

Quarterly Report January-September 2020

3Q20

Individual and Consolidated Report

Investor Relations

Bogotá D.C. Nov 2020

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1. Basics

Economic Environment

Global GDP will contract highly in 2020 due to the effects of the pandemic. Global growth will be positive again in 2021, but the recovery will be incomplete and mixed. More precisely, BBVA Research expect global GDP to fall 2.9% in 2020 and then expand 5.4% in 2021. The recovery of economic activities is expected to gradually grow in 2021. The announcement and dissemination of effective vaccines and treatments will likely enable a gradual relaxation of social distancing rules throughout the year, first in major world economies.

In Colombia, during the third quarter, the opening of most economic sectors was completed, except those more related to social interaction, crowds and entertainment; cinemas, theaters, concerts, among others. Commerce, including accommodation and restaurants, under protocols that implied a reduced capacity of attention, opened its doors completely in the third quarter. In addition, the activity of the transport of people was restarted, which also has some capacity restrictions, especially in the case of land transportation. With the opening of these businesses, the economy showed better results and, in this way, continued its reactivation trend. However, the economic reactivation was not linear, it had some pauses due to the partial, localized and temporary measures that some cities implemented, especially in July and August, to keep controlling the pandemic. Then, in September, the recovery was much more significant and continuous. Given the above, the GDP for the third quarter fell at an annual rate of 9% compared to the same period in 2019.

Sectoral openness was directly related to the behavior of private consumption. It was this component of aggregate demand that showed the greatest contribution to the recovery of GDP, not only because of its high size compared to total GDP, close to 70% of GDP, but also because of its gradual rebound. Private consumption fell 8.9% annually, almost the same as GDP, but showed a significant growth of 9.4% quarter-on-quarter.

The recovery in investment was even more outstanding in its dynamics, despite being less influential in the total value of GDP. Although fixed investment fell 19.5% annually, its rebound compared to the second quarter was an impressive 21.3%, driven by a 48.4% QoQ growth in the machinery and equipment component. This last behavior was driven by the sharp decline in inventories in the second quarter, which led entrepreneurs to accelerate production, faster than demand, to rebuild their inventories and respond to the additional recovery in the demand. For this purpose, entrepreneurs quickly increased the use of installed capacity and the expansion of productive capacity was encouraged through the purchase of machinery and equipment. However, this rebound in investment may have been temporary and may be slowing down as inventories decline more slowly.

The other component of the investment, construction, had a less favorable performance, as a high percentage of the works remains paralyzed, the initiation of new works has been slow and the high inventories in offices, premises and warehouses condition the success of the new non-residential projects. In the case of housing, we are at the first moment of recovery: this is when sales begin to

accelerate, which will imply a greater dynamism in construction works. Therefore, it is possible that the positive numbers still take time to reach the sector, as new projects, with successful sales, find the breakeven point and begin construction. Also when confidence in the economy increases a little more and the restart of the works that are paralyzed is determined. Although, the rainy season in the country will be a factor that will prevent the construction recovery stage from maintaining a good rhythm, especially in those civil constructions that are already under concession or under execution and in the housing projects that are going to be reaching the point of equilibrium or that they had already achieved it.

For the year 2020, BBVA Research expects a GDP fall of 7.5% per year, as the recovery in the third quarter will not be enough to recover the levels of 2019. In 2021, the recovery will continue with growth of 5.5%. And it will not be until 2022 when GDP recovers the level in force before the pandemic with a growth of 3.5%.

The exchange rate in terms of the impact of inflation has not been strong, in fact there have been other effects that have caused inflation to behave downward, those other effects have been a weak demand, when there is a weak demand, entrepreneurs have less capacity to increase the prices of their products and Colombia, throughout the confinement, has had a demand that has been controlled, which has lagged compared to spending in other years and therefore entrepreneurs have had less capacity to increase prices but likewise we have also had subsidies and taxes towards certain products, for example in cell phones, the data had a VAT reduction, restaurants had a reduction in consumption tax, flights had a reduction of the VAT that all this has materialized in lower growth in prices.

So despite the exchange decrease that occurred since March and that has remained at a high level, despite this devaluation effect, inflation has fallen due to lower demand and also due to the decrease in prices for subsidized rates by the state in such a way that today inflation is at 1.75% and will drop by 1.7% at the end of the year, then in 2021 It will rebound, it will grow due to a base effect because next year not all the public subsidies that we saw this year will be repeated but also due to the impact that the second round of completion of regulatory measures such as the end of aid to VAT on flights will have, to restaurant consumption taxes and, therefore, the following year we will have inflation growth towards 2.8% according to BBVA Research estimates.

This inflation growth has some additional upward risks that will be this year both in the La Niña phenomena that we are already seeing their effects, as a greater intensity of rains in Colombia could also have upward effects because perhaps entrepreneurs cannot respond to the recovery in demand or because there is a devaluation of the exchange rate greater than expected, but even so, BBVA Research expects that next year inflation will return to the midpoint of the Banco de la República. For its part, Banco de la República, in a controlled inflation scheme, will keep its interest rate stable at 1.75%. BBVA Research also expects the interest rate to remain stable for a total of 33 months, that is, until the middle of 2022, it would be the greatest stability if its projection is fulfilled since the objective inflation in Colombia is present. This scenario of low interest rates will help the economy to recover.

2. Individual Figures

Individual Results

Total assets of BBVA Colombia closed the third quarter of 2020 with a balance of COP 70,8 trillion. This showed an annual growth of 9.9% which represented a variation of +COP 6,4 trillion.

Balance Sheet

Million COP

	3Q19	3Q20	TAM	
			abs	%
Cash	4,655,699	5,597,719	942,020	20.2
Assets positions in money market operations	1,168,772	1,758,502	589,731	50.5
Investment and derivatives transactions	10,785,111	12,934,440	2,149,329	19.9
Loan portfolio and leasing operations	48,278,276	51,172,461	2,894,185	6.0
Impairment	(2,814,501)	(3,407,563)	(593,062)	21.1
Other Assets	2,367,291	2,763,801	396,511	16.7
Total Assets	64,440,647	70,819,360	6,378,713	9.9
Deposits and financial claims	50,147,289	55,713,341	5,566,053	11.1
Liabilities positions in money market operations	2,932,913	1,631,598	(1,301,316)	(44.4)
Financial instruments at fair value	2,608,065	4,661,781	2,053,717	78.7
Banks and other financial obligations	2,204,374	2,205,858	1,484	0.1
Accounts payable	952,513	872,202	(80,311)	(8.4)
Labor obligations	244,306	244,944	638	0.3
Other Liabilities	679,994	615,563	(64,432)	(9.5)
Total Liabilities	59,769,454	65,945,287	6,175,834	10.3
Suscribed and paid-in-capital	89,779	89,779	-	-
Specific destination reserves and funds	3,039,130	3,408,311	369,181	12.1
Surplus	1,033,395	1,047,546	14,150	1.4
Gains or losses	508,889	328,437	(180,452)	(35.5)
Stockholder's Equity	4,671,193	4,874,073	202,879	4.3
Total Liabilities and Stockholder's Equity	64,440,647	70,819,360	6,378,713	9.9

Concerning the Bank's liquidity resources, the current assets showed an increase of COP 942 billion compared to 2019. This increase was due to a positive variation of COP 495 billion in the cash in Banks and other financial entities, a positive variation of COP 189 billion in the central bank, and a positive variation of COP 258 billion in cash at the Bank.

The active positions in the money market closed with a balance of COP 1,7 trillion and showed an increase of 50.5% to the same period of 2019. This increase of COP 589 billion was due to a higher volume in simultaneous operations, which showed a positive variation of COP 496 billion and an increase of COP 93 billion in interbank transactions.

For its part, investments and operations with derivatives showed a positive variation of 19.9% compared to 2019's September, closing with a balance of COP 12,9 trillion.

The gross loan and leasing portfolio registered an annual growth of 6.0% or COP 2,8 trillion, closing September of 2020 with a balance of COP 51,1 trillion. On its part, the impairment account which corresponds to specific and general provisions of the loan portfolio showed an increase of 21.1%. The other assets account increased by 16.7% or COP 396,5 billion.

About liabilities accounts, the deposits and financial claims showed an annual growth of 11.1% or COP 5,6 trillion, closing with a balance of COP 55,7 trillion. This increase is owed to a positive variation of COP 196,4 billion in special deposits, an increase of COP 1,2 trillion in current accounts, an increase of COP 232,9 billion on investment securities, an increase of COP 3,0 trillion in savings accounts, an increase of COP 1,0 trillion in term deposits, and a decrease of COP 172,3 billion in service charges.

Liability positions in the monetary market decreased by COP 1,3 trillion, due to a negative variation of COP 448,4 billion in simultaneous operations, a decrease of COP 100,0 billion in interbank funds, a decrease of COP 226,8 billion in short positions and a decrease of COP 1,4 trillion in repo operations.

Financial instruments at fair value closed with a balance of COP 4,7 trillion, which represented an increase of 78.7% compared to the same period in 2019. This variation is highly explained by the trading swaps increase of COP 1,8 trillion and an increase of COP 291,5 billion in trading forwards. Furthermore, trading options showed a decrease of COP 25,1 billion and hedging swaps decreased in COP 1,2 billion.

Credit lines with banks and other financial obligations showed an increase of COP 1,5 billion owed to a decrease of COP 312,3 billion in foreign entities and an increase in Findeter and Finagro obligations of COP 234,9 billion and COP 126,5 billion respectively. Furthermore, Bancoldex obligations showed a decrease in COP 48,3 billion.

Accounts payable registered a positive variation of 8.4%, while labor obligations showed an increase of 0.3%. Other liabilities decreased by 9.5% or COP 64,4 billion, closing with a balance of COP 615,6 billion.

Finally, Equity showed an increase of 4.3% and closed at COP 4,9 billion.

Loan portfolio

In 2020's September, the gross loan portfolio closed with a positive variation of COP 51,2 trillion and showed a positive variation of 6.0% compared to the same period of 2019. Similarly, the net loan portfolio increased by 5.1% and closed with a positive variation of COP 47,8 trillion.

LOAN PORTFOLIO

Million COP

	3Q19	3Q20	Var TAM	
Gross loans	48,278,276	51,172,461	2,894,185	6.0
Consumer	16,682,992	18,488,654	1,805,662	10.8
Commercial	16,448,100	17,337,300	889,201	5.4
Microcredit	-	-	-	N.C
Mortgage	11,489,498	11,832,825	343,327	3.0
Leasing	1,640,899	1,564,699	(76,201)	(4.6)
Non-performing loan portfolio	308,581	299,176	(9,405)	(3.0)
Non-performing loans	1,708,207	1,649,807	(58,399)	(3.4)
Provisions	(2,814,501)	(3,407,563)	(593,062)	(21.1)
Total loans, net	45,463,775	47,764,898	2,301,123	5.1

The loan portfolio of BBVA Colombia keeps its attention in the retail segment, which represents 59.3% of the gross loan portfolio at the close of 2020's September. This segment increased by 7.6% compared to 2019 and closed with a COP 30,3 trillion balance.

The consumer portfolio, composed by payroll loans, vehicle, hedge funds, revolving credit, credit cards and overdrafts increased at an annual rate of 15.1%. Payroll loan shows the highest participation in the consumer portfolio, followed by Free Consumption and Vehicle.

Mortgage loans grew by 3.0%, which represented a variation of COP 343,3 billion. At the end of the third 2020's quarter, it represents 23.1% of the gross loan portfolio.

Commercial portfolio presented an annual increase of 5.4% with a positive variation of COP 899,2 billion. In the other hand, the leasing portfolio showed a 4.6% decrease with a negative variation of COP 76,2 billion.

Client's Resources

Closing the third quarter of 2020, client's resources remained adjusted to the bank's liquidity needs. The total client resources showed a 11.1% increase, which represented a positive variation of COP 5,6 trillion, closing the quarter at COP 55,7 trillion. Term deposits represented 36.7% of the total resources and showed a positive variation of 5.2% or COP 20,4 trillion.

CLIENT'S RESOURCES

Million COP

	3Q19	3Q20	Var TAM	
Checking Accounts	6,417,106	7,612,108	1,195,002	18.6
Saving Accounts	21,169,712	24,276,649	3,106,937	14.7
Term Deposits	19,417,816	20,436,027	1,018,211	5.2
Other Deposits	852,210	865,153	12,943	1.5
Total Client's Deposits	47,856,845	53,189,937	5,333,092	11.1
Investment Securities in Circulation	2,290,444	2,523,405	232,961	10.2
Total Resources	50,147,289	55,713,341	5,566,053	11.1

Transactional deposits (current and saving accounts) grew by 15.6%, which represented a positive variation of COP 4,3 trillion. These deposits represented 57.2% of total client's resources.

Investment securities in circulation closed at COP 2,5 trillion and showed a positive variation of 10.2% compared to 2019.

Eligible Capital and Solvency Ratio

The accounting equity showed a positive variation of 4.3% closing with a balance of COP 4,9 trillion. This increase is mainly explained by the COP 369,2 billion growth in reserves, a decrease of COP 180,5 billion in fiscal year earnings and by the increase of COP 14,5 billion in Surplus.

The technical equity closed the third quarter of 2020 with a COP 6,8 trillion balance and showed a positive variation of 19.2%. According to the Colombian regulation, the required equity placed itself in COP 4,3 trillion, which implies that equity is over the required amount on COP 2,5 trillion.

ELIGIBLE CAPITAL AND SOLVENCY RATIO

Million COP

	3Q19	3Q20	%
Accounting Equity	4,671,193	4,874,073	4.3
Eligible Capital	5,720,819	6,820,042	19.2
Ordinary Basic Equity	3,210,178	4,482,574	39.6
Additional Basic Equity	2,994	2,994	-
Additional Equity (Tier II)	2,507,647	2,341,643	(6.6)
Technical Equity	5,720,819	6,820,042	19.2
Required Equity	4,480,392	4,334,726	(3.3)
Surplus Equity	1,240,427	2,485,315	100.4
Risk weighted assets including market risk	49,782,133	45,012,732	(9.6)
Value at Risk (VeR)	358,649	338,446	(5.6)
Value at Operational Risk (VeR)		218,790	NC
Solvency Ratio without VeR	12.49	17.57	508 bps
Solvency Ratio with VeR (minimum 9%)	11.49	15.15	366 bps
Tier 1 (%) ¹	6.45	9.96	351 bps

¹Basic Equity against risk-weighted assets

Risk-weighted assets (RWA's) closed at COP 45,0 trillion and showed a decrease of 9.6%. On the other hand, the value at risk (VaR) decreased by 5.6%.

The Bank's solvency ratio closed at 15.15%, with a variation of 366 bps compared to the same period in 2019.

Income Statement

Net interest income recorded an interannual increase of 5.6%. Loan portfolio revenues showed a growth of COP 167,5 billion, while expenses increased by COP 43,9 billion. The foregoing was driven by the good Bank's management. Therefore, net interest income increased by COP 123,5 billion.

Net fee income closed with a negative variation of 0.7%. Besides, incomes generated by the investment portfolio increased by COP 84,8 billion or 26.9%. Dividends registered a decrease of 15.6% and closed with a COP 14,5 billion balance. Additionally, the other incomes line which includes operational incomes from financial services provided and recoveries of operative risks and others, registered a decrease of 37.3%.

Net provisions closed with a balance of COP 1,1 billion and showed an increase of 47.8%.

Next, the results of BBVA Colombia accumulated at the close of the third quarter of 2019 and 2020 will be shown:

Accumulated Income Statement

Million COP

	3Q19	3Q20	Var TAM	
Interest Income	3,679,554	3,847,029	167,475	4.6
Interest Expense	(1,481,787)	(1,525,771)	(43,984)	3.0
NET INTEREST INCOME	2,197,767	2,321,258	123,491	5.6
NET FEE INCOME	108,382	107,662	(720)	(0.7)
Investment Portfolio	315,864	400,726	84,862	26.9
Dividends	17,194	14,512	(2,682)	(15.6)
Other incomes	104,238	65,337	(38,901)	(37.3)
OTHER OPERATING INCOME	437,296	480,574	43,278	9.9
GROSS MARGIN	2,743,445	2,909,495	166,049	6.1
Net Provisions	(772,956)	(1,142,785)	(369,828)	47.8
Operational Costs	(1,183,344)	(1,255,512)	(72,168)	6.1
Personal Expenses	(446,264)	(458,010)	(11,746)	2.6
General Expenses	(294,735)	(320,558)	(25,823)	8.8
Taxes	(95,352)	(97,543)	(2,191)	2.3
Other	(341,447)	(365,914)	(24,467)	7.2
Operational Risk	(5,547)	(13,488)	(7,941)	143.2
OPERATING EXPENSES	(1,956,301)	(2,398,297)	(441,996)	22.6
PROFIT BEFORE TAX	787,145	511,198	(275,947)	(35.1)
Income Tax	(262,702)	(167,207)	95,495	(36.4)
NET INCOME	524,443	343,991	(180,452)	(34.4)

Operational costs registered a COP 72,2 billion increase compared to the last year. Personal expenses increased by 2.6% compared to 2019. Furthermore, general expenses increased by 8.8% and expenses on taxes and fees increased by 2.3%.

Finally, at the end of 2020's September BBVA Colombia registered a net income of COP 343,9 billion which was 34.43% lower than the previous year profit.

Performance Measures and Indicators

The adequate management of the risk that is followed in BBVA Colombia, allow the bank to develop a commercial operation keeping well quality indicators of the loan portfolio and a prudent risk profile.

NON-PERFORMING LOANS AND COVERAGE

Million COP

	3Q19	3Q20	Var TAM
Gross Loan Portfolio	48,278,276	51,172,461	5.99
Total Overdue loans	2,016,788	1,948,984	(3.36)
Overdue loans	308,581	299,176	(3.05)
Non-performing loans	1,708,207	1,649,807	(3.42)
Non-performing loans ratios	%	%	%
Overdue Loans ratio	0.64	0.58	(0.05)
NPL ratio	3.54	3.22	(0.31)
Loan -Loss Provision	2,814,501	3,407,563	21.07
Coverage overdue loans	164.76	206.54	41.78

At the end of 2020's September, the NPL ratio placed itself at 3.22%. By its part, the coverage overdue loan ratio was located at 206.54%.

Individual Statement of Changes in Equity

Below is the statement of changes in shareholders' equity of BBVA Colombia for the year ended on December 31th, 2019 and September 30th 2020.

BANCO BILBAO VIZCAYA ARGENTARIA COLOMBIA S.A.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts stated in millions of Colombian pesos and thousands of shares)

Concept	Subscribed and paid-in capital				Retained Earnings							Total Shareholder Equity
	Non-voting preferred shares		Ordinary shares		Legal and occasional reserves	Additional- paid in capital	Net profit For the period	Retained earnings	Adjustments in the adoption for the first time NICF	Other comprehensive Income (OCI)	Article 6 Law 4 of 1980	
	Number	Value	Number	Value								
Balance of December 31 of 2019	\$ 479,760	\$ 2,994	\$ 13,907,929	\$ 86,785	\$ 3,039,130	\$ 651,950	\$ 738,369	\$ -	\$ 255,370	\$ 104,181	\$ 506	\$ 4,879,285
Transfers	-	-	-	-	-	-	(738,369)	738,369	-	-	-	-
Cash dividends paid in preferred and common shares	-	-	-	-	-	-	-	(369,188)	-	-	-	(369,188)
Appropriation for legal reserve	-	-	-	-	369,181	-	-	(369,181)	-	-	-	-
Net profit for the period	-	-	-	-	-	-	343,991	-	-	-	-	343,991
Fixed asset valuation update	-	-	-	-	-	-	-	-	48	-	-	48
Net deferred tax (Net effect of labor obligations and net fixed assets)	-	-	-	-	-	-	-	-	-	-	-	-
Hedging with cash flow derivatives	-	-	-	-	-	-	-	-	-	20,741	-	20,741
Actuarial gains and losses on defined contributions pensions	-	-	-	-	-	-	-	-	-	1	-	1
Other Comprehensive Income:												
Investments by equity method	-	-	-	-	-	-	-	-	-	49	-	49
losses from investments in subsidiaries, joint arrangements and uncontrolled interests	-	-	-	-	-	-	-	-	-	496	-	496
Deferred tax on equity investment management	-	-	-	-	-	-	-	-	-	(10,847)	-	(10,847)
Deferred tax on equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax on investments available for sale	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Unrealised retained earnings in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings by new measurements of financial assets on investments available for sale	-	-	-	-	-	-	-	-	-	9,498	-	9,498
Balance of September 30th of 2020	\$ 479,760	\$ 2,994	\$ 13,907,929	\$ 86,785	\$ 3,408,311	\$ 651,950	\$ 343,991	\$ -	\$ 255,418	\$ 124,119	\$ 506	\$ 4,874,074

3. Consolidated Figures

Consolidated Results

Total assets of BBVA Colombia closed 2020's third quarter with a balance of COP 71,5 trillion. This showed an annual growth rate of 10.1% which represented a positive variation of COP 6,5 trillion.

BALANCE SHEET - Consolidated Million COP

	3Q19	3Q20	TAM	
			abs	%
Cash and cash equivalents	5,826,662	7,393,727	1,567,065	26.9
Investments	8,166,599	7,879,645	(286,954)	(3.5)
Derivative Financial Instruments and Cash Operations	2,465,692	4,826,161	2,360,469	95.7
Gross Loan Portfolio and Leasing	48,278,277	51,172,828	2,894,551	6.0
Provision for credit losses	(2,439,065)	(3,027,487)	(588,422)	24.1
Other	2,627,493	3,224,967	597,474	22.7
Assets	64,925,659	71,469,841	6,544,182	10.1
Deposits	47,782,563	53,100,458	5,317,895	11.1
Money Market Operations	2,932,683	1,631,400	(1,301,283)	(44.4)
Financial instruments at fair value	2,608,064	4,661,781	2,053,717	78.7
Banks and other financial obligations	2,204,374	2,205,858	1,484	0.1
Investment in debt securities	2,290,444	2,523,405	232,961	10.2
Liabilities by deferred tax	347,847	326,350	(21,497)	(6.2)
Estimated liabilities and provisions	323,500	316,375	(7,125)	(2.2)
Payable accounts	723,901	780,544	56,643	7.8
Labor Obligations	247,563	247,213	(350)	(0.1)
Other Liabilities	435,445	362,498	(72,947)	(16.8)
Liabilities	59,896,383	66,155,882	6,259,499	10.5
Paid-in Capital	89,779	89,779	-	-
Additional-paid in capital	651,950	651,950	-	-
Noncontrolling interests	6,630	8,151	1,521	22.9
Reserves	3,039,636	3,408,817	369,181	12.1
Surplus	728,982	819,196	90,214	12.4
Net income	512,299	336,066	(176,233)	(34.4)
Stockholder's Equity	5,029,276	5,313,959	284,683	5.7
Total Liabilities and Stockholder's Equity	64,925,659	71,469,841	6,544,182	10.1

In relation to the Group's liquidity resources, the Available asset showed an increase of COP 1,6 trillion in relation to 2019. This increase was due to a positive variation of COP 0,2 billion in Banks and other financial entities and a positive variation of COP 0,5 billion in money market and related operations.

Derivative financial instruments and cash operations closed with a balance of COP 4,8 trillion, showing a positive variation of COP 2,4 trillion.

Investments showed a negative variation of COP 286,9 billion closing with a balance of COP 7,9 trillion. This variation is explained by a negative variation in investments at fair value with changes in results delivered in money market operations of COP 0,7 billion, in investments at amortized cost with a positive variation of COP 1,4 billion, in investments changes in net income with a negative variation of COP 0,2 billion and in fair value with change in ORI of COP 90,2 billion.

The Credit and Leasing portfolio registered an annual growth of 6.0% or COP 2,9 trillion, closing 2020's September with a balance of COP 51,2 trillion. For its part, the Impairment account, which corresponds to the specific and generic portfolio provisions, showed a 24.1% growth. The Other Assets grew by 22.7% or COP 587,5 billion.

In relation to the liability accounts, deposits and liabilities showed an annual growth of COP 5,3 trillion, thus closing with a balance of COP 53,1 trillion. This is due to a COP 1,01 trillion growths in term deposits and a COP 4,3 trillion growths in checking accounts.

Liabilities positions in market operations decreased by COP 1,3 trillion.

Financial instruments at Fair Value closed with a balance of COP 4,6 trillion, which represented a growth of 78.7% compared to 2019. This variation is explained by the increase in trading instruments of COP 0,8 trillion and the decrease of hedging instruments of COP 1,0 billion

The line of Credit with Banks and Other Financial Obligations showed an increase of COP 1,5 billion.

Accounts payable presented a positive variation of 7.8% and labor obligations showed a decrease of 0.1%. Other liabilities decreased 16.8% or COP 72,9 billion, closing with a balance of COP 362,5 billion.

Finally, the Equity presented a 5.7% increase and closed at COP 5,3 trillion in 2020's September.

Loan Portfolio

In September of 2020, the gross loan portfolio closed at COP 51,2 trillion, equivalent to an increase of 6.0% compared to the same period in 2019. Similarly, the net loan portfolio increased by 5.0%, closing at COP 48,1 trillion.

LOAN PORTFOLIO

Million COP

	3Q19	3Q20	Var TAM	
Gross Loan Portfolio	48,278,277	51,172,828	2,894,551	6.0
Consumer	17,639,413	19,295,943	1,656,530	9.4
Commercial	18,637,942	19,491,951	854,009	4.6
Microcredit	2	2	-	-
Mortgage	11,536,818	11,901,251	364,433	3.2
Leasing	464,102	483,681	19,579	4.2
Loan -Loss Provision	(2,439,065)	(3,027,487)	(588,422)	24.1
Net Loan Portfolio	45,839,212	48,145,341	2,306,129	5.0

The BBVA Colombia Group's portfolio maintains its focus on the retail segment, which showed 61.0% of the gross portfolio at the end of September 2020. This segment showed an increase of 6.9% compared to 2019 and closed with a positive variation of COP 31,2 trillion.

The consumer loan portfolio composed by payroll loans, vehicle, free Investment, revolving credit, credit cards and overdrafts showed an annual increase of 9.4%.

The mortgage portfolio increased by 3.2%, which represented a decrease COP 364,4 billion. At the end of the third quarter of 2020, it represented 23.3% of the gross portfolio.

The commercial portfolio presented an annual increase of 4.6% with a positive variation of COP 854,0 billion.

Client's Resources

At the end of 2020's third quarter, customer funds remained adjusted to the Group's liquidity needs and the deposits behaved in line with the portfolio's growth dynamics. Total customer funds increased by COP 5,5 trillion, which represented a variation of 11.1%, closing the quarter with COP 55,6 trillion. The term deposit certificates represented 36.7% of the total resources and showed a variation of 5.2%, reaching a balance of COP 20,4 trillion.

CLIENT'S RESOURCES

Million COP

	3Q19	3Q20	Var TAM	
Checking Accounts	28,364,747	32,664,431	4,299,684	15.2
Saving Accounts	19,417,816	20,436,027	1,018,211	5.2
Total Client's Deposits	47,782,563	53,100,458	5,317,895	11.1
Investment Securities in Circulation	2,290,444	2,523,405	232,961	10.2
Total Resources	50,073,007	55,623,863	5,550,856	11.1

Checking accounts showed a positive variation of 15.2% which represented a positive variation of COP 4,3 trillion. This deposit represented 58.7% of the client's resources.

Investment securities in circulation closed at COP 2,5 trillion and showed a positive variation of 10.2% compared to 2019.

Eligible Capital and Solvency Ratio

The Group's equity presented a positive variation of 5.7% and closed at COP 5,3 trillion. This increase is mainly explained by the increase in reserves of COP 369,2 billion, by the decrease of COP 176,2 billion in income statement for the year and by the increase of COP 90,2 billion in the Surplus.

Technical equity closed 2020's third quarter with a balance of COP 6,8 trillion and showed a positive variation of 19.3%. The equity required under Colombian regulation stood at COP 4,3 trillion, implying a COP 2,5 trillion equity surplus.

ELIGIBLE CAPITAL AND SOLVENCY RATIO

Million COP

	3Q19	3Q20	%
Accounting Equity	5,029,276	5,313,959	5.7
Eligible Capital	5,720,825	6,823,695	19.3
Ordinary Basic Equity	3,211,824	4,486,228	39.7
Additional Basic Equity	2,994	2,994	-
Additional EquityI (Tier II)	2,506,007	2,341,643	(6.6)
Technical Equity	5,720,825	6,823,695	19.3
Required Equity	4,491,909	4,323,477	(3.7)
Surplus Equity	1,228,915	2,500,218	103.4
Risk weighted assets including market risk	49,910,103	44,895,922	(10.0)
Value at Risk (VeR)	359,858	340,169	(5.5)
Value at Operational Risk (VeR)	-	223,975	NC
Solvency Ratio without VeR	12.46	17.67	520
Solvency Ratio with VeR (minimum 9%)	11.46	15.20	374
Tier 1 (%) ¹	6.44	9.99	356

¹ Basic Equity against risk-weighted assets

Risk-Weighted Assets closed at COP 44,9 trillion and showed a decrease of 10.0%. For its part, the Market Value at Risk (VaR) decreased by 5.5% and the Operating Risk Value (VaRRO) is incorporated.

The Group's solvency ratio closed at 15.2%, with a positive variation of COP 374 bps compared to the same period in 2019.

Income Statement

The net interest income registered an interannual increase of 13.9%. The loan portfolio income registered an increase of COP 328,7 billion and the interest expenses registered a decrease of COP 44,6 billion. For this reason, net interest income showed an increase of COP 284,1 billion.

Net fee income closed with a negative variation of COP 154,7 billion. On the other hand, the investment portfolio income showed an increase of COP 83,5 billion or 28.3%. Dividends registered a decrease of COP 2,8 billion and closed with a balance of COP 14,8 billion. Furthermore, the line of other income, which includes operating income from financial services provided and recoveries of operating risk and others, registered a decrease of COP 38,1 billion or 35.8%.

Next, it is showing the results of BBVA Colombia accumulated at the end of September 2019 and 2020:

Accumulated Income Statement

Million COP

	9M19	9M20	Var TAM	
Interest Income	3,518,322	3,847,029	328,707	9.3
Interest Expense	(1,479,928)	(1,524,502)	(44,574)	3.0
NET INTEREST INCOME	2,038,394	2,322,527	284,133	13.9
NET FEE INCOME	305,841	151,118	(154,723)	(50.6)
Investment Portfolio	295,103	378,650	83,547	28.3
Dividends	17,622	14,837	(2,785)	(15.8)
Other Incomes	106,421	68,285	(38,136)	(35.8)
OTHER OPERATING INCOME	419,146	461,772	42,626	10.2
GROSS MARGIN	2,763,381	2,935,417	172,036	6.2
Net Provisions	(773,415)	(1,143,266)	(369,851)	47.8
Operational Costs	(1,204,532)	(1,277,226)	(72,694)	6.0
Personal Expenses	(458,408)	(470,978)	(12,570)	2.7
General Expenses	(296,886)	(320,029)	(23,143)	7.8
Taxes	(96,996)	(99,266)	(2,270)	2.3
Other	(346,695)	(368,494)	(21,799)	6.3
Operational Risk	(5,547)	(18,459)	(12,912)	232.8
OPERATING EXPENSES	(1,977,947)	(2,420,492)	(442,545)	22.4
Minority Interest	(1,375)	(1,547)	(172)	12.5
PROFIT BEFORE TAX	784,059	513,378	(270,681)	(34.5)
Income Tax	(271,760)	(177,312)	94,448	(34.8)
NET PROFIT	512,298	336,066	(176,232)	(34.4)

Operational costs registered an increase of COP 72,7 billion with respect to the previous year. Personnel expenses increased by 2.7% compared to 2019. On the other hand, general expenses increased 7.8%. Tax and contribution expenses registered an increase of 2.3%. The net provisions closed with a balance of COP 1,1 trillion and showed an increase of 47.8%.

Finally, BBVA Colombia recorded a net profit for the end of September 2020 of COP 336,1 billion, which was 34.4% lower than the profit recorded in the same period of the previous year.

Consolidated Statement of Changes in Equity

Below is the statement of changes in shareholders' equity of BBVA Colombia for the year ended on December 31th 2019 and September 30th 2020.

BANCO BILBAO VIZCAYA ARGENTARIA COLOMBIA S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Amounts stated in million of Colombian pesos and thousands of shares)

Concept	Number of shares	Subscribed and paid-in capital	Additional- paid in capital	Legal and occasional reserves	Net profit for the period	Retained earnings (NICF Implementation)	Adjustments in the adoption for the first time NICF	Other comprehensive income (OCI)	Article 6 Law 4 of 1980	Total shareholders' equity	Non-controlling interest	Total Equity
Balance of December 31th of 2019	\$ 479,760	\$ 86,785	\$ 651,950	\$ 3,039,130	\$ 731,618	\$ 95,669	\$ (42,887)	\$ 638,888	\$ 506	\$ 5,204,653	\$ 7,260	\$ 5,211,913
Non controlled interest (minority interest)	-	-	-	-	-	-	-	-	-	-	1,225	1,225
Transfers	-	-	-	-	(731,618)	731,618	-	-	-	-	-	-
Dividends paid in cash, preferred and common shares	-	-	-	-	-	(369,188)	-	-	-	(369,188)	-	(369,188)
Appropriation for legal reserve	-	-	-	369,181	-	(369,181)	-	-	-	-	-	-
Release of reserves	-	-	-	-	-	-	-	-	-	-	209	209
Net profit for the period	-	-	-	-	336,066	-	82,692	-	-	418,758	(543)	418,215
Retained earnings sales force	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	6,751	26,191	-	-	32,942	-	32,942
Unrealised retained earnings in new measurements of financial instruments	-	-	-	-	-	-	(41,468)	-	-	(41,468)	-	(41,468)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Fixed asset valuation update	-	-	-	-	-	-	146	-	-	146	-	146
Hedging with derivatives cash flow	-	-	-	-	-	-	-	20,739	-	20,739	-	20,739
Income from other equity items of subordinates	-	-	-	-	-	-	-	(4,521)	-	(4,521)	-	(4,521)
Defined contributions pension	-	-	-	-	-	-	-	-	-	-	-	-
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Participation in other comprehensive income of the noncontrolled investments - internal model	-	-	-	-	-	-	-	18,853	-	18,853	-	18,853
Adjustment for impairment of loan portfolio and financial leasing operations	-	-	-	-	-	-	-	51,346	-	51,346	-	51,346
Earnings accumulated by new measurements of financial assets available for	-	-	-	-	-	-	-	-	-	-	-	-
Unrealised retained earnings in new measurements of financial instruments	-	-	-	-	-	-	-	9,071	-	9,071	-	9,071
Net deferred tax	-	-	-	-	-	-	-	(35,522)	-	(35,522)	-	(35,522)
Profits (losses) other patrimonial items of subordinates	-	-	-	-	-	-	-	-	-	-	-	-
Balance of September 30th of 2020	\$ 479,760	\$ 86,785	\$ 651,950	\$ 3,408,311	\$ 336,066	\$ 95,669	\$ 24,673	\$ 698,854	\$ 506	\$ 5,305,808	\$ 8,151	\$ 5,313,959

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