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Consolidated Report
Colombia 2021

# Consolidated Report Colombia 2021

**General Coordinator's Office**

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# 1. Reports and Certifications

# 1. Reports and Certifications

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**STATUTORY AUDITOR'S REPORT**

Dear Shareholders
Banco Bilbao Vizcaya Argentaria Colombia S A.:

## Opinion

I have audited the Consolidated Financial Statements of Banco Bilbao Vizcaya Argentaria Colombia, S. A. (the Bank), which include the Consolidated Statement of Financial Position at December 31, 2021, and the Consolidated Statements of Income, of Other Comprehensive Income, of Changes in Equity and of Cash Flow for the year ended on that date, along with their respective notes, which include the significant accounting policies and other explanatory information.

In my opinion, the aforementioned consolidated financial statements attached hereto reasonably present, in all material aspects, the Group's consolidated financial position at December 31, 2021, the consolidated income of its operations and the consolidated cash flows for the year ended on that date, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, applied consistently with the previous year.

## Basis for the Opinion

I carried out my audit in accordance with the International Standards on Auditing (ISA) accepted in Colombia. My responsibilities, according to said standards, are described in the section of my report named "Responsibilities of the Statutory Auditor Regarding the Audit of the Consolidated Financial Statements." I am independent from the Group, in accordance with the International Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA), included in the Reporting Assurance Standards accepted in Colombia, as well as the relevant ethical requirements established in Colombia for my audit of the Separate Financial Statements, and I have fulfilled all other ethical responsibilities in accordance with the aforementioned IESBA Code. I believe the audit evidence I have obtained offers sufficient and appropriate grounds to issue my opinion.

## Key Audit Matters

The key audit matters are those that, in my professional judgment, were most relevant for my audit of the Consolidated Financial Statements of the current period. These matters were agreed in the context of my audit of the Consolidated Financial Statements as a whole in forming my opinion in this regard, and I do not issue a separate opinion on these matters.



KPMG S.A.S.
TIN 860.000.846-4

| Impairment Assessment of the Loan Portfolio under IFRS 9 (see notes 3.5 and 10 to the consolidated financial statements) | |
|---|---|
| **Key Audit Matter** | **How it was Addressed by the Audit** |
| The Group periodically reviews the credit risk exposure of its loan portfolio. Determining such exposure is one of the most significant and complex estimations in the preparation of the attached consolidated financial statements, due to the substantial amount of judgment involved in developing the models used to determine impairment based on the expected loss approach required by IFRS 9. The balances of the commercial loan portfolio and its credit risk allowance at December 31, 2021, totaled COP 58,952,914 million and COP 3,223,150 million, respectively.<br><br>I considered to assessment of impairment of the loan portfolio a key audit matter because it involves significant uncertainty in measurement, which requires complex judgments, knowledge and industry experience. Such elements could have effects mainly on: (1) the evaluation of the methodologies used. | The following, among others, were the audit procedures used to assess the sufficiency of the impairment due to credit risk:<br>• Involvement of professionals with experience and knowledge in the assessment of credit risk and information technologies, to assess certain internal controls related to the Group's process for determining the impairment of the loan portfolio. This included controls related to: (1) validation of the model that determine the probability of loss, its severity, and the exposure at the time of default; (2) the Group's monitoring for determining impairment of the loan portfolio: (3) information technology controls on the input data of the models that determine loan impairment and their related calculations; (4) the assessment to determine whether significant changes in credit risk have occurred; (5) review of the macroeconomic variables and weighted scenarios used in the models to determine impairment of the loan portfolio: and (6) testing was performed on the controls related to reviewing commercial loans that are assessed individually. |
| including the methodology to estimated loss given default; (2) the probability of loss given default, its factors and key assumptions; (3) the ratings of the loans and qualitative factors incorporated in the variables of the Group's internal models; and (4) the calculation of estimated impairment due to credit risk of the full loan portfolio | • Professionals who are knowledgeable of credit risk assessment and information technology assisted me in: (1) evaluating the key methodologies and 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) evaluating the macroeconomic variables and scenarios weighted by probability used in the internal.<br>• Models,including considering alternative data for certain variables; (3) recalculating a sample of the expected loss model and its related data; and (4) assessing the qualitative adjustments applied to the model.<br>• On a sample of loans, assess the credit risk assigned by the Group and the Group's judgment to determine whether a significant increase in the risk of the related loan had occurred.<br>. |

**Other Matters**

The Consolidated Financial Statements for the year ended on December 31, 2020, which are presented exclusively for comparative purposes, were audited by me, and in my report dated February 23, 2021, I issued a clean opinion on them.

**Other Information**

Management is responsible for other information. The other information is information included in the annual report other than the consolidated financial statements and my corresponding audit report. My opinion on the Consolidated Financial Statements does not cover the other information and I do not express any type of assurance conclusion on such information. Regarding my audit of the Consolidated Financial Statements, my responsibility is to read the other information, and in doing so, to consider whether any material inconsistency exists between such information and the Consolidated Financial Statements or the knowledge I have obtained through my audit, or whether it otherwise appears to contain any material misstatements. If, based on my work, I conclude that such other information contains a material misstatement, I am under the obligation of reporting this fact. I have nothing to report in this regard.

**Responsibility of Management and of those Charged with Corporate Governance at the Bank Regarding the Consolidated Financial Statements**

Management is responsible for the preparation and reasonable presentation of these Consolidated Financial Statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes designing, implementing and maintaining the internal control that Management deems necessary for the preparation and presentation of Consolidated Financial Statements that are free of material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable under the circumstances.

In preparing the Consolidated Financial Statements, Management is responsible for assessing the Group's capacity to continue as a going concern, and for disclosing, if applicable, any matters related to its continuity and the use of the going concern accounting assumption, unless Management intends to liquidate the Group or cease its operations, or if there is not other realistic alternative than to do so.

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

**Responsibilities of the Statutory Auditor regarding the Audit of the Consolidated Financial Statements**

My objective is to obtain reasonable assurance as to whether the financial statements, taken as a whole, are free from material misstatements, due to either fraud or error, and to issue a report containing my opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit carried out in accordance with NIAs will always detect an existing material misstatement. Misstatements may be due to fraud or error, and they are considered material if, individually or in combination, they could be reasonably expected to influence the decisions made by users based on these Consolidated Financial Statements.

I obtain sufficient and appropriate audit evidence on 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 audit of the Group. I continue to be solely responsible for my audit opinion.

I communicate to those charged with governance at the Group, among other matters, the planned scope and timing of the audit, as well as any significant audit findings, including any significant deficiencies of internal controls I may identify during my audit.

I also provide those charged with corporate governance confirmation that I have fulfilled all relevant ethical requirements of independence, and I have communicated all relationships and other matters that could reasonably be considered to influence my independence and, if applicable, the associated safeguards.

Based on the matters communicated to those charged with corporate governance, I determine the most significant matters for the audit of the Consolidated Financial Statements in the current period, which are therefore the key audit matters. I describe these matters in the Statutory Auditor's report, unless laws or regulations prevent public disclosure of the matter, or when, in extremely exceptional circumstances, I determine that the matter should not be communicated in my report because the adverse consequences of doing so would reasonably outweigh the benefit to the public interest of publishing such information.

**Adriana Rocío Clavijo Cuesta**
**Statutory Auditor of Banco Bilbao Vizcaya Argentaria Colombia S.A.**
Prof. License No. 115083-T
Member of KPMG S.A.S.

February 22, 2022

Certification by the Registered Agent and General Accountant

**CERTIFICATION BY THE REGISTERED AGENT AND GENERAL ACCOUNTANT**

The undersigned Registered Agent and General Accountant of BBVA Colombia, in compliance with Article 37 of Law 222/1995 and Article 46 of Law 964/2005, certify that the financial state-

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ments of the Bank at December 31, 2021, along with their explanatory notes, have been prepared based on the Accounting and Financial Reporting Standards accepted in Colombia (NCIF, for the Spanish original), uniformly applied, ensuring that they reasonably present the financial position and the results of its operations, and that before making them available to the General Meeting of Shareholders and third parties we have verified that:

- The figures included in the consolidated  financial statements and the explanatory notes have been faithfully taken from the books and have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF).
- All the assets and liabilities listed in the Group's financial statements at December 31, 2021 exist and all the transactions listed in said statements have been carried out during the year ended on that date.
- All economic events that affect the Group and its affiliates during the year ended on December 31, 2021, have been recognized in the consolidated financial statements.
- All the economic events that affect the Group and its affiliates have been correctly classified, described and disclosed in the consolidated financial statements.

- The assets represent probable future economic benefits (rights) and the liabilities represent probable future economic sacrifices (obligations) obtained or on the account of the Group at December 31, 2021.
- We have verified that the measurement, valuation and presentation procedures have been uniformly applied with the previous year and that they reasonably reflect the financial position at December 31, 2021.
- All the items have been recognized at their appropriate 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 consolidated financial statements at December 31, 2021, and other relevant reports for the public contain no defects, inaccuracies or errors that would prevent knowing the true financial position and operations of the entity and its affiliates.

**GERMAN ENRIQUE RODRIGUEZ**
**REGISTERED AGENT**
BBVA COLOMBIA

**OSCAR ENRIQUE RODRÍGUEZ ACOSTA**
**GENERAL ACCOUNTANT**
Prof. License No. 179552 T

# 2. Consolidated Financial Statements

# 2. Consolidated Financial Statements

## 2.1 Consolidated Statement of Financial Position

At December 31, 2021 and 2020

(in millions of COP)

| ITEM | Note | At December 31, | |
|---|---|---|---|
| | | 2021 | 2020 |
| ASSETS | | | |
| **Cash and cash equivalents** | ( 8 ) | **COP 11.029.678** | **COP 6.266.488** |
| Cash and deposits in banks | | 10.268.716 | 5.745.960 |
| Investment funds | | 24.140 | 36.313 |
| Money market transactions | | 736.822 | 484.215 |
| **Financial investment assets** | ( 9 ) | **COP 7.272.987** | **COP 7.408.591** |

| ITEM | Note | At December 31, | |
|---|---|---|---|
| | | 2021 | 2020 |
| **Investments at fair value through profit or loss** | | **2.766.217** | **2.894.835** |
| Investments at fair value through profit or loss | | 2.594.225 | 2.775.447 |
| Investments at fair value through profit or loss provided in Money Market transactions | | 171.992 | 119.388 |
| **Investments at fair value through OCI** | | **2.423.398** | **2.388.309** |
| Investments at fair value through OCI Debt Instruments | | 650.189 | 1.151.941 |
| Investments at fair value through OCI Equity Instruments | | 358.275 | 371.271 |
| Investments at fair value through OCI provided in Money Market transactions | | 770.469 | 146.761 |
| Investments at fair value through OCI provided as Collateral in transactions | | 644.465 | 718.336 |
| **Investments at amortized cost (net)** | | **2.083.372** | **2.125.447** |
| Investments at amortized cost | | 55.422 | 2.131.188 |
| Investments at amortized cost through profit or loss provided in money market transactions | | 2.030.671 | - |
| Impairment of investments at amortized cost | | (2.721) | (5.741) |
| **Derivative Financial Instruments and Cash Operations** | **( 14 )** | **COP 3.290.980** | **COP 3.809.914** |

| ITEM | Note | At December 31, 2021 | At December 31, 2020 |
|---|---|---|---|
| For Trading | | 2.960.451 | 3.657.534 |
| For Hedging | | 330.529 | 152.380 |
| **Loan portfolio and financial lease transactions (net)** | **( 10 )** | **COP 54.618.275** | **COP 47.908.617** |
| Commercial | | 22.216.442 | 18.826.188 |
| Consumer | | 21.739.393 | 19.518.776 |
| Mortgage | | 13.178.087 | 12.159.294 |
| Micro-credit | | 2 | 2 |
| Employees (mortgage and consumer) | | 498.298 | 479.043 |
| Impairment of loan portfolio and financial leases, net | | (3.013.947) | (3.074.686) |
| **Interest on loan portfolio and other items (net)** | **( 10 )** | **COP 1.111.489** | **COP 1.244.613** |
| Commercial | | 261.032 | 258.481 |
| Consumer. | | 627.935 | 673.262 |
| Mortgage. | | 422.906 | 451.323 |
| Employees (mortgage and consumer) | | 3.217 | 3.297 |
| Other interest on loan portfolio | | 5.602 | 7.794 |
| Impairment of interest and other loan portfolio and financial lease items, net | | (209.203) | (149.544) |
| **Others** | | **COP 2.596.620** | **COP 2.250.290** |
| Accounts receivable (net) | ( 15 ) | 1.246.726 | 1.003.345 |

| ITEM | Note | At December 31, 2021 | At December 31, 2020 |
|---|---|---|---|
| Other advances to contracts and suppliers | ( 21 ) | 139.803 | 62.440 |
| Investments in joint ventures | ( 19 ) | 179.764 | 149.818 |
| Non-current Assets Held for Sale | ( 16 ) | 58.932 | 51.675 |
| Property and equipment, net | ( 17 ) | 671.941 | 702.364 |
| Right-of-use fixed assets | ( 11 ) | 109.124 | 136.443 |
| Intangible assets, net | ( 18 ) | 139.621 | 120.202 |
| Deferred tax assets, net | ( 31 ) | 1.257 | 306 |
| Current tax assets | ( 31 ) | 2.316 | 1.844 |
| Other tax assets | ( 31 ) | 735 | 723 |
| Prepaid expenses | ( 21 ) | 38.691 | 17.635 |
| Other Assets (Net) | ( 20 ) | 7.710 | 3.495 |
| Total assets | | COP 79.920.029 | COP 68.888.513 |
| LIABILITIES | | | |
| **Deposits and on-demand liabilities** | **( 22 )** | **COP 59.165.936** | **COP 51.951.600** |
| On-demand | | 41.143.827 | 32.757.435 |
| Term | | 18.022.109 | 19.194.165 |
| Money market and simultaneous transactions | ( 23 ) | 3.696.625 | 506.292 |
| **Derivative Financial Instruments and (Liability) Cash Transactions** | | **COP 3.454.783** | **COP 4.107.191** |
| Trading | ( 25 ) | 3.454.783 | 4.106.964 |

| ITEM | Note | At December 31, | |
|---|---|---|---|
| | | 2021 | 2020 |
| **Financial obligations** | | | |
| Bank credits and other financial obligations | ( 24 ) | 2.974.166 | 2.606.926 |
| **Taxes** | | | |
| Deferred taxes, net | ( 31 ) | 103.645 | 115.091 |
| Current taxes | ( 31 ) | 152.986 | 21.385 |
| Other taxes | ( 31 ) | 140.663 | 141.701 |
| | | | |
| Estimated Liabilities and Provisions | ( 29 ) | 284.833 | 276.494 |
| Accounts payable | ( 26 ) | 712.760 | 714.295 |
| Labor liabilities | ( 30 ) | 250.005 | 240.871 |
| Other Liabilities | ( 28 ) | 339.399 | 253.144 |
| Outstanding Investment Securities | ( 27 ) | 2.388.531 | 2.304.263 |
| Lease liabilities | | 115.796 | 141.036 |
| Total liabilities | | COP 73.780.128 | COP 63.380.290 |
| SHAREHOLDER'S EQUITY | | | |
| Subscribed and Paid-in Capital | ( 32 ) | 89.779 | 89.779 |
| Reserves | ( 33 ) | 3.643.354 | 3.408.311 |
| Share issue premium | | 651.950 | 651.950 |
| Net income or loss for year | ( 34 ) | 890.240 | 461.405 |

| ITEM | Note | At December 31, | |
|---|---|---|---|
| | | 2021 | 2020 |
| Retained earnings | | 111.308 | 114.962 |
| Other comprehensive income (OCI) | ( 35 ) | 744.506 | 772.506 |
| Article 6 Law 4 / 80 | | 506 | 506 |
| **Total shareholders' equity** | | **6.131.643** | **5.499.419** |
| Minority interest | | 8.258 | 8.804 |
| Total equity | | 6.139.901 | 5.508.223 |
| Total liabilities and equity | | 79.920.029 | 68.888.513 |

See the notes attached hereto, which are an integral part of the Consolidated Financial Statements

Germán Enrique Rodríguez Perdomo,
Registered Agent[1]

Oscar Enrique Rodríguez Acosta
General Accountant[1]
Prof. License No. 179552-T

Adriana Rocío Clavijo Cuesta
Statutory Auditor
Prof. License No. 115083-T
Member of KPMG S.A.S
See my report of February 22, 2022

[1]The undersigned Registered Agent and Public Accountant hereby certify that we have previously verified the assertions contained in these Separate Financial Statements and that they have been faithfully taken from the Company's ledgers.

## 2.2 Consolidated Statement of Income

For the year ended on December 31, 2021 and 2020

(in millions of COP)

| | | For the years ended on December 31, | |
|---|---|---|---|
| | Note | 2021 | 2020 |
| **INTEREST REVENUES** | ( 39 ) | | |
| **Loan portfolio** | | **COP 4.646.921** | **COP 5.053.726** |
| Consumer | | 2.117.570 | 2.280.644 |
| Commercial | | 820.478 | 1.061.332 |
| Mortgage | | 858.606 | 874.155 |
| Credit Card | | 404.305 | 390.838 |
| Factoring | | 32.681 | 35.399 |
| Operating leases | | - | 1.359 |
| Financial leases | | 101.411 | 133.362 |
| Residential leases | | 311.870 | 276.637 |
| **Interest expenses** | | **(1.382.211)** | **(1.897.610)** |
| Savings accounts | | (277.173) | (523.333) |
| Term deposits and adjustment of real value units | | (1.019.432) | (1.268.596) |
| Banks and financial obligations | | (85.606) | (105.681) |
| **Interest revenues, net** | | **COP 3.264.710** | **COP 3.156.116** |

| | | For the years ended on December 31, | |
|---|---|---|---|
| | Note | 2021 | 2020 |
| **FEE REVENUES** | ( 40 ) | | |
| Fee revenues | | 658.723 | 555.452 |
| Fee expenses | | (440.984) | (349.054) |
| Total Commission Income, net | | COP 217.739 | COP 206.398 |
| **NON-INTEREST REVENUES** | ( 40 ) | | |
| **Securities** | | **932.789** | **1.165.321** |
| **Derivatives** | | **20.454.645** | **25.508.493** |
| **Disposals** | | **173.625** | **135.637** |
| **OPERATING EXPENSES** | ( 41 ) | | |
| **Securities** | | **(834.748)** | **(900.553)** |
| **Derivatives** | | **(20.595.124)** | **(25.090.194)** |
| **Disposals** | | **(141.362)** | **(141.121)** |
| Total operating income | | COP (10.175) | COP 677.583 |
| **Activities in joint operations** | ( 40 ) | **COP 880** | **COP 1.598** |
| **IMPAIRMENT OF ASSETS** | | | |
| **Impairment of loan portfolio and financial leases, net** | | **(977.450)** | **(1.501.286)** |
| Reversion of impairment on loan portfolio | | 1.998.388 | 1.379.509 |

| | | For the years ended on December 31, | |
|---|---|---|---|
| | Note | 2021 | 2020 |
| Impairment of loan portfolio and leasing translations | | (2.976.038) | (2.880.950) |
| Impairment of investments | | 200 | 155 |
| Impairment of non-current assets held for sale | | (21.823) | (17.292) |
| Impairment of property and equipment | | (83) | (1.397) |
| Reversion of other impairment | | 19.849 | 18.645 |
| Total impairment of assets (net) | | $ (979.507) | $ (1.501.330) |
| **OTHER OPERATING INCOME** | | | |
| **Other operating revenues** | ( 40 ) | **COP 194.072** | **COP 96.093** |
| **Other operating expenses** | ( 41 ) | **COP (1.835.027)** | **COP (1.729.147)** |
| **Exchange differences, net** | ( 40 ) | **COP 483.266** | **COP (203.580)** |
| **Pretax profits** | | **COP 1.335.958** | **COP 703.731** |
| Income tax | | (469.241) | (390.259) |
| Deferred Tax | | 25.082 | 150.118 |
| **Current year net income** | | **COP 891.799** | **COP 463.590** |
| **Net income attributable to:** | | | |
| Owners of the controlling company | | COP 890.240 | COP 461.405 |
| Non-controlling interests | | 1.559 | 2.185 |
| **Current year net income** | | **COP 891.799** | **COP 463.590** |
| **Earnings per ordinary share (in COP)** | | | |
| Basic | | 62 | 32 |

See the notes attached hereto, which are an integral part of the Consolidated Financial Statements

Germán Enrique Rodríguez Perdomo,
Registered Agent[1]

Oscar Enrique Rodríguez Acosta
General Accountant[1]
Prof. License No. 179552-T

Adriana Rocío Clavijo Cuesta
Statutory Auditor
Prof. License No. 115083-T
Member of KPMG S.A.S
See my report of February 22, 2022

[1]The undersigned Registered Agent and Public Accountant hereby certify that we have previously verified the assertions contained in these Separate Financial Statements and that they have been faithfully taken from the Company's ledgers.

## 2. 3 Consolidated Statement of Changes in Equity

For the year ended on December 31, 2021 and 2020

(In millions of COP and thousands of shares)

| For the year ended on December 31, 2021 and 2020 | Subscribed and paid-in capital | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares with non-voting preferred dividend | | Ordinary shares | | | | | | | | | | | |
| | Number | Value | Number | Value | Reserves | Share issue premium | Current year net income | Retained earnings | Adjustment on first-time adoption of IFRS | Other comprehen sive income (OCI) | Article 6 Law 4/1980 | Total shareholders' equity | Non-controlling interest | Total shareholders' equity |
| BALANCES AT December 31, 2019 | 479.760 | COP 2.994 | 13.907.929 | COP 86.785 | COP 3.039.130 | COP 651.950 | COP 731.618 | COP 95.669 | COP (42.887) | COP 638.888 | COP 506 | COP 5.204.653 | COP 7.260 | COP 5.211.913 |
| **Non-controlling interest (minority interest)** | | | | | | | | | | | | | | |
| Transfers | - | - | - | - | - | - | (731.618) | 731.618 | - | - | - | - | - | - |
| Reserves | - | - | - | - | - | - | - | - | - | - | - | - | 1.223 | 1.223 |
| Valuation | - | - | - | - | - | - | - | - | - | - | - | - | 209 | 209 |
| Gain (loss) | - | - | - | - | - | - | - | - | - | - | - | - | 16 | 16 |
| Dividends paid in cash on preferred and common shares | - | - | - | - | - | - | - | - | - | - | - | - | (1.463) | (1.463) |
| Appropriation for legal reserve | - | - | - | - | - | - | - | (369.189) | - | - | - | (369.189) | - | (369.189) |
| Current year net income | - | - | - | - | 369.181 | - | - | (369.181) | - | - | - | - | - | - |
| Updated appraisal of fixed assets | - | - | - | - | - | - | 461.405 | - | - | - | - | 461.405 | 1.559 | 462.964 |
| Deferred taxes (net) | - | - | - | - | - | - | - | - | (2.437) | - | - | (2.437) | - | (2.437) |
| Unrealized gains from remeasurement of financial instruments | - | - | - | - | - | - | - | - | 18.219 | - | - | 18.219 | - | 18.219 |

| For the year ended on December 31, 2021 and 2020 | Subscribed and paid-in capital | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares with non-voting preferred dividend | | Ordinary shares | | | | | | | | | | | |
| | Number | Value | Number | Value | Reserves | Share issue premium | Current year net income | Retained earnings | Adjustment on first-time adoption of IFRS | Other comprehen sive income (OCI) | Article 6 Law 4/1980 | Total shareholders' equity | Non-controlling interest | Total shareholders' equity |
| Adjustment by sales force of retained earnings | - | - | - | - | - | - | - | - | 53.150 | - | - | 53.150 | - | 53.150 |
| Other comprehensive income | | | | | | | | | | | | | | |
| Hedge with cash flow derivatives | - | - | - | - | - | - | - | - | - | 7.899 | - | 7.899 | - | 7.899 |
| Gains on other equity items of subsidiaries | - | - | - | - | - | - | - | - | - | (4.535) | - | (4.535) | - | (4.535) |
| Gain from reversion of impairment on loan portfolio and finance leasing transactions | - | - | - | - | - | - | - | - | - | 137.760 | - | 137.760 | - | 137.760 |
| Actuarial calculation on employee benefits | - | - | - | - | - | - | - | - | - | 2.426 | - | 2.426 | - | 2.426 |
| Accumulated gains from remeasurement of financial assets available for sale | - | - | - | - | - | - | - | - | - | 16.038 | - | 16.038 | - | 16.038 |
| Gains on non-controlling interests | - | - | - | - | - | - | - | - | - | 16.321 | - | 16.321 | - | 16.321 |
| Deferred taxes, net | - | - | - | - | - | - | - | - | - | (42.291) | - | (42.291) | - | (42.291) |
| BALANCES AT DECEMBER 31, 2020 | 479.760 | COP 2.994 | 13.907.929 | COP 86.785 | COP 3.408.311 | COP 651.950 | COP 461.405 | COP 88.917 | COP 26.045 | COP 772.506 | COP 506 | COP 5.499.419 | COP 8.804 | COP 5.508.223 |
| Non-controlling interest (minority interest) | | | | | | | | | | | | | | |
| Transfers | - | - | - | - | - | - | (461.405) | 461.405 | - | - | - | - | - | - |
| Reserves | - | - | - | - | - | - | - | - | - | - | - | - | 81 | 81 |

| For the year ended on December 31, 2021 and 2020 | Subscribed and paid-in capital | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares with non-voting preferred dividend | | Ordinary shares | | | | | | | | | | | |
| | Number | Value | Number | Value | Reserves | Share issue premium | Current year net income | Retained earnings | Adjustment on first-time adoption of IFRS | Other comprehensive income (OCI) | Article 6 Law 4/1980 | Total shareholders' equity | Non-controlling interest | Total shareholders' equity |
| Valuation | - | - | - | - | - | - | - | - | - | - | - | - | (68) | (68) |
| Gain (loss) | - | - | - | - | - | - | - | - | - | - | - | - | (2.118) | (2.118) |
| Dividends paid in cash on preferred and common shares | - | - | - | - | - | - | - | (234.807) | - | - | - | (234.807) | - | (234.807) |
| Appropriation for legal reserve | - | - | - | - | 235.043 | - | - | (235.043) | - | - | - | - | - | - |
| Current year net income | - | - | - | - | - | - | 890.240 | - | - | - | - | 890.240 | 1.559 | 891.799 |
| Updated appraisal of fixed assets | - | - | - | - | - | - | - | - | 296 | - | - | 296 | - | 296 |
| Sale of non-current assets held for sale | - | - | - | - | - | - | - | - | (521) | - | - | (521) | - | (521) |
| Deferred taxes (net) | - | - | - | - | - | - | - | - | 581 | - | - | 581 | - | 581 |
| Adjustment by sales force of retained earnings | - | - | - | - | - | - | - | - | 4.434 | - | - | 4.434 | - | 4.434 |
| Other comprehensive income | | | | | | | | | | | | | | |
| Gain on cash flow hedging | - | - | - | - | - | - | - | - | - | 31.243 | - | 31.243 | - | 31.243 |
| Gains on remeasurement of defined benefit plans | - | - | - | - | - | - | - | - | - | 15.268 | - | 15.268 | - | 15.268 |
| Gains on other equity items of subsidiaries | - | - | - | - | - | - | - | - | - | 142 | - | 142 | - | 142 |
| Loss on non-controlling interests | - | - | - | - | - | - | - | - | - | (52.214) | - | (52.214) | - | (52.214) |

| For the year ended on December 31, 2021 and 2020 | Subscribed and paid-in capital | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares with non-voting preferred dividend | | Ordinary shares | | | | | | | | | | | |
| | Number | Value | Number | Value | Reserves | Share issue premium | Current year net income | Retained earnings | Adjustment on first-time adoption of IFRS | Other comprehensive income (OCI) | Article 6 Law 4/1980 | Total shareholders' equity | Non-controlling interest | Total shareholders' equity |
| Loss on remeasurement of financial assets available for sale | - | - | - | - | - | - | - | - | - | (51.244) | - | (51.244) | - | (51.244) |
| Gain from reversion of impairment on loan portfolio and finance leasing transactions | - | - | - | - | - | - | - | - | - | 12.468 | - | 12.468 | - | 12.468 |
| Deferred taxes, net | - | - | - | - | - | - | - | - | - | 16.337 | - | 16.337 | - | 16.337 |
| BALANCES AT DECEMBER 31, 2021 | 479.760 | COP 2.994 | 13.907.929 | COP 86.785 | COP 3.643.354 | COP 651.950 | COP 890.240 | COP 80.473 | COP 30.835 | COP 744.506 | COP 506 | COP 6.131.643 | COP 8.258 | COP 6.139.901 |

See the notes attached hereto, which are an integral part of the Consolidated Financial Statements

Germán Enrique Rodríguez Perdomo,
Registered Agent[1]

Oscar Enrique Rodríguez Acosta
General Accountant[1]
Prof. License No. 179552-T

Adriana Rocío Clavijo Cuesta
Statutory Auditor
Prof. License No. 115083-T
Member of KPMG S.A.S
See my report of February 22, 2022

[1]The undersigned Registered Agent and Public Accountant hereby certify that we have previously verified the assertions contained in these Separate Financial Statements and that they have been faithfully taken from the Company's ledgers.

## 2. 4 Consolidated Statement of Cash Flow

For the year ended on December 31, 2021 and 2020

(In millions of COP )

| | For the years ended on December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Balance at the beginning of period** | **COP 6.266.488** | **COP 5.642.226** |
| CASH FLOWS IN OPERATING ACTIVITIES: | | |
| Disbursements and payments received from loan portfolio and leasing customers | (4.811.075) | 18.220 |
| Payments and reception of on-demand deposits | 8.045.366 | 4.785.128 |
| Payments and reception of term deposits | (1.172.354) | (388.062) |
| Payments and reception of other deposits and on-demand liabilities | 988.639 | (1.351.488) |
| Payments and redemptions received on financial debt and derivative instruments | 418.799 | 1.362.128 |
| Payments to suppliers and employees | (4.191.408) | (3.230.221) |
| Interest received from loan portfolio and leasing customers and others | 4.288.152 | 4.113.405 |
| Interest paid on deposits and on-demand liabilities | (1.297.187) | (1.793.225) |
| Income tax | (434.727) | (504.720) |
| Cash advances and loans granted to third parties | (703.293) | (489.539) |
| Collections on the reimbursement of advances and loans granted to third parties | 625.930 | 489.100 |

| | For the years ended on December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Net cash flow provided by operating activities** | **1.756.842** | **3.010.726** |
| CASH FLOWS IN INVESTMENT ACTIVITIES: | | |
| Payments on investments held to maturity | (233.284.106) | (198.529.625) |
| Collections on investments held to maturity | 235.352.358 | 196.503.761 |
| Dividends received | 19.900 | 12.325 |
| Acquisition of property and equipment | (50.723) | (50.948) |
| Sale price of property and equipment | 39.346 | 2.907 |
| Cash inflows from investment activities | 190.030 | 190.077 |
| **Net cash flow provided by (used in) investment activities** | **2.266.805** | **(1.871.503)** |
| CASH FLOW IN FINANCING ACTIVITIES: | | |
| Payment of loans and other financial liabilities | (4.569.924) | (3.816.004) |
| Collection of loans and other financial liabilities | 4.656.562 | 3.567.380 |
| Dividends paid to owners | (266.267) | (393.745) |
| Cash inflows from financing activities | 98.485 | 448.932 |

| | For the years ended on December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Net cash flow used in financing activities** | **(81.144)** | **(193.437)** |
| CASH AND CASH EQUIVALENTS: | | |
| Effect of exchange rate fluctuations on cash held in foreign currency | 820.687 | (321.524) |
| **BALANCES AT THE END OF PERIOD** | **COP 11.029.678** | **COP 6.266.488** |

See the notes attached hereto, which are an integral part of the Consolidated Financial Statements

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## 2. 5 o Consolidated Statement of Other Comprehensive Income

For the year ended on December 31, 2021 and 2020

(In millions of COP )

| | | For the years ended on December 31, | |
|---|---|---|---|
| | Note | 2021 | 2020 |
| **CURRENT YEAR NET INCOME** | | **COP 893.719** | **COP 461.405** |
| OTHER COMPREHENSIVE INCOME | | | |
| **Items that are not reclassified to the Statement of Income for the period:** | | | |
| Gains (losses) of other equity items of subsidiaries | | 142 | (4.535) |
| Gains on remeasurement of defined benefit plans | | 15.268 | 2.426 |
| Gain from reversion of impairment on loan portfolio and finance leasing transactions | | 12.468 | 137.760 |
| Loss (gain) on non-controlling interests | | (52.214) | 16.321 |
| Total partidas que no se r | | (24.336) | 151.972 |
| **Items that can be reclassified following the Statement of Income for the period:** | | | |
| Loss (gain) on remeasurement of financial assets available for sale | | (51.244) | 16.038 |
| Gain on cash flow hedging | | 31.243 | 7.899 |
| Total items that may subsequently be reclassified to profit or loss for the period. | | (20.001) | 23.937 |
| Total Other Comprehensive Income | | (44.337) | 175.909 |

| | | For the years ended on December 31, | |
|---|---|---|---|
| | Note | 2021 | 2020 |
| **Deferred tax:** | | | |
| On investments in equity instruments of other comprehensive income | | 34.754 | (1.586) |
| On remeasurement of financial assets | | 16.024 | (4.300) |
| On application of IFRS 9 | | (24.023) | (32.834) |
| On cash flow hedges | | (10.418) | (3.571) |
| Total deferred tax | | 16.337 | (42.291) |
| Total other comprehensive income, net from taxes | ( 37 ) | (28.000) | 133.618 |
| Total statement of comprehensive income for the period | | COP 865.719 | COP 595.023 |

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# 3. Notes to the Consolidated Financial Statements

# 3. Notes to the Consolidated Financial Statements

BANCO BILBAO VIZCAYA ARGENTARIA COLOMBIA S.A.
At December 31, 2021 and 2020
(Expressed in millions of COP, except for the exchange rate and net earnings per share)

## 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 is to provide loans to public and private sector companies and to individuals. 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 511 and 534 offices for the years ended December 31, 2021 and 2020, 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:

| | 2021 | 2020 |
|---|---|---|
| Branch offices | 360 | 380 |
| In house | 85 | 88 |
| Service centers | 7 | 13 |
| Agencies | 31 | 24 |
| Remote banking | 28 | 29 |
| Total offices | 511 | 534 |

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 2021 and 2020, amounted to 5,434 and 5,282 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, 2021 and 2020, it had 119 and 121 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 its conducts its commercial activity. At December 31, 2021 and 2020, it had 31 and 24 employees, respectively, and its term of duration expires on April 11, 2091.

At December 31, 2021 and 2020, the breakdown of the balance sheet for the consolidated entities was as follows:

| Entity | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ASSET | LIABILITIES | EQUITY | INCOME | ASSET | LIABILITIES | EQUITY | INCOME |
| BBVA COLOMBIA | $ 79,516,659 | $ ( 73,829,357) | $ (4,792,060) | $ 895,242 | $ 68,413,201.00 | $ (63,416,880.00) | $ (4,996,322.00) | $ 469,850.00 |
| BBVA ASSET MANAGEMENT S.AS | 117,116 | (8,602) | (108,514) | 26,898 | 131,062.00 | (11,648.00) | (119,414.00) | 38,801.00 |
| BBVA VALORES S.A | 43,777 | (2,345) | (41,432) | 1,483 | 42,175.00 | (1,684.00) | (40,491.00) | 1,010.00 |
| Total | 79,677,552 | (73,840,304) | (4,942,006) | 923,623 | 68,586,438 | (63,430,212) | (5,156,227) | 509,661 |

*Eliminations in consolidation:*

| Description | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | BBVA | BBVA Fiduciaria | BBVA Valores | BBVA | BBVA Fiduciaria | BBVA Valores |
| Eliminations in consolidation | (COP 31,904) | COP 16,252 | COP 15,652 | COP 31,050 | COP 26,820 | COP 4,230 |
| Elimination in equity | (117,991) | 82,635) | 35,356 | (115,283) | 80,937 | 34,345 |
| Minority interest (equity) | (-) | (5,955) | (2,303) | (-) | (4,424) | (2,263) |
| Minority interest (income) | (-) | (1,476) | (82) | (-) | (2,120) | (12) |

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 and 2270/2019 and Decree 1432/2020 and Decree 938/2021, 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 allowances on 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 calculation of pension liabilities must be disclosed 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 intermediaries. (See Notes 7 and 14).

**Decree 1311/2021 regulates Social Investment Law 2155/2021**, which seeks, through a series of fiscal measures, to contribute to the reactivation of the economy, to job creation, to the protection of the business social fabric and to support the most vulnerable populations, in a framework of macroeconomic stability.

**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), have been approved by the Bank's Board of Directors for issuance on February 22, 2022. 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 16, 2022.

## 2.2. Consolidation Criteria

For consolidation purposes, and following the criteria established by the NCIF, the scope of consolidation is defined using the guidelines established by IFRS 10, which basically concern control (power/returns) as a guide to determine which companies are susceptible to consolidation and the information to be disclosed regarding shareholdings in other entities. The consolidation method to be applied depends on 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 | 2021 | 2020 |
|---|---|---|
| BBVA Asset Management S.A. | COP (5.955) | COP (6,553) |
| BBVA Valores S.A. | (2.303) | (2,251) |
| Total | COP (8.258) | COP (8,804) |

The Bank consolidated the subsidiaries in which it held the following shareholdings at December 31, 2021 and 2020:

| 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% |

## 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 discounting 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 described in Note 3, and the judgments and estimates and described 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 revisions 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, 2021 are the same as those applied by the Group in the Consolidated Financial Statements audited at December 31, 2020.

### 3.1. Cash and cash equivalents

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

- They must meet the definition of assets
- It is probable 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:

- They are short-term highly liquid 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, 2021 and 2020, 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 recognized, 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 translated into the functional currency applying the exchange rate at 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 translated using the exchange rate at the date of the transaction.

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

Any resulting negative and positive exchange difference is recognized in the exchange difference item of the Consolidated Statement of Income. The exchange rate used for adjusting the resulting balances in US Dollars at December 31, 2021 and December 31, 2020 was COP 3,981.16 and COP 3,432.50 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.

## 3.5. 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 recognized 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 the contractual cash flows, and
- The contractual conditions of the financial asset on the stipulated dates meet the cash flow conditions that are solely payments of principal and interest on the outstanding principal, i.e., it meets the criterion of "solely payments of principal and interest" (SPPI).

**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 outstanding 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 the 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 solely payments of principal and interest on the outstanding principal (meets the SPPI criterion).

Unrealized profits or losses are recognized in other comprehensive income and are subsequently transferred to the consolidated statement of income at the time of their realization.

Any other financial assets 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 to allocate financial income throughout the relevant period. The effective interest rate is the discount rate that exactly matches estimated receivable or payable cash flows (including fees, basic interest points paid or received, transaction costs and other premiums or discounts included when calculating the effective interest rate) over the expected life of the financial instrument or, when applicable, over a shorter period, to the 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 of Financial Instruments** - Financial assets and liabilities may be offset, i.e., presented as a net amount in the Consolidated Statement of Financial Position, only when dependent items specify both a legally enforceable right to offset the amounts recognized in said instruments, as well as the intention to settle the net amount, or realize the asset and settle the liability simultaneously.

**Financial assets and liabilities at fair value through profit or loss** - The assets and liabilities are recognized at fair value, and the amount of any change in fair value is recognized as income or expense depending on its nature. However, variations arising from exchange rate differences are recorded in the "exchange differences, net" line item of the statement of income.

**Impairment of financial assets** – The 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, whenever the credit risk of a financial asset has increased significantly since its initial recognition, the Group recognizes a loan loss adjustment on the financial instrument, which is measured as the amount of the expected credit loss over the lifetime of the asset. The assessment is carried out on a collective or individual basis, considering all the reasonable and adequately supported information, including information 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 owed 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 adjustment in value due to losses of the financial asset is measured at an amount equal to the expected credit losses over the next 12 months.

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

**Definition of default**: Default is the key aspect for estimating the risk parameters and for allowance calculations. A default occurs in any of the following circumstances:

- There is objective and substantial evidence of impairment, i.e., payment is more than 90 days past due, 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 past due criterion, 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 in 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 cure period.

- Debtor bankruptcy, preventing or delaying the payment of its credit obligations to the Bank.

The expected loss model is applied to loans or debt instruments measured at amortized cost and items recorded outside the balance sheet, including undisbursed credit commitments, letters of credit and financial collateral.

**Derecognition of Financial Instruments** - Financial assets are derecognized from the Consolidated Statement of Financial Position when the contractual rights to the cash flows of the financial asset have expired or when the implicit risks and rewards of the asset are transferred to third parties and the transfer meets the requirements for derecognition.

In the latter case, the transferred financial asset is derecognized from the Consolidated Statement of Financial Position, simultaneously recognizing any right or obligation retained or created as a result of the transfer. It is considered that the Group substantially transfers the risks and rewards, if the risks and rewards that are transferred represent the majority of the total risks and rewards of the transferred assets.

When the risks and/or rewards associated with the transferred financial asset are substantially retained:

- The transferred financial asset is not derecognized from the Consolidated Statement of Financial Position and it continues to be measured with the same criteria used before the transfer.

- An associated financial liability is recognized for an amount equal to the consideration received, which is subsequently measured at amortized cost.

- Both the income associated with the transferred financial asset (not derecognized) and the expenses associated with the new financial liability continue to be recognized.

In the cases where the derecognition of assets refers to recognition criteria within the Conceptual Framework, they will be written off 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 Rules and Procedures (PNI).

Financial liabilities are only derecognized from balance sheet accounts when the Group's obligations have been fulfilled.

*Financial Assets in Investment Debt Securities*

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**: They are managed by 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 consists of debt securities, which the Group measures using the price determined by the valuation price vendor. In the exceptional cases where a determined fair value does not exist on the valuation date, 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 tradeable investments.

**Debt Securities at Fair Value through Profit or Loss**: They 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 manages these securities under 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 solely payments of principal and interest on the outstanding 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 now classified as at amortized cost. The Group has the intent and legal, contractual, financial and operating capacity to hold them until the date of their maturity or redemption, considering that the structure of financial instruments eligible for this portfolio only gives rise to payments of principal and interest. They are measured on a daily basis, exponentially, based on the internal rate of return calculated at the time they were acquired.

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, discounted using the effective interest rate at the date of initial recognition of the investment. The carrying amount of the investment is reduced through an allowance account in the Statement of Income. Subsequently, 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 Investments in Debt Securities**: Subsequent measurements of investment in debt securities depends on the assigned classification, 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), recognizing 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 in the prevalent market conditions 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 price vendors 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 fulfillment of the objective of investment valuation established in IFRS 13, and in all cases: objectivity, transparency and representativeness, permanent assessment and analysis.

**Frequency of measurement and recognition thereof** - The valuation of investments in debt securities must be carried out on a daily basis, unless other provisions 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 for a 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 an outlook of five additional 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 under other comprehensive income.

At the end of each period, the Group evaluates whether there is objective evidence of impairment of its 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 operations, in which the parties have joint control and have rights to the assets and obligations regarding related liabilities; and joint ventures, 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 updated for the changes in the Group's interest in the net assets (equity) of the controlled entity.

The Group has a joint operation with Compañía de Financiamiento Comercial RCI Colombia, which is part of 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 as an effective 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 the effects of valuation, presentation in the Financial Statements, disclosure and financial reporting, 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 ("risk-free") 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 fulfillment and settlement of the transaction;
- Financial strength: of the counterparty for the CVA, as well as the DVA itself;
- Netting or offsetting agreements with counterparties for transactions with derivative financial instruments. 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 credit rating agency in Colombia, as applicable;
- Exogenous circumstances or events that may affect payment capacity and fulfillment of obligations: of the counterparty for the CVA and of the DVA itself; 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, 2021 and 2020, the Bank did not hold any implicit derivatives balances.

### *Hedge Accounting*

A derivative intended to achieve the financial hedging of a certain risk is treated as hedge accounting if, when trading, the 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 hedged 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 the 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 hedges are recognized from the time that the effective hedge is designated through 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 under 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 the 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 through profit or loss for the period, under the line item "other operating profits and losses".

- The amounts previously recognized as Other Comprehensive Income and accumulated in equity are reclassified to the income statement in the periods when the hedge item affects income, under the same line item as the recognized hedged 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 the 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 the placement and collection of customer loans in accordance with the contractual terms, it has decided to classify the loan portfolio as "at amortized cost", since they fulfill the contractual conditions that they give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding balance.

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 recognizes, 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 recognizes 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 asset 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 asset 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 mortgage loans for financing home loans and including the value of the new obligation.

*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 adequate supporting 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, upon occurrence of a significant increase in the credit risk from the time of initial recognition of the transaction to the assessment 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:

- Delinquency 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 includes all items classified as in 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, 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:

| | | |
|---|---|---|
| Consumer | Mortgage | Institutional |
| Revolving-Individuals | SME | Territorial Entities |
| Card-Individuals | Enterprise | Financial Entities |
| Payroll Loan | 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 time sequence of PDs is known as the term structure of PD.

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 term structure of the marginal PD, while for contracts at stage 2 the term structure of total PD will be used.

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

**LGD**: is the loss if the financial instrument is in 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 time value of money, 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 time value of money, 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 loans 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 term structure of LGD 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 probable.

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 the balance off the balance sheet that will be used before the default date.

$$EAD = Dispuesto\ t + (CCF*Disponible\ t)$$

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:

$$CCF=\frac{Dispuesto\_(t+k)-Dispuesto\_t}{Disponible\_t}$$

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 weighted 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 dates of reference 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 GDP, 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 measurement, 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 when it is overdue by more 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 recognized at the present value of expected future cash flows, discounted 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 been past due consecutively for 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 proceedings, the 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 derecognized financial assets are recognized as recovery income.

## 3.6. Non-current Assets Held for Sale

Non-current assets and groups of assets for disposal are classified as held-for-sale if their carrying value is recoverable through a sales transaction, rather than through continuous use. This condition is considered to be met only when the sale is highly probable and the asset (or disposal group) 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 the assets less estimated costs of sale. The difference between both amounts is recognized in profit or loss.

If the assets are not sold within the established term, they are reclassified to the categories from which they 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, the seller does not retain any involvement in management associated with ownership, and does not retain effective control over the asset. The amount of revenue from ordinary activities can be measured reliably, and it is probable that the economic rewards associated with the transaction will be received, and the costs incurred, or to be incurred, related to the sale can be measured reliably.

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

## 3.7. Properties taken under lease

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 consideration.

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

**As a lessee**. At the beginning or upon 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 borrowing rate. The Bank defined the funding rate of similar liabilities as the 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 recognized 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 upon 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:

- fulfillment of 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 payments. After initial recognition, assets were recognized 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 through 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 was 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 recognized in accordance with the regulatory criteria issued by the Financial Superintendence of Colombia for Loan Portfolios.

Leases classified as operating leases are included in the property and equipment account and recognized 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 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 rebate), 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.

New acquisitions are recognized in the financial statements in accordance with 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 and non-recoverable indirect taxes accrued in the acquisition, after deducting any discounts or rebates.

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 intended 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 years |

**Subsequent recognition** – 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, 2021 and 2020, 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 probable that such costs will result in future economic rewards in addition to those originally assessed and they 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) demonstrating 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. Routine 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 in turn, the cost of existing items is removed.

**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 recognizes 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, the seller does not retain any involvement in the management associated with the ownership or any effective control over the asset, the amount of revenue from ordinary activities can be measured reliably, and it is probable that economic rewards associated with the transaction will be 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 derecognition 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 probable 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 goodwill.

**Subsequent disbursements**– Subsequent disbursements are recognized as an expense when they are incurred, in the case of research and development disbursements that do not meet the requirements for being recognized as an intangible assets.

Subsequent disbursements are recognized as intangible assets in the case of development disbursements that meet the requirements for being recognized as intangible assets.

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 involve substantial amounts, and the Group includes software licenses in this category.

Substantial 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 measurement of intangible assets is its 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 pattern 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 derecognized from the balance sheet.

Subsequent disbursements of an intangible item are recognized as an expense unless they are part of the intangible asset meeting the recognition 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 include property and equipment, and intangible assets are recognized at cost.

The Group has a periodic review scheme that includes a measurement 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 its 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 present value of the 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 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 on-demand liabilities, except for term deposit savings 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 term liabilities 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 import and export transactions or transactions for the purchase-sale of chattel assets 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. Subsequently, the value of the rights is assessed for 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 the IRR (Internal Rate of Return).

## 3.15. Labor liabilities

Labor liabilities are recognized on a monthly basis and adjusted at the end of each year based on legal provisions and labor agreements currently in force. The payroll 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 between benefits and work tools.

**Cumulative short-term benefits** – Short-term employee benefits are those that the Group expects to fully settle within 12 months from the reporting date, such as wages and salaries, vacation and severance pay, among others. These benefits accrue as they are incurred by debiting income.

**Long-term benefits** – The Group has chosen to apply financial discounting 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 benefit 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.

Post-employment liabilities are calculated following the criteria of IAS 19 - Employee Benefits of Annex 1.1 of the Technical Regulatory Framework (Decree 2420/2015 and its amendments), 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 from the valuation at the end of the period less the liability at the start of the period, i.e., 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 during or before 1960, and/or those hired up to 1984 who worked in certain regions of the country where the Group had offices but where the ISS did not cover disability, old age and death risks. The liability amount is determined based on actuarial studies adjusted in accordance with the applicable provisions and regulations 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 guidelines, where the present cost of the service and the net interest of the liability are recognized in the statement of income for the period, while new measurements of the liability for defined benefits (actuarial gains and losses) are recognized in Other Comprehensive Income.

### 3.16. Estimated Liabilities and Provisions

They include the amounts recognized 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, settlement of which will probably require an outflow of resources embodying economic benefits from the Group.

These liabilities may arise from legal or contractual provisions, valid expectations created by the Group regarding third parties in connection with taking on 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.

Provisions are liabilities in which there is uncertainty as to their amount or due date. These provisions are recognized in the balance sheet when there is a current liability (legal or implicit) as a result of past actions or events and an outflow of resources from the Group to settle the liability is probable, and the amount of these resources can be reliably measured.

When the effect of the time value of money is significant, the amount of the provision is the present value of the expenses expected to be incurred in settlement.

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

The provisions are recalculated at each reporting date and are used to cover the specific liabilities for which they were originally recognized; they may be subsequently reversed, in full or in part, when such liabilities cease to exist or decrease.

The provisions are classified based on the liabilities covered, as follows:

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

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

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 settlement is not probable to produce an outflow of resources embodying economic benefits 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 enacted or substantially enacted 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 di-

fferences 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 it is probable that the entity will have future taxable income against which it can offset the deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect taxable income or accounting income.

The deferred tax from taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, must be recognized, except 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) enacted or substantially enacted at the end of the reporting period following the approval process.

- **Accounting recognition** - 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 initial recognition of the business combination, the tax effect is considered as part of the recognition of the business combination.

## 3.18. Real value unit – RVU

The Real Value Unit (UVR, for the Spanish original) is certified by the Central Bank and reflects purchasing power based on the variation of the Consumer Price Index (CPI) during the calendar month immediately prior to the month when the calculation period starts.

The UVR is a unit of measure used for calculating the cost of mortgage loans that allows financial entities to maintain 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 issued 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 real value units (RVU) translated into local currency in conformity with the provisions of Law 546 / December 23, 1999, which created the legal framework for housing financing.

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 (UVR) and shall reflect the purchasing power of money, which implies that it is linked to the consumer price index.

## 3.19. Adequate equity

$$\text{Basic Solvency} = \frac{PBO}{APNR + \frac{100}{9}\left(VeR_{RM} + VeR_{RO}\right)} \geq 4.5\%$$

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)), the Bank's adequate equity must comply with the following two minimum levels of solvency:

$$\text{Additional Basic Solvency} = \frac{PBO + PBA}{APNR + \frac{100}{9}\left(VeR_{RM} + VeR_{RO}\right)} \geq 6\%$$

- **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

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

assets (APNR, for the Spanish original) and market and operational risks. This ratio may not be lower than 4.5%.

- **Additional Basic Solvency Ratio**: It is defined as the sum of the value of the PBO

$$\text{Total Solvency} = \frac{PT}{APNR + \frac{100}{9}\left(VeR_{RM} + VeR_{RO}\right)} \geq 9\%$$

and the Additional Basic Equity (PBA, for the Spanish original) divided by the value of the APNR and market and operational risks. This ratio must not be lower than 6%.

- **Leverage Ratio**: It is defined as the sum of the values of PBO and PBA divided by the leverage value. This ratio must not be lower than 3%.

- **Total Solvency Ratio**: It is defined as 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%.

Where:

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

**APNR**= Credit Risk Weighted Assets 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."

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

**$VeR_{RO}$**= 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 allowances, 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. Share issue premium

The share issue premium 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 at a price that is higher than the 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 recognized in the statement of income for the fiscal year as they accrue, 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 probable 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 recognition of general revenues and expenses, the Group uses the general principles of the conceptual framework, such as: Accrual Basis, Recognition, Certainty, Reliable Measurement, Correlation of Revenue and Expenses, Cost-Benefit Consideration, Measurement and Materiality.

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 probable to receive the economic rewards associated with the transaction and the costs incurred in the transaction can be reliably measured.

Revenue and expenses arising from transactions or services that extend over time are recognized over 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 over 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 loan granted, 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.

**Customer Loyalty**: The Group classifies the system of points awarded to its customers for the use of electronic means of payment under this item; 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 reports 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 of inflows and outflows 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 earnings or losses attributable to the holders of ordinary equity instruments of the controlling company (numerator) by the weighted average of ordinary subscribed and paid-in shares, both common and preferred, outstanding (denominator), during the year.

Diluted earnings per share are calculated by adjusting the year's earnings 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 that are not yet effective

The amendments issued by the IASB in 2021 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 | Topic of the standard or amendment | Details |
|---|---|---|
| IFRS 9 – Financial Instruments<br>IAS 39 - Financial Instruments: Recognition and Measurement<br>IFRS 7 - Financial Instruments: Disclosures | Benchmark Interest Rate Reform (amendments to IFRS 9, IAS 39 and IFRS 7) | Paragraphs 102A to 102N and 108G are included in IAS 39 regarding temporary exceptions to the application of specific hedge accounting requirements.<br><br>Paragraphs 24H, on uncertainty arising from the reform of the benchmark interest rate, and 44DE and 44DF (effective date and transition) are added.<br><br>Official publication of the standard for its application is pending. |
| IFRS 9 – Financial Instruments<br>IAS 39 - Financial Instruments: Recognition and Measurement<br>IFRS 7 - Financial Instruments: Disclosures<br>IFRS 4 - Insurance Contracts<br>IFRS 16 - Leases | Benchmark Interest Rate Reform – Phase 2 | Paragraphs 5.4.5 to 5.4.9 are added, changing the base for determining contractual cash flows as a result of the Benchmark Interest Rate Reform (measurement at amortized cost), 6.8.13 on the end of application of the temporary exception for hedge accounting, 6.9.1 to 6.9.13 with additional temporary exceptions arising from the Benchmark Interest Rate Reform, 7.1.10 on effective date, and 7.2.43 to 7.2.46 on the transition for the Benchmark Interest Rate Reform Phase 2 of IFRS 9.<br><br>Amendments are made to Paragraph 102M on the end of application of the temporary exceptions for hedge accounting, Paragraphs 102O to 102Z3 are added with additional temporary exceptions arising from the Benchmark Interest Rate Reform, and 108H to 108K on effective and transition dates, and new headers are added to IAS 39.<br><br>Paragraphs 24I, 24J are added on additional disclosures related to the Benchmark Interest Rate Reform, 44GG and 44HH with effective and transition dates, and new headers are added to IFRS 7.<br><br>Paragraphs 20R and 20S are added with changes in the base for determining contractual cash flows as a result of the Benchmark Interest Rate Reform, and Paragraphs 50 and 51 with the effective and transition dates, and new headers are added to IFRS 4. |

| Financial Reporting Standard | Topic of the standard or amendment | Details |
|---|---|---|
| IFRS 9 – Financial Instruments<br>IAS 39 - Financial Instruments: Recognition and Measurement<br>IFRS 7 - Financial Instruments: Disclosures<br>IFRS 4 - Insurance Contracts<br>IFRS 16 - Leases | Benchmark Interest Rate Reform – Phase 2 | Amendments are made to Paragraphs 104 to 106 on temporary exceptions arising from the Benchmark Interest Rate Reform, and Paragraphs C20C and C20D are added on Benchmark Interest Rate Reform Phase 2 of IFRS 16.<br><br>Official publication of the standard for its application is pending. |
| IAS 16 - Property, Plant and Equipment | Amendment related to proceeds obtained before intended use | 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)."<br><br>Paragraph 20A states that the production of inventories, while the PP&E item is brought to the conditions expected by management, at the time of sale, will affect the income of the period, together with its corresponding cost.<br><br>The amendment applies as of January 1, 2022 and early application is permitted.<br><br>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 |

| Financial Reporting Standard | Topic of the standard or amendment | Details |
|---|---|---|
| IAS 37 - Provisions, Contingent Liabilities and Contingent Assets | Onerous Contracts - Cost of Fulfilling a Contract | It is clarified that the cost of fulfilling a contract comprises costs directly related to the contract (the costs of direct labor and materials, and the allocation of costs directly related to the contract).<br><br>The amendment applies as of January 1, 2022 and early application is permitted.<br><br>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 another appropriate equity component, at the date of initial application. |
| IAS 1 - Presentation of Financial Statements | Amendments were made related to classification as current or non-current liabilities. | The amendment was issued in January 2020 and was subsequently amended in July 2020.<br><br>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 reporting date."<br><br>It added text to Paragraph 72A to clarify 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."<br><br>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 retrospectively. |

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 Evens

### *Banco BBVA*

Given the persistence of the Covid-19 phenomenon and its effects of debtors' credit behavior, in line with the regulations issued by the Financial Superintendence of Colombia to address the health emergency situation, the Bank has granted relief based on Public Notices 007, 014, 022 and 39 issued in 2020. At December 2021, the following is the breakdown of active loans that received relief measures in each modality: In mortgage loans, 54,514 transactions for COP 5,005,255 in principal; in consumer loans 238,852 transactions for COP 2,826,419 in principal; in commercial loans 9,157 transactions for COP 2,121,926 in principal, for a total of 302,523 transactions for COP 9,953,600. At December 2021, 0.08% of the transactions still had the benefit of the relief measures provided.

The Bank has assigned to the transactions that benefited with relief measures due to the health emergency at December 2021 a total of COP 1,232,809 in individual loan portfolio allowances and COP 34,142 in general allowance for interest, in compliance with the provisions of Public Notice 022/2020 issued by the Financial Superintendence of Colombia and Chapter II of Public Notice 100/1995.

Additionally, the following transactions were carried out with the National Guarantee Fund of the Unidos por Colombia Program, at December 2021: In Commercial loans, 7,795 transactions for COP 1,038,928 in principal; in Consumer loans 105 transactions for COP 1,058 in principal, for a total of 7,795 transactions and principal of COP 1,038,986, on which allowances have been made on principal for COP 22,315.

### *Trust Management*

The General Meeting of Shareholders held in March 2021, as documented in Minutes No.

89, declared dividends in the amount of COP 37,105 from the financial results at December 31, 2020.

BBVA Asset Management S.A. Sociedad Fiduciaria managed its transactions through checking and savings accounts opened at Banco BBVA Colombia S.A.

The Trust Company maintained a contract for use of the office network with Banco BBVA Colombia S.A.

At December 31, 2021, Banco BBVA Colombia S.A. continued to monitor the Trust Company's expense control programs and its acquisitions of equipment, software, offices supplies and service and professional service contracts.

In March 2021, the collective investment fund FIC Balanceado BBVA Gaia began operations.

The Board of Directors meeting held on July 29, 2021, approved a change to the proprietary position policy, which establishes that new fixed-Income debt investments are recognized as available-for-sale.

**Securities**

BBVA Valores, jointly with BBVA Colombia, continuously monitors the conditions created since the COVID-19 pandemic began in the country and its effects throughout society.

During 2021, substantial progress was made in containing the COVID-19 virus in the country and the world. The progress made by the vaccination plans, in combination with the other measures adopted by the national government, enabled a significant reduction in contagion rates in the country, a reduction in hospital and intensive care unit occupancy rates, and consequently enabling loosening the restrictive health emergency measures adopted the by the national government since March 2020. In view of this situation, during this period BBVA Group joined the efforts of private companies and the government in carrying out vaccination plans for all its employees, with widespread acceptance and participation, achieving a milestone in the process of overcoming the limitations brought about by the pandemic. Slowly but progressively conditions are returning to normal in the country, in a very responsible manner, with activities voluntarily returning to physical presence in almost all aspects of society.

During 2021, BBVA Valores maintained its operating capabilities through remote work, abiding by the biosafety priorities established by BBVA Group, which look out for the safety of all its employees while at the same time adequately servicing all customer requirements. Remote work was combined with alternating physical presence at the offices for several critical business positions, enabling fluid operations without interruptions throughout the period.

Based on the improved health conditions regarding the COVID-19 virus, BBVA Valores has achieved favorable results including net income of COP 1,483 during the year ended in December, driven by a more dynamic securities brokerage business, as well as the strong dynamics of the Investment Banking team in its work of assisting corporate clients in their strategic processes.

The BBVA team will continue to carefully monitor the effects of the pandemic in order to anticipate any adverse effects and take appropriate measures to maintain the stable conditions that have been achieved to date.

## 5. Business Segments

### 5.1 Description of the segments

The Group directs and assessed 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 Group has managed the business segments at December 31, 2021 compared to same period in 2020.

To carry out the commercial activity, BBVA Colombia 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. Commercial banking manages the entire segment of individuals, which is made up of consumer and mortgage loans, means of payment and consumer finance.

**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. Corporate and Investment Banking Colombia: Is the area within the Bank responsible for serving major corporate customers and financial institutions, by offering, in addition to the traditional financial products, services and products with high value added in order for them to fulfill their objectives in the different local and international markets.

**Assets and Liabilities Committee (COAP, for the Spanish original)**: It is the unit that manages the Bank's liquidity and sets the transfer prices for resources and portfolios that flow from and to 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 segments other than those mentioned above are grouped in the "other" segment, including the Core 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 segments 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 are involved 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 segment or business area that arranged the transaction is established, decreasing by the same value the return of the other banking segment in which the profit was initially recorded, using the Bank's offsetting accounts.

## 5.2 Income by segments at December 31, 2021 and 2020

The information below contains the distribution by the Group's segments, 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 structure of categories that groups the activity into each segment based on accounting information. This allows the business and financial areas to establish suitable market and monitoring strategies based on the behavior of each assessed segment.

The comparative analysis of balance sheet figures for the fourth quarter of «B» and «C», allows the assessment of business performance in comparable and similar periods.

## December 31 2021

| COP Mill. | Total Bank | Commercial Banking | EIB | CIB | COAP | Other |
|---|---|---|---|---|---|---|
| Cash and central banks | COP 4,911,194 | COP 2,049,526 | COP 3,198 | COP 28,347 | COP 2,551,151 | COP 278,972 |
| Financial intermediaries | 6,489,259 | 951,515 | 9,756,540 | 5,996,963 | (10,270,423) | 54,664 |
| Securities portfolio | 10,424,999 | - | - | 5,923,950 | 4,447,610 | 53,440 |
| Inversión Crediticia Neta | 55,863,275 | 36,856,405 | 12,316,726 | 5,585,678 | (4,952) | (25,823) |
| Consumer | 19,142,020 | 19,170,755 | 793 | - | - | (29,528) |
| Cards | 2,158,665 | 2,158,394 | 230 | - | - | 41 |
| Mortgage | 13,010,478 | 13,009,605 | 1,054 | - | - | (181) |
| Enterprise | 22,062,225 | 3,738,061 | 12,655,548 | 5,668,633 | - | (16) |
| Other | (510,113) | (1,220,409) | (340,900) | (82,955) | (4,952) | 3,861 |
| Net fixed assets | 1,005,712 | 171,044 | 1,798 | 13,681 | - | 819,189 |
| Other assets | 1,225,589 | 454,407 | 25,870 | 616,101 | (118,322) | 247,533 |
| Total assets | 79,920,029 | 40,482,897 | 22,104,131 | 18,164,719 | (3,394,936) | 1,427,974 |
| Financial intermediaries | 2,742,044 | 18,066,601 | 2,931,019 | 7,048,999 | (25,482,714) | 179,088 |
| Customer resources | 60,266,678 | 20,719,273 | 17,744,462 | 4,980,859 | 16,807,227 | 14,856 |
| On-demand | 9,517,648 | 3,472,091 | 4,927,072 | 1,110,368 | (58) | 8,175 |
| Savings | 30,358,923 | 14,396,776 | 12,123,020 | 3,864,077 | (31,628) | 6,677 |
| CDs | 18,021,672 | 2,850,406 | 694,371 | 6,414 | 14,470,477 | 4 |

| COP Mill. | Total Bank | Commercial Banking | EIB | CIB | COAP | Other |
|---|---|---|---|---|---|---|
| Bonds | 2,368,436 | - | - | - | 2,368,436 | - |
| Other liabilities | 10,771,405 | 1,552,175 | 1,147,757 | 5,799,214 | 615,290 | 1,547,274 |
| Total liabilities | COP 73,780,128 | COP 40,338,049 | COP 21,823,238 | COP 17,829,072 | COP (8,060,197) | COP 1,741,219 |

**Note**: Grouping according to Financial Planning and Management, Exact Balance at «A» «B».
**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.

| 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 |
| Financial intermediaries | 1,712,476 | 285,905 | 8,530,007 | 1,854,627 | (9,331,339) | 373,266 |
| Securities portfolio | 11,038,576 | - | - | 6,656,844 | 4,300,605 | 81,126 |
| Net credit investment | 48,720,267 | 39,902,207 | 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 | 120,972,064 | 11,992,088 | 673 | - | - | 104,443 |

| COP Mill. | Total Bank | Commercial Banking | EIB | CIB | COAP | Other |
|---|---|---|---|---|---|---|
| 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 |
| Financial intermediaries | 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 |
| On-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 | 9,732,583 | 1,409,051 | 819,030 | 3,455,436 | 3,200,078 | 848,987 |
| Total liabilities | COP 63,380,292 | COP 35,865,572 | COP 18,410,412 | COP 11,230,411 | COP (3,903,468) | COP 1,777,362 |

**Note**: Grouping according to Financial Planning and Management, Exact Balance at «A» «B».
**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.

The disaggregated balance sheet at «A» «B», it indicates that the banking segments that concentrate most of the Group's assets are «E» at «F», «G» at «H» and «I» at «J».

Regarding liabilities, the banking segments with the highest share of customer funds are «K» at «L», «M» at «N», «O» at «P» and «Q» at«R».

When analyzing by account, the BBVA Group's Cash and Central Banks line recorded an annual variation of «S». The securities portfolio «T» by «U», which is explained by the reduction of CIB (-COP 4,311,060 «Y»). Net Credit Investment «Z» by «AA», mainly driven by the changes in «AB» («AC» «AD») and «AE» («AF» «AG»), which were offset by reductions in CIB (-COP 645,582) and EIB (-COP 620,227). In Commercial Banking, the growth of Credit Investment is mainly due to the «AK» increase in «AL», of «AM» in «AN» and «AO» in «AP». In EIB, the decrease in credit is mainly due to the «AQ» «AR» in Corporate loans.

Total Assets «AS» by «AT», where CIB (-COP 2,735.33«AW») and EIB (-COP 3,960,339«AZ») posted the largest decreases, due to a smaller securities portfolio in the case of CIB and lower credit investment at EIB.

In turn, liability financial intermediaries «BA» by «BB». Funds deposited by customers in on-demand and savings products were raised by «BC» («BD» «BE»), «BF» («BG» «BH») and COAP (+COP 17,462«BK»).

In turn, the COAP, which is the area responsible for raising corporate customer funds through CDs, concentrates «BL» of the Group's total CDs CDs decreased by «BM» compared to «C» while Bonds increased by «BO» «BP» compared to the preceding year.

The COAP showed negative assets and liabilities driven by the Financial Intermediaries lines of assets and liabilities. Each banking segment has its primary function, acting as either attractors (bringing funds to the Group) or placement agents (generating credit investment). Therefore, the COAP is the area responsible for collecting the excess funds from an attractor banking segment and "transferring" them to a placement banking segment. However, in order not to affect the financial statements of the attractor banking segment, the COAP "transfers" the investment generated to the attractor banking segment. This is done to reconcile the balance sheets of the banking segments and to show

how the Bank functions as a whole, without punishing and recognizing the function of each banking segment. Asset financial intermediaries showed a «BQ» «BR» inter-annual variation, while the liability financial intermediaries showed a «BS» «BT» inter-annual variation, behaving in line with the Group's activity.

The "other" areas segment includes the central, means and financial complementary areas. They are all areas that provide support for the other banking segments. The Means area includes the Formalization Center, which mainly manages credit investments that are not segmented. The Core areas includes the central account, which reconciles the Bank's balance sheet and is where the investment assets for holdings in subsidiaries are included. The assets of the "Other" segment are mostly made up of net fixed assets. The total assets of this segment showed a variation of «BU» «BV». The "other" area is also responsible for eliminating duplicates caused by transactions between banking segments or in which more than one banking segment participates. It also includes all the components of the central areas and the adjustments of the Financial Statements of the Business Areas (EFAN, for the Spanish original). Adjustments through the EFAN include the standardization of local vs. international regulations and reciprocal activities between different countries/ banking segments.

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 «DL» «DM», thus closing with a total of «DN» «DO» in «A» «B».

The income of the BBVA Trust Company was included in the Other segment. The Trust Company's total assets showed a variation of «DP» «DQ» thus ending the year with a total of «DR» «DS».

Below are the details of the annual income statement for the periods ended on «A» «B» and «C» by business segment

## December 31, 2021

| Accumulated COP Mill. | Total Bank | Commercial Banking | EIB | CIB | COAP | Other |
|---|---|---|---|---|---|---|
| Interest margin | COP 3,184,925 | COP 1,951,555 | COP 574,441 | COP 242,859 | COP 484,764 | COP (68,694) |
| Net fees | 500,714 | 408,838 | 56,825 | 94,880 | (1,530) | (58,300) |
| Trading results | 283,295 | 41,697 | 27,283 | 227,116 | 685 | (13,487) |
| Other net ordinary income | (167,183) | (20,638) | (4,360) | (3,377) | (129,092) | (9,715) |
| Gross margin | 3,801,751 | 2,381,453 | 654,189 | 561,478 | 354,827 | (150,196) |
| General administrative expenses | (1,062,268) | (777,535) | (62,767) | (66,627) | 173,915 | (329,254) |
| - Personnel expenses | (622,411) | (303,555) | (39,352) | (38,433) | (0) | (241,070) |
| - Overhead | (371,589) | (422,784) | (17,076) | (20,666) | 174,204 | (85,267) |
| - Taxation (Contributions and Taxes) | (68,267) | (51,195) | (6,339) | (7,528) | (289) | (2,916) |
| Amortization and depreciation | (114,060) | (44,740) | (536) | (2,847) | (0) | (65,937) |

| Accumulated COP Mill. | Total Bank | Commercial Banking | EIB | CIB | COAP | Other |
|---|---|---|---|---|---|---|
| Apportionment of expenses | - | (271,767) | (65,702) | (38,171) | (10,844) | 386,485 |
| Net margin | 2,625,423 | 1,287,411 | 525,184 | 453,833 | 517,897 | (158,903) |
| Asset impairment loss | (1,022,592) | (812,784) | (111,093) | (15,211) | 91 | (83,594) |
| Credit to provisions | (226,962) | (3,387) | (730) | (956) | (204,600) | (17,289) |
| Other non-ordinary income | (16,388) | 122 | 56 | (3,432) | - | (13,133) |
| PBT | 1,359,481 | 471,361 | 413,416 | 434,234 | 313,389 | (272,919) |
| Corporate tax | (469,241) | (151,767) | (133,110) | (140,569) | (125,083) | 81,289 |
| PAT | 890,240 | 319,594 | 280,306 | 293,666 | 188,305 | (191,630) |
| Non-controlling interest | 1,559 | - | - | - | - | 1,559 |
| Total PAT | COP 891,799 | COP 319,594 | COP 280,306 | COP 293,666 | COP 188,305 | COP (190,071) |

**Note**: Grouping according to Financial Planning and Management, Exact Balance at «A» «B».
**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.

| Accumulated COP Mill. | Total Bank | Commercial Banking | EIB | CIB | COAP | Other |
|---|---|---|---|---|---|---|
| Interest margin | COP 3,094,737 | COP 2,235,390 | COP 643,880 | COP 217,492 | COP 289,506 | COP (291,531) |
| Net fees | 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) |

| Accumulated COP Mill. | Total Bank | Commercial Banking | EIB | CIB | COAP | Other |
|---|---|---|---|---|---|---|
| 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 «A» «B».
**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 «B», , the most profitable segment for the Group was «BW», followed by «BX», «BY» and «BZ». 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 portfolios flowing to an from all other banking segments. The interest margin showed a variation of «CA» «CB». The gross margin stood at «CC» «CD».

The other areas are responsible for eliminating duplicates caused by transactions between banking segments or in which more than one banking segment 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 central and means areas perform activities related to investment assets and central account, and the activities of the formalization center (credit investment). Finally, the central area is the segment with highest expenses (including the salaries of all the individuals from areas that are not in the business areas and administrative overhead).

The BBVA Trust Company reported «DT» in PAT of «DU», ending the year with PAT of «DW» «DX» at «A» «B». On its part, BBVA Valores reported PAT of «DY»«DZ».

The Group's interest margin «CE» by «CF» compared to «C», explained by the increase in interest revenue. «CG» stands out with a variation of «CI».

The Group's gross margin «CO» by «CP» compared to the same period in «C», with COAP displaying the best performance with an increase of +COP 166,786«CS».

The Group's general administrative expenses recorded «CY» of «CZ», and the Commercial and CIB lines displayed the greatest increase.

Finally, the Group's profit after taxes «DC» by «DD» compared to the same period in «C».

## 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 performed an age analysis of the loan portfolio based on an assessment of the maturities of financial assets and liabilities, which takes into consideration the periodic amortization of principal and interest of each obligation, as contractually agreed with the customer. The aging process is carried out by considering the balance sheet asset positions of the credit investments and segmented in accordance with the final maturity date of each contract, classified by commercial, consumer, mortgage and micro-credit loan portfolios, assessing them separately for local currency and total currency.

**Investment Financial Assets**– The maturity of the principal and interest of investment financial assets in tradeable 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 maturities of more than twelve months. The securities consist mainly of Treasury Securities (TES), Short-term Treasury Securities (TCO) and Certificates of Deposit (CDTs).

**Deposits and current liabilities** - The maturity of savings deposits and checking 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 aging of the deposits. Fixed term certificates of deposit are aged according to the conditions agreed with the customer.

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

### Maturity of assets at December 31, 2021

| Item | Years | | | | Total |
|---|---|---|---|---|---|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| Cash and deposits in banks | COP 10,268,716 | COP - | COP - | COP - | COP 10,268,716 |
| Cash equivalent investment funds | 24,140 | - | - | - | 24,140 |
| Money market transactions | 736,822 | - | - | - | 736,822 |
| Investments at fair value through profit or loss | 2,094,804 | 367,923 | 126,426 | 177,064 | 2,766,217 |
| Investments at fair value through other comprehensive income (OCI) | 280,849 | 206,635 | 1,798,967 | 136,947 | 2,423,398 |
| Investments at amortized cost through profit or loss | 1,956,470 | 7,800 | - | 66,401 | 2,030,671 |
| Investments at amortized cost | - | - | - | 55,422 | 55,422 |
| Hedging swaps | - | - | 330,529 | - | 330,529 |
| Derivatives | 2,331,741 | 144,368 | 30,304 | 454,038 | 2,960,451 |
| Commercial loan portfolio | 10,016,710 | 5,118,642 | 4,061,861 | 3,019,229 | 22,216,442 |
| Consumer loan portfolio | 8,775,540 | 7,167,594 | 3,737,464 | 2,058,795 | 21,739,393 |
| Mortgage loan portfolio and finance lease transactions | 3,909,007 | 2,713,896 | 2,318,980 | 4,236,204 | 13,178,087 |

| Item | Years | | | | Total |
|---|---|---|---|---|---|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| Employee loan and micro-credit portfolio | 142,027 | 170,231 | 93,157 | 92,885 | 498,300 |
| Accounts receivable for loans | 1,315,090 | - | - | - | 1,315,090 |
| Other accounts receivable for loans | 5,602 | - | - | - | 5,602 |
| Other non-maturing assets | - | - | - | 2,075,728 | 2,075,728 |
| Total maturity of assets | COP 41,857,518 | COP 15,897,089 | COP 12,497,688 | COP 12,372,713 | COP 82,625,008 |

## Maturity of liabilities at December 31, 2021

| Item | Years | | | | Total |
|---|---|---|---|---|---|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| Checking accounts | COP 9,299,295 | COP - | COP - | COP - | COP 9,299,295 |
| Certificates of deposit | 8,397,044 | 6,721,794 | 2,316,570 | 586,700 | 18,022,108 |
| Savings deposits, single deposits, special savings accounts and real value savings certificates | 13,767,673 | 9,845,062 | 3,631,476 | 3,216,320 | 30,460,531 |
| Current liabilities for services | 546,516 | - | - | - | 546,516 |
| Money market transactions | 3,696,625 | - | - | - | 3,696,625 |
| Special deposits | 837,485 | - | - | - | 837,485 |
| Hedging swaps | - | 185,640 | 3,269,143 | - | 3,454,783 |
| Bank credits and other financial obligations | 288,414 | 597,710 | 977,684 | 1,110,358 | 2,974,166 |
| Accounts payable - financial expenses | 2,907 | 833 | - | - | 3,739 |
| Outstanding investment securities | - | 529,956 | 458,710 | 1,399,864 | 2,388,531 |
| Labor liabilities | 2,434 | - | - | - | 2,434 |
| Estimated liabilities | 2,347 | - | - | - | 2,347 |
| Dividends payable | 1 | 2 | - | - | 3 |
| Taxes (does not include deferred tax) | 293,649 | - | - | - | 293,649 |
| Other non-maturing financial liabilities | 383 | - | - | 1,794,054 | 1,794,437 |
| Total maturity of liabilities | COP 37,134,772 | COP 17,880,997 | COP 10,653,583 | COP 8,107,296 | COP 73,776,649 |

## Maturity of assets at December 31, 2021

| 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 |

| Item | Years | | | | Total |
|---|---|---|---|---|---|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| 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, 2021

| Item | Years | | | | Total |
|---|---|---|---|---|---|
| | 0-1 | 1-3 | 3-5 | More than 5 | |
| Checking accounts | COP 4,595,775 | COP - | COP - | COP - | COP 4,595,775 |
| Certificates of deposit | 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 |

The aging and maturities are different in Investments at fair value through OCI because the aging is 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, aging is carried out 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.

## 7. Foreign currency transactions

The Group carried out transactions in the year 2021 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, 2021 and 2020, the balances in foreign currency were restated in terms of US dollars (USD):

| Item | 2021 | 2020 |
|---|---|---|
| Spot proprietary position | USD 1,531 | USD 339 |
| Proprietary position | 46 | 40 |
| Gross leverage position | USD 25,614 | USD 17,837 |

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

At December 31, 2021 and 2020, the breakdown of foreign-currency assets and liabilities, equivalent in thousands of US dollars, is as follows:

| Assets | Nota | | 2021 | 2020 |
|---|---|---|---|---|
| Cash and deposits in banks | ( 8 ) | USD | 1,349 | 241 |
| Financial Investment Assets | ( 9 ) | | 2 | 16 |
| Loan portfolio and financial lease transactions (net) | ( 10 ) | | 373 | 190 |
| Interest on loan portfolio and other items (net) | ( 10 ) | | 209 | 176 |
| Total assets in foreign currency | | | 1,933 | 623 |

| Liabilities | Nota | | 2021 | 2020 |
|---|---|---|---|---|
| Deposits and on-demand liabilities | ( 22 ) | USD | 108 | 72 |
| Bank credits and other financial obligations | ( 24 ) | | 152 | 106 |
| Outstanding investment securities | ( 27 ) | | 403 | 403 |
| Accounts Payable | ( 26 ) | | 14 | 12 |
| Other Liabilities | ( 28 ) | | 1 | - |
| Total liabilities in foreign currency | | | 678 | 593 |
| **Net assets in foreign currency** | | | **1,255** | **30** |

| Rights | | | 2021 | 2020 |
|---|---|---|---|---|
| Spot transactions in USD | | | 29 | - |
| Foreign currency spot transactions | | | 1 | - |
| Forex | | | 1 | 5 |
| Total rights | | | 31 | 5 |

| Obligations | | | | |
|---|---|---|---|---|
| Spot transactions in USD | | | 82 | 21 |
| Cash transactions in securities | | | 2 | - |
| Forex | | | 1 | 5 |
| Total liabilities | | | 85 | 26 |

| | | | | |
|---|---|---|---|---|
| Net rights (liabilities) in foreign currency | | | (55) | (21) |
| Exclusions according to the standards of DODM-139/05-25-2015 issued by the Central Bank of Colombia | | | 330 | 330 |
| Spot proprietary position | | USD | 1,531 | 339 |

**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 2021 and 2020 periods were:

| Item | 2021 | 2020 |
|---|---|---|
| Spot exchange rate (TRM) | COP 3,981.16 | COP 3,432.50 |

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, 2021 and 2020, the details of the exchange difference in income are as follows:

| Item | 2021 | 2020 |
|---|---|---|
| Operating revenue - exchange gain | COP 630,430 | COP 384,799 |
| Operating expenses - exchange loss | (147,164) | (588,652) |
| **Gain (Loss)** | **COP 483,266** | **COP (203,853)** |

| Item | 2021 | 2020 |
|---|---|---|
| Operating revenue - gain on sales | COP 120,539 | COP - |
| Operating expenses - loss on sales | - | (316,249) |
| **Net gain (loss)** | **120,539** | **(316,249)** |
| Operating revenue -gain due to exchange adjustment | 509,891 | 384,799 |
| Operating revenue -loss due to exchange adjustment | (147,164) | (272,403) |
| **Net gain** | **362,727** | **112,396** |
| **Gain (loss)** | **COP 483,266** | **COP (203,853)** |
| ** Figures provided in USD and COP* | | |

| Item | Value in USD | Figures in Millions of Colombian Pesos | Average Exchange Rate |
|---|---|---|---|
| Spot proprietary position in Dec 2021 | 339 | COP 1,163,704 | COP 3,432.50 |
| Purchases | 43,166 | 161,785,799 | 3,747.50 |
| Position before sales | 43,506 | 162,949,502 | 3,745.49 |
| Sales | 41,974 | 157,337,291 | 3,748.41 |
| **Profit (loss) on sales** | | **120,539** | |
| Adjusted proprietary position | 1,531 | 6,095,472 | 3,981.16 |
| Profit (loss) due to exchange adjustment | | 362,727 | |
| **Net gain** | | **COP 483,266** | |
| ** Figures provided in USD and COP* | | | |

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

| Item | Value in USD | Figures in Millions of Colombian Pesos | Average Exchange Rate |
|---|---|---|---|
| Spot proprietary position in Dec 2019 | 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)** | |

At December 31, 2020, the exchange rate increased by 15.98% (COP 548.66 - pesos) compared to December 31, 2020.

At year-end 2021, the net gain totaled COP 483,261. At December 2021, assets displayed a substantial 210.407% increase, equivalent to USD 1,310,927. Similarly, liabilities increased by 32.13%, equivalent to USD 84,594.

In turn, the volume of both purchases and sales for 2021 increased by USD 241 million and USD 438 million, respectively. The increase in the net gain is basically due to the increase in assets, as well as rate fluctuations, especially in November (COP 4,004.54), as well as at the end of the fourth quarter of 2021.

## 8. Cash and cash equivalents

At December 31, 2021 and 2020, the balance of this account is summarized as follows:

| Item | 2021 | 2020 |
|---|---|---|
| Local currency in Colombian pesos: | | |
| Cash | COP 2,439,201 | COP 2,261,590 |
| Deposits in the Central Bank | 2,455,669 | 2,656,172 |

| Item | 2021 | 2020 |
|---|---|---|
| Deposits in other banks | 1,953 | 1,745 |
| Remittances in transit of negotiated checks | 242 | 101 |
| **Subtotal cash and deposits in banks in local currency** | **4,897,065** | **4,919,608** |
| Foreign currency | | |
| Cash | 715 | 1,031 |
| Foreign correspondents (1) | 5,370,936 | 825,321 |
| **Subtotal cash and deposits in banks in foreign currency** | **5,371,651** | **826,352** |
| Total cash and deposits in banks | 10,268,716 | 5,745,960 |
| Investment funds | 24,140 | 36,313 |
| Money market transactions | 736,822 | 484,215 |
| Total cash and cash equivalents | COP 11,029,678 | COP 6,266,488 |

Cash and/or cash equivalents include cash, bank deposits, remittances, funds in clearance and money market asset transactions. During 2021 and 2020, most foreign currency transactions were made through Correspondent Banks Abroad, due to the increase in balances denominated in USD. The change is the result of the established strategy for the FWD curve, due to irregularities in the market, which have created opportunities for prices on the curve, leading to the establishment of aggressive positions in the FWD curve, in which FWD sales and spot purchases are made. This produced a substantial increase in the use of cash in dollars compared to the previous year.

At December 31, the balance of money market and related operations was broken down as follows:

| Public sector entities | | | | | | |
|---|---|---|---|---|---|---|
| Description | Days | Rate | 2021 | Days | Rate | 2020 |
| **Ordinary interbank funds sold** | | | | | | |
| Financial corporations | - | - | - | 4 a 8 días | 1.71% | 30,006 |
| Banks | 4 a 8 días | 2.92% | 30,010 | - | - | - |
| Total ordinary interbank funds sold | | | 30,010 | | | 30,006 |
| **Asset simultaneous transactions** | | | | | | |
| Central Bank of Colombia | 4 a 8 días | 0.28% | 226,102 | 4 a 8 días | 0.78% | 183,132 |
| Insurance and reinsurance companies | - | 3.05% | 71,088 | Mayor a 15 días | 1.71% | 28,967 |
| Counterparty Clearing House | 4 a 8 días | 2.44% | 400,783 | Mayor a 15 días | 1.75% | 228,272 |
| Nation | 4 a 8 días | -0.01% | 8,839 | 4 a 8 días | -0.03% | 13,838 |
| Total asset simultaneous transactions | | | 706,812 | | | 454,209 |
| Total money market and related transactions | | | COP 736,822 | | | COP 484,215 |

The COP 252,607 increase in 2021 compared to 2020 of money market transaction balances is mainly due to transactions through the counterparty clearing house.

Legal reserve in Colombia: At December 31, 2021 and 2020, the legal reserve required and maintained in the Central Bank of Colombia amounted to COP 3,451,692 and COP 3,684,121, to comply with the liquidity requirements in deposits and on-demand liabilities, respectively. The restriction is determined according to the cash reserve standards set by the Central Bank of Colombia's Board of Directors and is based on percentages of the average deposits held in the Bank by its customers.

At December 31, 2021 there are no restrictions on cash and cash equivalents to meet the liquidity requirements in deposits and financial claims.

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

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

Rating of foreign entities:

| Credit Quality | | | | | |
|---|---|---|---|---|---|
| Bank Name | Currency | Internal | | External | |
| | | | S&P | FITCH | Moody´s |
| Jp Morgan Chase | USD | A | A- | AA- | A2 |
| Citibank N.Y. | USD | A- | BBB+ | A | A3 |
| Wachovia | USD | A | BBB+ | A+ | A2 |
| Toronto Dominion | CAD | AA- | AA- | AA- | Aa1 |
| U.B.S. | CHF | A- | A- | A+ | - |
| Barclays | GBP | BBB | BBB | A | Baa2 |
| Bank Of Tokyo | JPY | A | A | A- | A1 |
| Bbva N.Y. USA | USD | A+ | A | A+ | Aa3 |
| Bbva Madrid | EUR | A | A | BBB+ | A2 |

| Credit Quality | | | | | |
|---|---|---|---|---|---|
| Bank Name | Currency | Internal | | External | |
| | | | S&P | FITCH | Moody´s |
| Bank Of America N.Y. | USD | A | A- | AA- | A2 |
| Bbva Bancomer México | MXN | BBB | BBB | BBB | Baa1 |
| China Citic Bank | CNY | BBB | - | BBB | Baa2 |
| Bbva Madrid | SEK | A | A | BBB+ | A2 |

*In external, the S&P rating is used

The reduction in the allowance on cash between 2021 and 2020 arises from the efforts made to regularize pending items, such as an item for USD 24,000 that was pending at year-end in the reconciliation in current differences, the largest amount of which is for EUR 13,877.15.

## 9. Financial investment assets

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

| Item | 2021 | 2020 |
|---|---|---|
| Tradeable investments | | |
| At fair value through profit or loss | | |
| Treasury securities - TES | COP 1,935,221 | COP 2,123,496 |
| Other securities issued by the National Government | 13,013 | 27,287 |
| Other domestic issuers | 645,991 | 624,664 |
| Total investments at fair value through profit or loss | 2,594,225 | 2,775,447 |

| Item | 2021 | 2020 |
|---|---|---|
| Treasury securities - TES | 171,918 | 119,382 |
| Other domestic issuers | 74 | 6 |
| Total investments at fair value through profit or loss provided in money market transactions | 171,992 | 119,388 |
| Treasury securities - TES | 624,123 | 1,122,614 |
| Other domestic issuers | 26,066 | 29,327 |
| Total at fair value through OCI - Debt securities | 650,189 | 1,151,941 |
| Domestic issuers | 358,275 | 371,271 |
| Total at fair value through OCI | 358,275 | 371,271 |
| At fair value through OCI - provided in money market transactions | | |
| Treasury securities - TES | 770,469 | 146,761 |
| Total investments at fair value through OCI provided in money market transactions | 770,469 | 146,761 |
| Treasury securities - TES | 644,465 | 718,336 |
| Total investments at fair value through OCI provided as collateral in transactions with financial instruments | 644,465 | 718,336 |
| Treasury securities - TES | - | 48,062 |
| Other securities issued by the National Government | 40,254 | 2,063,941 |
| Other domestic issuers | 15,168 | 19,185 |
| Total investments at amortized cost | 55,422 | 2,131,188 |
| Other securities issued by the National Government | 2,030,671 | - |

| Item | 2021 | 2020 |
|---|---|---|
| Total investments at amortized cost through profit or loss provided in money market transactions | 2,030,671 | - |
| Total investments | 7,275,708 | 7,414,332 |
| Impairment of investments in TIPS | (2,721) | (5,741) |
| Total impairment of investments | (2,721) | (5,741) |
| Total net investments | COP 7,272,987 | COP 7,408,591 |

- Between December 2021 and 2020, there was a reduction in the portfolio measured at fair value through profit or loss, basically in "Treasury Securities" (TES) due to the sale of tradeable 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. On the other hand, securities at fair value through profit or loss provided in money market transactions displayed a slight increase, both in Treasury Securities and Other Domestic Issuers.
- Between December 2021 and 2020, there was a significant reduction in the portfolio measured at fair value through OCI, basically in the purchase of Treasury TES securities, and to a lesser extent of Other Domestic Issuers. However, in investments measured at fair value through OCI delivered in money market transactions, there was a slight increase in Treasury Securities - TES.
- In 2021, the portfolio measured at amortized cost displayed a significant decrease in other securities issued by the government, unlike the portfolio measured at amortized cost through profit or loss de-

livered in money market transactions, in which securities of this type given as collateral increased considerably, represented in TDA´s and Solidarity Securities issued by the National Government.

- On their part, at December 31, 2021, Corporate Bonds in US dollars measured at fair value through profit or loss decreased significantly by COP 20,244 compared to December 2020; at December 31, 2021, such investments totaled COP 8,598.

The Group measures equity instruments at fair value based on a methodology that estimates the companies' income statement, balance sheet and statement of changes in equity, in order to estimate the future flow of dividends. This flow of dividends is discounted at present value, as for a perpetuity, assuming an interest in the company for an indefinite term, in order to estimate the fair value thereof, and the values of the companies' balance sheet and income statement line items were forecast using rates projected by the Economic Studies area. Each line item is estimated exclusively for each company, depending on its business approach and growth perspectives.

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; at the end of December 2021 and 2020, the price was COP 97.11 and COP 98.32, respectively.

In the case of the equity interest held in 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 9,875 and COP 11,880 at the end of December 2021 and 2020, respectively.

As for investments in ACH de Colombia S.A and Redeban S.A., they are presented herein with the valuation of the price vendor Precia, 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 136,471.01 for ACH Colombia S.A. and COP 19,179.85 for Redeban S.A.

The valuation of investments held in Credibanco S.A., ACH Colombia S.A. and Redeban S.A. is recorded in Other Comprehensive Income.

For the years 2021 and 2020, the entities with non-controlled interests declared dividends as follows:

| Entity | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | In Shares | In Cash | Total | In Shares | In Cash | Total |
| Fondo para el Financiamiento del sector pecuario "FINAGRO" | COP 1,303 | COP 5,213 | COP 6,516 | COP 1,451 | COP 5,804 | COP 7,255 |
| Bolsa de Valores de Colombia | - | 6,037 | 6,037 | - | 2,179 | 2,179 |
| ACH Colombia S.A. | - | 4,891 | 4,891 | - | 3,157 | 3,157 |
| Cámara de Compensación de Divisas de Colombia S.A. | - | - | - | - | 120 | 120 |
| Cámara de Riesgo Central de Contraparte de Colombia S.A | - | 89 | 89 | - | 54 | 54 |
| Credibanco S.A. | - | 510 | 510 | - | 2,072 | 2,072 |
| Total | COP 1,303 | COP 16,740 | COP 18,043 | COP 1,451 | COP 13,386 | COP 14,837 |

Investments in non-controlled interests: These are investments in equity instruments in non-controlled entities, consisting of the following at December 31, 2021 and 2020:

*December 31, 2021*

| Item | Domicile | Capital | Equity Capital | Share Percentage % | Carrying Value | Solvency and market risk rating | Assets | Liabilities | Profits and/or Losses |
|---|---|---|---|---|---|---|---|---|---|
| **Investments in non-controlled entities:** | | | | | | | | | |
| Bolsa de Valores de Colombia S.A. | Bogotá D.C. | COP 30,257 | COP 2,218 | 7.33% | 51,703 | A | COP 618,874 | COP 20,307 | COP 35,699 |
| Credibanco S.A. | Bogotá D.C. | 9,031 | 1,142 | 12.65% | 110,983 | A | 357,829 | 153,552 | 13,845 |
| Fondo para el Financiamiento del Sector pecuario "FINAGRO" | Bogotá D.C. | 400,162 | 36,375 | 9,09% | 65,904 | A | 13,873,562 | 12,805,165 | 43,658 |
| A.C.H. Colombia S.A. | Bogotá D.C. | 6,595 | 707 | 10.72% | 96,480 | A | 172,286 | 77,996 | 70,405 |
| Redeban S.A. | Bogotá D.C. | 15,792 | 1,628 | 10.31% | 30,993 | A | 1,656,658 | 1,521,056 | 16,444 |
| Cámara de Riesgo Central de Contraparte de Colombia S.A. | Bogotá D.C. | 51,270 | 1,365 | 2.66% | 2,212 | A | 109,822,755 | 109,723,410 | 5,729 |
| Total investments in non-controlled entities | | | | | $ 358,275 | | | | |

*December 31, 2020*

| Item | Domicile | Capital | Equity Capital | Share Percentage % | Carrying Value | Solvency and market risk rating | Assets | Liabilities | Profits and/or Losses |
|---|---|---|---|---|---|---|---|---|---|
| **Investments in non-controlled entities:** | | | | | | | | | |
| Bolsa de Valores de Colombia S.A. | Bogotá D.C. | COP 30,257 | COP 2,218 | 7.33% | 61,951 | A | COP 591,689 | COP 43,845 | COP 63,184 |
| Credibanco S.A. | Bogotá D.C. | 9,031 | 1,142 | 12.65% | 112,366 | A | 335,930 | 149,391 | 2,156 |
| Fondo para el Financiamiento del Sector pecuario "FINAGRO" | Bogotá D.C. | 400,162 | 36,375 | 9,09% | 112,113 | A | 12,581,342 | 11,493,368 | 86,291 |
| A.C.H. Colombia S.A. | Bogotá D.C. | 6,595 | 707 | 10.72% | 50,277 | A | 122,560 | 59,133 | 39,542 |
| Redeban S.A. | Bogotá D.C. | 15,792 | 1,628 | 10.31% | 31,173 | A | 554,328 | 444,735 | 5,835 |
| Cámara de Riesgo Central de Contraparte de Colombia S.A. | Bogotá D.C. | 43,148 | 1,148 | 2.66% | 2,511 | A | 78,938,987 | 78,876,712 | 5,768 |
| Total investments in non-controlled entities | | | | | $ 370,391 | | | | |

The maturity of debt security investments at December 31, 2021 and 2020 was as follows:

| Maturity of the securities portfolio | | | | 2021 |
|---|---|---|---|---|
| Range | 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 1,872,134 | COP 2,074,878 | COP 34,476 | COP 3,981,488 |
| From 1 to 5 years | 424,711 | - | 1,923,611 | 2,348,322 |
| More than 5 years | 469,372 | 11,215 | 465,311 | 945,898 |
| Overall Total | COP 2,766,217 | COP 2,086,093 | COP 2,423,398 | COP 7,275,708 |

These investments are not impaired

| Maturity of the securities portfolio | | | | 2021 |
|---|---|---|---|---|
| Range | 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 | COP 298,102 | COP 4,583,067 |
| From 1 to 5 years | 557,295 | 7,969 | 1,589,927 | COP 2,155,191 |
| More than 5 years | 164,578 | 11,215 | 499,400 | COP 675,194 |
| Overall Total | COP 2,894,835 | COP 2,131,188 | COP 2,387,429 | COP 7,413,452 |

**Investments at amortized cost**

These investments are not impaired

**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, 2021 and 2020, allowances were made on securities (TITIP0B0097/INSC15061232/INSZ15061232) for a total of COP 4,020 and COP 4,022, respectively, in accordance with the guidelines established by Chapter I-1 of the Basic Accounting and Financial Notice (CBCF) (Public Notice 100/95) of the Financial Superintendence of Colombia, according to the instruction of Section 2.4 of Chapter XV of the CBCF.

In the years 2020 and 2021, 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 Colombian Pesos issuance, and the N-16 Colombian Pesos issuance for a total balance at December 31, 2021 and 2020 of COP 31,280 and COP 35,920, respectively.

The details and balance of the securities from securitization processes (TIPS) are shown in the table below:

| Series | Nominal Value | Issue Date | Maturity Date | Term | 2021 | 2020 |
|---|---|---|---|---|---|---|
| TIPS Colombian Pesos N-16 B 2032 | COP 16,604 | 7/12/2017 | 7/12/2032 | 15 | COP 16,112 | COP 16,736 |
| TIPS Colombian Pesos N-16 MZ 2032 | 3,180 | 7/12/2017 | 7/12/2032 | 15 | 3,207 | 3,207 |
| TIPS Colombian Pesos N-16 C 2032 | 830 | 7/12/2017 | 7/12/2032 | 15 | 839 | 839 |
| **Subtotal** | **20,614** | | | | **20,158** | **20,782** |

| Series | Nominal Value | Issue Date | Maturity Date | Term | 2021 | 2020 |
|---|---|---|---|---|---|---|
| TIPS Colombian Pesos N-6 B 2027 | 26,641 | 23/8/2012 | 23/8/2027 | 15 | 3,952 | 7,968 |
| TIPS Colombian Pesos N-6 MZ 2027 | 6,104 | 23/8/2012 | 23/8/2027 | 15 | 6,104 | 6,104 |
| TIPS Colombian Pesos N-6 C 2027 | 1,066 | 23/8/2012 | 23/8/2027 | 15 | 1,066 | 1,066 |
| **Subtotal** | **33,811** | | | | **11,122** | **15,138** |
| Total | COP 54,425 | | | | COP 31,280 | COP 35,920 |

At December 31, 2021, 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 2021*

| Debt Securities Available for Sale | | | | Debt Securities Held to Maturity | | | |
|---|---|---|---|---|---|---|---|
| S&P Global Rating ISSUE | Carrying Value Sovereign Debt | Carrying Value - Other Debt | % | S&P Global Rating ISSUE | Carrying Value Sovereign Debt | Carrying Value - Other Debt | % |
| A | | 282,266 | 12% | AA | - | - | 0% |
| BB+ | 2,004,922 | 9,954 | 87% | BB+ | 2,070,925 | | 99% |
| Unclassified | | 16,112 | 1% | Unclassified | | 15,168 | 1% |
| TOTAL | 2,004,922 | 308,332 | 100% | TOTAL | 2,070,925 | 15,168 | 100% |

*December 2020*

| Debt Securities Available for Sale | | | | Debt Securities Held to Maturity | | | |
|---|---|---|---|---|---|---|---|
| S&P Global Rating ISSUE | Carrying Value Sovereign Debt | Carrying Value - Other Debt | % | S&P Global Rating ISSUE | Carrying Value Sovereign Debt | Carrying Value - Other Debt | % |
| A | - | 370,391 | 16% | AA | 19,185 | - | 0% |
| AA | - | 29,327 | 1% | AAA | 962,751 | - | 93% |
| | - | - | 83% | | - | - | % |
| Unclassified | - | 1,987,711 | 1% | Unclassified | - | 1,149,252 | 7% |
| TOTAL | - | 2,387,429 | 100% | TOTAL | 981,936 | 1,149,252 | 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 | TIPS |
|---|---|---|---|---|
| Bancolombia S.A. | AAA | | | |
| DTN Gobierno Nacional (TES) | | | BBB | |
| FINAGRO | | AAA | | |
| Titularizadora Colombiana | | | | |
| TITIP0CD0099-142732 | | | | CC |

| ISSUER | CDT | TDA | TES | TIPS |
|---|---|---|---|---|
| TITIPMZD0098-142733 | | | | CC |
| TITIP0BD0097-142730 | | | | BBB+ |
| INSC15061232-229718 | | | | BB- |
| INSZ15061232-229722 | | | | BB+ |
| TIPN16B32-229723 | | | | BBB |

## 10. Loan portfolio and finance lease transactions (net) and interest on loan portfolio and other items (net)

Loan portfolio financial assets at amortized cost are presented in the consolidated statement of financial position 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, 2021 and 2020 by type of currency:

*December 31, 2021*

| Modalities | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Commercial Loan Portfolio | 19,555,524 | 1,927,923 | 76,294 | 21,559,741 |
| Consumer Loan Portfolio | 18,180,156 | 2,234,527 | 393,153 | 20,807,836 |
| Mortgage portfolio | 10,930,802 | 2,008,671 | 422,714 | 13,362,187 |
| Total Loan Portfolio and Finance Lease Transactions (Net) and Interest on Loan Portfolio and Other Items (Net) | COP 48,666,482 | COP 6,171,121 | COP 892,161 | COP 55,729,764 |



| Modalities | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Commercial Loan Portfolio | 15,966,268 | 1,855,023 | 40,328 | 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 |

The tables below provide details by portfolio type and sector of the past due amounts of the risks that were not considered to be impaired at December 31, 2021, classified according to age of the oldest past due date, 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 is highly concentrated in commercial loans, with an increase of COP 3,698,122. This category consists of corporate loans and loans to territorial entities, with a variation of 20.7% compared to December 2020. In addition, there are increases in the consumer portfolio for COP 1,980,070, a variation of 10.52% and the mortgage portfolio for COP 898, a variation of 7.21%, compared to December 2020.

The portfolios of BBVA Group show satisfactory recovery: the Mortgage portfolio is reversing the downward trend it experienced during the course of the pandemic as a result of the multiple shutdowns and the difficulties experienced a year ago for the disbursement of a significant number of transactions.

The largest increase of the Group’s loan portfolios was that of commercial loans, which increased by 20.7%, thanks to adequate management by the risk teams and the greater resilience of the economy in overcoming the obstacles of the pandemic, which has helped maintain impairment at controllable levels.

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

*December 31, 2021*

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Expected credit losses in the next 12 months | Expected credit losses over the lifetime of the asset | Expected credit losses over the lifetime of the asset with impairment | |
| **Commercial** | | | | |
| Enterprise | 8,286,535 | 863,244 | 512,749 | 9,662,528 |
| Institutional | 1,545,025 | 48,887 | 4,525 | 1,598,437 |
| Corporate | 4,243,730 | 207,617 | - | 4,451,347 |
| Financial Entities | 1,375,076 | 2,263 | 2,869 | 1,380,208 |
| Territorial Entities | 2,420,347 | 439,541 | - | 2,859,888 |
| Representative | 473,311 | 142,673 | 39,720 | 655,704 |
| Small Enterprises | 1,280,036 | 340,807 | 249,346 | 1,870,189 |
| | 19,624,060 | 2,045,032 | 809,209 | 22,478,301 |
| Impairment | (68,536) | (117,109) | (732,915) | (918,560) |
| Net commercial loan portfolio | 19,555,524 | 1,927,923 | 76,294 | 21,559,741 |
| **Consumer** | | | | |
| Vehicle | 1,059,379 | 206,809 | 153,543 | 1,419,731 |
| Payroll Loan | 12,684,761 | 965,594 | 386,275 | 14,036,630 |
| Hedge | 2,709,476 | 922,430 | 768,729 | 4,400,635 |
| Overdraft | 621 | 478 | 849 | 1,948 |
| Cards | 1,732,468 | 404,309 | 171,526 | 2,308,303 |
| Revolving | 199,823 | 64,995 | 48,113 | 312,931 |
| | 18,386,528 | 2,564,615 | 1,529,035 | 22,480,178 |
| Impairment | (206,372) | (330,088) | (1,135,882) | (1,672,342) |
| Net consumer loan portfolio | 18,180,156 | 2,234,527 | 393,153 | 20,807,836 |
| **Mortgage** | | | | |
| | 10,994,086 | 2,190,167 | 810,182 | 13,994,435 |
| | 10,994,086 | 2,190,167 | 810,182 | 13,994,435 |
| Impairment | (63,284) | (181,496) | (387,468) | (632,248) |
| Net mortgage portfolio | 10,930,802 | 2,008,671 | 422,714 | 13,362,187 |
| Total Loan Portfolio and Finance Lease Transactions and Interest on Loan Portfolio and Other Items | COP 49,004,674 | 6,799,814 | 3,148,426 | 58,952,914 |
| Impairment | (338,192) | (628,693) | (2,256,265) | (3,223,150) |
| Total Loan Portfolio and Finance Lease Transactions (Net) and Interest on Loan Portfolio and Other Items (Net) | COP 48,666,482 | 6,171,121 | 892,161 | 55,729,764 |

*December 31, 2020*

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Expected credit losses in the next 12 months | Expected credit losses over the lifetime of the asset | Expected credit losses over the lifetime of the asset with impairment | |
| ***Commercial*** | | | | |
| Enterprise | 6,642,796 | 1,085,548 | 489,516 | 8,217,860 |
| Institutional | 1,342,978 | 37,087 | 861 | 1,380,926 |
| Corporate | 3,451,786 | 62,020 | - | 3,513,806 |
| Financial Entities | 984,189 | 1,550 | 2,168 | 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 |
| | 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 Loan | 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 |
| | 14,930,024 | 4,037,864 | 1,335,024 | 20,302,912 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Expected credit losses in the next 12 months | Expected credit losses over the lifetime of the asset | Expected credit losses over the lifetime of the asset with impairment | |
| 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** | | | | |
| | 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 | COP 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 | 6,979,794 | 1,008,363 | 49,153,230 |

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

*December 31, 2021*

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Expected credit losses in the next 12 months | Expected credit losses over the lifetime of the asset | Expected credit losses over the lifetime of the asset with impairment | |
| **Commercial** | | | | |
| Opening balance at January 1, 2021 | 162,076 | 263,727 | 798,524 | 1,224,327 |
| Transfers to credit losses expected in the next 12 months | (157,586) | 18,049 | 14,275 | (125,262) |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | 3,403 | (186,046) | 99,122 | (83,521) |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | 15 | 276 | (30,995) | (30,704) |
| Impairment | 60,628 | 32,994 | 64,924 | 158,546 |
| Loans written off | - | (11,891) | (212,935) | (224,826) |
| Net reconciliation of the commercial loan portfolio allowance | 68,536 | 117,109 | 732,915 | 918,560 |
| **Consumer** | | | | |
| Opening balance at January 1, 2021 | 188,567 | 541,079 | 745,500 | 1,475,146 |
| Transfers to credit losses expected in the next 12 months | (158,770) | 73,915 | 179,811 | 94,956 |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | 2,923 | (254,439) | 335,841 | 84,325 |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | 481 | 1,634 | 63,712 | 65,827 |
| Impairment | 175,257 | 20,856 | 79,338 | 275,451 |
| Loans written off | (2,086) | (52,957) | (268,320) | (323,363) |
| Net reconciliation of the consumer loan portfolio allowance | 206,372 | 330,088 | 1,135,882 | 1,672,342 |
| **Mortgage** | | | | |
| Opening balance at January 1, 2021 | 63,929 | 169,589 | 291,239 | 524,757 |
| Transfers to credit losses expected in the next 12 months | (14,807) | 68,128 | 33,744 | 87,065 |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | 975 | (60,483) | 97,755 | 38,247 |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | 164 | 1,444 | (14,581) | (12,973) |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Expected credit losses in the next 12 months | Expected credit losses over the lifetime of the asset | Expected credit losses over the lifetime of the asset with impairment | |
| Impairment | 13,023 | 2,828 | 13,349 | 29,200 |
| Loans written off | - | (10) | (34,038) | (34,048) |
| Net reconciliation of the mortgage portfolio allowance | 63,284 | 181,496 | 387,468 | 632,248 |
| Amount without deducting from portfolio originated with credit impairment upon initial recognition | | | | - |
| Balance at December 31, 2021 | | | | COP 3,223,150 |

## December 31, 2020

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Expected credit losses in the next 12 months | Expected credit losses over the lifetime of the asset | Expected credit losses over the lifetime of the asset with impairment | |
| **Commercial** | | | | |
| Opening balance at January 1, 2020 | 293,862 | 210,350 | 674,424 | 1,178,636 |
| Transfers to credit losses expected in the next 12 months | (138,519) | 132,232 | 35,073 | 28,786 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Expected credit losses in the next 12 months | Expected credit losses over the lifetime of the asset | Expected credit losses over the lifetime of the asset with impairment | |
| Transfers to credit losses expected during the lifetime of the asset (not impaired) | 525 | (86,785) | 134,940 | 48,680 |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | 15 | 833 | 49,660 | 50,508 |
| Impairment | 6,193 | 7,097 | 1,714 | 15,004 |
| Loans written off | - | - | (97,287) | (97,287) |
| Net reconciliation of the commercial loan portfolio allowance | 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 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Expected credit losses in the next 12 months | Expected credit losses over the lifetime of the asset | Expected credit losses over the lifetime of the asset with impairment | |
| Loans written off | (2,978) | (22,640) | (375,320) | (400,938) |
| Net reconciliation of the consumer loan portfolio allowance | 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) | 1,695 | (33,668) | 31,970 | (3) |
| Transfers to credit losses expected during the lifetime of the asset (impaired) | 231 | 1,740 | (5,417) | (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 allowance | 63,929 | 169,589 | 291,239 | 524,757 |
| Amount without deducting from portfolio originated with credit impairment upon initial recognition | | | | - |
| Balance at December 31, 2020 | | | | COP 3,224,230 |

The following is a breakdown of loan portfolio impairment by type of client:

## *December 31, 2021*

| Modality | Stage 1 | | Stage 2 | | | Stage 3 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Risk not past due | Risk past due < 30 days | Risk not past due | Risk past due < 30 days | Risk past-due 30 -90 days | Risk not past due | Risk past due < 30 days | Risk past-due 30 -90 days | Risk past-due> 90 days |
| **Loan portfolio by type of customer** | | | | | | | | | |
| Government agencies | COP 2,819 | COP 50 | COP 4,733 | COP 4 | COP 982 | COP - | COP - | COP - | COP - |
| Credit institutions | 1,907 | - | - | - | - | - | - | - | - |
| Other financial institutions | 203 | 1 | 9 | 22 | 17 | 151 | 516 | 87 | 101 |
| Non-financial corporations | 43,341 | 6,079 | 156,774 | 13,643 | 2,672 | 162,963 | 40,947 | 12,625 | 346,773 |
| Individuals | 263,617 | 20,175 | 303,454 | 78,022 | 68,361 | 448,691 | 205,748 | 138,245 | 899,418 |
| Total loan portfolio by segment | COP 311,887 | COP 26,305 | COP 464,970 | COP 91,691 | COP 72,032 | COP 611,805 | $ 247,211 | COP 150,957 | COP 1,246,292 |
| **Loan portfolio by products** | | | | | | | | | |
| Loan portfolio by products | COP - | COP 6 | COP 30,655 | COP 5,703 | COP 2,208 | COP 28,953 | COP 9,711 | COP 5,744 | COP 30,345 |
| Demand accounts and current accounts | 244,865 | 20,546 | - | - | - | 2,534 | - | - | - |
| Credit card debts | 47,728 | 2,297 | - | - | - | 36,195 | 6,488 | 8,345 | 88,310 |
| Other credits | 19,280 | 3,470 | 434,313 | 85,988 | 69,826 | 544,123 | 231,012 | 136,868 | 1,127,637 |
| Total loan portfolio by product | COP 311,873 | COP 26,319 | COP 464,968 | COP 91,691 | COP 72,034 | COP 611,805 | COP 247,211 | COP 150,957 | COP 1,246,292 |

*December 31, 2020*

| Modality | Stage 1 | | Stage 2 | | | Stage 3 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Risk not past due | Risk past due < 30 days | Risk not past due | Risk past due < 30 days | Risk past-due 30 -90 days | Risk not past due | Risk past due < 30 days | Risk past-due 30 -90 days | Risk past-due> 90 days |
| **Loan portfolio by type of customer** | | | | | | | | | |
| Government agencies | COP 8,083 | COP 57 | COP 8,019 | COP 1,228 | COP - | COP - | COP - | COP - | COP 1 |
| Credit institutions | 3,295 | - | - | - | - | - | - | - | - |
| Other financial institutions | 1,175 | - | 20 | - | 10 | 92 | - | - | - |
| Non-financial corporations | 153,305 | 9,520 | 289,187 | 32,543 | 6,624 | 106,902 | 37,308 | 37,045 | 321,355 |
| Individuals | 219,480 | 19,657 | 473,118 | 81,531 | 82,115 | 374,040 | 99,633 | 98,286 | 760,601 |
| Total loan portfolio by segment | COP385,338 | COP 29,234 | COP770,344 | COP115,302 | COP 88,749 | COP481,034 | COP 136,941 | COP 135,331 | COP 1,081,957 |
| **Loan portfolio by products** | | | | | | | | | |
| Commercial loan portfolio | COP 36,492 | COP 3,543 | COP 66,763 | COP 2,794 | COP 4,777 | COP 25,631 | COP 6,393 | COP 3,636 | COP 37,284 |
| Demand accounts and current accounts | - | 69 | - | - | - | - | 63 | 32 | 4,381 |
| Credit card debts | 28,306 | 998 | 26,347 | 2,292 | 12,550 | 30,367 | 3,756 | 7,169 | 57,325 |
| Other credits | 321,186 | 23,978 | 677,995 | 109,623 | 71,253 | 425,949 | 128,845 | 86,414 | 1,018,018 |
| Total loan portfolio by product | COP 385,984 | COP 28,588 | COP 771,105 | COP 114,709 | COP 88,580 | COP 481,947 | COP 139,057 | COP 97,252 | COP 1,117,008 |

In compliance with the regulatory criteria and conditions, risks that are not past due are listed in stages 2 and 3, based on the financial instrument and restructuring policy, in the loan portfolio impairment item.

The following is a breakdown of the loans by sector:

*December 31, 2021*

| Modality | Total Gross Risk | Total Allowance | Net Carrying Value | % |
|---|---|---|---|---|
| Government agencies | COP 4,690,540 | COP 8,588 | COP 4,681,952 | 0% |
| Credit institutions | 896,219 | 1,907 | 894,312 | 0% |
| Other financial institutions | 164,274 | 1,107 | 163,167 | 1% |
| Non-financial corporations | 16,061,406 | 785,817 | 15,275,589 | |
| Agriculture, forestry and fishing | 482,167 | 29,344 | 452,823 | 6% |
| Extractive industries | 193,071 | 54,410 | 138,661 | 28% |
| Manufacturing industry | 4,571,158 | 121,220 | 4,449,938 | 3% |
| Supply of electricity, gas, steam and air conditioning | 1,744,610 | 1,857 | 1,742,753 | 0% |
| Water supply | 31,062 | 2,069 | 28,993 | 7% |
| Wholesale and retail trade | 3,669,898 | 110,538 | 3,559,360 | 3% |
| Transport and storage | 861,097 | 59,471 | 801,626 | 7% |
| Catering | 163,081 | 33,018 | 130,063 | 20% |
| Information and communications | 175,979 | 8,343 | 167,636 | 5% |
| Professional, scientific and technical activities | 257,750 | 17,126 | 240,624 | 7% |

| Modality | Total Gross Risk | Total Allowance | Net Carrying Value | % |
|---|---|---|---|---|
| Administrative activities and back-office | 346,642 | 18,500 | 328,142 | 5% |
| Education | 338,862 | 3,730 | 335,132 | 1% |
| Health activities and social work activities | 548,179 | 17,115 | 531,064 | 3% |
| Artistic, recreational and entertainment activities | 143,282 | 19,672 | 123,610 | 14% |
| Other services | 259,238 | 5,367 | 253,871 | 2% |
| Construction | 991,445 | 189,991 | 801,454 | 19% |
| Real estate activities | 289,286 | 26,928 | 262,358 | 9% |
| Financial and insurance-related activities | 994,599 | 67,118 | 927,481 | 7% |
| Individuals | 37,140,475 | 2,425,731 | 34,714,744 | 7% |
| Total loan portfolio | COP 58,952,914 | COP 3,223,150 | COP 55,729,764 | 5% |

*December 31, 2020*

| Modality | Total Gross Risk | Total Allowance | 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% |

## *Portfolio sales*

### *Year 2021*

During 2021, the Bank conducted portfolio sale transactions for a total of COP 1,119,934, where 97% of said assets had been writ-ten-off.

The breakdown of the portfolio transferred by modality was: Mortgage, 2%; Commercial, 23%; and Consumer, 75%; these transactions were conducted in the months listed below:

| Month | Total Debt by Portfolio Type | | | |
|---|---|---|---|---|
| | Consumer | Mortgage | Commercial | Total Debt |
| January | COP 185 | COP - | COP 2,335 | COP 2,520 |
| February | 522,282 | 1,284 | 130,131 | 653,697 |
| March | 107 | 392 | 8,701 | 9,200 |
| April | 2 | 152 | 14,839 | 14,993 |
| May | 301 | 1,691 | 1,125 | 3,117 |
| June | 1,410 | 2,922 | 26,518 | 30,850 |
| July | 315,043 | 15,085 | 53,830 | 383,958 |
| August | 170 | 288 | - | 458 |
| October | 406 | 787 | 1,350 | 2,543 |
| December | 300 | 536 | 17,762 | 18,598 |
| Total | COP 840,206 | COP 23,137 | COP 256,591 | COP 1,119,934 |
| % of portfolio share sold | 75.00% | 2.00% | 23.00% | 100.00% |

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

### *Year 2020*

During 2020, the Bank conducted portfolio sale transactions for a total of COP 392,072, where 93% of said assets had been writ-ten-off.

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

| Month | Total Debt by Portfolio Type | | | |
|---|---|---|---|---|
| | Consumer | Mortgage | Commercial | Total Debt |
| January | 210 | 265 | 272 | 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% | 100.00% |

Amount includes principal, interest and accounts receivable balances.

## 11. Right-of-use fixed assets

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

| Item | 2021 | 2020 |
|---|---|---|
| **Right-of-use Fixed Assets** | | |
| Buildings (Premises and ATMs) | 187,909 | 195,396 |
| Accumulated depreciation | (78,785) | (58,953) |
| Total right-of-use fixed assets | COP 109,124 | COP 136,443 |

The Group chose 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. This determination 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 the IFRS 16 Governance 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).

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.

At year-end in 2021, the balance of right-of-use was COP 109,124, and lease liabilities totaled COP 124,403, which includes the disassembly provision.

At December 31, 2021, the following are the details of the right-of-use fixed assets.

**Assets**

| Item | 2021 | Movement in 2021 | 2020 |
|---|---|---|---|
| Right-of-use premises | 129,592 | (16,958) | 146,550 |
| Right-of-use ATMs | 58,317 | 9,471 | 48,846 |
| Depreciation right-of-use premises | (70,725) | (20,695) | (50,030) |
| Depreciation right-of-use premises terminated leases | 7,929 | 6,654 | 1,275 |
| Depreciation right-of-use ATMs | (16,057) | (5,808) | (10,249) |
| Depreciation right-of-use ATMs terminated leases | 68 | 17 | 51 |
| Total | COP 109,124 | COP (27,319) | COP 136,443 |

**Liabilities**

| Item | 2021 | Movement in 2021 | 2020 |
|---|---|---|---|
| Lease liabilities premises | 69,933 | (29,954) | 99,887 |
| Lease liabilities ATMs | 45,863 | 4,714 | 41,149 |
| Disassembly provision | 8,607 | 195 | 8,412 |
| Total | COP 124,403 | COP (25,045) | COP 149,448 |

Amounts recognized in the consolidated statement of income at December 31:

| Item | 2021 | 2020 |
|---|---|---|
| Interest on lease liabilities | COP 8,320 | COP 11,908 |
| Real estate rental expenses | 2,294 | 1,964 |
| Depreciation right-of-use ATMs | 20,695 | 25,393 |
| Depreciation right-of-use premises | 5,808 | 5,389 |

There are differences between the value of the accumulated depreciation against the expense for this item. This is due to leases that were terminated during the year, an ATM lease and thirteen leases for commercial properties during 2021.

Maturity analysis - non-discounted contractual cash flows at December 31:

| Lease Liabilities for Premises | 2021 | 2020 |
|---|---|---|
| No more than one year | COP 23,416 | COP 27,115 |
| More than one year and less than three years | 39,642 | 53,368 |
| More than three years and less than five years | 12,917 | 27,661 |
| More than five years | 2,643 | 6,866 |
| TOTAL UNDISCOUNTED LEASE LIABILITIES | COP 78,618 | COP 115,010 |

| Lease liabilities for ATMs | 2021 | 2020 |
|---|---|---|
| No more than one year | COP 8,396 | COP 7,428 |
| More than one year and less than three years | 16,261 | 13,788 |
| More than three years and less than five years | 14,860 | 12,596 |
| More than five years | 22,570 | 22,236 |
| TOTAL UNDISCOUNTED LEASE LIABILITIES | COP 62,087 | COP 56,048 |

**The Group as a lessee**

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

| Range | 2021 | 2020 |
|---|---|---|
| One year or less | COP 4,549 | COP 5,614 |
| From one to five years | 64,667 | 72,036 |
| More than five years | 15,423 | 32,284 |
| Total | COP 84,639 | COP 109,934 |

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, 2021 and December 31, 2020 was COP 84,639 and COP 109,934, 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 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 2021, 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:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Issuance | Managed portfolio – total principal | Balances in BBVA TIPS securities | Managed portfolio – total principal | Balances in BBVA TIPS securities |
| TIPS E-9 | COP - | COP - | COP 720 | COP - |
| TIPS E-10 | - | - | 1.035 | - |
| TIPS E-11 | - | - | 638 | - |
| TIPS E-12 | - | - | 199 | - |
| TIPS N-6 | 7.681 | 11.122 | 10.753 | 15.138 |
| TIPS N-16 | 59.764 | 20.158 | 79.315 | 20.781 |
| Total | COP 67.445 | COP 31.280 | COP 92.660 | COP 35.919 |

**Portfolio buyback**: In 2021, 130 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 3,383, which include buybacks due to the request to decrease rates, refurbishment and write-offs, as well as the settlement of the E9, E10, E11 and E12 issues, with payment in kind, of a total of 103 obligations:

| Item | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. of credits | - | 6 | 3 | 5 | 3 | 1 | - | - | 1 | 3 | 104 | 4 | 130 |
| Total balance of principal | COP - | COP 586 | COP 67 | COP 304 | COP 45 | COP 103 | COP - | COP - | COP 16 | COP 128 | COP 1,901 | COP 233 | 3,383 |
| Total balance of debt | COP - | COP 616 | COP 72 | COP 373 | COP 49 | COP 103 | COP - | COP - | COP 16 | COP 129 | COP 3,026 | COP 235 | 4,619 |

**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 - | COP 62 | COP 280 | COP - | COP - | COP 2 | COP 38 | COP 203 | COP 50 | COP 420 | COP 606 | COP 18 | 1,679 |
| Total balance of debt | COP - | $ 63 | $ 281 | COP - | COP - | COP 2 | COP 38 | COP 228 | COP 51 | COP 424 | COP 611 | COP 18 | 1,716 |

**History of productive portfolio securitization**

**TIPS 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.

As of November 2021, prior to settlement, the income from residual rights of the E9, E10, E11 and E12 issuances was:

| Universality | Value |
|---|---|
| Tips Pesos E9 | COP 727 |
| Tips Pesos E10 | 503 |
| Tips Pesos E11 | 310 |
| Tips Pesos E12 | 435 |
| Total | COP 1,975 |

**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, TIPS N16 Pesos was issued, representing social-interest and non-social interest mortgage loans originated by BBVA Colombia S.A. for a total of COP 167,252, by Bancolombia for COP 105,599 and by Davivienda S.A. for 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*

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

When there is no listed price on an active market, the Group 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, 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. At December 31, 2021 and 2020, 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 Group 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 use of judgment by the Group. 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 prepayment 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:

| | BBVA valuation | | | Long-term rate | | | NPV dividends | | |
|---|---|---|---|---|---|---|---|---|---|
| | Lower limit | Average | Upper limit | Lower limit | Average | Upper limit | Lower limit | Average | Upper limit |
| Finagro | COP 67,612,081 | COP 65,904,027 | COP 64,278,998 | 0.12% | 0.12% | 0.12% | COP 211,687,683 | COP 210,582,600 | COP 209,487,135 |
| Counterparty Clearing House | 2,720,536 | 2,638,420 | 2,560,763 | 4.86% | 5.00% | 5.14% | 15,130,511 | 15,063,695 | 14,997,425 |
| Total | 70,332,617 | 68,542,447 | 66,839,762 | 2.49% | 2.56% | 2.63% | 226,818,194 | 225,646,295 | 224,484,560 |
| Average | COP 35,166,308 | COP 34,271,224 | COP 33,419,881 | 0.30% | 0.31% | 0.32% | COP 113,409,097 | COP 112,823,147 | COP 112,242,280 |

| | | Lower limit | Average | Upper limit |
|---|---|---|---|---|
| Ke Finagro | 67,612,081 | 9.83% | 10.08% | 10.33% |
| Ke Other | 2,720,536 | 8.84% | 9.09% | 9.34% |
| | | **9.79%** | **10.04%** | **10.29%** |

Sensitivity analysis: The Ke 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, 2021*

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Assets | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Commercial Loan Portfolio | 21,559,741 | 20,693,191 | - | - | 20,693,191 |
| Mortgage portfolio | 13,362,187 | 14,021,552 | - | - | 14,021,552 |
| Consumer portfolio | 20,807,836 | 24,079,575 | - | - | 24,079,575 |
| Total loan portfolio | COP 55,729,764 | COP 58,794,318 | COP - | COP - | COP 58,794,318 |
| Liabilities | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Demand deposits | 41,143,827 | 41,143,827 | - | - | 41,143,827 |
| Term deposits | 18,022,109 | 18,196,248 | - | - | 18,196,248 |
| Total customer deposits | COP 59,165,936 | COP 59,340,075 | COP - | COP - | COP 59,340,075 |

## Balances at December 31, 2020

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Assets | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Commercial Loan Portfolio | 17,861,619 | 19,831,642 | - | - | 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 | COP 49,153,230 | COP 56,427,493 | COP - | COP - | COP 56,427,493 |
| Liabilities | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Demand deposits | 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 - | COP 49,335,243 |

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 functionary 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 financial assets and liabilities in 2021*

| Assets and Liabilities | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets | COP 10,563,967 | COP 10,541,245 | COP 3,856,489 | COP 4,301,422 | COP 2,383,334 |
| Assets at fair value measured on a recurring basis | 8,480,595 | 8,480,595 | 3,856,489 | 4,301,422 | 322,684 |
| Investments at fair value | 5,189,615 | 5,189,615 | 3,856,489 | 1,010,442 | 322,684 |
| **Investments at fair value through profit or loss** | **2,594,225** | **2,594,225** | **1,626,189** | **968,036** | **-** |
| Bonds | 105,301 | 105,301 | 45,343 | 59,958 | - |
| Certificate of deposit | 545,509 | 545,509 | - | 545,509 | - |
| Treasury securities - TES | 1,935,221 | 1,935,221 | 1,572,652 | 362,569 | - |
| Other domestic issuances | 8,194 | 8,194 | 8,194 | - | - |
| **Investments at fair value through profit or loss provided in Money Market transactions** | **171,992** | **171,992** | **168,975** | **3,017** | **-** |
| Certificate of deposit | 74 | 74 | - | 74 | - |

| Assets and Liabilities | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Treasury securities - TES | 171,918 | 171,918 | 168,975 | 2,943 | - |
| Investments at fair value through OCI Debt Instruments | 650,189 | 650,189 | 594,688 | 39,389 | 16,112 |
| Treasury securities - TES | 624,123 | 624,123 | 594,688 | 29,435 | - |
| Certificate of deposit | 9,954 | 9,954 | - | 9,954 | - |
| Mortgage securities - TIPS | 16,112 | 16,112 | - | - | 16,112 |
| **Investments at fair value through OCI Equity Instruments** | **358,275** | **358,275** | **51,703** | **-** | **306,572** |
| Bolsa de Valores de Colombia S.A | 51,703 | 51,703 | 51,703 | - | - |
| Credibanco | 110,983 | 110,983 | - | - | 110,983 |
| Redeban S.A. | 30,993 | 30,993 | - | - | 30,993 |
| ACH Colombia | 96,480 | 96,480 | - | - | 96,480 |
| Counterparty Clearing House | 2,212 | 2,212 | - | - | 2,212 |
| Fondo para el Financiamiento del Sector Agropecuario "Finagro" | 65,904 | 65,904 | - | - | 65,904 |
| **Investments at fair value through OCI provided in Money Market transactions** | **770,469** | **770,469** | **770,469** | **-** | **-** |
| Treasury securities - TES | 770,469 | 770,469 | 770,469 | - | - |
| **Investments at fair value through OCI provided as Collateral in transactions** | **644,465** | **644,465** | **644,465** | **-** | **-** |
| Treasury securities - TES | 644,465 | 644,465 | 644,465 | - | - |
| **Investments at amortized cost** | **2,083,372** | **2,060,650** | **-** | **-** | **2,060,650** |
| Agricultural development securities | 973,360 | 953,111 | - | - | 953,111 |
| Solidarity Securities | 1,097,564 | 1,092,674 | - | - | 1,092,674 |
| Mortgage securities - TIPS | 12,448 | 14,865 | - | - | 14,865 |

| Assets and Liabilities | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Derivative financial instruments and (asset) cash transactions | 3,290,980 | 3,290,980 | - | 3,290,980 | - |
| **Trading** | **2,960,451** | **2,960,451** | - | **2,960,451** | - |
| Forward Contracts | 1,265,012 | 1,265,012 | - | 1,265,012 | - |
| Cash transactions | 3,170 | 3,170 | - | 3,170 | - |
| Options | 7,756 | 7,756 | - | 7,756 | - |
| Swaps | 1,684,513 | 1,684,513 | - | 1,684,513 | - |
| **Hedging** | **330,529** | **330,529** | - | **330,529** | - |
| Swaps | 330,529 | 330,529 | - | 330,529 | - |
| Liabilities | 3,454,784 | 3,454,784 | - | 3,454,784 | - |
| Liabilities at fair value measured on a recurring basis | 3,454,784 | 3,454,784 | - | 3,454,784 | - |
| Derivative Financial Instruments and (Liability) Cash Transactions | 3,454,784 | 3,454,784 | - | 3,454,784 | - |
| **Trading** | **3,454,784** | **3,454,784** | - | **3,454,784** | - |
| Forward Contracts | 1,194,587 | 1,194,587 | - | 1,194,587 | - |
| Cash transactions | 789 | 789 | - | 789 | - |
| Options | 7,863 | 7,863 | - | 7,863 | - |
| Swaps | 2,251,545 | 2,251,545 | - | 2,251,545 | - |
| Hierarchies | Carrying Value | Amortized Cost | Level 1 | Level 2 | Level 3 |
| Assets | 12,416,209 | 12,416,209 | 10,268,716 | 760,962 | - |
| Assets measured on a non-recurring basis | 12,416,209 | 12,416,209 | 10,268,716 | 760,962 | - |
| Cash, cash balances in central banks and other demand deposits | 11,029,678 | 11,029,678 | 10,268,716 | 760,962 | - |
| Cash and deposits in banks | 10,268,716 | 10,268,716 | 10,268,716 | - | - |
| Investment funds | 24,140 | 24,140 | - | 24,140 | - |

| Assets and Liabilities | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Money market and related transactions | 736,822 | 736,822 | - | 736,822 | - |
| Others | 1,386,529 | 1,386,529 | - | - | - |
| Advances to contracts and suppliers | 139,803 | 139,803 | - | - | - |
| Accounts receivable (net) | 1,246,726 | 1,246,726 | - | - | - |
| Liabilities | 6,414,856 | 6,414,856 | - | 2,388,531 | 2,974,166 |
| Investment securities | 2,388,531 | 2,388,531 | - | 2,388,531 | - |
| Outstanding Investment Securities | 2,388,531 | 2,388,531 | - | 2,388,531 | - |
| Financial Obligations | 2,974,166 | 2,974,166 | - | - | 2,974,166 |
| Bank credits and other financial obligations | 2,974,166 | 2,974,166 | - | - | 2,974,166 |
| Others | 1,052,159 | 1,052,159 | - | - | - |
| Accounts payable | 712,760 | 712,760 | - | - | - |
| Other Liabilities | 339,399 | 339,399 | - | - | - |
| Total assets and liabilities at fair value | COP 32,849,816 | COP 32,827,094 | COP 14,125,206 | COP 10,905,700 | COP 5,357,500 |

## Fair value hierarchy of financial assets and liabilities in 2020:

| Assets and Liabilities | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets | COP 8,373,842 | COP 8,373,842 | COP 3,629,367 | COP 4,419,299 | COP 325,176 |
| Assets at fair value measured on a recurring basis | 8,373,842 | 8,373,842 | 3,629,367 | 4,419,299 | 325,176 |
| Investments at fair value | 4,563,928 | 4,563,928 | 3,629,367 | 609,385 | 325,176 |
| **Investments at fair value through profit or loss** | 2,775,447 | 2,775,447 | 2,178,659 | 596,788 | - |

| Assets and Liabilities | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| 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 | 50,277 | 50,277 | - | - | 50,277 |
| Counterparty Clearing House | 3,391 | 3,391 | - | - | 3,391 |
| Fondo para el Financiamiento del Sector Agropecuario "Finagro" | 112,113 | 112,113 | - | - | 112,113 |

| Assets and Liabilities | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| **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** |
| 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 | - |

| Assets and Liabilities | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| 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 | 4,107,191 | 4,107,191 | - | 4,107,191 | - |
| **Trading** | **4,106,964** | **4,106,964** | **-** | **4,106,964** | **-** |
| 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 | 227 | 227 | - | 227 | - |

| Hierarchies | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Assets | 7,332,273 | 7,332,273 | 5,745,960 | 520,528 | - |
| 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 |

The Group discloses transfers between the levels of fair value hierarchy at the end of the period during which the change occurred. In 2021 and 2020, there were no transfers of financial instruments measured at fair value between the levels of hierarchy.

## 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 28) 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 | |
|---|---|---|---|---|
| FORWARD TRANSACTIONS | 2021 | 2020 | 2021 | 2020 |
| **Purchase on foreign currency** | | | | |
| Rights | COP 32,647,678 | COP 2,808,486 | COP 32,287,858 | COP 2,834,051 |
| Obligations | - | - | (31,119,626) | (2,796,069) |
| **Sale on foreign currency** | | | | |
| Rights | 12,058,014 | 24,396,660 | 11,911,192 | 24,207,801 |
| Obligations | - | - | (11,813,588) | (22,927,266) |
| **Less credit risk** | - | - | (822) | (1,921) |
| Total forward contracts | 44,705,692 | 27,205,146 | 1,265,014 | 1,316,596 |

| | Notional Value | | Fair Value | |
|---|---|---|---|---|
| CASH TRANSACTIONS | 2021 | 2020 | 2021 | 2020 |
| **Purchase on foreign currency** | | | | |
| Rights | COP 20,387 | COP 302 | COP 20,378 | COP 302 |
| Obligations | - | - | (20,369) | (302) |
| **Sales on foreign currency** | | | | |
| Rights | 333,891 | - | 330,788 | - |
| Obligations | - | - | (327,765) | - |
| **Purchase on securities** | | | | |
| Rights | 11,352 | - | 11,229 | 25,442 |
| Obligations | - | - | (11,212) | (25,395) |
| **Sales on securities** | | | | |
| Rights | 42,670 | - | 41,481 | 13,026 |
| Obligations | - | - | (41,360) | (12,994) |
| Less CVA credit risk | | | - | - |
| Total cash transactions | 408,300 | 302 | 3,170 | 79 |

| | Notional Value | | Fair Value | |
|---|---|---|---|---|
| OPTIONS | 2021 | 2020 | 2021 | 2020 |
| **Options on foreign currencies purchased - put:** | | | | |
| Rights * | - | - | 206,178 | 101,289 |
| Purchase - Put | 206,178 | 101,289 | 2,515 | 5,001 |
| **Options on foreign currencies purchased - call:** | | | | |
| Rights * | - | - | 179,598 | 329,165 |
| Purchase - Call | 179,598 | 329,165 | 5,349 | 378 |
| Less CVA credit risk | - | - | (108) | (2) |
| Total fair exchange price | 385,776 | 430,454 | 7,756 | 5,377 |

| | Notional Value | | Fair Value | |
|---|---|---|---|---|
| Swaps | 2021 | 2020 | 2021 | 2020 |
| **On interest rates:** | | | | |
| Rights | 75,190,549 | 57,647,703 | 6,629,390 | 5,958,436 |
| Obligations | - | - | (5,646,979) | (4,081,194) |
| On currencies | | | | |
| Rights | 8,873,792 | 5,520,240 | 8,725,019 | 5,947,159 |
| Obligations | - | - | (8,012,182) | (5,468,882) |
| Less CVA credit risk | - | - | (10,736) | (20,037) |
| Total Swaps | 84,064,341 | 63,167,943 | 1,684,512 | 2,335,482 |

| | Notional Value | | Fair Value | |
|---|---|---|---|---|
| Futures | 2021 | 2020 | 2021 | 2020 |
| **Purchase on foreign currency** | | | | |
| Rights | 6,134,009 | 6,814,249 | 6,134,009 | 6,817,515 |
| Obligations | - | - | (6,134,009) | (6,817,515) |
| **Sale on foreign currency** | | | | |
| Rights | 6,413,140 | 2,306,349 | 6,346,629 | 2,306,349 |
| Obligations | - | - | (6,346,629) | (2,306,349) |
| Total futures | 12,547,149 | 9,120,598 | - | - |
| Total cash transactions and derivatives | COP 142,111,258 | COP 99,924,443 | COP 2,960,452 | COP 3,657,534 |

At December 31, 2021 and 2020, the total CVA (Credit Value Adjustments) and DVA (Debit Value Adjustments) was COP 11,657 and COP 17,732, respectively. The most significant counterparties represent 68.57%, as follows:

| Counterparty | Rating | 2021 | 2020 |
|---|---|---|---|
| Sociedad Portuaria de Santa Marta | BB- | COP 801 | COP 418 |
| GPC TUGS S.A. | B | 263 | 1,418 |
| Contecar | BB+ | 215 | 397 |
| Sociedad Portuaria de Cartagena | B+ | 142 | 466 |
| Sura Asset Management S.A. | BBB+ | - | - |
| Seguros de Vida Alfa | BB- | - | 62 |
| FPO Porvenir Moderado | BBB | 544 | 646 |
| Bbva Madrid Tesorería | | 5,980 | 15,464 |
| Constructora Urbana San Rafael S.A | B | 55 | 737 |
| Total | | COP 8,000 | COP 19,608 |

At December 31, 2021 and 2020, the total DVA (Debit Value Adjustments) was COP 11,519 and COP 21,960 respectively; in addition, the most significant counterparties, which represent 94.75% and 48.90%, respectively, are comprised as follows:

| Counterparty | 2021 | 2020 |
|---|---|---|
| BBVA Madrid Tesorería (1) | COP 10,914 | COP 7,807 |
| GPC TUGS S.A. | - | 1,418 |
| Bbva Madrid Tesorería | - | COP 1,514 |
| Total | COP 10,914 | COP 10,738 |

Below is the information on the value of CVA and DVA broken down by product, showing the product with the greatest impact for 2021 and 2020, respectively. Swaps represent 94.20% of the total CVA and DVA, also due to the higher volume and volatility in the rate and macroeconomic changes of transactions contracted up to 2021:

| Product | 2021 | 2020 |
|---|---|---|
| DVA | | |
| FW FOREIGN CURRENCIES | COP 46 | COP 12 |
| FW US DOLLARS | 776 | 322 |
| OPTIONS | 108 | - |
| SWAP | 10,736 | 17,398 |
| TOTAL | COP 11,666 | COP 17,732 |
| CVA | | |
| FW FOREIGN CURRENCIES | COP 29 | COP 32 |
| FW US DOLLARS | 386 | 1,889 |
| OPTIONS | 2 | 2 |
| SWAP | 11,102 | 20,037 |
| TOTAL | COP 11,519 | COP 21,960 |

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 3,4532.50 per USD 1 to COP 3,981.16 in 2021, and netting out 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 2021 in relation to the previous year. This is due to the increase in the trading transactions of said portfolio, going from 32 transactions in the previous year to 38 contracts for the year 2021. 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 Bank is ruled by the standards issued by the Financial Superintendence of Colombia and it takes into account the restrictions and limits of proprietary position, the spot proprietary position, the leveraging position, and the interest rates established by the BBVA Group.

At December 31, 2021 and 2020, 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 2021.

At December 31, 2021, the breakdown of transactions with derivative financial instruments was as follows:

## At December 31, 2021

| Type of Instrument | Type of Transaction | Currency | Maturity in Days | | | Value Obligation | Net Result |
|---|---|---|---|---|---|---|---|
| | | | Minimum | Maximum | Value Right | | |
| Currency forward | Purchase | USD/COP | 3 | 2975 | COP 50,949,703 | COP (49,841,601) | COP 1,108,102 |
| | Purchase | EUR/COP | 21 | 223 | 12,370 | (12,248) | 122 |
| | Purchase | EUR/USD | 13 | 1109 | 392,404 | (402,486) | (10,082) |
| | Purchase | GBP/USD | 41 | 41 | 1,152 | (1,145) | 7 |
| | Purchase | JPY/USD | 11 | 161 | 15,779 | (16,154) | (375) |
| | Purchase | MXN/USD | 49 | 409 | 6,284 | (6,137) | 147 |
| | Purchase | SEK/USD | 7 | 7 | 10,863 | (10,819) | 44 |
| | Purchase | CNH/USD | 117 | 332 | 259,482 | (256,775) | 2,707 |
| | Purchase | GBP/COP | 41 | 41 | 1,694 | (1,673) | 21 |
| | Purchase | CAD/COP | 56 | 56 | 4,492 | (4,404) | 88 |
| | Sale | USD/COP | 3 | 2035 | 56,141,734 | (57,170,845) | (1,029,111) |
| | Sale | COP/EUR | 3 | 362 | 97,388 | (95,989) | 1,399 |
| | Sale | COP/GBP | 41 | 41 | 1,130 | (1,152) | (22) |
| | Sale | COP/SEK | 7 | 7 | 10,937 | (10,863) | 74 |
| | Sale | COP/CNH | 117 | 332 | 251,206 | (259,477) | (8,271) |
| | Sale | USD/EUR | 13 | 1109 | 81,746 | (76,186) | 5,560 |
| | Sale | USD/GBP | 41 | 41 | 1,663 | (1,694) | (31) |
| | Sale | COP/JPY | 3 | 161 | 15,694 | (15,779) | (85) |

| Type of Instrument | Type of Transaction | Currency | Maturity in Days | | | Value Obligation | Net Result |
|---|---|---|---|---|---|---|---|
| | | | Minimum | Maximum | Value Right | | |
| **Currency forward** | Sale | USD/CAD | 56 | 56 | 4,639 | (4,492) | 148 |
| | Sale | USD/ MXN | 49 | 409 | 6,133 | (6,148) | (15) |
| Total currency forward | | | | | 108,266,493 | (108,196,067) | 70,427 |
| **Spot on currency** | Purchase | USD/COP | 3 | 4 | 114,085 | (114,807) | (722) |
| | Purchase | EUR/COP | 3 | 3 | 2,816 | (2,817) | (1) |
| | Sale | USD/COP | 3 | 3 | 330,788 | (327,766) | 3,022 |
| Total spot on currency | | | | | 447,689 | (445,390) | 2,299 |
| **Spot on securities** | Purchase | COP | -361 | 3 | 48,718 | (48,723) | (5) |
| | Sale | COP | -44561 | 3 | 68,379 | (68,291) | 88 |
| Total spot on securities | | | | | 117,097 | (117,014) | 83 |
| Total spot | | | | | 564,786 | (562,404) | 2,382 |
| **Financial options** | Purchase - PUT | USD/COP | 5 | 1092 | 2,515 | - | 2,515 |
| | Purchase - CALL | USD/COP | 5 | 1092 | 5,241 | - | 5,241 |
| | Sale - PUT | USD/COP | 5 | 1092 | - | (2,514) | (2,514) |
| | Sale - CALL | USD/COP | 5 | 1092 | - | (5,348) | (5,348) |
| Total financial options | | | | | 7,756 | (7,862) | (106) |

| Type of Instrument | Type of Transaction | Currency | Maturity in Days | | | Value Obligation | Net Result |
|---|---|---|---|---|---|---|---|
| | | | Minimum | Maximum | Value Right | | |
| **Interest rate swap** | IRS | COP | 3 | 5450 | 18,887,693 | (20,108,967) | (1,221,274) |
| | IRS | USD | 4 | 3391 | 7,801,996 | (7,147,756) | 654,240 |
| Total swap on interest rates | | | | | 26,689,689 | (27,256,723) | (567,034) |
| Swap on currencies hedging | CCS | COP | 1207 | 1207 | 1,482,378 | (1,151,849) | 330,529 |
| Total swap on currencies hedging | | | | | 1,482,378 | (1,151,849) | 330,529 |
| Total swap | | | | | 28,172,067 | (28,408,572) | (236,505) |
| | Sale | COP | | | 168,912 | -168,912 | - |
| Total futures | | | | | 168,912 | (168,912) | - |
| TOTAL | | | | | COP 137,180,014 | COP (137,343,817) | COP (163,802) |

## At December 31, 2020

| Type of Instrument | Type of Transaction | Currency | Maturity in Days | | | Value Obligation | Net Result |
|---|---|---|---|---|---|---|---|
| | | | Minimum | Maximum | Value Right | | |
| **Currency forward** | Purchase | USD/COP | 4 | 3340 | COP 31,615,751 | COP (32,773,521) | COP (1,157,770) |
| | Purchase | EUR/COP | 20 | 74 | 112 | (102) | 10 |
| | Purchase | EUR/ USD | 13 | 1474 | 299,605 | (295,400) | 4,205 |
| | Purchase | GBP/COP | 287 | 287 | 1,122 | (1,118) | 4 |
| | Purchase | CAD/COP | 250 | 250 | 150 | (146) | 4 |

| Type of Instrument | Type of Transaction | Currency | Maturity in Days | | | Value Obligation | Net Result |
|---|---|---|---|---|---|---|---|
| | | | Minimum | Maximum | Value Right | | |
| **Currency forward** | Sale | COP/USD | 4 | 2400 | 32,478,469 | (31,214,077) | 1,264,392 |
| | Sale | COP/EUR | 8 | 138 | 60,758 | (60,308) | 450 |
| | Sale | USD/EUR | 13 | 1474 | 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 | | | | | 58,191 | (58,152) | 39 |
| **Financial options** | Purchase - PUT | USD/COP | 6 | 340 | 4,999 | - | 4,999 |
| | Purchase - CALL | USD/COP | 7 | 340 | 378 | - | 378 |
| | Sale - PUT | USD/COP | 6 | 340 | - | (5,001) | (5,001) |
| | Sale - CALL | USD/COP | 7 | 340 | - | (378) | (378) |
| Total financial options | | | | | 5,377 | (5,379) | (2) |
| **Interest rate swap** | IRS | COP | 4 | 5471 | 8,474,931 | (8,927,852) | (452,921) |
| | IRS | USD | 13 | 3609 | 290,429 | (314,024) | (23,595) |
| | OIS | COP | 4 | 3603 | 370,124 | (389,367) | (19,243) |

| Type of Instrument | Type of Transaction | Currency | Maturity in Days | | | Value Obligation | Net Result |
|---|---|---|---|---|---|---|---|
| | | | Minimum | Maximum | Value Right | | |
| Total swap on interest rates | | | | | 9,135,484 | (9,631,243) | (495,759) |
| **Swap currencies** | CCS | USD | 4 | 3616 | 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 | 1572 | 1572 | 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) |

The collateral received and delivered in derivative transactions at December 31, were:

| Counterparty | DIV | 2021 | 2020 |
|---|---|---|---|
| Assets | | | |
| Banco Santander Central Hispano | EUR | 212,415 | 212,415 |
| Banco Bancomer México | USD | 2,820,000 | 150,000 |
| BBVA Madrid (1) | USD | 160,702,891 | 134,273,819 |
| Liabilities | | | |
| Morgan Stanley and Co Internacional | USD | (86,338,850) | (47,498,850) |
| BBVA Bancomer México | USD | - | - |

(1) The amount under BBVA Madrid corresponds to the collateral agreement on all the Bank's derivative transactions with this counterparty.

The financial collateral, regardless of the holder, instrumentation or other circumstances, is 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 therefor.

**Credit Value Adjustment (CVA)**

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.

As of June 2016, the DVA (Debit Value Adjustment) calculation was introduced at the request of the Financial Superintendence of Colombia 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 the BBVA will default on a positive value transaction for a counterparty due to a credit event. This adjustment will report CVA of the 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 change in measurement between 2020 and 2021 is shown below. The change in reported CVA is mainly due to a change in the calculation methodology specified in PN 031/2020 issued by the Financial Superintendence of Colombia.

The change in DVA is mainly due to a change in the calculation methodology specified in PN 031/2020 of the Financial Superintendence of Colombia. It additionally includes all the clauses with counterparties that have signed netting out agreements for transactions with the same item, because the calculations are made at the aggregate level.

| | Year | December-Amount Mill. | Max Mill. | Min Mill. | Avg Mill. |
|---|---|---|---|---|---|
| CVA | 2020 | 21,920 | 28,153 | 6,099 | 16,211 |
| | 2021 | 11,667 | 22,199 | 10,077 | 13,544 |
| DVA | 2020 | 17,732 | 20,122 | 581 | 12,955 |
| | 2021 | 11,518 | 24,088 | 11,006 | 13,211 |

## 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 2021 |
|---|---|---|---|---|---|---|---|
| 9217724 | USD 40 | 9,98% | COP 129,200 | 4,88% | COP 179,682 | COP 146,982 | COP 32,701 |
| 9315701 | USD 40 | 10,64% | 124,000 | 4,88% | 179,682 | 143,688 | 35,994 |
| 9346154 | USD 40 | 10,71% | 117,600 | 4,88% | 179,682 | 136,536 | 43,146 |
| Total | | | | | | | COP 111,841 |

| 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 |

**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 2021 |
|---|---|---|---|---|---|---|---|
| 9217722 | USD 70 | 4,87% | COP 226,100 | IBR+3.19% | COP 314,444 | COP 250,284 | COP 64,160 |
| 9315699 | USD 70 | 4,87% | 217,000 | IBR+3.57% | 314,444 | 242,853 | 71,591 |
| 9346145 | USD 70 | 4,87% | 205,800 | IBR+3.75% | 314,444 | 231,506 | 82,938 |
| Total | | | | | | | COP 218,689 |

| 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 138,066 |

*Contractual cash flows:*

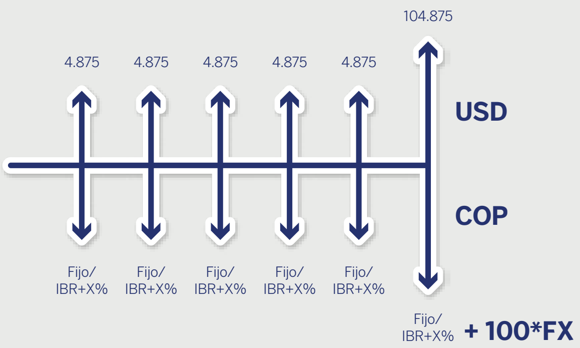
The hedged risk is the exchange rate and the interest rate in USD on the fair value of the bonds and to hedge the uncertainty of future cash flows and their implications regarding the entity's hedge activities; a payment schedule for each flow and period of the hedge is included in the structure of the instrument.

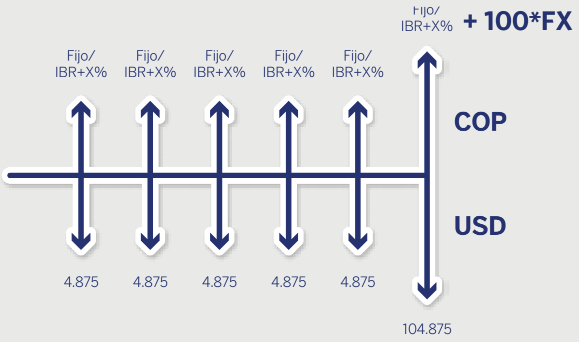
*Measurement of Hedge Effectiveness*

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.




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, 2021 and 2020, the items of valuation and items of the cash flow hedging swap were recorded in Other Comprehensive Income (OCI) for COP 111,840 and COP 14,087, 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 2021 and 2020, is as follows:

### Asset 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 asset part for COP 36,085 compared to the previous year.

### *At December 31, 2021*

| 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 | COP (943,331) | COP 724,643 | COP 218,688 | COP - | COP - |
| Cash flow | | (539,046) | 427,206 | - | - | 111,840 |
| | | | Total | COP 218,688 | COP - | COP 111,840 |
| Total asset hedging | | | | | | COP 330,529 |

### 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 | COP (886,853) | COP 748,787 | COP 138,066 | COP - | COP - |
| Cash flow | | (337,849) | 323,534 | - | - | 14,315 |
| | | | Total | COP 138,066 | COP - | COP 14,315 |
| Total asset hedging | | | | | | COP 152,381 |

### Passive hedging - CCS swap 2021

| Hedge Type | Currency | Value of Right | Value of Obligation | Statement of Financial Position | Statement of Comprehensive Income | Statement of Other Comprehensive Income |
|---|---|---|---|---|---|---|
| Cash flow | | COP - | COP - | COP - | 3,021 | (3,021) |
| | | | Total | COP - | COP 3,021 | COP (3,021) |
| Total active hedging | | | | | | COP - |

### Passive hedging - CCS swap 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 | | (168,924) | 169,151 | - | - | 277 |
| | | | Total | COP - | COP - | 277 |
| Total asset hedging | | | | | | COP 277 |

In 2021, the value equivalent to the restatement of the cash flow hedge was COP 119,986 over USD 120 million.

Due to fluctuations in the exchange rate during 2021, there is an 121.59% increase in OCI compared to 2020, 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 | 2021 | 2020 |
|---|---|---|
| Deposits for executive proceedings, collateral and others (1) | COP 820,771 | COP 638,607 |
| Accounts transferred to ICETEX (2) | 145,697 | 145,365 |
| Inactive National Treasury Department accounts (3) | 28,987 | 28,123 |
| Fees | 9,843 | 9,806 |
| Securities depositories | - | 3,937 |
| Securitization process (4) | 7 | 2,821 |
| Dividends and shares (5) | - | 1,036 |
| To employees (6) | 267 | 246 |
| To parent company, subsidiaries, related parties and associates (7) | - | 52 |
| Other (8) | 261,811 | 192,954 |
| **Subtotal** | **COP 1,267,383** | **COP 1,022,948** |
| Impairment of other accounts receivable | (20,657) | (19,603) |
| Total other accounts receivable, net | COP 1,246,726 | COP 1,003,345 |

(1) The increase refers to Margin Calls of derivatives in foreign currency, where there is a significant variation in the closing rate for December 2020 of COP 3,432.50, and for December 2021 of COP 3,981.16, representing an increase of COP 548.66 per US dollar, generating an increase in operations of COP 182,164 for the year 2021. This item also includes deposits on residential leases, placement of which decreased by COP 30,478 in 2021.

(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 2021 is especially reflected in the transfer of Savings Accounts with an increase of 84% and checking accounts with a variation of 16% in 2021.

(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 variation in the Securitization Process item is due to the full settlement of the residual rights of issues E9, E10, E11 and E12, with payment in kind in the month of November 2021 for COP 2,821.

(5) These are Credibanco dividends and shares paid during the year COP 1,036.

(6) Accounts receivable in Corporate Cards increased and advances to employees decreased.

(7) The variation is due to the payment of leases by the subsidiaries BBVA Seguros de Vida y Generales and Comercializadora Servicios Financieros and the payment of accounts receivable for corporate social responsibility of BBVA Seguros Generales.

(8) The change arises mainly from the commission of Fondo Nacional de Garantías COVID-19 in the amount of COP 21,059, as well a 55% increase in the amounts contracted in contract settlement transactions with the Counterparty Clearing House carried out in December 2021 for COP 75,990 and 23% in the account receivable for the settlement of derivative transactions at the end of 2021 for COP 155,793.

The movement of the accounts receivable protection provision account in the year ended December 31, 2021 was as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance at the beginning of year | COP 19,603 | COP 2,436 |
| Provision charged to expenses in the year | 2,491 | 43,740 |
| Transfer other items | 105 | 48 |
| Provision recovery | (1,542) | (26,621) |
| Balance at year end | COP 20,657 | COP 19,603 |

The overall variation totaled COP 1,054. The provision expense decreased by COP 41,249 in connection with fees, while the recovery of provisions totaled COP 25,079 related to other accounts receivable.

## 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:

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

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Realizable assets** | | |
| Real estate | 40,022 | 41,340 |
| **Subtotal realizable assets** | **40,022** | **41,340** |
| **Assets restituted in lease agreements** | | |
| Real estate | 14,697 | 12,636 |
| Vehicles | 725 | 234 |
| Machinery and equipment | 259 | 15 |
| Real estate given under residential leasing | 28,956 | 24,249 |
| **Subtotal assets restituted in Lease Agreements** | **44,637** | **37,134** |
| **Assets not used for the corporate purpose** | | |
| Lands | 3,641 | 58 |
| Buildings | 13,523 | 551 |
| Furniture and fixtures | 1,541 | 209 |
| **Subtotal assets not used for the corporate purpose** | **18,705** | **818** |
| Trusts | 7,175 | 7,175 |
| **Subtotal trusts** | **7,175** | **7,175** |

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Subtotal realizable and restituted assets** | **110,539** | **86,467** |
| **Impairment of non-current assets held for sale** | | |
| Realizable assets | (24,057) | (17,733) |
| Assets restituted in lease agreements | (19,608) | (11,434) |
| Trusts | (6,401) | (5,416) |
| Furniture and fixtures | (1,541) | (209) |
| **Subtotal impairment** | **(51,607)** | **(34,792)** |
| Total realizable assets, assets received as payment and restituted assets, net | COP 58,932 | COP 51,675 |

At December 31, 2021, the Group had 282 Non-Current Assets Held for Sale amounting to COP 110,539 and an impairment of COP 51,607. 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.

Non-current assets held for sale over two years for the year 2021 and 2020 amounted to COP 44,015 and COP 16,229 respectively.

The change in the provision for protection of non-current assets held for sale during the years ended at December 31 was as follows:

| Item | 2021 | 2020 |
|---|---|---|
| Balance at the beginning of year | COP 34,792 | COP 26,694 |
| Provision charged to expenses in the year | 21,823 | 17,292 |
| Transfers | (209) | (88) |
| Presentation adjustment | 1,541 | - |
| Less – Withdrawal for sales and recoveries | (6,340) | (9,106) |
| **Balance at year end** | **COP 51,607** | **COP 34,792** |

The amounts, permanence time and provision level of non-current assets held-for-sale in the periods compared were:

| Type of Asset | 2021 | 2020 | Permanence Time (1) | Provision | Permanence Time (1) | Provision |
|---|---|---|---|---|---|---|
| Real estate | COP 110.539 | 86,467 | 20 | COP 51,607 | 15 | COP 34,792 |
| TOTAL | COP 110,539 | COP 86,467 | | COP 51,607 | | COP 34,792 |

(1) Stated as average permanence time in months.

## 17. Property and equipment

*At December 31, 2021, the balance of this account is summarized as follows:*

| Item | Lands | Buildings (1) | Vehicles | Fixtures and Accessories (2) | Computers |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at December 31, 2020** | **COP 152,181** | **COP 647,261** | **COP 2,942** | **COP 278,613** | **COP 306,674** |
| Acquisitions | - | 696.00 | 198.00 | 17,615 | 20,985 |
| Additions | - | 2,012 | - | - | 2,066 |
| Additions for joint operations | | 1,377 | | | 880 |
| Sales | (5,281) | (23,554) | (1,976) | (88) | - |
| Removals | - | - | - | (52,402) | (30,143) |
| Accounting adjustments | - | - | - | - | - |
| **Cost balance at December 31, 2021** | **146,900** | **627,792** | **1,164** | **243,738** | **300,462** |
| **Depreciation and impairment losses** | | | | | |
| **Balance at December 31, 2020** | **COP -** | **COP 224,939** | **COP 2,610** | **COP 194,870** | **COP 236,720** |
| Depreciation for the fiscal year | - | 6,066 | 198.00 | 19,097 | 29,356 |
| Derecognition of obsolete real estate | - | - | - | (52,192) | (21,934) |
| Sale of real estate | - | (7,008) | (1,976) | (86) | (8,209) |
| **Depreciation balance at December 31, 2021** | **-** | **223,997** | **832** | **161,689** | **235,933** |
| Impairment | 5,862 | 36,840 | - | - | - |
| **Carrying value at December 31, 2021** | **COP 141,038** | **COP 366,955** | **COP 332** | **COP 82,049** | **COP 64,529** |

| Item | Machinery, Plant and Equipment in Assembly | Improvements to Assets under Lease | Assets under construction | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance at December 31, 2020** | **COP 397** | **COP 17,504** | **COP 2,735** | **COP 1,408,307** |
| Acquisitions | - | - | - | 39,494 |
| Additions | 5,264 | 764.00 | 2,088 | 12,194 |
| Additions for joint operations | | | | 2,037 |
| Sales | - | - | - | (30,899) |
| Removals | - | - | - | (82,545) |
| Accounting adjustments | (3,585) | (2,620.00) | (3,474) | (9,679) |
| **Cost balance at December 31, 2021** | **2,076** | **15,648** | **1,349** | **1,338,909** |
| **Depreciation and impairment losses** | | | | |
| **Balance at December 31, 2020** | **COP -** | **COP -** | **COP -** | **COP 659,139** |
| Depreciation for the fiscal year | - | - | - | 56,532 |
| Derecognition of obsolete real estate | - | - | - | (74,126) |
| Sale of real estate | - | - | - | (17,279) |
| **Depreciation balance at December 31, 2021** | **-** | **-** | **-** | **624,266** |
| Impairment | - | - | - | 42,702 |
| **Carrying value at December 31, 2021** | **COP 2,076** | **COP 15,648** | **COP 1,349** | **COP 671,941** |

(1) For the year 2021, Buildings decreased by COP 14,790, representing the sale thereof; due to the COVID-19 pandemic, the number of offices was reduced.

(2) There is a COP 1,694 decrease in Fixtures and Accessories, corresponding mainly to the Bank's removals to make optimal adjustments for the execution of the processes, considering the health emergency caused by COVID-19.

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

| Item | Lands | Buildings (1) | Vehicles | Fixtures and Accessories (2) | Computers |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at December 31, 2019** | **COP 152,193** | **COP 640,148** | **COP 2,942** | **COP 278,032** | **COP 283,258** |
| Acquisitions | - | - | - | 12,995 | 29,338 |
| Additions | - | 7,228 | - | - | 1,387 |
| Additions for joint operations | | 0 | | | 220 |
| Sales | (12) | (115) | - | (2,781) | - |
| Removals | - | - | - | (9,633) | (7,529) |
| Accounting adjustments | - | - | - | - | - |
| **Cost balance at December 31, 2020** | **152,181** | **647,261** | **2,942** | **278,613** | **306,674** |
| **Depreciation and impairment losses** | | | | | |
| **Balance at December 31, 2019** | **COP -** | **COP 218,866** | **COP 2,610** | **COP 188,174** | **COP 214,295** |
| Depreciation for the fiscal year | - | 6,107 | - | 18,027 | 29,949 |

| Item | Lands | Buildings (1) | Vehicles | Fixtures and Accessories (2) | Computers |
|---|---|---|---|---|---|
| Derecognition of obsolete real estate | - | - | - | (9,502) | (2,436) |
| Sale of real estate | - | (34) | - | (1,829) | (5,088) |
| **Depreciation balance at December 31, 2020** | **-** | **224,939** | **2,610** | **194,870** | **236,720** |
| Impairment | 6,227 | 40,577 | - | - | - |
| **Carrying value at December 31, 2020** | **145,954** | **381,745** | **332** | **83,743** | **69,954** |

| Item | Machinery, Plant and Equipment in Assembly | Improvements to Assets under Lease | Constructions in Progress (1) | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance at December 31, 2019** | **COP 548** | **COP 19,124** | **COP 7,563** | **COP 1,383,808** |
| Acquisitions | - | - | - | 42,333 |
| Additions | 1,361 | - | 3,857 | 13,833 |
| | 0 | - | 0 | 220 |
| Sales | - | - | - | (2,908) |
| Removals | - | - | - | (17,158) |
| Accounting adjustments | (1,512) | (1,620) | (8,685) | (11,817) |
| **Cost balance at December 31, 2020** | **397** | **17,504** | **2,735** | **1,408,307** |
| **Depreciation and impairment losses** | | | | |
| **Saldo al 31 de diciembre de 2019** | **-** | **-** | **-** | **623,945** |
| Depreciation for the fiscal year | - | - | - | 54,083 |

| Item | Machinery, Plant and Equipment in Assembly | Improvements to Assets under Lease | Constructions in Progress (1) | Total |
|---|---|---|---|---|
| Derecognition of obsolete real estate | - | - | - | (11,938) |
| Sale of real estate | - | - | - | (6,951) |
| **Depreciation balance at December 31, 2020** | **-** | **-** | **-** | **659,139** |
| Impairment | - | - | - | 46,804 |
| **Carrying value at December 31, 2020** | **COP 397** | **COP 17,504** | **COP 2,735** | **COP 702,364** |

All the Group's property and equipment are duly insured against fire, related hazards, 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 valuations of real estate properties, 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, 2021, appraisals were conducted on 2% of the Bank's real estate.

| Appraisal Date | Number of Appraisals | Share % |
|---|---|---|
| 2019 | 259 | 100% |
| 2020 | 66 | 25% |
| 2021 | 4 | 2% |

**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 assets 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 2021 and 2020 was COP 42,702 and COP 46,804, respectively. The decrease in impairment is mainly due to the reversal of impairment losses from the sale of buildings in 2021.

## 18. Intangible assets

Intangible assets at December 31 are summarized as follows:

| Item | 2021 | 2020 |
|---|---|---|
| Software and applications | COP 139,621 | COP 120,202 |
| Total intangible assets | COP 139,621 | COP 120,202 |

The change in software and applications during the years 2021 and 2020 was as follows:

At December 31, 2021

| Item | Useful Life | Balance at Dec 31, 2020 | Addition | Amortization/ removal | Balance at Dec 31, 2021 |
|---|---|---|---|---|---|
| Software and applications | 5 | COP 120,202 | COP 49,831 | COP (30,412) | COP 139,621 |
| Total | | COP 120,202 | COP 49,831 | COP (30,412) | COP 139,621 |

At December 31, 2020

| Item | Useful Life | Balance at Dec 31, 2019 | Addition | Amortization/ removal | Balance at Dec 31, 2020 |
|---|---|---|---|---|---|
| Software and applications | 5 | $ 102,617 | $ 44,546 | $ (26,961) | $ 120,202 |
| Total | | $ 102,617 | $ 44,546 | $ (26,961) | $ 120,202 |

The additions in 2021 correspond to payments made for Corporate Software development contracts, Mobile Banking and licenses in 2021.

Amortization of intangible assets for the years 2021 and 2020 totaled COP 30,412 and COP 26,961, respectively.

The Group performs the Impairment Test to its assets where it assesses whether it is an intangible asset and whether it is being amortized; this step, performed with certain indicators, identifies whether the Software associated with the asset was rejected, released, or its amortization was completed. At the end of 2021, assessment was carried out and it was determined which assets met the impairment condition; the corresponding impairments will be recognized in Q1 2022.

Based on this assessment, the Bank recognizes the assets that are subject to impairment, estimates their value and makes their accounting adjustment to reflect the real value in the inventory.

## 19. Investments in joint ventures

The balance of the account at December 31, 2021 and 2020 consisted of the following:

*December 31, 2021*

| Item | Domicile | Equity | Equity Capital | Share Percentage % | Carrying Value |
|---|---|---|---|---|---|
| RCI Banque Colombia S.A. | Medellín | 234,942 | 115,122 | 49.00% | 179,686 |
| FAP Asobolsa | Bogotá D.C. | 1,526 | 115,820 | 5.26% | 78 |
| Total investments in joint arrangements | | | | | COP 179,764 |

| Item | Rating | Assets | Liabilities | Profits and/or Losses |
|---|---|---|---|---|
| RCI Banque Colombia SA | A | 2,841,497 | 2,474,791 | 68,562 |
| FAP Asobolsa | A | 1489 | - | (0.2) |

For investments classified as controlled holdings, including BBVA Fiduciaria and BBVA Valores, they are valued using the Equity Method according to Law 222/1995.

A 20% increase is reported, represented by COP 29,946 in joint arrangements and trust rights, the most important of which is RCI, with an increase of 10% compared to 2020, +COP 29,946.

The Group measures investments in joint arrangements as follows: by changes in equity for FAP Asobolsa, and by the equity method for RCI Banque Colombia SA.

Investments in subsidiaries and joint arrangements - These are investments in equity instruments in controlled entities, consisting of the following at December 31, 2020:

*December 31, 2020*

| Item | Domicile | Equity | Equity Capital | Share Percentage % | Carrying Value |
|---|---|---|---|---|---|
| RCI Banque Colombia S.A. | Medellín | 234,942 | 115,122 | 49.00% | 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 |
|---|---|---|---|---|
| RCI Banque Colombia SA | A | 2,364,720 | 2,059,129 | 30,144 |
| FAP Asobolsa | A | 1,295 | - | (0.) |

RCI Colombia S.A. Compañía de Financiamiento" ("RCI" or "the Company"): The purpose of RCI is to enter into or carry out all 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 asset 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, 2021 and 2020 consisted of the following:

| OTHER ASSETS | 2021 | 2020 |
|---|---|---|
| Letters of credit of deferred payment (1) | COP - | COP 536 |
| Activities in joint operations | 3 | 4 |
| Art and cultural assets | 1,108 | 1,108 |
| Sundries (2) | 7,721 | 3,160 |
| Subtotal other assets | 8,832 | 4,804 |
| Impairment of other assets | (1,122) | (1,313) |
| Total other assets, net | COP 7,710 | COP 3,495 |

(1) The change arises from the full settlement of a deferred letter of credit in foreign currency of the client DENIM FACTORY SA, in the amount of USD 159,697.65, which was paid by the client in installments based on payment agreements made during 2021.

(2) In sundries accounts, the most representative amounts are due to:

- An increase in national and international exchange representation transactions and electronic deposit transactions, since the Bank has onboarded merchants with a high number of operations and transactions of foreign cardholders, thus generating an increase in invoicing.
- New development in the securities transportation company due to the provisioning and collection of cash from customer funds pending at year-end.
- Transaction pending in cross-referencing for payment of investment through cashier's check.

## 21. Prepaid expenses and advances from contracts and suppliers

Prepaid expenses are summarized as follows:

| Item | 2021 | 2020 |
|---|---|---|
| **Prepaid expenses** | | |
| Corporate software maintenance | COP 30,050 | COP 11,718 |
| Insurance | 5,308 | 2,050 |
| Electronics | 3,009 | 3,460 |
| Others | 324 | 407 |
| **Total prepaid expenses** | **38,691** | **17,635** |

| Concepto | 2021 | 2020 |
|---|---|---|
| **Advances to contracts and suppliers** | | |
| Advances to contracts and suppliers (1) | 139,803 | 62,440 |
| Total advances to contracts and suppliers | 139,803 | 62,440 |
| Total prepaid expenses and advances to contracts and suppliers | COP 178,494 | COP 80,075 |

At December 31, 2021 the Group had 241 advances totaling COP 139,803 and at the end of 2020, it had 101 advances amounting to COP 62,440; in 2021, a total of 92 contracts were paid in the amount of COP 53,741; 232 new contracts were generated for COP 129,206 and 9 contracts remain in force for COP 19,292. This item increased by 124%, with growth driven mainly by the commercial leasing line, with a 72% increase, followed by the Agroleasing line, which grew by 20%.

The movement of prepaid expenses during the years 2021 and 2020 was as follows:

## *December 31, 2021*

| Concepto | Balance 2020 | Addition | Amortization/ Removal | Balance 2021 |
|---|---|---|---|---|
| Mantenimiento software | COP 11,718 | COP 62,111 | COP (43,779) | COP 30,050 |
| Seguros | 2,050 | 9,663 | (6,405) | 5,308 |
| Electrónico | 3,460 | 7,085 | (7,536) | 3,009 |
| Transmisión de datos | - | 32,075 | (32,075) | - |
| Otros | 407 | 19,565 | (19,648) | 324 |
| Total | COP 17,635 | COP 130,499 | COP (109,443) | COP 38,691 |

## At December 31, 2020

| Item | Balance 2019 | Addition | Amortization/ Removal | Balance 2020 |
|---|---|---|---|---|
| Software maintenance | $ 17,146 | $ 37,914 | $ (43,342) | $ 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 | 585 | 18,179 | (18,357) | 407 |
| Total | $ 23,519 | $ 105,141 | $ (111,024) | $ 17,635 |

Other prepaid expenses includes major local and corporate software maintenance contracts; the amortization period cannot be longer than the term of the legal and contractual 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 2021 in Prepaid Expenses correspond to payments made as follows:

- Payments made to acquire global, multi-risk, life and vehicle insurance policies.
- Payments made for renewals of software maintenance and support, transfer prices and technical data storage services.

The removals generated in 2021 correspond to amortizations generated during the year in which the services were received or the costs or expenses were incurred.

## 22. Deposits and current liabilities

The Group's liabilities portfolio as of December 31, 2021 and 2020 consisted of the following:

| Item | 2021 | 2020 |
|---|---|---|
| Savings deposits | COP 30,116,543 | COP 22,743,982 |
| Deposits in checking accounts | 9,299,296 | 8,631,986 |
| Current liabilities for services | 546,516 | 532,730 |
| Special deposits | 837,485 | 513,293 |
| Special savings accounts | 333,841 | 327,656 |
| Single deposits | 2,006 | 2,304 |
| Canceled accounts | 737 | 743 |
| Banks and correspondents | 2,756 | 2,423 |
| Electronic deposits | 4,647 | 2,318 |
| TOTAL DEPOSITS AND ON-DEMAND CURRENT LIABILITIES | 41,143,827 | 32,757,435 |
| | | |
| Certificates of deposit | 18,011,495 | 19,183,673 |
| Real value savings certificates | 10,614 | 10,492 |
| TOTAL DEPOSITS AND TERM LIABILITIES | 18,022,109 | 19,194,165 |
| TOTAL DEPOSITS AND CURRENT LIABILITIES | COP 59,165,936 | COP 51,951,600 |

A summary of deposits and current liabilities as of December 31, 2021 is as follows:

| | Local Currency | Foreign Currency | Total Currency |
|---|---|---|---|
| **Checking account** | | | |
| Public sector | COP 1,627,096 | COP - | COP 1,627,096 |
| Private sector | 7,668,096 | 4,104 | 7,672,200 |
| Total checking account | 9,295,192 | 4,104 | 9,299,296 |
| **Simple deposit** | | | |
| Private sector | 2,006 | - | 2,006 |
| Total single deposits | 2,006 | - | 2,006 |
| **CDT - COP** | | | |
| Public sector | 1,807,336 | - | 1,807,336 |
| Private sector | 16,204,159 | - | 16,204,159 |
| Total CDT-COP | 18,011,495 | - | 18,011,495 |
| **Savings deposits** | | | |
| **Deposits:** | | | |
| Public sector | 9,148,062 | - | 9,148,062 |
| Private sector | 20,968,482 | - | 20,968,482 |
| **Special savings:** | | | |
| Private sector | 333,841 | - | 333,841 |
| Total savings deposits | 30,450,385 | - | 30,450,385 |
| **CDT - RVU** | | | |
| Private sector | 10,614 | - | 10,614 |
| Total CDT-RVU | 10,613 | - | 10,613 |

| | Local Currency | Foreign Currency | Total moneda |
|---|---|---|---|
| **Other deposits** | | | |
| Banks and correspondents | 2,741 | 15 | 2,756 |
| Special deposits | 498,403 | 343,729 | 842,132 |
| Banking services | 463,391 | 83,125 | 546,516 |
| | 964,535 | 426,869 | 1,391,404 |
| **Others** | | | |
| **Canceled accounts** | **737** | **-** | **737** |
| Total deposits and current liabilities | COP 58,197,297 | COP 968,639 | COP 59,165,936 |

- There was a significant increase of 32% in savings account deposits, corresponding to 13% for the public sector and 19% for the private sector.
- The increase in special deposits consists of Collateral with the counterparty Morgan Stanley for COP 343,729 and collection with the agency and airline IATA for COP 83,414.

Below is a summary of deposits and current liabilities as of December 31, 2020:

| | Local Currency | Foreign Currency | Total moneda |
|---|---|---|---|
| **Checking account** | | | |
| Public 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 |
| **CDT - COP** | | | |
| Public sector | 1,820,644 | - | 1,820,644 |
| Private sector | 17,363,029 | - | 17,363,029 |
| Total CDT-COP | 19,183,673 | - | 19,183,673 |
| **Savings deposits** | | | |
| **Deposits:** | | | |
| Public sector | 6,163,345 | - | 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 |
| **CDT– RVU** | | | |
| Private sector | 10,492 | - | 10,492 |
| Total CDT-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 |

## 23. Money market and simultaneous transactions

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

| Item | Rate | 2021 | Rate | 2020 |
|---|---|---|---|---|
| **Ordinary interbank funds purchased:** | | | | |
| Banks | 2.92% | $ 347,120 | 1.70% | $ 80,008 |
| **Total interbank funds purchased** | | **347,120** | | **80,008** |
| **Transfer commitments in closed repo transactions:** | | | | |
| Central Bank of Colombia | 2.91% | 2,167,054 | 1.26% | 85,557 |
| Brokerage Firms | | - | 1.62% | 38,550 |
| Counterparty Clearing House | 2.66% | 606,401 | 1.68% | 119,461 |
| Total closed repo transactions | | 2,773,455 | | 243,568 |
| **Commitments originated in short positions for simultaneous transactions** | | | | |
| Central Bank of Colombia | | 445,457 | | 66,877 |
| Insurance companies | | 19,700 | | - |
| Brokerage Firms | | 40,211 | | - |
| **Banks and financial corporations** | | **4,575** | | **-** |
| Trust companies | | - | | 9,984 |
| Fund management companies | | - | | 28,927 |
| Foreign residents | | 66,107 | | 76,929 |
| Total commitments for simultaneous transactions | | 576,050 | | 182,716 |
| Total passive positions in money market transactions | | COP 3,696,625 | | COP 506,292 |

In December 2021, ordinary purchased interbank funds of COP 347,120 were agreed at an average rate of 2.92% with a maturity of 1 day, while at December 2020, they were agreed at a rate of 1.70% with a maturity of 3 days.

In turn, at December 31, 2021, repo transactions were agreed with the Central Bank of Colombia at an average rate of 2.91%, with maturities between 1 and 8 calendar days, while at the end of December 2020, closed repo transactions were agreed with the Central Bank of Colombia at an average rate of 1.26% and a maturity between 3 and 8 calendar days.

Additionally, at December 31, 2021, there was a slight increase in repo transactions with the Counterparty Clearing House at an average rate of 2.66%, with maturities from 1 to 8 calendar days, while at December 31, 2020, closed repo transactions were agreed with the Counterparty Clearing House at an average rate of 1.68% and a maturity between 4 and 7 calendar days.

There was a variation of 630.15%, representing COP 3,190,333. At the end of the fourth quarter of 2021, the liquidity level was very low, which had to be covered by overnight repos, particularly with the Central Bank of Colombia. The opposite was true at year-end 2020, when there was no need to contract repos due to the Bank's adequate liquidity.

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 | 2021 | 2020 |
|---|---|---|
| **Foreign Currency** | | |
| Bancoldex S.A. | COP 114,787 | COP - |
| Wells Fargo Bank N.A. | 199,289 | - |
| The Toronto Dominion Bank | 59,769 | - |
| Bank Of Nova Scotia | 231,064 | 191,872 |
| Banco Itau Uruguay Sa | - | 68,658 |
| Banco Del Estado De Chile-Chile | - | 102,981 |
| Total foreign currency | COP 604,909 | COP 363,511 |

| Item | 2021 | 2020 |
|---|---|---|
| **Local Currency** | | |
| Financiera de Desarrollo Territorial - FINDETER | 1,048,112 | 1,087,903 |
| Banco de Comercio Exterior S.A. - BANCOLDEX | 387,865 | 296,829 |
| Fondo para el Fomento del Sector Agropecuario - FINAGRO | 527,923 | 453,938 |
| International Finance Corporation IFC | 405,357 | 404,745 |
| Total local currency | 2,369,257 | 2,243,415 |
| Total Bank credits and other financial obligations | COP 2,974,166 | COP 2,606,926 |

The increase between 2021 and 2020 of the funds obtained in foreign currency is due to financing with Bancoldex for approximately USD 82 million, which increased the portfolio by more than 50%, increasing from 5 transactions in 2020 to 15 transactions at year-end 2021.

Foreign-currency denominated financial obligations were contracted to maintain the Bank’s liquidity and were acquired without collateral. Rates on obligations denominated in foreign currency averaged Libor + 032% for short-term obligations with a maturity of up to 1 year as of December 31, 2021. It is important to mention that for the year 2021, financing will not have any changes in the LIBOR financing rate, so credits will be finalized in the conditions with which they were contracted.

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.

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 | | Local Currency | |
|---|---|---|---|
| **Category** | **Time** | **Category** | **Time** |
| Less than 1 year | <365 | Less than 1 year | <364 |
| From 1 to 5 years | > 365 < 1825 | From 1 to 5 years | > 365 < 1095 |
| More than 5 years | > 1825 | More than 5 years | > 1096 |

The breakdown by term in foreign currency is as follows:

**Foreign currency obligations**

*December 31, 2021*

| | | Capital | | | |
|---|---|---|---|---|---|
| | Interest | Short-term | Medium-term | Long-term | Total |
| Bancoldex S.A. | COP 229 | COP 98,634 | COP 15,924 | COP - | COP 114,787 |
| Wells Fargo Bank N.A. | 231 | 199,058 | - | - | 199,289 |
| The Toronto Dominion Bank | 52 | 59,717 | - | - | 59,769 |
| Bank Of Nova Scotia | 356 | 230,708 | - | - | 231,064 |
| Total | COP 868 | COP 588,117 | COP 15,924 | COP - | COP 604,909 |

December 31, 2020

| | | Capital | | | |
|---|---|---|---|---|---|
| | Interest | Short-term | Medium-term | Long-term | Total |
| 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 |

The breakdown by term in local currency is as follows:

December 31, 2021

| | | Capital | | | |
|---|---|---|---|---|---|
| | Interest | Short-term | Medium-term | Long-term | Total |
| Financiera de Desarrollo Territorial - FINDETER | COP 2,319 | COP 27,790 | COP 161,537 | COP 856,465 | COP 1,048,111 |
| Banco de Comercio Exterior S.A. – BANCOLDEX | 635 | 31,935 | 236,353 | 118,942 | 387,865 |
| Fondo para el Fomento del Sector Agropecuario – FINAGRO | 2,376 | 45,894 | 191,329 | 288,325 | 527,924 |
| International Finance Corporation IFC | 1,386 | - | - | 403,971 | 405,357 |
| Total | COP 6,716 | COP 105,619 | COP 589,219 | COP 1,667,703 | COP 2,369,257 |

## Local currency obligations

### December 31, 2020

| | | Capital | | | |
|---|---|---|---|---|---|
| | Interest | Short-term | Medium-term | Long-term | Total |
| 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 | COP 2,243,415 |

During 2021, portfolio placement with rediscount funds increased compared to the previous year, mainly through Bancoldex due to the lines offered to support those affected by the pandemic and the economic reactivation of this sector and the excellent execution of the planned commercial strategy by the office network.

In compliance with IAS 07 Paragraphs 44a and 44c, the reconciliation of cash flow financing activities is disclosed.

| Note | Bank Credits and Other Financial Obligations | Outstanding Investment Securities | Subscribed and Paid-in Capital | Premium on Share Placement | Other Comprehensive Income (OCI) | Retained Earnings | Reserves | Article 6 Law 4/80 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Updated balance at January 1, 2021 | $ 2,606,926 | $2,304,263 | $ 89,779 | $ 651,950 | $ 772,506 | $ 576,368 | $ 3,408,311 | $ 506 | $ 10,410,609 |
| Changes in financing cash flows | | | | | | | | | - |
| Payment of loans and other financial liabilities | (4,431,607) | (138,317) | | | | | | | (4,569,924) |
| Collection of loans and other financial liabilities | 4,656,562 | - | | | | | | | 4,656,562 |
| Dividends and coupons paid on equity instruments | - | - | | | | (266,267) | | | (266,267) |
| Other cash inflows (outflows) | - | (136,493) | | | | | 234,978 | | 98,485 |
| Total changes in cash flow from financing | 224,955 | (274,810) | - | - | - | (266,267) | 234,978 | - | (81,144) |
| Effect of changes in foreign currency exchange rates | 140,979 | 356,335 | | | | | | | 497,314 |

| Note | Bank Credits and Other Financial Obligations | Outstanding Investment Securities | Subscribed and Paid-in Capital | Premium on Share Placement | Other Comprehensive Income (OCI) | Retained Earnings | Reserves | Article 6 Law 4/80 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Changes in fair value** | - | - | | | | | | | - |
| **Other changes** | - | - | | | | | | | - |
| Interest expenses | 77,287 | 138,317 | | | | - | | | 215,604 |
| Interest payment | (75,981) | (135,574) | | | | | | | (211,555) |
| Total other changes related to liabilities | 1,306 | 2,743 | - | - | - | - | - | - | 4,049 |
| Total other changes related to equity | - | - | - | - | (28,000) | 691,447 | 65 | - | 663,512 |
| Balances at December 31, 2021 | COP 2,974,166 | COP 2,388,531 | COP 89,779 | COP 651,950 | COP 744,506 | COP 1,001,548 | COP 3,643,354 | COP 506 | COP 11,494,339 |

## 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 the Group 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:

| | Notional Value | | Fair Value | |
|---|---|---|---|---|
| **Forward Contracts** | **2021** | **2020** | **2021** | **2020** |
| **Purchase on foreign currency** | | | | |
| Rights | COP 7,613,981 | COP 20,604,642 | COP (7,526,148) | COP (19,232,629) |
| Obligations | - | - | 7,592,887 | 20,424,225 |
| **Sale on foreign currency** | | | | |
| Rights | 31,091,237 | 3,420,303 | (30,680,948) | (3,409,202) |
| Obligations | - | - | 31,809,210 | 3,423,456 |
| **Sale on securities** | | | | |
| Less credit risk | - | - | (415) | (334) |
| **Total forward contracts** | **38,705,218** | **24,024,945** | **1,194,586** | **1,205,516** |

| | Notional Value | | Fair Value | |
|---|---|---|---|---|
| **Cash transactions** | **2021** | **2020** | **2021** | **2020** |
| **Purchase on foreign currency** | | | | |
| Rights | 97,274 | - | (96,522) | - |
| Obligations | - | - | 97,255 | - |
| **Sales on foreign currency** | | | | |
| Rights | - | - | - | (71,425) |
| Obligations | - | - | - | 71,519 |
| **Purchase on securities** | | | | |

| | | | | |
|---|---|---|---|---|
| Rights | 33,676 | - | (37,490) | - |
| Obligations | - | - | 37,512 | - |
| **Sales on securities** | | | | |
| Rights | 29,417 | 17,251 | (26,898) | (19,374) |
| Obligations | - | - | 26,931 | 19,414 |
| **Total cash transactions** | **160,367** | **17,251** | **788** | **134** |

| | **Notional Value** | | **Carrying Value** | |
|---|---|---|---|---|
| **Options** | **2021** | **2020** | **2021** | **2020** |
| Options on foreign currencies issued - Put: | | | | |
| Obligations | - | - | 206,178 | 101,289 |
| Sale - Put | 206,178 | 101,289 | 2,517 | 5,001 |
| Options on foreign currencies issued - Call: | | | | |
| Obligations | - | - | 179,598 | 329,165 |
| Sales - Call | 179,598 | 329,165 | 5,348 | 378 |
| Less CVA credit risk | - | - | (2) | - |
| **Total fair exchange price** | **385,776** | **430,454** | **7,863** | **5,379** |

| | **Notional Value** | | **Carrying Value** | |
|---|---|---|---|---|
| **Swaps** | **2021** | **2020** | **2021** | **2020** |
| On interest rates: | | | | |
| Rights | 63,530,898 | 60,739,922 | (4,964,320) | (3,176,646) |
| Obligations | - | - | 6,246,325 | 5,550,050 |
| Rights | 6,487,950 | 4,810,086 | (6,370,594) | (4,680,359) |
| Obligations | - | - | 7,351,237 | 5,220,287 |
| Less CVA credit risk | - | - | (11,102) | (17,398) |
| **Total swaps** | **70,018,848** | **65,550,008** | **2,251,546** | **2,895,934** |
| Total cash transactions and derivatives | COP 109,270,209 | COP 90,022,658 | COP 3,454,783 | COP 4,106,963 |

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 2021; also, several local offshore customers have sought hedges which can be seen in the growth in the position of all the Bank's derivatives.

| Counterparty | 2021 | 2020 |
|---|---|---|
| BBVA Madrid Tesorería (1) | 10,914 | 9,321 |
| GPC TUGS S.A. | - | 1,418 |
| Total | COP 10,914 | COP 10,739 |

(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 | 2021 | 2020 |
|---|---|---|
| Suppliers (1) | COP 169,109 | COP 175,652 |
| Labor contributions | 5,406 | 5,396 |
| Fogafin deposit insurance (2) | 98,842 | 79,769 |
| Dividends and surplus | 89,542 | 83,881 |
| Seizure management | 2,963 | 3,826 |
| National Law 546/1999 | 42,475 | 38,303 |
| Non-bank payroll agreement Colpensiones (3) | - | 12,075 |
| Loan transaction surplus and others | 50,509 | 39,522 |
| Uncollected checks | 23,749 | 25,613 |
| Intended purchasers (4) | 27,150 | 35,228 |
| Costs and expenses payable | 1,657 | 6,485 |
| Settlement of National Treasury Department transfer Decree 2331/98 | 258 | 421 |
| Settlement and offsetting of POS Counterparty Clearing House (5) | 65,429 | 90,034 |
| Collection of fees and VAT payable to the Fondo Nacional de Garantías | 4,459 | 2,517 |
| Miles for points (6) | - | 6,268 |
| Visa and MasterCard advertising campaigns | 1,074 | 938 |
| Commissions and fees | 1,487 | 857 |
| Transfer of check disbursements from other markets (7) | 10,598 | 10,540 |
| Other accounts payable (8) | 118,053 | 96,970 |
| Total accounts payable | COP 712,760 | COP 714,295 |

(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 2021 consists of the payment of the last two quarters.

(3) The cancellation is due to the automation of the Colpensiones payroll payment process.

(4) This item is 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 decrease in the values contracted in contract settlement transactions with the Counterparty Clearing House carried out on December 30, 2021.

(6) The cancellation is due to the termination of the Life Miles Agreement and the transfer of points to miles.

(7) This entry 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 2021, the balance of this item amounted to COP 10,598.

(8) Other accounts payable include withholdings for VAT, municipal tax (ICA) and income tax withholdings.

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, the balance of this account is summarized as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| Item | Subordinated Bonds | Ordinary Bonds | Total | Subordinated Bonds | Ordinary Bonds | Total |
| Capital | COP 2,363,464 | COP - | COP 2,363,464 | COP 2,250,000 | COP - | COP 2,250,000 |
| Interest | 20,095 | - | 20,095 | 15,821 | - | 15,821 |
| Costs and valuation | 4,972 | - | 4,972 | 38,442 | - | 38,442 |
| Total | COP 2,388,531 | COP - | COP 2,388,531 | COP 2,304,263 | COP - | COP 2,304,263 |

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 return 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 return 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 prospectus 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 the event of the issuer's liquidation, 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 the event of the issuer's liquidation, 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 reacquisition 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 | 15 | IPC+4.70% | TV | $ 156,000 | 19/9/2011 | 19/9/2026 |
| Subordinated 2013 | | 10 | IPC+3.60% | TV | 200,000 | 19/2/2013 | 19/2/2023 |
| | | 15 | IPC+3.89% | TV | 165,000 | 19/2/2013 | 19/2/2028 |
| | | 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 in USD 2015 | USD 500 | 10 | 4.88% | SV | USD 400 | 21/4/2015 | 21/4/2025 |
| **Total bonds COP** | **COP 2,000,000** | | | | **COP 771,000** | | |
| **Total bonds USD** | **USD 500** | | | | **USD 400** | | |

## 28. Other liabilities

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

| Item | 2021 | 2020 |
|---|---|---|
| Overdue principal and interest CD (1) | COP 132,141 | COP 87,790 |
| Loans and CC subject to collection (2) | 30,461 | 43,424 |
| Deferred partial payments | 4,259 | 5,214 |
| Balances to apply to obligations (3) | 22,480 | 7,091 |
| Network clearance | 10,108 | 9,791 |
| Unearned income (4) | 24,395 | 5,081 |
| Network transaction surplus (5) | 73,421 | 61,781 |

| Item | 2021 | 2020 |
| --- | --- | --- |
| Letters of credit of deferred payment (6) | - | 535 |
| Ascredibanco international purchases | 9,734 | 7,818 |
| Credit balances in foreign currency | 1,992 | 1,142 |
| Surpluses in exchange | 37 | 37 |
| Other Liabilities | 30,371 | 23,440 |
| Total other liabilities | COP 339,399 | COP 253,144 |

(1) CD securities were paid mainly through the ALCO in the last month of the year to different customers in significant amounts.

(2) The variation between 2021 and 2020 arises from payments made by checks except for those subject to collection for transactions with cards, transactions in clearance and CD constitution transactions for the purpose of an obligation, displaying normal variation in line with the behavior of each customer.

(3) At the end of 2021, there were balances pending application in lease transactions and additional payments for contracts with financing other than 100%, due to the increase in transactions presented for disbursement on the last business day.

(4) The increase in the last year was due to prepaid income with ZURICH COLOMBIA SEGUROS SA.

(5) The increase is mainly due to surpluses in cash, swaps and cards with a balance in favor.

(6) In December 2021, COMERCIALIZADORA INDUCASCOS SAS paid the last deferred payment letter of credit in foreign currency.

## 29. Accrued liabilities and provisions

The Group records provision liabilities based on the opinion 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:

- Probable: they are recognized and disclosed
- Remote: they are not recognized or disclosed

At December 31, 2021 and 2020, the balance of this account is summarized as follows:

| Item | 2021 | 2020 |
| --- | --- | --- |
| Expenses for invoices pending payment (1) | COP 63,753 | COP 42,281 |
| Lawsuits due to breach of contracts (2) | 51,890 | 75,627 |
| FOGAFIN contingencies | 8,587 | 8,652 |
| Provision for fines and penalties (3) | 3,533 | 3,133 |
| Labor lawsuits | 14,362 | 14,604 |
| Fines and penalties other administrative authorities | 922 | 1,207 |
| Commission sales force (CF, for the Spanish original) | 1,152 | 1,552 |
| Other personnel expenses | 6 | 1,809 |
| IFRS 16 disassembly costs (4) | 8,607 | 8,412 |
| Others (5) | 132,021 | 119,217 |
| Total estimated liabilities and provisions | COP 284,833 | COP 276,494 |

(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 recognized on civil processes that are currently underway against the Group.

(3) These are the provisions recognized 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 appealed. 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)), a provision is made for disassembly costs, whose value is given by the expert opinion of the architects, for each lease contract.

(5) These are provisions accounted mainly for: Fees on electronic services for credit and debit card holders (ACH, CENIT, SOIN and PSE, Banking support), gift installment on mortgage and insurance payments, insurance premium fee to BBVA insurance for higher value collected on January 30 and May 24

At December 31, 2021, the movements of estimated liabilities were as follows:

| Item | Proceedings | Others | Total |
|---|---|---|---|
| Opening balance at january 01, 2021 | COP 91,438 | COP 185,056 | COP 276,494 |
| Increase | 9,189 | 53,605 | 62,794 |
| Income | 13,684 | - | 13,684 |
| Payment | (13,121) | (21,003) | (34,124) |
| Removal | (34,015) | - | (34,015) |
| Total provisions and contingencies | COP 67,175 | COP 217,658 | COP 284,833 |

| 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) |
| Removal | (925) | - | (925) |
| Decrease | (288) | - | (288) |
| Total provisions and contingencies | COP 91,438 | COP 185.056 | COP 276.494 |

## Legal Contingencies

The Group is involved in eight hundred ninety two (892) 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 411,603 million.

Provisions have been created for legal contingencies in the amount of COP 67,174. 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. 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 Bank against Servientrega and the claims filed by Servientrega against Fenalco which called in the Group as an impleader. The appeal for annulment filed before the Supreme Court resulted in the second-instance ruling in favor of the Group. The contingency is classified as remote.

b. Executive enforcement proceedings of IFI vs. Corfigan. This claim is for the collection of the settlement of a contract in which Corfigan was involved in a joint venture. Executive enforcement proceedings are underway against the Group that ordered payment of COP 6,409 million with interest since 1999, in which an adverse first-instance ruling was issued and annulment proceedings were brought by the Group in the Bolivar Court in which the annulment of the contract was declared by the appeals court, which was later revoked by the Council of State. The Group filed a lawsuit with claims for direct reparation for judicial error against the Nation - Judicial Branch - and Fiducoldex. There is a provision of COP 42,513 for this contingency. The contingency is classified as probable.

c. 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. To resolve the conflict of jurisdiction that had arisen, the Superior Court of Bogotá declared that this action was to be heard by the 50th Civil Court of the Bogotá Circuit. The contingency is classified as remote.

d. 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 and is classified as remote, without provision, and guaranteed by Fogafín. Pending ruling in the first instance.

e. Class 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**

At the end of December 2021, BBVA Group had a total of 156 labor proceedings totaling COP 19,697, for which there are provisions for 108 proceedings in the amount of COP 14,362. The main reasons for the lawsuits are payments of pension-related contributions, reinstatements, salaried employment, 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 Group is currently engaged in eighteen (18) tax proceedings through administrative channels and in the administrative jurisdiction with estimated claims amounting to COP 1,019. The provisions amount to COP 922, 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**

BBVA Group has provisions in the amount of COP 217,658 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, 2021 and 2020 are as follows:

| Item | 2021 | 2020 |
|---|---|---|
| Severance pay | COP 14,821 | COP 14,812 |
| Interest on severance pay | 1,728 | 1,767 |
| Vacations | 36,879 | 35,516 |
| Current provisions for employee benefits | 94,450 | 56,110 |
| Other benefits | 3,959 | 17,102 |
| Total short-term benefits | 151,837 | 125,307 |



| Non-current provisions for employee benefits | 2021 | 2020 |
|---|---|---|
| Seniority bonus | 49,917 | 55,484 |
| Seniority-based vacation Bonus | 2,750 | 2,931 |
| Retirement pension actuarial calculation | 43,547 | 54,776 |
| Retirement plan premium | 1,953 | 2,373 |
| Total long-term benefits | 98,168 | 115,564 |
| Total labor liabilities | COP 250,005 | COP 240,871 |

**Actuarial calculation**- 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 to the time worked. The Bank also grants an additional vacation period (15 days) to those employed at 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 2021, the fixed amount is equivalent to COP 2,040,858.

| Item | 2021 | 2020 |
|---|---|---|
| Liabilities for benefits at the beginning of the 2021 and 2020 period | COP 55,484 | COP 57,890 |
| 1- Cost of services | 6,192 | 6,275 |
| 2- Cost of interest | 3,304 | 3,418 |
| 3- Cash flow | (9,299) | (10,514) |
| Adjustment for experience | (413) | (252) |
| Adjustment for change in financial assumptions | (5,351) | (1,333) |
| Liabilities at the end of the 2021 and 2020 period | COP 49,917 | COP 55,484 |

| Item | 2021 | 2020 |
|---|---|---|
| Balance at December 31, 2021 and 2020 | COP 55,484 | COP 57,890 |
| Payment of seniority bonus | (9,299) | (10,992) |
| Expense for seniority bonus benefit | 6,192 | 6,275 |
| Financial cost of seniority bonus | 3,304 | 3,418 |
| Other transfer of funds | - | 478 |
| Change in demographic variables | (5,764) | (1,585) |
| Liabilities at the end of the 2021 and 2020 period | COP 49,917 | COP 55,484 |

**Actuarial calculation of retirement plan premium:**

The Bank has carried out the actuarial valuation at December 31, 2021 and 2020 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, 2021:

| Item | 2021 | 2020 |
|---|---|---|
| Liabilities for benefits at the beginning of the 2021 and 2020 period | COP 2,373 | COP 2,464 |
| 1- Cost of services | 128 | 133 |
| 2- Cost of interest | 148 | 154 |
| 3- Cash flow | (28) | (327) |
| Adjustment for experience | (331) | 59 |
| Adjustment for change in financial assumptions | (336) | (109) |
| Transfer | - | (1) |
| Liabilities at the end of the 2021 and 2020 period | COP 1,954 | COP 2,373 |

| Item | 2021 | 2020 |
|---|---|---|
| Balance at December 31, 2021 and 2020 | COP 2,373 | COP 2,464 |
| Actuarial calculation adjustment by hypothesis | (667) | (50) |
| Actuarial calculation adjustment debited to expenses | 276 | 287 |
| Transfer (1) | (28) | (328) |
| Liabilities at the end of the 2021 and 2020 period | COP 1,954 | COP 2,373 |

(1) Pension transfer due to individual retirement plan premium entry.

**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.

### *Pensions (Prior to Law 100/1993)*

**Monthly pension payment**: To determine the number of monthly pension payments for each pension, 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.

BBVA, in turn, recognizing for all its retirees 15 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 for 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 3,041,428 upon the death of the retiree and COP 714,007 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 144,788 (pesos) per year in the case of natural death and COP 27,495 (pesos) per year in the case of accidental death.
- The Company pays the value of a Hospitalization and Surgery policy for some of its retirees (according to family group). The value paid depends on the number of beneficiaries and, for the current year, for participants in the valuation, this premium is COP 144,788.

### *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 or substitutions 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 between 10 and 15 years of service**: It was 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 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.

**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: These pensions 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.

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 sharing, 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).

**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

| Item | 2021 | 2020 |
|---|---|---|
| Balance at December 31, 2021 and 2020 | COP 54,776 | COP 58,193 |
| Pension payments | (4,260) | (4,314) |
| Pension expenses | 3,421 | 3,631 |
| Adjustment against equity | (10,391) | (2,734) |
| Liabilities at the end of the 2021 and 2020 period | COP 43,546 | COP 54,776 |

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 Bank's accounting policies.

**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, 2021 and the determination of cost for the 2022 fiscal year |
|---|---|
| Discount rate | 8.75% |
| Inflation | 3.00% |
| Salary increase rate | 5.00% |
| Pension increase rate | Equal to inflation |
| Minimum salary increase rate | 4.0% |
| 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 | 5.00% |

| Economic and Demographic Hypotheses | For the financing situation at December 31, 2021 and the determination of cost for the 2022 fiscal year |
|---|---|
| Mortality | Colombian Mortality Table of Life Annuities 2008 (RV08) |
| Disability | Active employee disability table - Banking Superintendence Resolution 0585/1994 |
| Turnover | BBVA turnover table based on age, adjusted to 90% |

**Technical bases and hypothesis for the actuarial calculation based on the application of Decree 1625/2016:**

| | |
|---|---|
| *Mortality table* | Mortality Table of Valid Male and Female Annuitants "2005 – 2008 Experience", as per Resolution 1555/2010 issued by the Financial Superintendence of Colombia. |
| *Salary and pension adjustment:* | The formulation employed explicitly includes the future increases in salaries and pensions using a rate equal to the average resulting from adding three (3) times the inflation of the year k-1, plus two (2) times the inflation of year k-2, plus one (1) time the inflation of the year k-3 according to Article 1 of Decree 2984/2009 and Article 1 of Decree 2783/2001. This is a nominal annual rate of 3.91%. |
| *Technical interest rate:* | The real technical interest rate of 4.80% was used in accordance with Article 1 of Decree 2984/2009 and Article 1 of Decree 2783/2001. |

**Actuarial methodology** - The prospective method of calculation was used, valuing future benefits segmented from the expired period (segmented income).

| COMPARISON | |
|---|---|
| **Decree 1625/2016** | **IAS 19** |
| COP 46,180 | COP 43,547 |

## 31. Income tax and deferred tax

### 31.1 Components of the income tax expense

The income tax expense for the years 2021 and 2020 is made up of the following:

| Item | 2021 | 2020 |
|---|---|---|
| Current income tax | COP 463,394 | COP 401,422 |
| Deferred tax | (25,082) | (156,163) |
| Income tax of previous years | 5,847 | (5,118) |
| Total income tax | COP 444,159 | COP 240,141 |

### 31.2 Reconciliation of the tax rate in accordance with the tax provisions and the effective rate:

The current tax provisions applicable to the Bank and its subsidiaries stipulate that in Colombia:

- The income tax rate for 2021 is 31% plus 3 additional points for surtax applicable to financial entities; for 2020 it was 32% plus 4 additional points for surtax applicable to financial entities.
- According to the Economic Growth Law (Law 2010/2019), the income tax rate for the years 2020 and 2021 is 32% and 31%, 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 2021.
- According to Social Investment Law 2155/2021, the income tax rate for legal entities from 2020 to 2025 will be 35%. Additionally, financial institutions are required to add 3 additional percentage points, for an overall income tax rate of 38%.
- In 2020, the minimum presumed income for determining income tax was 0.5% of net worth on the last day of the preceding tax year. Starting in 2021, the Economic Growth Law of 2019 reduced the rate to 0%.
- Starting in 2017, tax losses can be offset against ordinary taxable income obtained in the following 12 tax years.
- Economic Growth Law 2010/2019 maintains the possibility of taking an income tax credit on 50% of the industry and trade tax (municipal tax) effectively paid in the tax year or period. The Social Investment Law maintains this credit at 50%.
- 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 capital gains tax rate is 10%.
- For the 2020 and 2021 tax years, the benefit of audit has been created for taxpayers that increase their net income tax in the current 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 from the filing date, respectively.
- Social Investment Law 2155/2021 establishes a new audit benefit. In tax years 2022

and 2023, taxpayers whose net income tax for the current tax year increases by 35% compared to the preceding year, the tax return will become final in 6 months, and when the increase is 25%, the return will become final in 12 months.

Given that in the 2020 tax year BBVA reported profits that allowed offsetting tax losses up to the amount of ordinary net income, the basis for determining income tax was presumptive income, which was 0.5% of the net worth of the preceding year. The applicable rate is 32%. In 2021, the reported taxable income was sufficient to offset all remaining tax losses, as a result of which the income tax is calculated over the difference at the rate of 31%.

Below are the details of the reconciliation between the total income tax expense calculated at the tax rates in force for 2021 and 2020, respectively and the tax expense actually recognized in the Statement of Income.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Profit before taxes from continuing operations | Relación % | COP 1,335,958 | Relación % | COP 703,732 |
| Income tax expense calculated at 34% for the year 2021 and 36% for the year 2020 | 34,00% | 454,226 | 36,00% | 253,344 |
| Dividends received that are not taxable income | (0,46%) | (6,146) | (0,68%) | (4,810) |
| Exempt income | (1,68%) | (22,435) | (3,49%) | (24,583) |
| Gain from valuation using the equity method | 0,94% | (12,596) | (0,46%) | (3,212) |
| Other non-taxable income | (1,22%) | (16,357) | (1,18%) | (8,300) |
| Other non-deductible expenses | 2,53% | 33,910 | (1,18%) | - |
| Non-deductible taxes | 1,89% | 25,257 | 2,95% | 20,758 |
| Rate difference effect of deferred tax vs. nominal rate | (1,43%) | (19,066) | 1,91% | 13,457 |
| Fines, penalties and other non-deductible expenses | 0,43% | 5,767 | 3,05% | 21,439 |
| Retirement pensions and social security expenses | 0,00% | - | 0,28% | 1,997 |
| Income tax of previous years | 0,44% | 5,847 | (0,73%) | (5,118) |
| Tax credits | (1,31%) | (17,588) | (3,07%) | (21,606) |
| Amortization of tax credits | (0,08%) | (1,007) | (0,03%) | (227) |
| Others | (1,07%) | 14,347 | (0,43%) | (2,998) |
| Income tax expense recognized in the income statement (related to continuing operations) | 33,25% | COP 444,159 | 34,12% | COP 240,141 |

## 31.3 Current tax assets and liabilities

| | 2021 | 2020 |
|---|---|---|
| **Current tax assets** | | |
| Current tax credit balance | COP 2,316 | COP 1,844 |
| Total | COP 2,316 | COP 1,844 |
| **Current tax liabilities** | | |
| Income tax payable | 152,986 | 21,385 |
| Total | COP 152,986 | COP 21,385 |

## 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 measured and recognized at December 31, 2021 and 2020 based on the tax rates currently in force for the years in which said temporary differences will be reversed.

The following is the net result of the deferred tax assets and liabilities presented in the Statements of Financial Position at December 31, 2021 and 2020:

| Item | 2021 | 2020 |
|---|---|---|
| Deferred tax asset | COP 1,257 | COP 140,284 |
| Deferred tax liability | (103,645) | (255,069) |
| Total | COP 102,388 | COP (114,785) |

Year ended December 31, 2021

| 2021 | 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 12,365 | - | COP (10,418) | - | COP 1,947 |
| Net investment hedges | 151,368 | 40,855 | - | - | 192,223 |
| Property, plant and equipment | 36,604 | 19 | - | 582 | 37,205 |
| Intangible Assets | 1,296 | (1,296) | - | - | - |
| Financial assets at fair value through profit or loss and amortized cost | - | 3,918 | - | - | 3,918 |
| Deferred income | - | 7,566 | - | - | 7,566 |
| Provisions | 9,606 | (9,606) | - | - | - |
| Defined benefit liabilities | 15,547 | 13,773 | - | - | 29,320 |
| Restatement of assets and liabilities in FC | 52,206 | (10,488) | - | - | 41,718 |
| Leases | 4,422 | 1,384 | - | - | 5,806 |
| Industry and commerce tax | 8,040 | 309 | - | - | 8,349 |
| Total deferred tax asset | 291,454 | 46,434 | (10,418) | 582 | 328,052 |
| **Deferred tax liability related to:** | | | | | |
| Net investment hedges | - | (4,376) | - | - | (4,376) |
| Associates | (26,128) | (2,522) | 34,754 | (38,414) | (32,310) |

| 2021 | Opening Balance | Recognized in the Income Statement | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Closing Balance |
|---|---|---|---|---|---|
| Property, plant and equipment | (118,722) | (13,598) | - | - | (132,320) |
| Repos, simultaneous transactions and temporary security transfers | - | (50) | - | (40) | (90) |
| Intangible Assets | - | (2,609) | - | - | (2,609) |
| Financial assets at fair value through profit or loss and amortized cost | (29,759) | 2,386 | 16,024 | - | (11,349) |
| Portfolio | (82,783) | 82,783 | - | - | - |
| Portfolio provisions | (141,164) | (82,450) | (24,023) | 8,850 | (238,787) |
| Provisions | (6,029) | (1,149) | - | - | (7,178) |
| Unclaimed issuance and buyback costs | (1,654) | 233 | - | - | (1,421) |
| Total deferred tax liability | (406,239) | (21,352) | 26,755 | (29,604) | (430,440) |
| **Net deferred tax** | **COP (114,785)** | **COP 25,082** | **COP 16,337** | **COP (29,022)** | **COP (102,388)** |

Year ended December 31, 2020

| 2020 | 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 | 15,935 | - | (3,570) | - | 12,365 |
| Derivative financial instruments | - | 151,368 | - | - | 151,368 |
| Repos, simultaneous transactions and temporary security transfers | 560 | (560) | - | - | - |
| Property, plant and equipment | 39,731 | (3,514) | - | 387 | 36,604 |
| Intangible Assets | 1,015 | 281 | - | - | 1,296 |
| Estimated Liabilities and Provisions | 2,546 | 7,060 | - | - | 9,606 |
| Defined benefit liabilities | 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) |

| 2020 | Opening Balance | Recognized in the Income Statement | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Closing Balance |
|---|---|---|---|---|---|
| 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** | **(183,991)** | **156,162** | **(42,291)** | **(44,665)** | **(114,785)** |

For the purposes of disclosure in the consolidated statement of financial position, the Bank and its subsidiaries offset the deferred tax assets and liabilities 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, 2021 and 2020, the Bank has not recognized deferred tax liabilities 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 deferred tax liability had been recognized, the difference would amount to COP 26,830 and COP 40,481 at December 31, 2021 and 2020, respectively.

At December 31, 2020, the details of tax losses and excess presumptive income that have not been utilized and on which the Company has not recognized deferred tax assets due to the uncertainty of their recovery are as follows:

| | December 31, 2021 |
|---|---|
| Tax losses expiring on: | |
| *December 31, 2031* | COP 795 |
| *No expiration date* | - |
| **Subtotal tax losses** | **795** |
| Excess presumptive income expiring on: | |
| *December 31, 2024* | 212 |
| **Subtotal excess presumptive income** | **212** |
| Total tax credits | COP 1,007 |

## 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:

| Component | Movement at December 31, 2021 | | | Movement at December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Amount Before Taxes | Deferred Tax | Net | Amount Before Taxes | Deferred Tax | Net |
| **Items that will not be reclassified to the statement of income for the period** | | | | | | |
| Surplus from the equity method | COP 142 | COP - | COP 142 | COP (4,535) | COP - | COP (4,535) |
| Share in other comprehensive income of non-controlled entities | (52,214) | (34,754) | (17,460) | 16,321 | (1,586) | 14,735 |

| Component | Movement at December 31, 2021 | | | Movement at December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Amount Before Taxes | Deferred Tax | Net | Amount Before Taxes | Deferred Tax | Net |
| Loan portfolio | 12,469 | (24,023) | (11,555) | 137,760 | (32,834) | 104,926 |
| Defined benefit liabilities | 15,268 | - | 15,268 | 2,426 | - | 2,426 |
| **Items that may be subsequently reclassified to the statement of income for the period** | | | | | | |
| Financial assets available-for-sale | (51,244) | 16,024 | (35,220) | 16,038 | (4,300) | 11,738 |
| Cash flow hedges | 31,243 | (10,418) | 20,825 | 7,899 | (3,571) | 4,328 |
| TOTAL | COP (44,337) | COP (16,337) | COP (28,000) | COP 175,909 | COP (42,291) | COP 133,618 |

### 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 2020 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 2021 is currently in progress, 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 that would imply recognition 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 subscribed capital. At December 31, 2021 and 2020, 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 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 | 2021 | 2020 |
|---|---|---|
| Legal reserve | COP 3,642,821 | COP 3,407,778 |
| Occasional reserves: | | |
| Available to the Board of Directors | 1 | 1 |
| To protect investments | 532 | 532 |
| Total reserves | COP 3,643,354 | COP 3,408,311 |

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 cover losses in excess of undistributed profits. Share issue premiums 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 profits available to the Board of Directors, with a balance of COP 1 million.
- For investment protection, with a balance equivalent to COP 532 million.

**Declared dividends**- During the years ended on December 31, the following dividends were declared payable:

| Item | 2021 | 2020 |
|---|---|---|
| Net income from previous year, 2020 and 2019 | COP 461,405 | COP 549,312 |
| Outstanding preferred shares (units) | 479,760,000 | 479,760,000 |
| Dividends per preferred share (Colombian pesos) | 16,32 per share | 25,66 per share |
| Total dividends declared for preferred shares | 7,830 | 12,310 |
| Ordinary shares outstanding (units) | 13,907,929,071 | 13,907,929,071 |
| Dividends per ordinary share (Colombian pesos) | 16,32 per share | 25,66 per share |
| Total dividends declared for ordinary shares | 226,977 | 356,877 |
| Dividends declared at December 31, 2020 and 2019 | 234,807 | 369,188 |
| Dividends payable at December 31, 2020 and 2019 | COP 89,536 | COP 83,878 |

| Item | 2021 | 2020 |
|---|---|---|
| **Basic earnings per ordinary and preferred share:** | | |
| Net earnings attributable to shareholders | COP 890,240 | COP 461,405 |
| Average number of shares outstanding | 14,387,689,071 | 14,387,689,071 |
| Basic earnings per share (*) | 62 | 33 |
| Diluted earnings per share (*) | 62 | 33 |

## 34. Earnings per share

Basic and diluted earnings per share are calculated in accordance with the criteria set forth in IAS 33.

| Item | 2021 | 2020 |
|---|---|---|
| **Basic earnings per ordinary and preferred share:** | | |
| Net earnings attributable to shareholders | COP 890,240 | COP 461,405 |
| Average number of shares outstanding | 14,387,689,071 | 14,387,689,071 |
| Basic earnings per share (*) | 62 | 32 |
| Diluted earnings per share (*) | 62 | 32 |

(*) Values in Colombian pesos

During the years ended December 31, 2021 and 2020, 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, 2021 and 2020, respectively, are as follows:

| Other Comprehensive Income | December 31, 2021 | Movements During the Fiscal Year | December 31, 2020 |
|---|---|---|---|
| Gains from other equity items in joint ventures and trust rights | COP 991 | COP 142 | COP 849 |
| Actuarial losses on defined benefit plans, before taxes | 11,058 | 15,268 | (4,210) |
| Gain from non-controlling interest, before taxes | 110,578 | (52,214) | 162,792 |
| Impairment adjustment on loan portfolio and financial leasing transactions by application of IFRS 9 to consolidated financial statements | 486,182 | 12,468 | 473,714 |
| **Total other comprehensive income that will not be reclassified to the statement of income, before taxes** | **COP 608,809** | **COP (24,336)** | **COP 633,145** |
| Losses from remeasurement of financial assets available-for-sale, before taxes | 41,573 | (52,852) | 94,425 |
| Reclassification adjustments, financial assets available-for-sale, before taxes | (13,542) | 1,608 | (15,150) |
| Ganancias por coberturas de flujos de efectivo | (5,124) | 31,243 | (36,367) |
| **Gain on cash flow hedging** | **COP 470,856** | **COP (20,001)** | **COP 490,857** |
| Total OCI that is not reclassified to the Statement of Income, before taxes | COP 1,079,665 | COP (44,337) | COP 1,124,002 |
| Income tax related to investments in equity instruments in Other Comprehensive Income | (17,122) | 34,754 | (51,876) |

| Other Comprehensive Income | December 31, 2021 | Movements During the Fiscal Year | December 31, 2020 |
|---|---|---|---|
| **Cumulative income tax related to components of other comprehensive income that will not be reclassified to the statement of income** | **COP (17,122)** | **COP 34,754** | **COP (51,876)** |
| Income tax on loan portfolio and finance leasing impairment measurements according to IFRS 9 | (308,943) | (24,023) | (284,920) |
| Income tax on remeasurement of financial assets | (11,041) | 16,024 | (27,065) |
| Income tax related to cash flow hedges of other comprehensive income | 1,947 | (10,418) | 12,365 |
| **Cumulative income tax related to components of other comprehensive income that will be reclassified to the statement of income** | **COP (318,037)** | **COP (18,417)** | **COP (299,620)** |
| Total deferred tax | COP (335,159) | COP 16,337 | COP (351,496) |
| TOTAL OTHER COMPREHENSIVE INCOME | COP 744,506 | COP (28,000) | COP 772,506 |

The following were the changes in investments in equity securities before taxes at December 31, 2021.

| Entity | December 31, 2021 | December 31, 2020 | Variation |
|---|---|---|---|
| BBVA Fiduciaria (valoración ORI) | 1,288 | 1,182 | 106 |
| BBVA Valores (valoración ORI) | (1,034) | (1,070) | 36 |
| RCI Banque Colombia | 737 | 737 | - |
| Total | COP 991 | COP 849 | COP 142 |

Movement of valuation of equity instruments carried under OCI:

| Item | 2021 | 2020 | Variation |
|---|---|---|---|
| Credibanco | COP 110,983 | COP 112,366 | COP (1,383) |
| Bolsa de Valores de Colombia | 44,517 | 54,266 | (9,749) |
| FINAGRO | 53,814 | 95,310 | (41,496) |
| Redeban | 30,993 | 31,173 | (180) |
| ACH Colombia | 49,757 | 50,276 | (519) |
| Cámara de Riesgo Central | 2,449 | 1,336 | 1,113 |
| Total | COP 292,513 | COP 344,727 | COP (52,214) |

The variation of -COP 52,852 from the remeasurement of financial assets available-for-sale before taxes is mainly due to the maturity of fixed rate and UVR treasury securities (TES) and TIPs recognized in 2021.

The movement of COP 1,608 for adjustment from reclassifications of financial assets available-for-sale, the most noteworthy of which is the sale of the security TUVT10100321 in the amount of COP 760 and TCO364090321 for COP 779, of the National Treasury Department, which were held at December 2020.

The following were the movements of cash flow hedges:

| Date | Valuation | Accrued Interest | Exchange Difference | Variations |
|---|---|---|---|---|
| December -2021 | 111,840 | 3,021 | (119,985) | |
| December -2020 | 14,087 | 3,692 | (54,146) | |
| Total | COP 97,753 | COP (671) | COP (65,839) | COP 31,243 |

## 36. Legal controls

In the years 2021 and 2020, 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 local 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:

- Social Interest housing: Up to 80% financing on the value of the housing unit.
- Non-Social Interest housing: Up to 70% financing on the value of the housing unit.

After having obtained internal approvals and approval from the Financial Superintendence of Colombia, BBVA Colombia opted for the early application of decrees 1477/2018 and 1421/2019, which became effective in January 2021. This process was completed with submission as of June 2020 to the Financial Superintendence of Colombia of the Solvency Ratio indicator in accordance with the above decrees.

In this manner, starting in June 2020, BBVA Colombia abides by the regulatory limits contained in said decrees regarding the Solvency Ratio, which at December 2021 stood at 10.25%, and at year-end 2020 at 9.265%, within the adjustment period provided for in the regulations.

At December 31, 2021 and 2020, the Bank's technical reserve represented 13.75% and 11.54%, of its assets and credit-risk-related contingencies calculated based on the Consolidated Financial Statements.

## 37. Financial reporting disclosure and control accounts

As part of its ordinary course of business, the Group had the following contingent liabilities and commitments at December 31, 2021 and 2020, recorded in memorandum accounts:

| Item | 2021 | 2020 |
|---|---|---|
| **Contingent debit accounts** | | |
| Loan portfolio interest | COP 355,163 | COP 360,939 |
| Finance lease interest | 8,948 | 12,548 |
| Monetary adjustment loan portfolio | 4,142 | 3,504 |
| Installments receivable | 1,861,112 | 1,868,661 |
| Purchase options receivable | 64,264 | 73,692 |
| Others | 385,776 | 430,453 |
| Total contingent debit accounts | 2,679,405 | 2,749,797 |
| **Memorandum debit accounts** | | |
| Assets and securities delivered in escrow | 3,478,761 | 4,514,210 |
| Assets and securities delivered in escrow | 2,979,455 | 245,900 |
| Written-off assets | 2,178,062 | 2,133,638 |
| Provision for individuals in bankruptcy proceedings | 1,905 | 1,905 |
| Others | 516,507,049 | 440,344,278 |
| Total contingent debit accounts | 525,145,232 | 447,239,931 |

| Item | 2021 | 2020 |
|---|---|---|
| **Contingent credit accounts** | | |
| Loans approved but not disbursed | 1,131,063 | 784,486 |
| Opening of credits | 5,072,602 | 4,578,901 |
| Others | 5,980,657 | 4,917,969 |
| **Contingent credit accounts** | **12,184,322** | **10,281,356** |
| **Memorandum credit accounts** | | |
| Assets and securities received in escrow | 15,864 | 14,578 |
| Assets and securities received as collateral | 52,949,865 | 48,822,338 |
| Consumer loan rating | 72,979,548 | 70,273,060 |
| Commercial loan rating | 22,367,344 | 18,869,372 |
| Micro-credit rating | 606,352 | 395,443 |
| Lease transaction rating | 1,615,689 | 1,665,178 |
| Mortgage rating | 13,813,555 | 13,009,935 |
| Others | 102,486,171 | 76,368,186 |
| Securities received in simultaneous transactions | 633,407 | 684,137 |
| Total memorandum credit accounts | COP 267,467,795 | COP 230,102,227 |

## 38. Commitments and contingencies

During the normal course of business, the Group issues financial instruments, which are recorded in contingent accounts. The Group's 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 or not they belong to the Group.

At December 31, the Group reported the following balances:

| Item | 2021 | 2020 |
|---|---|---|
| Endorsements | COP 878 | COP 21,029 |
| Bank guarantees | 2,015,166 | 2,080,051 |
| Total endorsements and bank guarantees LC | COP 2,016,044 | COP 2,101,080 |

December 31, 2021
In foreign currency
(Stated in millions of foreign currency)

| Item | USD | EUR |
|---|---|---|
| Bank guarantees | 451 | 31 |
| Letters of Credit (LC) | 46 | 4 |
| Total in foreign currency | 497 | 35 |
| Exchange rates (applied on cutoff date) | 3,981 | 4,511 |
| Total in Colombian pesos | 1,978,755 | 155,782 |

December 31, 2020
In foreign currency
(Stated in millions of foreign currency)

| Item | USD | EUR |
|---|---|---|
| Bank guarantees | 265 | 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 | 799,733 | 109,776 |

Historically, there has been no default on Bank Guarantees in local or foreign currency at BBVA 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 BBVA Group, 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:

| DECISION TREE - ITEMS TO BE ASSESSED | |
|---|---|
| CONTINGENT LIABILITIES - 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 controlled by the entity occur? |
| | Is it not likely that, in order to be fulfill the obligation, an outflow of resources incorporating future economic benefits will be required? |
| | Can the amount be measured with sufficient reliability? |

The Risk Department was requested the rating of customers who, at December 30, 2021, had balances outstanding in local and foreign currency, with the following result:

Since Bank Guarantees are not part of the rating processes established for asset credit transactions, the Risk Department carried out the following activities:

a) Perform a search on the identification submitted by the Bank Guarantee, and assign it a credit rating if the identification has active credit transactions at December 2021.

b) The rating information was taken for 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 Group's Tools Department; these variables assign a final weight to each customer in order to establish and define the overall 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, is associated with equivalents with the five levels established by Notice 100.

The rating of the information at December 31, 2021 is as follows:

**Bank guarantees in local currency (stated in COP millions)**

| | 2021 | |
|---|---|---|
| Rating | COP | Percentage |
| A | 878 | 100% |
| Total in Colombian pesos | COP 878 | 100% |

| | 2021 | |
|---|---|---|
| Rating | COP | Percentage |
| A | 2,015,166 | 100% |
| Total in Colombian pesos | COP 2,015,166 | 100% |

Bank guarantees in foreign currency (stated in millions of foreign currency)

| | 2021 | | |
|---|---|---|---|
| Rating | USD | EUR | Percentage |
| A | 263 | 33 | 99.47% |
| C | - | - | 0.07% |
| E | 1 | - | 0.29% |
| NR | 1 | - | 0.17% |
| Total in foreign currency | 265 | 33 | |
| Exchange rates (applied on cutoff date) | 3,432 | 4,222 | 28.00% |
| Total in COP | COP 910,029 | COP 139,604 | 100% |

Letters of credit in foreign currency (stated in millions of foreign currency)

| | 2021 | | |
|---|---|---|---|
| Rating | USD | EUR | Percentage |
| A | 46 | 4 | 98.28% |
| B | 1 | - | 1.72% |
| Total in foreign currency | 47 | 4 | |
| Exchange rates (applied on cutoff date) | 3,981 | 4,511 | |
| Total in COP | COP 184,474 | COP 16,863 | 100% |

Bank guarantees in foreign currency (stated in millions of foreign currency)

Letters of credit in foreign currency (stated in millions of foreign currency)

As a result of the work carried out to assess the current status of the Endorsements, Bank Guarantees and Letters of Credit in force at the end of the year 2021, 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 local currency do not pose any level of risk, as their economic Group rating is "A".

98.28% of the foreign currency letters of credit issued during the quarter in question have the highest rating, which is an A rating.

Of all the Guarantees issued in foreign currency, more than 99.87% are provided by customers with an A rating, and 0.05% of customers have a B rating, as follows:

Velnec S.A., as was the case in the second quarter, has a B rating. Currently, its most important lines of business are: consulting, project structuring and oversight or audit of infrastructure projects. This company has several projects such as MetroCali, Ositran and others awarded by INVIAS, 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 reviewed bases, at the end of 2021, it is considered that BBVA Group does not need to make any allowances for the products of Endorsements, Bank Guarantees and Letters of Credit in Local and Foreign Currencies, in accordance with the criteria of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

The guarantees made in the name of Velnec SA., despite having a B rating, only account for a total of USD 223,600, which when compared to the account total (0.05%) is not significant, and therefore, no impairment is recognized.

## 39. Interest revenues

Revenues from ordinary activities for the years ended December 31, 2021 and 2020 consist of the following:

| INTEREST REVENUES | 2021 | 2020 |
|---|---|---|
| **Commercial loan portfolio (1)** | | |
| Commercial loans | COP 722,486 | COP 956,404 |
| Overdrafts commercial loans | 4,557 | 6,993 |
| Commercial loan portfolio discount operations | 3,010 | 4,051 |
| Commercial loan portfolio rediscount operations | 73,513 | 76,342 |
| Commercial portfolio late payment interest | 16,912 | 17,542 |
| Total commercial loan portfolio | 820,478 | 1,061,332 |
| **Consumer loan portfolio (2)** | | |
| Consumer loans | 2,085,173 | 2,249,185 |
| Overdrafts consumer loans | 358 | 592 |
| Consumer loan portfolio late charge interest | 32,040 | 30,867 |
| Total consumer loan portfolio | 2,117,571 | 2,280,644 |
| **Credit card loan portfolio** | | |
| Commercial credit card loan portfolio | 4,451 | 4,658 |
| Consumer credit card portfolio | 399,854 | 386,180 |
| Total credit card loan portfolio | 404,305 | 390,838 |
| **Mortgage loan portfolio (3)** | | |
| Mortgage loans and residential leases | 816,633 | 851,473 |
| Default interest on mortgage and residential leasing loans | 16,744 | 9,703 |
| Readjustment of the real value unit (UVR) | 25,228 | 12,979 |
| Total mortgage loan portfolio | 858,605 | 874,155 |

| INTEREST REVENUES | 2021 | 2020 |
|---|---|---|
| **Factoring transactions loan portfolio (4)** | | |
| Factoring transactions | 32,681 | 35,399 |
| Total factoring transactions portfolio | 32,681 | 35,399 |
| **Operating lease loan portfolio** | | |
| Operating lease rates | - | 676 |
| Profit on sale of assets in operating leases | - | 683 |
| Total operating lease loan portfolio | - | 1,359 |
| **Finance leasing loan portfolio (5)** | | |
| Penalties for breach of financial lease agreements | 2,711 | 3,247 |
| Financial component of financial leases - consumer | 224 | 214 |
| Financial component of financial leases - commercial | 98,476 | 129,901 |
| Total finance leasing loan portfolio | 101,411 | 133,362 |
| **Residential leasing loan portfolio (6)** | | |
| Financial component of residential lease | 311,870 | 276,637 |
| Total residential lease portfolio | 311,870 | 276,637 |
| TOTAL INTEREST REVENUES | 4,646,921 | 5,053,726 |
| **INTEREST EXPENSES** | | |
| Savings deposits (7) | 277,173 | 523,333 |
| Certificates of deposit (8) | 1,018,915 | 1,268,426 |
| Readjustment of the real value unit (UVR) | 517 | 170 |
| Bank credits and financial obligations (9) | 85,606 | 105,681 |
| TOTAL INTEREST EXPENSES | 1,382,211 | 1,897,610 |
| TOTAL INTEREST REVENUES, NET | COP 3,264,710 | COP 3,156,116 |

(1) Interest income from the commercial portfolio decreased by COP 240,854, mainly due to lower interest on commercial loans by -COP 98,973; agro-industrial loans by -COP 42,995; Leases by -COP 32,793 and external consumer by -COP 18,774.

(2) Consumer loan revenues decreased by COP 163,073; of this total, -COP 230,293 is due to a rate reduction of 153 Bp, offset by an increase in balances for COP 963,311, which produced a positive impact of COP 67,221.

(3) Mortgage loans decreased by COP 15,550, due to a rate reduction of 60 Bp.

(4) Revenues from Discounting and Factoring/Confirming operations decreased by COP 2,718, mainly due to a rate reduction of 189 Bp.

(5) Finance leases decreased by COP 31,951 due to a 183 Bp rate reduction and a COP 41,613 decrease in average balances.

(6) Residential leases generated higher revenue of COP 35,233 due to a volume increase of COP 563,190 in average balances.

(7) Interest expenses on savings accounts decreased by COP 246,160 due to a rate reduction of 99 Bp.

(8) Interest expenses on term certificates of deposit (CDs) decreased by COP 249,511, due to a COP 2,994,872 reduction in volume, which led to a decrease in expenses of COP 173,980 and a rate reduction of 37 Bp, which produced a decrease of COP 75,531.

(9) The interest expenses of Banks and Financial Obligations are directly related to the variation in rediscounting rates, which in 2021 was -94 Bp.

Placement of consumer and commercial loans increased, even though interest rates decreased as a result of a substantial rate reduction by the Central Bank of Colombia during the COVID-19 crisis. Due to this, during most of 2021 we had the lowest rates in Colombia's history.

## 40. Non-interest revenues

For the years ended December 31, 2021 and 2020, the balances of these accounts are summarized as follows:

| Item | 2021 | 2020 |
|---|---|---|
| **Fees** | | |
| Fee revenues | COP 658,723 | COP 555,452 |
| Fee expenses | (440,984) | (349,054) |
| Total fees | 217,739 | 206,398 |
| **Securities** | | |
| **Money market transactions** | | |
| Financial income from money market transactions and other interest | 44,593 | 71,149 |
| Valuation of short positions for open repo and simultaneous transactions and temporary security transfers (1) | 147,513 | 180,146 |
| Valuation of spot transactions | 3,311 | 324 |
| **Investments at fair value** | | |
| Valuation of debt instruments at fair value (2) | 474,432 | 731,893 |
| Valuation of equity instruments at fair value | 1,804 | 8,475 |
| **Investments at amortized cost** | | |
| Valuation of investments at amortized cost | 224,089 | 157,230 |
| By equity method | 37,047 | 16,104 |

| Item | 2021 | 2020 |
|---|---|---|
| Total securities | 932,789 | 1,165,321 |
| **Derivatives** | | |
| Speculation derivatives (3) | 20,454,645 | 25,508,493 |
| Total derivatives | 20,454,645 | 25,508,493 |
| **Disposals** | | |
| Sale of non-current assets held for sale | 2,399 | 1,096 |
| Sale of property and equipment | 3 | - |
| Sale of investments | 171,223 | 134,541 |
| Total disposals | 173,625 | 135,637 |
| Total operating income | 21,778,798 | 27,015,849 |
| **Other operating revenues** | | |
| Sale of checkbooks | 8,622 | 8,034 |
| VISA financing payment | 14,394 | 12,377 |
| Dividends | 18,043 | 14,837 |
| Operational risk | 44,121 | 4,488 |
| Reversal of allowances | 3,792 | 3,792 |
| SWIFT messages | 3,555 | 2,862 |
| Leases | 2,077 | 2,424 |
| Payment of the regional VISA agreement | 13,131 | 6,662 |
| Sale of cash | 426 | 650 |
| Advertising agency discounts | 11,971 | 7,896 |
| Commercial information for customers | 653 | 682 |
| Other revenue | 73,287 | 31,389 |
| Total other operating revenues | 194,072 | 96,093 |

| Item | 2021 | 2020 |
|---|---|---|
| **Exchange differences net** | **483,266** | **(203,580)** |
| **Activities in joint operations** | **880** | **1,598** |
| Total other revenue other than interests | COP 22,457,016 | COP 26,909,960 |

Revenues other than interest decreased by -COP 4,452,652, with the following breakdown:

(1) Short money market operations decreased compared to the previous year, and this increase is due to the business strategy in place at the trading desk at the time the balance is assessed. In 2021, there was a reduction of -COP 32,633, equivalent to 1% of the total change.

(2) The most significant variation was in TES issued and guaranteed by the Nation, with a -COP 257,461 reduction in 2021, equivalent to 6% of the overall decrease.

(3) Speculation Derivatives represent the settlement of foreign currency future transactions that reflect a reduction between 2021 and 2020 of COP 5,053,848, equivalent to 113%. The decrease of this item was mainly due to the loss of rights on Peso/Dollar forwards and futures.

(4) In December, the exchange rate increased substantially to COP 3,981.16 (Peso/Dollar), which enabled realizing financial assets, leading to an increase in the Bank's proprietary position by COP 686,846, equivalent to -15% of the overall change.

Revenues other than interest account for -4%, equivalent to a change of COP 190,615.

## 41. Non-interest expenses

At December 31, 2021, the balance of this item is summarized as follows:

| Item | 2021 | 2020 |
|---|---|---|
| **Securities** | | |
| **Money market transactions** | | |
| Financial revenue money market transactions and other interests | COP 156,440 | COP 161,761 |
| Valuation of short positions for open repo and simultaneous transactions, and temporary security transfers (1) | 121,497 | 216,146 |
| Valuation of spot transactions | 868 | 136 |
| Investments at fair value | | |
| Valuation of debt instruments at fair value | 499,675 | 484,193 |
| Investments at amortized cost | | |
| Valuation of investments at amortized cost | 56,268 | 38,317 |
| Total securities | 834,748 | 900,553 |
| **Derivatives** | | |
| Speculation derivatives (2) | 20,577,777 | 25,072,970 |
| Hedging derivatives | 17,347 | 17,224 |
| Total derivatives | 20,595,124 | 25,090,194 |
| **Disposals** | | |
| Sale of non-current assets held-for-sale | 685 | 2,226 |

| Item | 2021 | 2020 |
|---|---|---|
| Sale of property and equipment | 61 | - |
| Sale of investments | 131,281 | 126,523 |
| Portfolio sales | 9,334 | 12,372 |
| Total disposals | 141,361 | 141,121 |
| | | |
| **Other operating expenses** | | |
| Employee salaries and benefits | 668,157 | 636,326 |
| Fees | 38,571 | 32,047 |
| Statutory Audit fees | 3,609 | 3,650 |
| Depreciation of property and equipment | 80,829 | 85,301 |
| Amortization of intangible assets | 33,831 | 29,639 |
| Taxes | 109,770 | 110,214 |
| Leases | 6,107 | 5,937 |
| Insurance | 210,663 | 178,342 |
| Contributions and memberships | 18,566 | 18,722 |
| Maintenance, improvements and repairs | 112,321 | 108,287 |
| Operational risk | 23,973 | 31,243 |
| Penalties and sanctions, lawsuits, damages | 17,026 | 5,827 |
| Temporary services | 78,528 | 67,586 |
| Advertising | 20,805 | 18,321 |

| Concepto | 2021 | 2020 |
|---|---|---|
| Public relations | 921 | 889 |
| Utilities | 29,411 | 26,455 |
| Electronic data processing | 122,478 | 105,913 |
| Travel expenses | 2,538 | 3,509 |
| Transportation | 39,987 | 36,254 |
| Office supplies and stationery | 4,269 | 4,759 |
| Miscellaneous administrative expenses | 12,168 | 13,735 |
| Miscellaneous administrative expenses of products | 31,163 | 32,793 |
| Outsourced payroll expense | 3,849 | 8,398 |
| Queries with credit bureaus and repositories | 9,792 | 8,857 |
| Loyalty incentive and customer cost | 8,988 | 1,630 |
| Asset product formalization cost | 1,349 | 1,398 |
| Costs on MEP | 9,208 | 7,375 |
| Filing and custody | 7,620 | 7,641 |
| IT developments and support | 12,152 | 13,151 |
| Corporate responsibility | 4,683 | 8,605 |
| Customer loyalty | 583 | 36,856 |
| Cost of deposits | - | 73 |
| TES UVR update 546 | 4,172 | 2,324 |
| Digital sales | 3,189 | 2,654 |

| Item | 2021 | 2020 |
|---|---|---|
| Donations | 156 | 113 |
| Other | 93,204 | 69,826 |
| Management and brokerage services and systems | 1,556 | 1,335 |
| Legal expenses | 8 | 296 |
| Activities in joint operations | 2,967 | 2,864 |
| Total other operating expenses | 1,835,027 | 1,729,147 |
| TOTAL EXPENSES OTHER THAN INTEREST | COP 23,406,261 | COP 27,861,015 |

Expenses other than interest decreased by -COP 4,454,756, with the following breakdown:

(1) Monetary market transactions are very short-term operations, which means that the year-end balances compared to the prior year are the result of the strategies implemented by the trading desk, which are intended to obtain greater liquidity in performing trades and at the time of assessing the balances of transactions such as repos, simultaneous transactions and other money market operations. In 2021, there was a COP 94,649 reduction, equivalent to 2% of the overall change.

(2) Speculation Derivatives represent the settlement of foreign currency future transactions that reflect a reduction between 2020 and 2021 of COP 4,495,193, equivalent to 101%. This item also has substantial weight in the item, and it reflects the loss of rights in Peso/Dollar forward transactions and the transfer of the reversal in January 2021 of their valuation at the cut-off date of December 31, 2020.

Other expenses increased by COP 125,228, equivalent to 3% of the total change.

## 42. Transactions with related parties

**Controlling Entity and Main Controlling Entity**

The BBVA Colombia Group's main controlling entity is Banco Bilbao Vizcaya Argentaria, which holds a 95.43% equity interest, as disclosed below under shareholders with more than a 10% share 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, Compañía de Financiamiento RCI Colombia was incorporated under a joint arrangement with RCI Banque, owned by the Renault Group. This investment represents a holding of 48.99% for the Bank, with 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, which is 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.

Comercializadora de Servicios Financieros is also considered a local related party, since it is a partner responsible for facilitating access to the products and services of BBVA Colombia by presenting the offerings of some of its products to customers. Said company holds significant shareholdings in BBVA Seguros Colombia.

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 calculation and payment of the annual variable compensation 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 compensation, both in cash and in shares, are subject to long-term indicators, so the degree of fulfillment of these objectives determines the amount of the benefit granted to each related party.

Below are the other remunerations paid to key management personnel:

| Details | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | COP 9,059 | COP 23,632 |
| Post-employment benefits | 67 | 88 |
| Share-based payment | 577 | 1,224 |
| Remuneration of key management personnel | 9,364 | 273 |
| | **COP 19,067** | **COP 25,217** |

In addition to the remunerations mentioned above, key management personnel and Board members claimed travel expenses for 2021 in the amount of COP 220 and COP 116 for 2020, which they paid using corporate cards.

Board members received compensation for fees and attendance of board meetings in the amount of COP 311 for 2021 and COP 611 for 2020.

**Transactions Recognized with Shareholders Who Hold a Share of More Than 10% in the Company**

For comparative effects, at December 2021, BBVA Colombia had a balance of COP 1,259,186 in correspondent banks of BBVA Madrid, as well as recognition of Accounts Receivable for COP 155,659 and accounts payable for COP 53,620, arising from the settlement of derivative trades, and a Margin Call in the amount of COP 639,784 in favor of BBVA Madrid. Additionally, BBVA Colombia has recognized revenues for COP 2,222 in fees, and expenses for COP 66,225 for technology transfer, and lastly, in derivative trades, a Mark to Market (MTM) was recognized in the Asset portion for COP 958,365, and in the Liability portion for COP 2,015,268.

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 minimum quarterly in advance for corresponding banks that are not members of the BBVA Group.

Below are the details in local and foreign currency by type of collateral generated for Banco Bilbao Vizcaya Argentaria:

| Details | 2021 | 2020 |
|---|---|---|
| Bank Guarantees in domestic currency | COP 431,964 | COP 427,209 |
| Bank Guarantees in foreign currency | 164,647 | 279,139 |
| Letters of credit in foreign currency | 8,795 | 896 |
| | **COP 605,406** | **COP 707,244** |

### Other Transactions with Related Parties

Transactions with 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, 2021, was as follows:

| | | Joint Ventures | | |
|---|---|---|---|---|
| Year 2021 | Shareholders with share over 10% | RCI COLOMBIA | Board Members | Registered Agents and Key Management Personnel |
| **Assets:** | | | | |
| Loan portfolio and interest | COP - | COP 742,003 | COP 278 | COP 3,737 |
| Investments | - | 198,796 | - | - |
| Derivatives and spot transactions | 2,292,973 | - | - | - |
| Banks and other financial entities | 1,259,186 | - | - | - |
| Accounts receivable | 155,659 | 4,768 | - | - |
| Deposits as collateral | 639,784 | - | - | - |
| Total | 4,347,602 | 945,567 | 278 | 3,737 |
| **Liabilities::** | | | | |
| Deposits (savings and checking accounts) | - | 75,533 | 50 | 1,941 |
| Derivatives and spot transactions | 3,027,008 | - | - | - |
| Accounts Payable | 53,620 | 1 | - | - |
| **Total** | **3,080,628** | **75,534** | **50** | **1,941** |
| **Revenue:** | | | | |

| | | Joint Ventures | | |
|---|---|---|---|---|
| Year 2021 | Shareholders with share over 10% | RCI COLOMBIA | Board Members | Registered Agents and Key Management Personnel |
| Dividends from the equity method | - | 37,047 | - | - |
| Interest and/or return on investments | 405 | 35,769 | 13 | 255 |
| Fees | 1,817 | 37 | 2 | 16 |
| Total | 2,222 | 72,853 | 15 | 271 |
| **Expenses:** | | | | |
| Interest | 134 | 483 | 3 | 203 |
| Fees | 4,770 | - | - | 21 |
| Employee benefits | - | - | - | 576,933 |
| Other expenses | - | 2,531 | - | 220 |
| Advisory and consultancy fees | - | - | 346 | 121 |
| Corporate application services | 61,321 | - | - | - |
| Total | 66,225 | 3,014 | 349 | 577,498 |
| Contingent commitments and obligations | 555,159 | - | - | - |
| Total | COP 555,159 | COP - | COP - | COP - |

| | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia | | | |
|---|---|---|---|---|
| Year 2021 | BBVA Seguros | BBVA Seguros de Vida | Other domestic related parties | Other Related Parties Abroad |
| **Assets:** | | | | |
| Loan portfolio and interest | COP - | COP 2 | COP 3 | COP - |
| Derivatives and spot transactions | - | - | - | 6,051 |
| Banks and other financial entities | - | - | - | 228 |
| Accounts receivable | - | - | 58 | - |
| Deposits as collateral | - | - | - | 11,227 |
| Gastos anticipados | 2,897 | - | - | - |
| Non-current assets held-for-sale | - | - | 13,576 | - |
| Total | 2,897 | 2 | 13,637 | 17,506 |
| **Liabilities:** | | | | |
| Deposits (savings and checking accounts) | 49,606 | 120,170 | 29,924 | - |
| Outstanding Investment Securities | - | 17,089 | - | - |
| Derivatives and spot transactions | - | - | - | 14,318 |
| Accounts Payable | 6 | 263 | 943 | 1,075 |
| Total | 49,612 | 137,522 | 30,867 | 15,393 |

| Year 2021 | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia: BBVA Seguros | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia: BBVA Seguros de Vida | Other domestic related parties | Other Related Parties Abroad |
|---|---|---|---|---|
| **Revenue:** | | | | |
| Interest and/or return on investments | - | - | 20 | 29 |
| Fees | 25,405 | 83,124 | 43 | 522 |
| Leases | 16 | 64 | 1,201 | - |
| **Total** | **25,421** | **83,188** | **1,264** | **551** |
| **Expenses:** | | | | |
| Interest | 157 | 4,040 | 118 | 1 |
| Fees | - | - | 168,336 | 9,555 |
| Insurance | 9,291 | - | - | - |
| Other expenses | - | 2 | 945 | - |
| Advisory and consultancy fees | - | - | 6,830 | - |
| Corporate application services | - | - | 5,475 | 83,724 |
| Total | 9,448 | 4,042 | 181,704 | 93,280 |
| Contingent commitments and obligations | - | - | - | 50,247 |
| Call and put purchase commitments | - | - | - | 180,498 |
| Total | COP - | COP - | COP - | COP 230,745 |

The details of transactions with related parties at December 31, 2020, was as follows:

| Year 2021 | Shareholders with share over 10% | Joint Ventures: RCI COLOMBIA | Board Members | Registered Agents and Key Management Personnel |
|---|---|---|---|---|
| **Assets:** | | | | |
| Loan portfolio and interest | COP - | COP 552,005 | COP 39 | COP 4,897 |
| Investments | - | 149,740 | - | - |
| Derivatives and spot transactions | 2,896,383 | - | - | - |
| Banks and other financial entities | 66,914 | - | - | - |
| Accounts receivable | 119,411 | 2,138 | - | - |
| Deposits as collateral | 460,895 | - | - | - |
| Total | 3,543,603 | 703,883 | 39 | 4,897 |
| **Liabilities:** | | | | |
| Deposits (savings and checking accounts) | - | 50,322 | 80 | 1,138 |
| Derivatives and spot transactions | 3,425,634 | - | - | - |
| Accounts Payable | 39,880 | - | - | - |
| Total | 3,465,514 | 50,322 | 80 | 1,138 |

| | | Joint Ventures | | |
|---|---|---|---|---|
| Year 2021 | Shareholders with share over 10% | RCI COLOMBIA | Board Members | Registered Agents and Key Management Personnel |
| **Revenue::** | | | | |
| Dividends from the equity method | - | 16,104 | - | - |
| Interest and/or return on investments | 879 | 36,187 | 12 | 613 |
| Fees | 2,178 | 488 | 4 | 33 |
| Total | 3,057 | 52,779 | 16 | 646 |
| **Expenses:** | | | | |
| Interest | 9 | 1,574 | 3 | 466 |
| Fees | 5,136 | - | 5 | 59 |
| Other expenses | - | - | 32 | 116 |
| Advisory and consultancy fees | - | - | 702 | - |
| Corporate application services | 41,611 | - | - | - |
| Total | 46,756 | 1,574 | 742 | 641 |
| Contingent commitments and obligations | 574,046 | - | - | - |
| Total | COP 574,046 | COP - | COP - | COP - |

| | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia | | | |
|---|---|---|---|---|
| Year 2020 | BBVA Seguros | BBVA Seguros de Vida | Other domestic related parties | Other Related Parties Abroad |
| **Assets:** | | | | |
| Derivatives and spot transactions | COP - | COP - | COP - | COP 5,232 |
| Banks and other financial entities | - | - | - | 771 |
| Accounts receivable | - | - | - | 7 |
| Deposits as collateral | - | - | - | 515 |
| Prepaid expenses | 1,396 | - | - | - |
| Non-current assets held-for-sale | - | - | 12,591 | - |
| Total | 1,396 | - | 12,591 | 6,525 |
| **Liabilities** | | | | |
| Deposits (savings and checking accounts) | 50,117 | 86,271 | 29,170 | - |
| Outstanding Investment Securities | - | 35,188 | - | - |
| Derivatives and spot transactions | - | - | - | 5,571 |

| Year 2020 | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia | | | |
|---|---|---|---|---|
| | BBVA Seguros | BBVA Seguros de Vida | Other domestic related parties | Other Related Parties Abroad |
| Accounts Payable | - | 24 | - | - |
| **Total** | **50,117** | **121,483** | **29,170** | **5,571** |
| **Revenue::** | | | | |
| Interest and/or return on investments | - | - | 1,190 | 38 |
| Fees | 20,403 | 72,403 | 40 | 531 |
| Leases | 16 | 64 | 1,322 | - |
| Total | 20,419 | 72,467 | 2,552 | 569 |
| **Expenses::** | | | | |
| Interest | 1,060 | 9,950 | 67 | 23 |
| Fees | - | - | 113,832 | 6,153 |
| Insurance | 9,264 | 104 | - | - |
| Other expenses | - | - | 844 | - |

| Year 2020 | Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia | | | |
|---|---|---|---|---|
| | BBVA Seguros | BBVA Seguros de Vida | Other domestic related parties | Other Related Parties Abroad |
| Corporate application services | - | - | - | 71,996 |
| Total | 10,324 | 10,054 | 114,743 | 78,172 |
| Contingent commitments and obligations | - | - | - | 133,198 |
| Call and put purchase commitments | - | - | - | 242,565 |
| Total | COP - | COP - | COP - | COP 375,763 |

## 43. Market, interest, structural and credit risk report

### *Market Risk*

**Banco BBVA Colombia S.A**

Market risk is defined as the possibility that the Group will incur in losses associated with the decrease in value of its portfolio due to changes in the prices of the financial instruments on which it holds positions. Although the Bank, the trust company and the securities broker manage their risks separately, they maintain a common 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 expected results.

To optimize management of these exposures, 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.

(i) **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, as well as 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 desk's daily transactions, as well as for confirming, settling and clearing Treasury transactions. 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, reporting to 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, reporting to 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).

(ii) **Nature and scope of the risks arising from financial instruments**

- 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 operations with proprietary resources, as well as in operations with customers.

Therefore, the Global Markets Department carries out procedures through its proprietary account to meet its liquidity needs and those of external customers. It also actively participates as a market maker in fixed income and in foreign currency and spot and term transactions, as well as in money market transactions. Therefore, it has an organizational structure comprised of a trading desk (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 that affect the Bank 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 rate 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.

(iii) **Limits** - 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 desk, 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.

(iv) 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.

- **Stop Loss:** This is a monitoring measure of the accumulated losses in the global market portfolios with the aim of limiting the negative impact on the income statement.

| | VaR Figures in COP million | | | |
|---|---|---|---|---|
| | December | Minimum | Maximum | Average |
| Year 2021 | 7,831 | 3,081 | 14,809 | 6,390 |
| Year 2020 | 5,060 | 1,512 | 16,261 | 5,756 |

The stop loss was monitored in 2021 through a double control mechanism, implementing an annual limit with the aim of controlling 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**: It 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 2021.

- **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.

| | SVaR according to Lehman, Figures in COP million | | | |
|---|---|---|---|---|
| | December | Minimum | Maximum | Average |
| Year 2021 | 8,914 | 6,952 | 26,38 | 14,544 |
| Year 2020 | 12,577 | 5,5 | 16,182 | 9,503 |

## (v) Market risk profile and positions

*Portfolio positions for the years 2021 and 2017 (in billions)*

Below is a comparative chart that lists the positions of the portfolios of the Bank, the Trust Company and the Broker:

| Classification | Dec-21 | Local Currency | | Other Currencies | | Dec-20 | Local Currency | | Other Currencies | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | Average | Maximum | Average | Maximum | Amount | Average | Maximum | Average | Maximum |
| Public debt | 2,141.27 | 1,559.74 | 2,198.42 | 12.24 | 54.05 | 2,270.16 | 2,768.16 | 3,778.27 | 35.69 | 92.26 |
| Corporate securities | 650.88 | 502.68 | 642.29 | 41.21 | 68.18 | 619.21 | 796.38 | 1,317.55 | 33.69 | 68.98 |
| Cash FX | 2.30 | 0.21 | 2.30 | 0.01 | 0.05 | (0.05) | 0.01 | 0.41 | 1.05 | 4.90 |
| Forward | 70.83 | (94.62) | 204.79 | (6.95) | 1.37 | 544.91 | (15.81) | 382.61 | 638.52 | 1,583.52 |
| Shares without subsidiaries* | 609.6 | 544.12 | 609.60 | - | - | 538.3 | 545.6 | 991.4 | - | - |

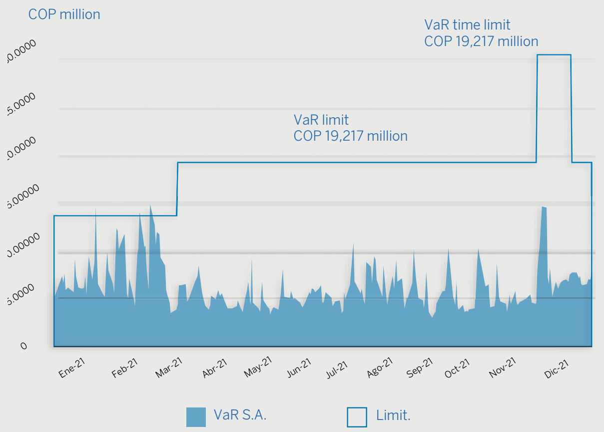
*Include strategic investments made by Banco BBVA Colombia. As a result, they are not included in market risk metrics.

2021 and 2020 market risk profile (in COP million)

| Global Market Risks | December 2021 | Average | Maximum | Minimum | December 2020 | Average | Maximum | Minimum |
|---|---|---|---|---|---|---|---|---|
| VaR - Interest rates | 8,003 | 6,114 | 15,240 | 2,785 | 4,644 | 5,879 | 16,329 | 1,431 |
| VaR - Exchange rates | 1,211 | 1,217 | 6,837 | 80 | 1,430 | 1,092 | 8,301 | 83 |
| Total VaR | 7,831 | 6,390 | 14,809 | 3,081 | 5,060 | 5,756 | 16,261 | 1,512 |
| Economic capital consumption limit | 42% | 37% | 48% | 32% | 28% | 29% | 30% | 27% |
| Total Delta to 1 bp | 58 | (84) | 294 | (642) | (16) | (226) | (2) | (487) |
| Delta consumption sublimit | 8,7% | 20% | 96% | 0,30% | 2,4% | 34% | 73% | 0,24% |

In 2021, the average market risk consumption (VaR) of trading operations was COP 6,390 million, with a consumption exceeding the internal limit for authorized economic capital by 42%. The average sensitivity of the interest rate to one basis point (Delta) was COP 84 million with 20% consumption over the authorized internal limit.

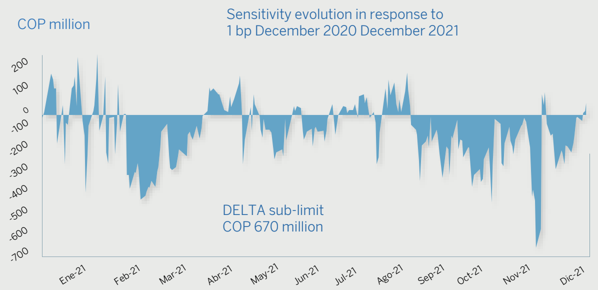
*Monitoring of Market Risk*




Evolution of the trading market risk: Daily measurements and controls were carried out in 2021 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*




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). Although its financial instruments are still the traditional ones, there are also sovereign green bonds. In 2021, the Ministry of Finance issued the first sovereign green bonds in the country in order to be aligned with international best practices on environmental benefits, sustainable financing, transparency and accountability to investors. The first green bond issue will finance associated expenditures in areas such as water management and sanitation, clean transportation, ecosystem services and biodiversity protection, renewable energy, circular economy, and sustainable and climate resilient agricultural production.

In turn, the derivatives portfolio maintained the composition by type of product; the main products are USD-COP forwards and IRS in IBR. Although these financial derivatives are the most traditional ones, BBVA Colombia wants to offer new derivative products that consider sustainability-related KPIs. 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.

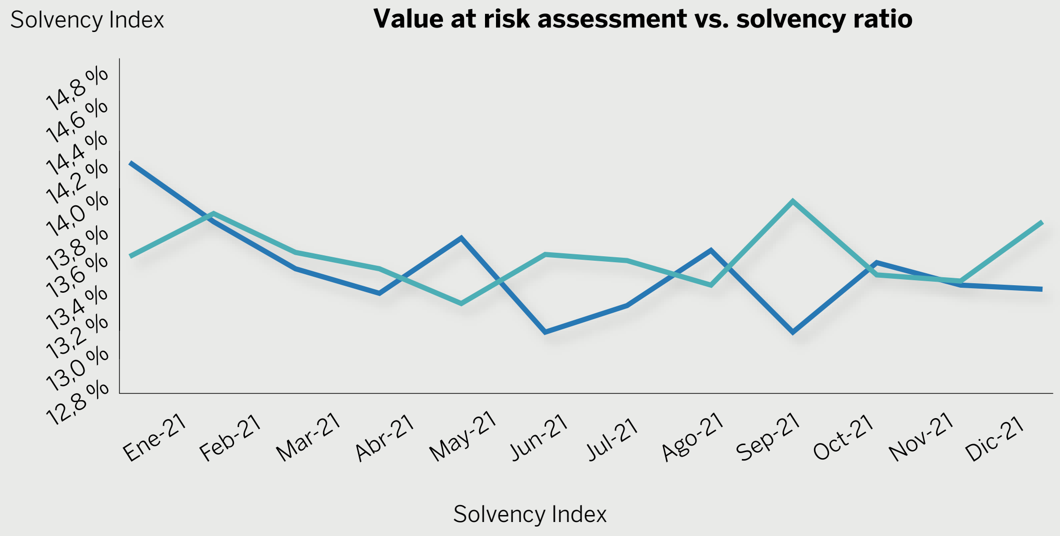
It subjects the positions held to strong hypothetical market oscillations based on historical or possible situations obtained through the generation of scenarios. This is done to quantify the effect of the results in order to identify possible adverse impacts and those greater than the VaR figures that could potentially occur, and design contingency plans to be applied immediately in the event that an abnormal situation occurs.

### Monitoring of Value at Risk (VaR) 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 tradeable positions, and securities classified as to maturity that are delivered as collateral in a 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 graph shows the value at risk assessment and the solvency margin:

**Value at risk assessment vs. solvency ratio**




### Consolidated VaR

Market risk profile of the Bank, BBVA Fiduciaria and BBVA Valores

| Consolidated VaR (Figures in millions) | 2021 | 2020 |
|---|---|---|
| Interest rate | COP 417,649 | COP 320,785 |
| Exchange rate | 19,046 | 16,594 |
| Share price | 849 | 936 |
| Collective investment funds | 30 | 36 |
| Total Value at Risk (VaR) | COP 437,575 | COP 338,531 |

The Bank, together with the trust company and the securities broker, consolidates 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 29% variation is reported between 2020 and 2021, arising from the interest rate item, mainly due to an increase in the portfolio positions of CDTs and TCOs.

### Liquidity Risk

The liquidity and financing risk is defined as the potential loss caused by events that affect the capacity to have funds available to fulfill liability obligations, either because of the impossibility to sell the assets, an 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.

**BBVA Fiduciaria**

**Interest rate risk management**: Given the portfolio's exposure to interest rate risk due to positions in debt instruments denominated in local currency rates, VaR is calculated for this risk factor in order to estimate the maximum potential losses the proprietary funds portfolio might experience due to changes in interest rates.

**Share price risk management**: Given the portfolio's exposure to the risk of price changes on the positions it holds in local and international shares, BBVA Asset Management S.A. Sociedad Fiduciaria (Notes to the Financial Statements - 79) calculates the VaR for this risk factor in order to estimate the maximum losses its proprietary funds portfolio would potentially experience due to changes in the prices of these variable price instruments.

**Exchange rate risk**: Given the portfolio's exposure to the risk of currency fluctuations in its financial instruments denominated in foreign currency, the VaR of this risk factor is calculated in order to estimate the maximum potential losses its proprietary funds portfolio might experience due to exchange rate fluctuations.

**Fund investment risk**: Given the portfolio's exposure to the risk of changes in value of collective investment fund units, VaR is calculated for this factor to estimate the maximum potential losses the proprietary fund portfolio might experience due to price variations in such units.

**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 with 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 - 15- procedures through its proprietary account to meet its liquidity needs and those of external customers. Taking into account these objectives and with the aim of optimizing, managing and administrating inherent risks, Management establishes the following risk measurement tools: 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 proprietary resources in order to establish the effect that possible changes in market conditions may have on the economic value of the Broker's equity, whose impact is reflected in the solvency ratio, measured on a monthly basis.

Currently, BBVA Valores is not exposed to exchange rate and investment fund factors, because it does not engage in foreign currency transactions and does not have interests in collective investment funds.

**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.

## BBVA Colombia

### Liquidity Risk

The liquidity and financing risk is defined as the potential loss caused by events that affect the capacity to have funds available to fulfill liability obligations, either because of the impossibility to sell the assets, an 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.

In 2021, there were no changes in the metrics of the internal model to measure the financing structure liquidity in comparison with 2020; 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 funds, 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 funds. 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 2021, BBVA Colombia maintained a solid liquidity position, in order to improve the cost of the Entity's liabilities; efforts are made to increase customer deposit balances in all banking segments, focusing on commercial banking. The strategy to maintain the diversification of the sources of financing and the robustness of the financing structure is maintained.

The following tables show the evolution of short-term liquidity for 2020 and 2021:

| | 2020 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | LtSCD (%) | CB (%) | Negative operating cash flow (trillion) | LtSCD (%) | CB 30 D (%) | Negative operating cash flow (billion) |
| January | 108% | 242% | 7.415 | 107% | 796% | 4.685 |
| February | 108% | 437% | 5.656 | 108% | 1.443% | 4.887 |
| March | 103% | 420% | 5.005 | 108% | 2.083% | 4.452 |
| April | 101% | N.C | 3.159 | 107% | N.C | 3.263 |
| May | 100% | N.C | 2.377 | 104% | N.C | 2.532 |
| June | 98% | N.C | 2.451 | 104% | N.C | 2.984 |
| July | 101% | N.C | 2.998 | 107% | N.C | 4.465 |
| August | 106% | 4.691% | 4.312 | 108% | 872% | 4.288 |
| September | 106% | 1421% | 5.079 | 108% | 2.625% | 5.28 |
| October | 104% | N.C | 4.398 | 104% | N.C | 3.137 |
| November | 105% | 757% | 5.171 | 103% | N.C | 3.582 |
| December | 105% | 475% | 4.43 | 107% | N.C | 5.192 |
| Limit | 120% | 140% | 13.000 | 120% | 140% | 13.000 |

Details of Basic Capacity by timeframes at December

| 2020 | | | 2021 | | |
|---|---|---|---|---|---|
| 1 month | 3 months | 12 months | 1 month | 3 months | 12 months |
| 475% | 234% | 137% | N.C. | 224% | 121% |

**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% (regulatory limit).

In 2021, the Liquidity Risk Indicator (LRI) with a 7-day time frame stood at average levels (808%), while the 30-day LRI stood at an average of (206%), which indicates that for a short-term horizon, BBVA Colombia has more than enough liquidity to fulfill its short-term financing commitments.

| | 2020 | | 2021 | |
|---|---|---|---|---|
| LRI | 7 Days(%) | 30 Days (%) | 7 Days (%) | 30 Days (%) |
| January | 1001.80% | 248.50% | 1029.80% | 242.30% |
| February | 841.00% | 240.90% | 977.20% | 208.40% |
| March | 1177.30% | 230.20% | 813.40% | 202.90% |
| April | 972.30% | 244.70% | 977.40% | 258.50% |
| Mayo | 911.30% | 237.40% | 656.30% | 234.40% |
| June | 964.70% | 267.70% | 947.60% | 217.90% |
| July | 976.10% | 220.00% | 780.10% | 176.10% |
| August | 688.30% | 185.70% | 878.60% | 222.20% |
| September | 845.30% | 213.10% | 710.70% | 182.10% |
| October | 956.40% | 240.00% | 974.70% | 223.60% |

| | 2020 | | 2021 | |
|---|---|---|---|---|
| IRL | 7 Days (%) | 30 Days (%) | 7 Days (%) | 30 Days (%) |
| November | 891.70% | 232.50% | 743.00% | 202.80% |
| December | 960.90% | 208.70% | 857.70% | 213.30% |
| Limit | 100% | 100% | 100% | 100% |
| Management Limit | 150% | 150% | 150% | 150% |

At the end of 2020 and 2021, the 30-day LRI is summarized as follows:

| | Contractual Maturities in 2021 in COP million | | | |
|---|---|---|---|---|
| | DAYS 1 TO 7 -TOTAL | DAYS 8 TO 15 -TOTAL | DAYS 16 TO 30 -TOTAL | DAYS 1 TO 30 TOTAL |
| CDs | 178,684 | 159,459 | 530,382 | 868,525 |
| INTERBANK FUNDS | 347,176 | - | - | 341,176 |
| REPOS, SIMULTANEOUS and T.T.S. | 2,747,519 | - | - | 2,747,519 |
| TRANSACTIONS WITH DERIVATIVE FINANCIAL INSTRUMENTS | 115,127 | 161,950 | 625,372 | 902,449 |
| BANK CREDITS AND OTHER FINANCIAL OBLIGATIONS | - | 79,603 | 99,042 | 178,645 |
| ACCOUNTS PAYABLE NOT ASSOCIATED WITH CDs AND SAVINGS CERTIFICATES (CDATs, FOR THE SPANISH ORIGINAL) | 130,512 | 149,157 | 279,669 | 559,338 |
| OTHER LIABILITIES AND CREDIT CONTINGENCIES | 736,654 | 33,717 | 63,219 | 833,591 |

| | Contractual Maturities in 2020 in COP million | | | |
|---|---|---|---|---|
| | DAYS 1 TO 7 -TOTAL | DAYS 8 TO 15 -TOTAL | DAYS 16 TO 30 -TOTAL | DAYS 1 TO 30 TOTAL |
| CDs | 305,948 | 346,749 | 599,060 | 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 |
| OUTSTANDING DEBT SECURITIES | - | - | - | - |
| OTHER LIABILITIES AND CREDIT CONTINGENCIES | 379,600 | 36,893 | 101,752 | 518,245 |

Note: They are contractual maturities of principal and interest for time frames of no more than 90 days.

**BBVA Fiduciaria**

In carrying out transactions with its proprietary funds, the Company is exposed to liquidity risk due to the possible insufficiency of liquid assets available to fulfill the obligations on its account. In order to mitigate the probability of occurrence of this risk, the Trust Company has mechanisms in place to control and monitor this risk. To this end, to address the possibility of having insufficient liquid assets to fulfill its obligations, this entity has set up indicators and tests to control and monitor this type of risks. These indicators enable the Entity 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**

The Liquidity Risk Management System (SARL, for the Spanish original) enables to Broker to maintain sufficient liquidity to address possible scenarios of own or systemic stress. To this effect, the Broker has liquidity warning indicators to establish and determine its current scenario, as well as the strategies to be followed in each case.

According to Chapter VI of the Basic Accounting and Financial Notice (Public Notice No. 100/1995) of the Financial Superintendence of Colombia, the Broker measures 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 timeframes of one business day and between the second business day and seven calendar days. This indicator shows the liquidity coverage for the different timeframes. During 2021, the indicator did not exceed the regulatory limits.

## *Counterparty Risk (SARiC)*

**BBVA Valores**

It is the contingency to which the Broker is subjected in the event of default of one or more transactions by the counterparties, in which case it must cover said default with its own resources or recognize a loss in the balance sheets.

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 the bank 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 S.A. are taken into account by BBVA Valores Colombia S.A. and are submitted for authorization by Risk Committee, for subsequent approval by the Board of Directors.

## *Structural Risk*

**Banco BBVA Colombia**

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. Other probabilistic metrics are assessed 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 time frame 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.

Below are the average interest-rate risk levels in terms of sensitivity for the BBVA Colombia balance sheet during the 2021 fiscal year:

| | Limit | Dec-2020 | Oct-21 |
|---|---|---|---|
| Margin sensitivity warning (- 100 basis points) | 4.00% | 0.78% | 0.49% |
| Margin at risk limit (*) | 7.00% | 1.31% | 1.85% |
| Economic value sensitivity warning (+100 basis points) | 725,000 | 690.888 | 326.025 |
| Economic capital limit | 700,000 | 568.855 | 399.251 |

(*) 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 on positions in foreign currency, on the solvency and income of BBVA Colombia. During 2021, 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 at the end of 2020 and 2021**

| Impact in the Event of a 10% Change in the TRM | | | |
|---|---|---|---|
| 2020 | | 2021 | |
| Impact on solvency ratio | Real Solvency Ratio | Impact on solvency ratio | Real Solvency Ratio |
| 20 pbs | 14.72% | 13 pbs | 13.76% |

*Credit risk*

**Banco BBVA Colombia**

Risk management and exposure at December 2021 and 2020 were as follows:

| Maximum Risk Exposure | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | COP 8,339,067 | COP 3,427,184 |
| Financial assets held for trading | 2,768,305 | 1,151,413 |
| Financial assets available-for-sale | 1,892,941 | 247,400 |
| Investments held to maturity | 2,092,811 | 2,082,345 |
| Derivatives and hedge accounting | 2,308,641 | 2,308,641 |
| Consumer portfolio | 22,480,178 | 20,302,912 |
| Commercial Loan Portfolio | 22,478,301 | 19,085,946 |
| Mortgage portfolio | 13,994,435 | 12,988,602 |
| Credit investment | 58,952,914 | 52,377,460 |
| Loans approved but not disbursed | 1,131,063 | 784,486 |
| Credit limits | 5,072,602 | 4,578,901 |
| Bank Guarantees | 3,944,637 | 3,148,963 |
| Letters of credit | 951,968 | 616,205 |
| TOTAL NET MAXIMUM RISK EXPOSURE | COP 11,100,270 | COP 9,128,555 |

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**

At June 1, 2020, Public Notice 31/2019 of the Financial Superintendence of Colombia was implemented, which amended the credit exposure of derivatives computed in the solvency calculation, so the Bank's total credit exposure is COP 2,978,568 at December 31, 2021.

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 monitors 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.

Continuous monitoring is performed, verifying compliance with the thresholds established in the risk appetite framework with the follow-up of core metrics for compliance with the Bank's objectives expressed in terms of solvency, liquidity and funding, and profitability and recurrence of income.

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 Department 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.

Management of the application of the policies developed for the different lines of credit.

Specialized assessment of customer profiles according to the established risk levels, focused on the Bank's customers with direct deposit payroll accounts and on lines of credit with direct deduction of the installment from the customer's payroll, as is the case of payroll loans.

Adjustments to the admission processes with the associated policy changes, due to the new scenario of general economic contraction, securing the risk with the requirement of collateral or guarantees offered by the government.

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 is the department responsible for the admission of all the Bank's legal entity customers, as well as individuals who engage in business according to the Bank's segmentation, with sales under COP 12,000, as a centralized process since December 2017 in a single office, which carries out a process of validation and arrangement of information of each of the proposals, before assessment by the Risk Admission analysts.

The Bpm CAP - PCO tool was mainstreamed in September 2020 to centralize filing of credit applications for new resources of the SME segment. 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 allocation 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, based on qualitative and quantitative information. The SME PCO Project was completed with the flow of the reactive circuit related to the application and sanctioning of limits, capturing information for the decision-making body and the control of delegations in the SME segment.

In line with the country's economic situation and in support of Government regulations, admission was focused on assessing customers with an 70%, 80% and 90% FNG collateral under the Unidos por Colombia Program. Sector reports will be updated with Guidelines by subsector so that both the office network and the admissions departments can take them into account when making decisions.

- Monitoring 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.

Continuous monitoring of the quality of the placements made under the attribution of the office network while the portfolio matures in order to ensure the performance of the risk indicators.

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.

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 new originations and the active portfolio through IFRS 9 indicators, as well as 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**

With the completion of the PAD on August 31, 2021, in Q421, priority was given to containing entries in non-performing loan portfolio and recovering outstanding loans, with the support of our Emerge Plan, through which we have increased contact with customers and thus closed our debtors' promises to pay.

Risk Anticipation Executives (EAR, for the Spanish original), FUVEX and external collection agencies have made every effort to end the year 2021 in compliance with the objectives set by BBVA.

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 50% in October, 62% in November and 61% in December. In December,Free Investment loans stood out with an efficiency of 58%, Mortgage loans (over 90 days) 113% and Vehicle loans at 108%.

The sources of recoveries are centered on actual payment by customers, the range of the recovery engine and to a lesser extent, restructuring.

**Wholesale Credit**

In 2021, the Wholesale Risk Department managed the admission and monitoring of risks in accordance with the guidelines of the credit risk framework defined by the Holding Company. The portfolio posted growth of 20%, highlighting a COP 1.4 trillion increase in Business Banking (annual variation of 21%); COP 1.2 trillion in Corporate Banking (annual variation of 28%); and COP 800 billion in Government Banking (annual variation of 22%).

As for the post-COVID relief and solutions granted in 2020 for a total of COP 3.7 trillion, by the end of 2021, 100% of the relief and 61% of those redefined had completed their grace period. 96% of the total portfolio that received post-COVID relief measures and solutions is up to date.

As a strategy to anticipate the impairment of the portfolio, we focused efforts on the preventive alert of customers with activity in the more vulnerable economic sectors, with a decrease in their rating and possible defaults in the early stages at BBVA and other entities of the financial sector, keeping the Emerge Plan implemented in the second half of 2020. This led to a decrease the non-performing loan portfolio ratio from 0.18% in December 2020 to 0.05% in the same period of 2021.

Finally, at the end of 2021, the rating validation indicator was 98% in terms of amount and 76% in terms of number of customers.

**BBVA Valores**

In accordance with its investment policy for proprietary resources, it limits its exposure to credit risk by 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 2021, had only investments in instruments with investment grade ratings, Management does not expect any of its counterparties to fail to fulfill their obligations.

## *OPERATIONAL RISK*

**Banco BBVA**

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 Fiduciaria**

During the course of 2021, 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, 041 / 2007, 038 / 2009, 029 / 2014 and 025 / 2020 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, 2021, the financial statements reported losses in the amount of COP 103,843 and recoveries in the amount of COP 16,627, and at December 31, 2020, losses amounting to COP 570,040 were recorded in the financial statements, along with recoveries amounting to COP 59,319605, derived from the materialization of operational risks over the year. In relation to the continuity plan, BBVA AM has an Alternate Operations Center (COA, for the Spanish original), where the respective testing has been carried out on the critical processes established by the BIA in order to ensure business continuity. In general, the tests performed during 2021 have yielded favorable results.

**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 2021, 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 Bylaws, 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's Supporting Committees Managers.

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.

BBVA Colombia'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.

The Bank's Bylaws establish that the Board of Directors is the Company's administration, management and oversight body, and in 2021, it was made up of five Board members, two of whom are of independent origin, pursuant to Law 964/2005, and are aware of the responsibility involved in managing the financial and non-financial risks, and are familiar with the Bank's business structure and processes, which enables them to provide the proper support and oversight.

For the 2021 fiscal year, the Board of Directors performed its functions in compliance with the previously agreed meeting schedule, maintaining continuous contact with the Bank's Senior Management, showing great dedication and capacity to adapt to the circumstances; its knowledge, both of the environment and of the Group in Colombia, has served not only for the proper performance of the functions of the corporate bodies, but has also contributed to the Bank and BBVA's companies in Colombia adapting to the new circumstances.

The four supporting committees of the Board of Directors (Audit Committee, Comprehensive Risk Committee, Corporate Governance Committee, Sustainability and Corporate Social Responsibility and the Diversity, 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. In this way, the corporate bodies' awareness of the relevant matters is ensured, reinforcing the existing control environment in BBVA Colombia.

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, as well as information from other committees based on the coordination mechanism between committees for the better performance of their respective functions.

Notwithstanding the foregoing, the activity of the Committees during 2021 fiscal year has monitored the risks impacted most by the COVID-19 pandemic, focusing on the issues within the authority of each committee.

As part of the annual assessment of the Board of Directors, the Corporate Governance Committee has analyzed, in accordance with its Rules of Procedure, the structure and composition of the corporate bodies, considering that they should be balanced and kept in line with its needs at all times, and that the Board of Directors as a whole should have the relevant knowledge, skills and experience to understand the business, activities and main risks of the Bank and its subsidiaries and ensure its effective capacity to perform its functions in the best corporate interest.

This analysis is carried out as part of the framework of the progressive and orderly renewal of the corporate bodies developed by the Board of Directors, with the support of the Corporate Governance, Sustainability and Social Responsibility Committee, under which individuals with different profiles and experiences are gradually brought in, at the relevant frequency, in order to increase diversity, as well as to ensure the appropriate circulation of members, guaranteeing a balanced presence of directors with new profiles and diverse professional experience and previous background of members in areas such as financial and non-financial risks, enterprise, internal control or academia, among others, both nationally and internationally; as well as their diversity, striving to make women part of the Board of Directors.

The rules of procedure of the Board of Directors and the Supporting Committees, as well as their Annual Corporate Governance Reports can be referred to on the BBVA Colombia website: www.bbva.com.co/ Atención al Inversionista/ Gobierno Corporativo.

**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 departments, as well as the efficient allocation of funds.

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 sixth 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 2016-2019, 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 Group is considering the possibility of carrying out the early settlement of the N-6 issue of the securitized portfolio, because in February 2022 the causes that allow such transaction will be fulfilled, since on December 23, 2021 Titularizadora Colombiana informed the Financial Superintendence that the TIPS Pesos N-6 Issuance Regulations established that the early settlement of the issue would take place when the total principal balance of the mortgage loans on the payment date is less than or equal to 5% of the total principal balance of the mortgage loans on the date of issuance (August 23, 2012).

The TIPS Pesos N-6 Issuance Regulations established that, in order to carry out the early settlement process of the issue, the process to sell the underlying assets should be carried out within a term of 3 months following the formalization of the grounds for early settlement. The proceeds from the sale must be used to pay the obligations of the issue subject to the priority of payments defined in the TIPS Pesos N-6 Issue Regulations. If the underlying assets cannot be sold within three (3) months from the date of formalization of the early settlement decision, the obligations may be paid in kind, by allocating the underlying assets to the investors up to the concurrence of their value, taking the book balance as a reference.

At December 31, 2021, the Group had 216 loans under management for an amount of COP 7,681. The settlement draft calls for the administrators to acquire this loan portfolio. The Bank also has TIPS on this issuance with a market value at December 31, 2021, of COP 11,122. According to the forecast made by the securitization entity, the MZ securities will be covered at 92.40% and the C securities will not be covered.

## 46. Other items of interest

### Banco BBVA

### A) Transition from LIBOR

For years, banks have used benchmark interest rates (IBORs) in their processes and products, such as the LIBOR (London Interbank Offered Rate) or the EONIA (Euro Overnight Index Average) in their processes and products. However, cases of attempted manipulation of these benchmark rates at the global level, together with the decrease in liquidity in the interbank unsecured funding markets following the crisis, have diluted their representativeness and reliability.

As a consequence, in July 2017, the UK Financial Conduct Authority (FCA) declared that after December 31, 2021, IBOR rates would come to an end. As a result, different regulators formed working groups comprised of representatives from the public and private sectors to develop alternative rates that would serve as a replacement for the IBOR rates currently applied. They have been referred to as alternative Risk Free Rates (RFRs).

For example, the ARRC (Alternative Reference Rates Committee) is a body created in 2014 by the Federal Reserve and the New York Fed for supporting the successful transition from USD LIBOR to SOFR (Secured Overnight Financing Rate). The latter is considered a more robust reference rate (RFRs), mainly because it is based on a large market of repo (USD) transactions collateralized by U.S. Treasury securities. To that extent, the ARRC, with the support of multiple market players, has repeatedly recommended ceasing further operations under USD LIBOR as of January 2022, thus giving way to the implementation of the new reference rates.

Update on the Timing of the Transition from LIBOR to Alternative Risk-free Rates (RFR) On March 5, 2021, the Financial Conduct Authority (FCA)1 announced the dates on which all LIBOR rate terms will cease to be published by any administrator or, failing that, will cease to be representative. This announcement follows notification by the ICE Benchmark Administration (IBA)2 that it will not be able to publish LIBOR terms on a representational basis beyond these dates.

The following dates apply to each currency and term of LIBOR

- All LIBOR maturities in GBP, EUR3, CHF and JPY will cease to be published or cease to be representative after December 31, 2021.
- For USD LIBOR maturities, publication will cease or cease to be representative in accordance with the following provisions:
    - For one-week and two-month maturities, after December 31, 2021.
    - For overnight, one-month, three-month, six-month and twelve-month maturities, after June 30, 2023.

Official Recommendation of Term SOFR (USD)

- On July 29, 2021, the ARRC issued its official recommendation of Term SOFR (USD) as the acceptable reference rate for the market. These rates are administered by the CME Group (CBA), which publishes them for 1-month, 3-month, 6-month and 12-month maturities. This rate, unlike the SOFR overnight, has a forward-looking format and uses information from SOFR-linked derivatives for its construction. This allows it to incorporate implicit market expectations regarding the behavior of the SOFR rate at the indicated maturities. As a milestone, it is important due to the usefulness of this rate for the operation of certain products, particularly those linked to term LIBOR rates such as business loans.
- Confirmation of technical and functional requirements: (12/Dec/19-29/Mar/20): Regarding the two branches of operation (Global Markets and Client Solutions), together with the different departments, awareness sessions and work tables were held by application (Bank-Trade, Murex, Dialogo, STAR, Asset Control, Mentor, Set Fx, Swaps Conciliator and Blotter) to identify any adjustments required due to the transition from the IBOR indexes, definitions and necessary revisions at technical and functional levels, and to propose lines of work incorporating time and economic estimates. In this regard, some of the most important items identified at this stage were:
- Creation and/or enabling of new indexes (SOFR, €STR9), generators and curves for the different applications. The activities associated with this item, on multiple occasions, involved parallel configura-

tions between applications for the correct processing of the new indexes. Two (2) examples can be mentioned in this line: 1. Generators for Murex and Dialogo. 2. Asset Control in relation to the provision of market prices. It is precisely for this reason that end-to-end and non-impact testing exercises were essential to ensure the correct functioning before the adoption of the new SOFR and €STR rates.

- With regard to accounting, the impact on this scope was assessed for the different applications; no impact was identified since the accounting applications and processes were not affected by the rate change.

- Technical implications were reviewed for the premise of allowing the coexistence of operations under the IBOR and RFR indexes (LIBOR - EONIA and SOFR - €STR) to the extent that both are available and accepted for market use.

- Definition of strategies at the business and systems levels for the restructuring of operations (active loans, funding and derivatives associated or not with this portfolio) whose maturity is subsequent to the eventual disappearance of the IBOR indexes as accessible and/or acceptable reference rates. This includes both the development of clauses to amend the contracts signed and the enabling of events for the modification of operations in the systems (e.g. Restructure and Unwind in Murex).

- Reporting: A review of the possible impacts at the reporting level (regulatory and others) was carried out from the beginning. With regard to the Financial Superintendence of Colombia (SFC), initially there were no definitions in this regard to determine any impact for reports such as codes 531 and 472. Subsequently this changed, and through Notice 40 issued on July 9, 2021, the regulator indicated the codes to be used for the reporting of the new SOFR reference rates.

- To manage the active portfolio in foreign currency (Comex), BankTrade has been parameterized to allow it to operate under the new rate conventions for this product. To this end, meetings were held with holding companies to establish clear guidelines on BBVA's business decisions as a group. As a result of these meetings and according to the definition established on September 14, 2021 by the Comex Business Department, it was locally determined that for operations in USD, the rates for loans would be SOFR Simple In Advance and Term SOFR; with options to use Simple In Arrears if the market eventually inclined in their direction. As a result, the Comex Business Department decided to reject the project to enable the In Arrears methodology.

- Consolidation of contractual alternatives for the migration of foreign currency loan operations (June 01, 2021 and November 30, 2021) or Addendum: for the addendum to the contract in operations under LIBOR whose maturity is after June 30, 2023, a form was prepared through which customers accept the change in Clauses 1 and 4 of the contract for LIBOR-referenced loans ("OPERATION DATA" and "BASIS FOR PAYMENT OF INTEREST"); this is due to the change in the established benchmark to calculate interest. Once the Addendum is signed, Clause 4 would read as follows: “Or Restructuring as new Comex contracts under SOFR: Another option is to restructure the operation in question, signing a new contract that directly incorporates all the provisions related to the new SOFR 18 indexes.” 18.

- New format for Comex contracts under SOFR 18: Starting in 2022, the Foreign Trade Department will begin to implement its offer through the new SOFR benchmarks; prioritizing the use of Term SOFR in its conditions. To this end, together with the legal team, throughout Q42021, we worked on the construction of a new format to be able to start signing contracts under this market index.

- Contractual tools for the transition in derivative markets or for the purpose of mitigating the impact on entities with exposure to IBOR rates through derivative instruments because of the disappearance of this market reference index, and various guidelines and market templates have emerged at the international level to facilitate the transition process. At the international level, ISDA established its concept of Robust IBOR Fallback Contract Language12 through its Protocol and Supplement documents (2020). The participants of a transaction entered into under ISDA regulations that adhere to this Protocol and Supplement may incorporate the new provisions as of January 25, 2021, on which date both documents become effective. In addition, after that date, all new transactions under the ISDA framework will also have this fallback language. In this regard, BBVA Colombia has complied with both documents since December 29, 2020. On the local scale, and in line with the purposes of the ISDA documentation, Asobancaria updated its master contract marco14 local derivatives originated in 2009. Although the new version includes several changes, one particularly relevant to the IBOR Transition is the provision added in Clause 11 on "Termination Events" (Section 11.1.9). According to the new master contract, if prior to the Compliance Date15 , the index being used as a reference for the settlement of a transaction disappears or is declared as non-representative by a competent authority, this will constitute grounds for early termination of the transaction if, after thirty (30) days following the occurrence of the event, the parties have not determined a replacement index by mutual agreement (Asobancaria, 2020). This provision will apply to entities that have signed the memorandum of understanding with Asobancaria, which BBVA Colombia did in April 2021.

Below are the details of activities carried out on derivatives during the year 2021:

- In US dollars, the first operation to be migrated was the discount of the LIBOR Overnight operations to SOFR Overnight, the first operation to be transitioned was the Interest Rate Swap in USD and COP that were being cleared by a central international counterparty clearing house through BBVA Clearing Services in October 2020, with a minimum impact of USD 102.9. As of December 31, 2021, BBVA Colombia did not modify any CSA.
- In EUR, an ISDA was modified where the collateral was remunerated to EONIA to take it to ESTER. The valuation impact was EUR 67 and it affected three swaps. This process was carried out in December 2021.
- The impacts described above are at the management level, since the regulatory valuation model established by Precia does not recognize collateral as a variable to be considered for discounting operations. At the regulatory level, the discount of all operations in the dollar leg was changed to SOFR in May 2021, with no impact on the methodology used by the price vendor.

The following inventories show in nominal terms the operations that remained sensitive to the change in LIBOR at each cut-off date:

| | USD-LIBOR |
|---|---|
| | Total amount of unaltered contracts |
| Figures in COP millions | |
| December 31, 2021 | |
| **Financial assets** | |
| Loans | 1,486,772 |
| **Financial liabilities** | |
| Secured bank loans | |
| **Derivatives** | |
| CCS and IRS swaps | 63,578,266 |
| 31 diciembre 2020 | |
| **Financial assets** | |
| Loans | 651,921 |
| **Financial liabilities** | |
| Secured bank loans | |
| **Derivatives** | |
| CCS and IRS swaps | 49,640,245 |

**The following were the risks assessed for the transition:**

*Financial risk management*

**Market Risk**

- Market risk is the risk associated with changes in market prices, for example: exchange rates, interest rates and share prices, which affect the income and/or value of positions in financial instruments approved by the Bank. The objective of market risk management is to manage and control risk exposure within acceptable parameters, optimizing return. BBVA Colombia uses derivatives to manage market risk. These transactions are carried out within the guidelines established by the Risk Management Committee.

- Management of benchmark interest rate reform and associated risks, overview.

In the securities market, a fundamental reform of the main global benchmark interest rates is underway, including the replacement of certain interbank offered rates (IBORs) with alternative risk-free rates (referred to as “IBOR reform”). BBVA Colombia has IBOR exposures in its financial instruments, which will be replaced or reformed as part of these market initiatives. BBVA Colombia's main IBOR exposure as of December 31, 2021 was concentrated in US dollar LIBOR, whose alternative reference rate will be the SOFR Guaranteed Overnight Financing Rate. Although US dollar LIBOR was planned to be suspended at the end of 2021, in November 2020, ICE Benchmark Administration (IBA), the FCA's authorized and regulated administrator of LIBOR, announced that it had begun consulting on its intention to suspend publication of certain U.S. dollar LIBOR maturities after June 2023

- As of December 31, 2021, BBVA Colombia was not exposed to derivatives indexed to SOFR. Regarding valuation methodologies, BBVA Colombia uses the inputs and methodologies of its official price vendor PRECIA S.A. for the valuation of its financial instruments. Precia has followed international guidelines and best practices, considering the reality of the markets and the announcements of the main administrators of these indexes. During 2021, Precia began using information from these SOFR indexes to incorporate them into the zero-coupon curve calibration process. The related impact on the Bank's books was negligible because the level of the zero coupon SOFR vs. zero coupon LIBOR curves were comparable.

BBVA Colombia has interest rate and currency swaps for risk management purposes, which are designated in cash flow hedging relationships. Some of these swaps are tied to U.S. dollar LIBOR rates. For these contracts, the Legal Department is validating the issues of the fallback clauses to reconcile with the different customers and to be able to migrate to the new rates when necessary.

**B) Company's Recent Situation**

In order to conclude on the continuity of BBVA Colombia's business, the Company's recent situation will be analyzed so that its financial situation can be demonstrated.

When analyzing the breakdown of the balance sheet as of December 2021, total assets showed a growth of 16.3% (+COP 11,098,548); the lines that concentrate the greatest growth in the Bank's assets are Loan Portfolio, Lease Transactions and Interest, net at 52% and cash and cash equivalents at 41%.

In terms of line items, the Bank’s Cash and cash equivalents item recorded an annual variation of 76%. The loan portfolio increased by 14%,credit investment increased by 6.85% and accounts receivable increased by 24.08%.

In turn, liabilities grew by 15.2%(+COP 10,407,568). With regard to customer deposits through demand and savings products, deposits and current liabilities were the most representative line, with an increase of 69% over the annual variation.

The Bank’s interest margin grew by 3.4% compared to 2020, explained by the increase in interest revenue. Operating expenses recorded a 5.8% increase, with the fee and insurance lines showing the greatest increase.

Finally, the Bank's income for the period increased by 90.5% compared to the same period in 2020, i.e., it ended 2021 with a profit of COP 895,243, one of the highest in BBVA's history in Colombia.

In summary, the balance sheet growth was driven by the main operational lines for a credit bank (portfolio and funds), which speaks very well of BBVA Colombia's business performance.

*Projected Financial Information*

Similarly, when reviewing the Company's projections in the country, it was found that, in its current financial planning, it is estimated to have profits of more than COP 900,000 for the next twelve months and portfolio growth of more than 10% based on the strategic plan, as well as on the country's good macroeconomic conditions, which will allow for a year of considerable growth.

**Conclusions**

In this regard, bearing in mind both the situation in the recent past, as well as what is expected in the near future, it can be said that the Bank has an adequate financial structure, which will allow it to carry on with its operation in a profitable manner, besides obtaining the necessary funds to comply with its short and medium-term obligations; due to the proper management of the accounts of the Statement of Financial Position and Statement of Income.

**Performance Metrics and Indicators December 2021 and 2020**

The following are the financial performance and indicators defined by Decree 854/2021 as the minimums to assess a company's business continuity. In this case, they are provided for the end of 2021 and 2020, in order to assess the financial management carried out and thus assess whether the going concern assumption is appropriate:

| Indicator | 2021 | 2020 | Income |
|---|---|---|---|
| Equity position | COP 5,687,302 | COP 4,996,322 | Total equity > 0 |
| Net income for the period | COP 895,242 | COP 469,850 | Statement of income Dec 2021 > 0) and (Statement of income 2020 >0) |
| Working capital | COP 0,11 | COP 0,12 | Income < 0.5 |
| Return on Assets (ROA) | 2% | 1% | Income > 0 |

The proper management carried out in BBVA Colombia allows it to develop its operations while maintaining good equity and solvency quality indicators.

It is therefore concluded that there is no material uncertainty related to events or conditions that would give rise to significant doubts on the Bank's capacity to continue as a going concern.

**C) Sustainability Policies**

BBVA incorporated sustainability among its six strategic priorities, with the aim of helping its customers in the transition to a greener future and boosting economic growth to leave no one behind and create opportunities for everyone.

The BBVA Group will establish the following as its focal points of action in the area of sustainability: (i) climate change, and (ii) inclusive and sustainable social development; and will set priorities in both areas, particularly in the objectives where it considers it can have the greatest impact.

The Bank's priorities in these areas will be, initially, as follows:

- Regarding climate change:
  - o Energy efficiency.
  - o Circular economy.
  - o Reduction of carbon emissions.
- Regarding inclusive and sustainable social development:
  - o Facilitating access to financial services for groups who are not using banking services through basic digital solutions.
  - o Inclusive infrastructure, including basic services and transportation systems.

Supporting entrepreneurs, promoting economic growth and full and productive employment

**BBVA Valores**

In the area of Consumer protection, we continued the implementation of the Product Governance Policy previously approved by the Board of Directors, which establishes the principles that BBVA must observe when evaluating the characteristics and risks of products and services, as well as when defining their distribution conditions and their monitoring, in such a way that the interests of customers are taken into account at all times and ensuring compliance with the applicable regulations on customer protection, observing the principles of transparency, appropriateness and fair treatment. During the year, duly filled out checklists on minimum compliance requirements continued to be requested before issuing any Compliance assessment, for all outsourcing initiatives as well as for offerings of products and services targeted at the open market or to BBVA clients. In addition, a new section on Product Governance was included in the forum of the Product Governance and Operational Risk Admission Committee (CAROyGP, for the Spanish original), in order to monitor the target market, distribution strategy, training, indicators and conflicts of interest, among others.

Additionally, during the year 2021, the SOY BBVA (I AM BBVA) Campaign was launched, focused on internal and external customer service, which establishes general guidelines for customer service, provision of service and handling petitions, complaints and claims, enhancing BBVA's principles with permanent communications aimed at the entire workforce.

During 2021, a comprehensive evaluation of the Compliance Function was carried out by Internal Audit, which concluded that the Function for entities of the BBVA Group overseen by the Financial Superintendence of Colombia (hereinafter SFC, for the Spanish original), has monitoring schemes aimed at ensuring compliance with legal provisions and the identification of deviations to appropriately manage the risks and identifying opportunities for improvement that have been the subject of the area's activity plan.

In turn, the action plans under the responsibility of the Compliance Department, established by oversight bodies, were addressed within the terms to do so, and permanent monitoring and support was provided to the other Departments of the entity in compliance with their commitments.

Furthermore, we played an active, cross-cutting role in the Committees and meetings at the different Entities and at different levels through the issuance of opinions that involve the aspects within its jurisdiction, as well as any others in which it has a say and voting rights, due to the nature of its own functions.

Likewise, the Bylaws for Compliance approved by the Board of Directors was incorporated at the BBVA entities in Colombia, adjusting the document to local regulations and establishing responsibilities for those in charge of executing the Compliance Function,



BBVA Colombia Establecimiento Bancario