16

entities for the following currencies: (i) U.S. dollar (USD); (ii) pound sterling (GBP); (iii) euro (EUR), (iv) Japanese yen (JPY); and (v) Swiss franc (CHF). One of the main weaknesses of LIBOR is that it is not based on actual interbank transactions, but on the perception of each of the participating entities of the possible cost of such funds.

The transition to benchmark rates other than LIBOR impacts derivative, credit, fixed income and deposit products denominated in the affected currencies. There are two types of impact:

Products that use LIBOR as a reference, for example, interest rate or exchange rate swaps with LIBOR, USD loans tied to LIBOR, and bonds that define their interest rate based on LIBOR, among others.

Exchange rate derivatives that do not directly use LIBOR but do consider the rate in their valuation curves, for example, options, forwards, futures in USD, swaps in COP with a discount or funding in USD, and swaps with fixed rates in USD, among others.

The greatest impact is expected for products with type 1 impact, for which the following actions are being taken:

- If necessary, adjust the contracts used to carry out the transaction to include fallbacks that consider the disappearance of the reference index.
- Adjust the technological systems and internal tools that support operations to use the new reference rates.
- Determine a way to manage the change in the Income Statement that will occur in the transactions as a result of the change in the reference rate.
- Define the spreads required to adjust the new reference rates.

On October 19, the Bank changed the discount curves for valuing transactions with the counterparty BBVA Madrid Clearing, which were swap transactions cleared with an international clearing house, since the international clearing houses made the transition on October 16, 2020.



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