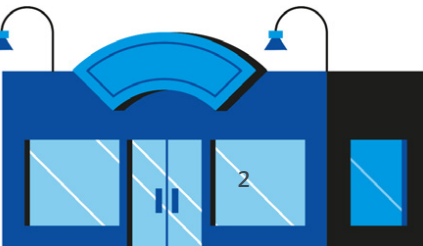
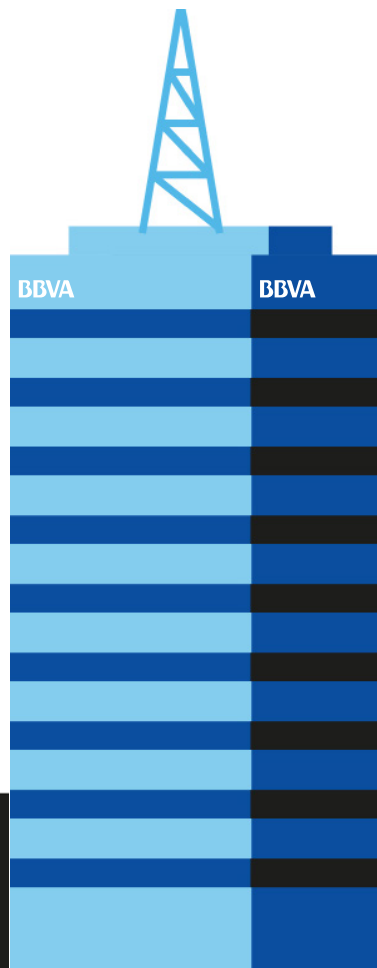
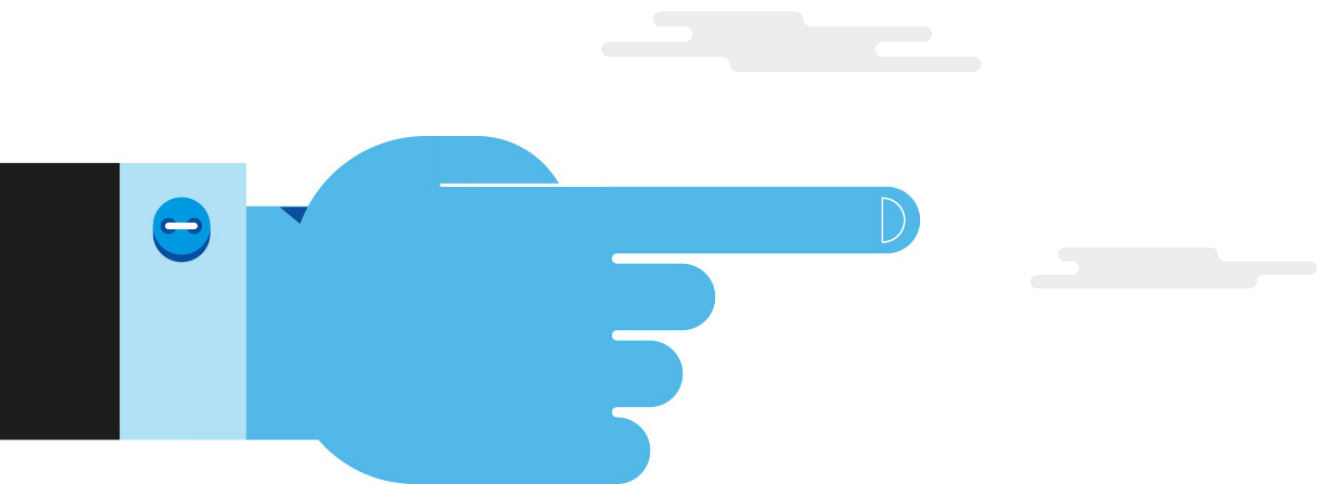


BBVA Colombia Management Report 2016





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Letter from the President

The international volatility in 2016 was associated mainly to the electoral decisions worldwide and the geopolitical conditions, however, the performance of central banks in developed countries and tax measures in the United States announced for the new presidential term improved the perception of the markets in the latter part of the year. It was also helpful the fact that China stabilized its growth and dissipated the fears of a hard landing of its economy, thus helping to recover the price of commodities across the world. With such news, the likelihood that FED continues raising its interest rate in 2017 was increased. In turn, the European Central Bank followed its monetary expansion policies and extended them until December 2017, and maintained simultaneously its interest rates by 0%.

Such scenario conditioned the performance of Colombian economics since exports of goods and services maintained the depression due to the low growth of our main business partners. Also, the gradual deceleration of internal demand continued with a downward adjustment in household consumption and private investment. Thus, for the first time after the fall of oil prices that took place in 2014, in 2016 the aggregated demand grew below the total GDP helping to the financial adjustment of households and companies and their progressive deleveraging. Besides of the foregoing, the increases in the interest rate of the Central Bank (Banco de la República) contributed to the situation. The Bank took its policy rate to 7,75% in 2016 and reduced it to 7,50% only by year end thus pursuing the moderation of the expectations of the long-term inflation that were pushed for the strong increases of the food prices and goods imported in the first part of the year; for the case of food, as a consequence of “El Niño” phenomena, and for the goods imported due to the devaluation of the exchange currency rate that reached its highest in the first quarter of 2016.

In turn and in line with the economy adjustment, the portfolio of the banks has desaccelerated. Pursuant to the information from the Financial Superintendence, the annual nominal growth of the gross portfolio reached 8,3% at the closing of November, 2016, which implies a 4 times multiplier of the economy growth and 1,4 above inflation. The portfolio quality indicator was maintained around 3,1% (year average figures at the closing of November, 2016) which represents 18 basic points increase versus year end 2015.

On the other hand, the system intermediation margin contracted by 25 basic points by going from 7,37% average for the first eleven months of year 2015 to 7.12% average for the first eleven months of year 2016. Although it was mentioned above an increase scenario of the intervention rate of the Banco de la República, which is reflected in turn in an increase of the banks placement rates, it is worth mentioning that the raising of funds is reappreciated in a more accelerated way, reason why the short-term effect is a contraction of the intermediation margin of the entities.

Under such panorama, BBVA Colombia could close the year with a positive balance, driven mainly by the retail business. In such segment, the Bank focused its efforts toward the profitability, efficiency and growth. With regard to profitability, enhancement initiatives for operations pricing were conducted with regard to customers' profiles, thus allowing to face successfully the rates environment aforementioned. With regards to efficiency, the efforts were focused toward the customers' onboarding initiatives that allowed the improvement of penetration ratios of cross-sale of the customer base. Finally, the growth of the business was given by the commercial activity towards the direct payroll deposits with further potential as mass attraction of funds.

As a result of the foregoing, in 2016 BBVA ranks as the Leader Bank in the consumption portfolio in Colombia, reaching 14.61% share at November, 2016, which represents +71 bp versus same period of previous year. The total portfolio of individuals recorded 14,94% share, +29 bp more than in 2015 and the funds of the segment closed November with 9.56% share, +33 bps versus previous year.

With regard to the companies segment and in line with the requirements of return on capital, during 2016 the optimization process of the customers portfolio was conducted, mainly on those with relevant linking levels and adjusting our price policy to higher return demand standards. As part of such strategy, we have experienced two-digit growth in the balances of transactional resources in the segment.

The focus to attract transactional resources for individuals and legal entities and the use of the environment of rates to attract term funds that enabled BBVA Colombia to close with 11,78% market share in deposits market, +51 bp more versus same month of year 2015.

As to the digital matter, the new net was launched, easier, simpler and with better usage and navegability from any device. Additionally, this year in BBVA Colombia we launched

our e-wallet BBVA Wallet, the first one in Colombia accepted worldwide to make contactless payments in commercial establishments, among other functionalities.

At the closing of December 2016, the Bank has a basis of active customers of 2,1 million, 6,2% more than in December 2015. From the total of customers, 451 thousand are digital customers, 39,8% more than in December of previous year and 324 thousand mobile customers, 79,7% more than in December 2015.

As a consequence, BBVA Colombia closed year 2016 with income after taxes for \$513 bn and very good levels of solvency and liquidity exceeding the demands of the regulatory entity and corporate standards.

With regard to Corporate Responsibility, 2016 was a highly important year where our programs with which more than 180 thousand families benefited were consolidated.

In a year marked by the economy deceleration, BBVA Colombia closed with a positive balance and increases in market shares. As to digital banking, important achievements were made. We believe that 2017 will be a year with even greater challenges and we have the best team to overcome them..

A handwritten signature in black ink, appearing to read 'Oscar Cabrera Izquierdo', with a stylized flourish at the end.

OSCAR CABRERA IZQUIERDO
BBVA Colombia President

Profile of BBVA Colombia

In Colombia the BBVA Group is present through Banco Bilbao Vizcaya Argentaria Colombia S.A. -BBVA Colombia- with its affiliates BBVA Asset Management S.A. Sociedad Fiduciaria and BBVA Valores Colombia S.A. Comisionista de Bolsa; and also through BBVA Seguros Colombia S.A. and BBVA Seguros de Vida Colombia S.A.

Banco Ganadero was incorporated in June, 1956 within the framework of the First Agricultural Exhibition Fair and supported by the local stock farmers. Law 26 of 1959 defined the legal nature of the Bank as a mixed-economy bank with public and private capital of 20% and 80% interest, respectively. In 1992 its legal nature was amended and since then it operates as a corporation. In 1996 Banco Bilbao Vizcaya(BBV) acquired 34.70% of stock capital through hammer auction and direct subscription of shares. In 1998 BBV increased its share by 49,14% through the Public Exchange Offer (OPI per its acronym in Spanish); in the same year the corporate name was modified to BBV Banco Ganadero and in 2000 to BBVA Banco Ganadero. In year 2001 a takeover bid took place simultaneously in USA and Colombia for shares of Banco Ganadero by virtue of which BBVA acquired common shares with preferential dividend increasing its interest to 94.16% of the Bank capital. In year 2004 the brand was changed, and the corporate name was modified from BBVA Banco Ganadero S.A. to its current denomination Banco Bilbao Vizcaya Argentaria Colombia S.A. "BBVA Colombia". At the closing of year 2016 BBVA has 95,43% interest.

Shareholder	Common shares	Shares with preferential dividend	% Interest
Banco Bilbao Vizcaya Argentaria, S.A	10,766,099,008	196,857,652	76.2
BBV America , SL	2,511,124,962	256,150,000	19.23
Other	630,705,101	26,752,348	4.57
Total Shares	13,907,929,071	479,760,000	100

In year 2016, previous authorization from the SFC, the company RCI Colombia S.A. Compañía de Financiamiento, was incorporated with domicile in Envigado - Antioquia. The stock option of RCI Colombia is 49% by BBVA Colombia and 51% by RCI Banque S.A., French source company specialized in funding and automobile services. The corporate purpose of RCI Colombia is to provide retail funding to purchasers of brand new Renault vehicles and related brands as well as to deliver wholesale funding to concessionaires and distributors of said brands.

On the other hand, in year 2016 and previous authorization of the SFC, Credibanco, administrator agent of low value payment systems became a corporation. As a result of such conversion, BBVA Colombia interest is 12,65% of stock capital.

Finally, in the same period, the sale of the non-majority share interest of BBVA Colombia in CIFIN S.A. was made, this is 11% with TransUnion Netherlands II B.V. as purchase.

BBVA Colombia in figures

	2016	2015
Financial capital (million pesos)		
A) balance		
Total assets	\$ 51,660,690	\$ 50,183,849
Net credit portfolio	38,056,230	35,663,389
Customers deposits	40,844,061	35,943,242
Equity	\$ 4,010,702	\$ 3,819,080
B) Statement of income		
Net income for interests	\$ 2,082,321	\$ 2,181,541
Income before taxes	787,818	924,720
Net income	\$ 512,928	\$ 603,967
C) Capitalization		
Patrimonio técnico (computable)	\$ 5,231,846	\$ 5,215,575
Patrimonio técnico (requerido)	3,737,210	3,456,684
Excedente patrimonio técnico	\$ 1,494,637	\$ 1,758,890
Relación de solvencia (9% mínimo legal)	12,6	13,58
D) Relevant ratios (%)		
Roe (Net income /average equity)	13,1	16,59
Roa (Net income /total average assets)	1,01	1,32
Efficiency ratio	50,69	49,76
Risk cost	1,6	1,35
Default rate	2,02	1,58
Coverage ratio	195,3	213,33
Operating capital		
Offices b. Commercial	391	390
Offices b. Corporate	3	3
Offices b. Companies	14	14
Offices b. Institutional	1	1
Offices b. Premium	1	1
Offices b. Retail	11	11
Other service points (agencies, in houses, kiosks)	106	107
ATM's	1,339	1,300
Banking correspondents	5,826	7,136
Cities and municipalities in which the Bank operates	123	123
Customers	2,081,269	1,958,920
Mobile banking customers	323,854	281,838
Digital customers	451,233	324,800

	2016	2015
Intellectual capital		
Followers in social networks	147,802	181,634
Profiles in social networks	5	5
Annual training hours per employee	46,3	66,6
Annual investment in employees training (million pesos) (1)	759,742	507,824,53
	2016	2015
Human capital		
Headcount	5,583	5,713
Directors	9	10
Gender diversity of employees (women/headcount; %)	58,3%	58,8%
Gender diversity of senior management (women/total; %)	11%	20%
Employees' global satisfaction index; %	79,8%	81,1 %
Employees' average age(years)	37,4	36,6
Net new jobs created	N.A.	37
	2016	2015
Social and relational capital		
Investment in social programs (million pesos)	\$ 7,128	\$ 5,708
Volume invoiced by suppliers (million pesos)	\$ 832,619	\$ 616,868
Profit attributed dedicated to social programs (%)	1	1
Benefited people by the Financial Literacy program	36,544	38,510
Students benefited by "Escuela para el Emprendimiento BBVA" program	82,269	45,000
Entrepreneurs supported by Fundacion Microfinanzas (Bancamía)	828,499	785,535
SMEs, microcompanies and self-employed people supported or funded by BBVA	118,069	112,071
Customers' claims per each 1 bn pesos of activity	2875 (2)	2549 (3)
Days for claim resolution	3,0 days	2,8 días
Average payment term to suppliers (days)	12,6	14,7
	2016	2015
Natural capital		
CO2 emissions scope 1 (ton.)	23,365	22,570
CO2 emissions scope 2 (ton.)	5,852	5,939
CO2 emissions scope 3 (ton.)	690	700
Paper consumption per person (kg)	40	41
Diesel oil consumption per person (lts)	2	1
Water consumption per person (m3)	21	22
Electricity consumption per person (mwh)	3,849	3,885
People working in certified buildings	2,255	2,324
Projects funded according to the Equator Principles	-	-

(1) It includes BBVA companies in Colombia

(*) Filings 114410 Activity Liability 39.8 Trillion (MIS figure) Indicator 114410/39.8

(**) Filings 94586 Activity Liability 37.1 Trillion (MIS figure) Indicator 94586/37.1

(***) Investment in social programs + personnel costs

Awards and recognitions

BBVA Colombia was awarded as the safest financial entity in the country by the magazine Global Finance

Main variables valued by Global Finance to grant the award to BBVA Colombia were: the geopolitical risk, the level and growth in total assets, revenues, long-term credits, number of customers and innovation and improvement in products and digital channels.



For the fourth consecutive time BBVA Colombia was awarded with the Investor Relations Recognition

Recognition granted by the Colombia Stock Exchange to the issuers that certify the compliance with the best practices with regard to: i) Relation with investors, ii) Disclosure of information to investors and to the market in general, and iii) Corporate Governance.



The Recognition to Issuers - IR granted by Bolsa de Valores de Colombia S.A., is not a certificate about the quality of the securities registered or the issuer's solvency.

BBVA the best investment bank in Colombia

BBVA has obtained the Euromoney award to the best investment bank in Colombia in recognition to the high capacities in the business of advisory, finance, global markets and transactional banking for global customers and investors.





BBVA Asset Management: best investment bank in Colombia

BBVA Asset Management has received from the renowned British magazine World Finance the “Investment Management Awards 2016” as the best investment bank in Colombia as recognition to the extraordinary management in an environment marked by the strong dynamics in the investment management business.



The BBVA Colombia Innovation Center receives the Accenture Innovation Award

The “Accenture Innovation Awards” recognizes the best business practices implemented in different companies to generate value. The “Innovation Center” concept that has been boosted by BBVA in Colombia commits for the open innovation model and encourages the collaboration and interaction among entrepreneurs, startups, developers and investors.



Ranking Universum 2015 for the most attractive employers in Latin America

BBVA Colombia is ranked among the 15 more attractive companies to work with in business and trade pursuant to the Latin America students.

BBVA Colombia is the third best company of the financial sector according to Merco Talento

BBVA Colombia is ranked as the third best company of the financial sector with regard to talent management according to the results of “Merco Compañía y Líderes Colombia 2016” (9th Edition) conducted by the firm Merco, the monitor of corporate reputation that prepared the tier of the 100 Colombian companies with higher talent; the report assessed aspects such as the working quality of the companies as well as the brand and



BBVA Research, number one in country forecasts

According to the monthly expectations survey by Banco de la República, the Economic Studies division (BBVA Research) was recognized as the economic research team that from July 2015 to December 2016 made the best estimates of exchange rates and inflation.



Management Report



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Strategy

The digital transformation process of BBVA Group has experienced an important progress in 2016, year when among other things, the new strategy and organizational structure of the Entity were defined.

The economic environment where BBVA has developed its activity during the year has been framed by a moderate economic world growth and vulnerability to risks, with the slowdown of emerging economies and a slight recovery of the developed economies.

BBVA has a differential banking model, leveraged on four items that differentiates it: diversification and leadership, sound management and proactivity, return adjusted to principles and customer-centric business approach. The principles inspiring our activity are integrity, prudence and transparency. Our business model is customer oriented, offering a differential service with a very ambitious goal: become the leaders in customer's satisfaction across our global footprint.

We are witnessing a new environment for the financial industry that entails a significant challenge to the members of this sector. Transformation Journey: The transformation from and to customers is how BBVA must face this new context. In 2016, BBVA defined a new Purpose: bring within reach of everyone the opportunities of this new era. This is the Purpose that must guide the strategy and the decision-making process in the Organization. For such purpose, six strategic priorities have been defined, aligned with the Purpose and which lead the transformation.

Provide the best possible experience to the customers, setting a new standard; drive the digital sales; create / associate with / acquire new business models; optimize capital allocation; adapt the model, the processes and the structures to achieve an unrivaled efficiency; and develop, retain and motivate a first class workforce.

Finally, in 2016 we continued to promote the Banking Responsible model which has been developed around three pillars: Transparent, Clear and Responsible communication (TCR), Financial Literacy and high social impact products.

Economic climate

Macro climate of Colombian economics

During 2016 the international environment was characterized again by a high volatility of markets. However, this time not only the economic factors led to the greater global stress; it was determined also by political and geopolitical events. On the economic front, the weaknesses in United States growth, the uncertainty on FED decisions, with high probabilities to increase its interest rate during 2017, and the gradual slowdown of China that stabilized its growth rates over the previous year with positive effects on the prices of commodities, were the main generators of volatility.

On another front, the brexit and the electoral panorama in the United States and Italy produced increases in the risk premiums of the peripheral countries of Europe and in emerging countries. Furthermore, tensions in Middle Eastern were associated to the variations in the market of assets and in prices of commodities. Altogether, the world grew by 3% approximately, a figure lower than the average observed from 2000 to 2007, nearly 4%. In particular, Latin America had a negative growth rate, mainly due to the impairment of the growth conditions in Brazil, Venezuela, Ecuador and Argentina which was not offset by a positive growth yet, weak in countries of the Pacific Alliance.

The Colombian economy grew around 2% during 2016. The deceleration was deeper in the second semester of the year, particularly in the household consumption. The corporate investment had a different path with slight accelerations at the closing of the year but without being able to offset the moderate balance of any other GDP aggregates. The lower economic growth helped the financial adjustment of households and companies and to the gradual leverage reduction. In fact, this was necessary in order for the deficit of the current account to be closed partially, the financial burden of households to stop growing and the companies to prepare their balance to accelerate their investment during 2017. Also, for the first time since the fall of oil prices by mid 2014, in 2016 the internal demand grew below the reported in GDP, helping to the recovery of the aggregate savings of economy and to the internal finance of investment.

Households adjusted their consumption guided by the marginal impairment of the labor market, the lesser internal confidence and the higher price of goods due to “El Niño Phenomenon” and the devaluation of the exchange rate. However, the moderation of households expense was gradual, assisted by the lower impairment in comparison to

previous episodes marked by the slowdown of the labor market. In fact, during previous year the formal job maintained its growth although at lower rates and the destruction of employment was verified only in the informal component.

On the other hand, the exports continued their decreasing trend. Commodities and industry goods were affected by the low growth of our main commercial partners. Imports dropped even at a more pronounced pace due to the substitution process of imports by national production and the lesser internal dynamism of consumption and investment.

The imports substitution determined the good behavior of local industry, which together with construction and financial and corporate services, where the three sectors with the higher growth in 2016. For the industry case, it also was decisive the positive boost of the re-opening of Cartagena refinery. The only declining sector was mining due to the lesser oil production and the stability in the case of coal.

The adjustment of imports was also helpful to the partial closing of the current account deficit which will continue in 2017. The external deficit went from 6,5% GDP in 2015 to a value near 4,5% GDP in 2016 and values from near 19 bn US dollars to less than 13 bn US dollars in the same two years.

In turn, the fiscal discipline imposed by the tax rule maintained throughout 2016, with budgetary cuts, allowed keeping the deficit by 4,0% GDP despite the strong fall in oil income. Also, in 2017 the fiscal deficit will be reduced even more reaching 3,3% GDP.

At year end 2016 the inflation was downward due to the fast decrease of food prices brought up the higher agricultural supply and the fact that a good portion of the transmission of the exchange rate to prices ended. In 2017 such trend should continue since the exchange rate, on average, will remain at levels below those observed in 2016, and to the fact that the internal demand of economy will grow at moderate rates. Such dynamic will take the inflation closer to the target range of Banco de la República, opening the space to reductions in the monetary policy rate.

According to the data from the Financial Superintendence, the annual nominal growth of the gross portfolio was 8,1% in November 2016, i.e. , 2 percentage points above inflation. In turn, the quality indicator of portfolio was kept around 3,2% during 2016, at an historically low level.

Finally, the exchange rate moved during the year for different factors. The minimum

level of oil price observed in the first quarter of the year determined that the exchange rate was placed at their maximum historic level during the same period. Subsequently, the recovery of the price of commodities boosted a strong exchange appreciation which was interrupted by the unexpected outcome of the Brexit and the resulting higher global volatility. Then, the action of central banks of developed countries generated new appreciations of the exchange rate that were reversed at the end of the year for the elections in the United States and the increase of the interest rate by the FED. Consequently, the closing of the exchange rate was 3.001 pesos and average devaluation was 11,4%.

Macroeconomic perspectives for 2017

The growth of Colombian economy will be accelerated marginally in 2017, mainly due to the larger investment and the recovery of exports in the second half of the year. The investment will respond to the best results of the industry, the start of the fourth generation infrastructure works and the slow rebound of the mining investment. Conversely, the household consumption will be kept at low growth due to the light impairment of the labor market and the higher payment of taxes set forth by the tax reform.

The performance of the internal demand will take place at two speeds, being the growth of the second semester the fastest one. The reductions of the interest rate of Banco de la República since the end of 2016 will help to the greater dynamism in the third and fourth quarters of the year. However, the interest rate of the monetary policy will not reach its neutral level until 2018, thus limiting the reductions of rates during 2017 to a maximum of 150 basic points. This is due to the forecast of an inflation slightly above the target range of the Central Bank at the closing of 2017, but significantly below the closing levels of 2016.

The more dynamic economic sectors will be: construction for the public support to the purchase of low and medium-price new housing; industry for the substitution of imports; and agriculture for the normalization of climatic conditions and their positive effect on harvests. The last two sectors will receive also the drive of the exchange rate to exports. Although we expect an appreciation of the exchange rate during 2017, its levels will remain high and practically equal to the average observed in 2016. In sum, the upward factors such as the expected increases in FED rate will be offset against the partial closing in the current account deficit, the higher oil prices and the low internal inflation.

Regulatory Framework

During 2016 the Authorities issued the regulation related to the banking activity, below the most relevant:

Laws

Law on abandoned accounts: Law 1777 of February 1, 2016 by means of which the destination of inactive balances in current and savings accounts are defined and regulated in the credit establishments in order to be transferred, as loan, to a fund established and ruled by Icetex which contributes to granting study loans and fostering the quality of the Higher Education Institutions. Decree 953 of 2016 regulated the transfer procedure and the investment regime.

Law of financial fees: By means of Law 1793 of July 7, 2016, the Congress of the Republic provided that customers of entities authorized to attract funds from the public through savings accounts and/or electronic deposits may have access to all the money deposited in their accounts without being required to keep a minimum balance. Additionally, it was provided that in savings accounts the financial and/or transactional fees only can be charged for the first 60 days of inactivity or lack of transactions with no retroactive charges and a minimum compensatory interest rate should be recognized in all the savings accounts and for any level of deposit.

Tax reform: Law 1819 of December 29, 2016 by means of which the structural tax reform is adopted, the mechanisms to fight the tax evasion and elusion is strengthened and other provisions are provided.

Decrees

Decree 466 of March 17, 2016 By means of which Decree 2555 of 2010 is amended including the real secured transactions contained in Law 1676 of 2013 within the list of securities admissible for the purpose of the regulation related to the credit individual limits for credit establishments.

Decree 767 of May 6, 2016 It amends Decree 2555 of 2010 in connection to the exceptions to the definition of public offer of securities and the re-opening of bonds issuance. It provides that the public offer of securities will not be valid if the shares of the Colombian company are not registered in the National Registry of Securities and Issuers (RNVE per its acronym

in Spanish) and is offered to those subjects with whom there is an employment contract in force and/or to the members of its Board of Directors.

Decree 1247 of August 1, 2016 2016 It supersedes the Chapter 7 of Book 9 of Section 2 of Decree 2555 of 2010 in connection to the management of third party's administration. It details the requirements, bans and conflicts of interests that the stock brokers should be take into account when managing such third party's portfolios.

Decreto 1349 del 22 de agosto de 2016 Reglamenta la circulación de la factura electrónica como título valor con ocasión de operaciones de factoring, negociación, compra, descuento o cualquier otra causa o negocio jurídico, así como también reglamenta las condiciones del registro de facturas electrónicas, del administrador del registro y de los sistemas de negociación electrónica. Entre otras disposiciones el decreto señala que la factura electrónica puede ser emitida, aceptada y circulada por cualquier tecnología disponible siempre y cuando se llenen los requisitos legales; que el administrador del registro será el Ministerio de Comercio, Industria y Turismo, o el tercero que este contrate y cuenta con 12 meses para elaborar los manuales de funcionamiento y seleccionar el operador que pondrá en marcha la plataforma a través de la cual se efectúa la negociación y venta de la factura electrónica. Hasta tanto empiece a operar el registro, el derecho de crédito contenido en una factura electrónica podrá ser objeto de circulación por los mecanismos ordinarios.

Decree 1349 of August 22, 2016 It rules the circulation of the electronic invoice as a marketable security for the case of factoring, negotiation, purchase, discount transaction or any other legal cause or business, as well as ruling the conditions of the recording of electronic invoices, the registry administrator and the systems of electronic negotiation. Among other provisions the decree sets forth that the electronic invoice may be issued, accepted and circulated by any technology available provided that the legal requirements are met, that the administrator of the registry is the Ministry of Commerce, Industry and Tourism, or the third party contracted by it and has 12 months to prepare the operation manuals and select the operator to start up the platform through which the negotiation and sale of the electronic invoice are made. Until the time of the operation of the registry the entitlement to credit contained in the electronic invoice could be subject to circulation for ordinary mechanisms.

Decree 1534 of September 29, 2016 By means of which Decree 2555 of 2010 is amended with regard to the bid of insurance associated to credits with mortgage guarantee or housing leasing. The amendments are made in connection to equality access, stating that the Finance Superintendence will determine the criteria under which the financial entities

are able to include the additional admissibility requirements; the bid should be made in public audience with the opening of closed envelopes and reading of all the proposals. The monthly premium rate could not be amended during the contract effectiveness..

Circular Letters of the Financial Superintendence of Colombia

External Circular Letter 18 of May 26, 2016 2016 Amended instructions related to clauses and abusive practices.

External Circular Letter 23 of July 12, 2016 Provides instructions on how the potential customers should be informed about the Unified Total Value (UTV) of products, services and/or loan and deposit services.

External Circular Letter 28 of August 3, 2016 2016 It provides instructions related to interruption events on the supply of services that prevent the transactions. It sets forth in particular the duty to inform the consumers, to establish assistance and compensation policies to customers during the interruption, and to present quarterly reports to the SFC about the availability of channels.

External Circular Letter 54 of December 20, 2016 It provides instructions about direct or indirect investment through factoring operations in securities and/or other economic rights not registered in the RNVE.

External Circular Letter 55 of December 22, 2016 It amends instructions related to SARLAFT, namely, the amendment of the definition of final beneficiary and Politically Exposed Persons (PEPs) adjusting it to Decree 1674/2016. Circular Letter in force as from March 31, 2017.

Banco de la República (Central Bank)

External Resolution 13 It amends the External Resolution N° 6 of 2001 that provides the standards about liquidity transitional support of Banco de la República to the credit establishments. Some of the amendments are made to establish: (i) the promissory notes could be incorporated in an electronic document as marketable dematerialized or immaterialized security; (ii) the credit establishment will be responsible to Banco de la República for any damage or prejudice arisen as a result of the defects in the promissory notes submitted for discount and/or rediscount; and (iii) as from January 1, 2018, the access to the funds of the liquidity transitional supports through the discount or rediscount of the promissory notes could be made only with immaterialized or dematerialized promissory notes.

Differential Banking Model

BBVA has a banking model worldwide leveraged in four elements that makes us different:



1. **Diversification and leadership. A diversified portfolio model supported by leading and high quality franchises**
2. **A management model based upon prudence and proactivity**

BBVA understands that the development of its business is linked to people's prosperity that make up societies and countries where the company operates and thus, strives for its corporate work to contribute to build a better future for everyone.

In this way, BBVA is committed with the people surrounding its activity and in particular, with its customers conceived as the core of the business; determination that defines the identity and positioning the BBVA brand and makes a reference thereof.

3. **A business model of return adjusted to principles that places people in the core of BBVA business**

BBVA is an organization that builds and is built based upon the principles of integrity, prudence and transparency.

- Integrity as a manifestation of ethics in actions and in its relationships with stakeholders (customers, employees, shareholders, suppliers, and society in general).

- Prudence, understood as the principle of caution in risk-taking.
- Transparency as a rule of all its activity to offer access to clear and truthful information within the legal bounds.

Such principles place people at the core of the business and make BBVA a company that is led not only by the profitability but for the convictions and wish to boost a more sustainable development where the economic benefit goes along with the social progress and the environment protection.



The congruence of our activity with such principles is reflected in the Corporate Governance and regulatory compliance systems, in risk management and the business model. This represents managing our business by assuming the responsibility for our impact on people's lives and on society.



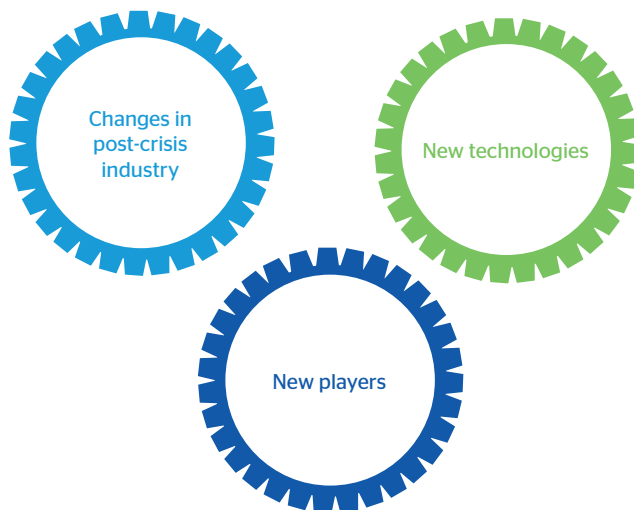
4. A customer-centric business approach

The client brings meaning to any action of BBVA. The commitment is to provide a differential and quality service with the best solution timely in order to assist the client in the significant stages of their lives. In BBVA Colombia...

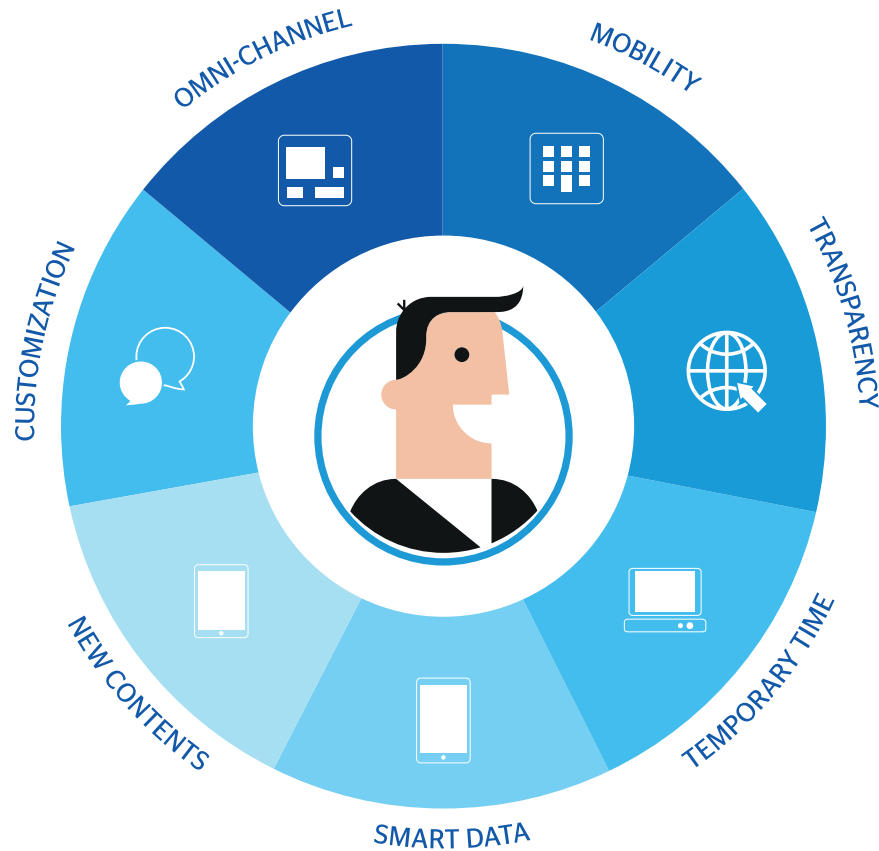


A new scenario to the financial industry

The technological changes and consumers' preferences are transforming the society and how to do business...



...and are encouraging an accelerated transformation of the banking industry.



1. Customers demand services in a completely different way:
 - a. Internet and social networks facilitate the comparisons between products and services and allow sharing said information immediately.
 - b. The existence of more information and the increase of the possibilities of election (larger competition) are pushing the business margins and reduce the customers' loyalty.
 - c. The most valued brands offer convenience and simplicity since customers are less tolerant to services with "friction"; i.e., services where the customer have to complete several procedures, fill in a form, cope with waiting times, etc.
2. Digitalization allows satisfying the new customers' demands:
 - a. Technological innovations that reduce the unit costs thanks to process automation and scalability.

b. The so-called big data can be used to provide more customized and proper services in every time of the customer's life cycle.

c. The smartphones are part of everyday life which enables people to be connected anywhere and becoming the main contact channel through the applications (Apps).

The recent social and demographic changes taking place also need to be added to these trends:

1. Millennials (those born from 1981 to 1995 and who became adults at the turn of millenium), with a clear digital profile, are reaching the consumption age.

2. Digitalization is reaching the adult population (more in number and with more purchasing power in developed markets).

3. Middle class in emerging countries is also increasing

their digital potential.

Also, such new scenario supposes a significant challenge to the financial industry by:

1. Moderate growth of activity and lower spreads;

2. Increase in the regulatory pressure and capital requirements;

3. Context of widespread mistrust of traditional banking;

4. New competitors that are beginning to offer disruptive proposals with lower operating costs;

and the large digital companies (such as Amazon, Google and Apple) that could compete in the short term with the banks are pushing the system profitability, questioning the viability of certain businesses and limiting the ability of banks to finance their growth.

Transformation Journey

BBVA Group is developing a global transformation process from and towards the client which enables at the same time transforming the current business, creating new business models and maintaining the differential banking model. In Colombia, the Bank has not been aloof from such process and has participated actively in the implementation of the corporate strategies aimed at that purpose

In order to lead said Transformation Journey, BBVA has defined a new Purpose that will help to lay the foundations of the Bank strategy and decision making process. The purpose is the reason, what determines our conduct and decisions. Our purpose is “Make available to everyone the opportunities of this new era”.

The verb “make available” prevails in order to reflect the facilitator role. The BBVA Group exists to provide the access to money, tools, products and advisory; assisting people to better manage their money, to be better informed.

Incorporate the “everyone” Universe has an inclusive purpose: that the opportunities are accessible to people, families, entrepreneurs, owners of companies, startups and public and private corporations, as well as BBVA's employees.

“The opportunities of this new era” frames the current moment in time, not for the technology itself but for the great benefit it provides to the society and to the people everywhere in the world.

Ultimately, “Our Purpose” is our reason that serves to inspire and motivate all the organization and should lead the strategy and decision making process. The direction of this transformation process is framed in six strategic priorities, aligned with the Purpose:





1 Provide de the best possible experience to customers setting a new standard:

Develop the best experience from beginning to end that places BBVA authentically with the client, making the best recommendation to them, without a conflict of interest and dedicating more time to talk to them. Ultimately, transform the value proposal to assist the customer in understanding their financial situation, planning it and making the right decisions. Our customers do not intend to know the processes, policies, etc., what they want is that we help them to solve their problems.

To advance in the transformation it is critical that customers are digital users.

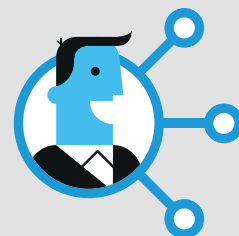
Two levers

Two help BBVA to make a qualitative leap forward in the user's experience and have more satisfied and profitable clients.

1. Big data capacities

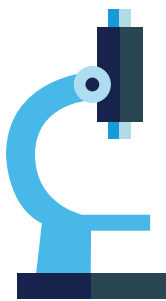


2. Experience through several channels



BBVA could transform the potential detractors
into the strongest advocates.

Steps to success



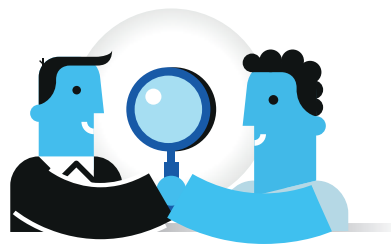
Focusing in fewer projects

to be able to deepen in those that offer higher value to the client



Spend more time

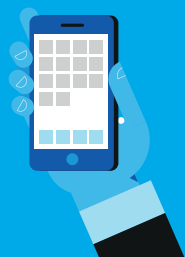
figuring out how to develop a better experience to the client from beginning to end



Learn from

actual customers during the design and development process

The investigation in qualitative design is an essential practice that obliges BBVA to review its ideas frequently with the real customers.



Drive digital sales

To make progress in this transformation it is essential for customers to be digital users. For such purpose, we have to make the most of the new channels available since a significant part of our customer base is demanding new ways of interacting with the Bank, in particular through mobile devices (for the retail segment) and of specialized platforms (for companies).

The current situation provides a **great opportunity**

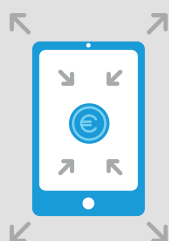
- 1 Rapid societal transformation in various areas



- 2 Financial services are one or two steps behind



- 3 We have the opportunity to become the **best Bank in digital sales**



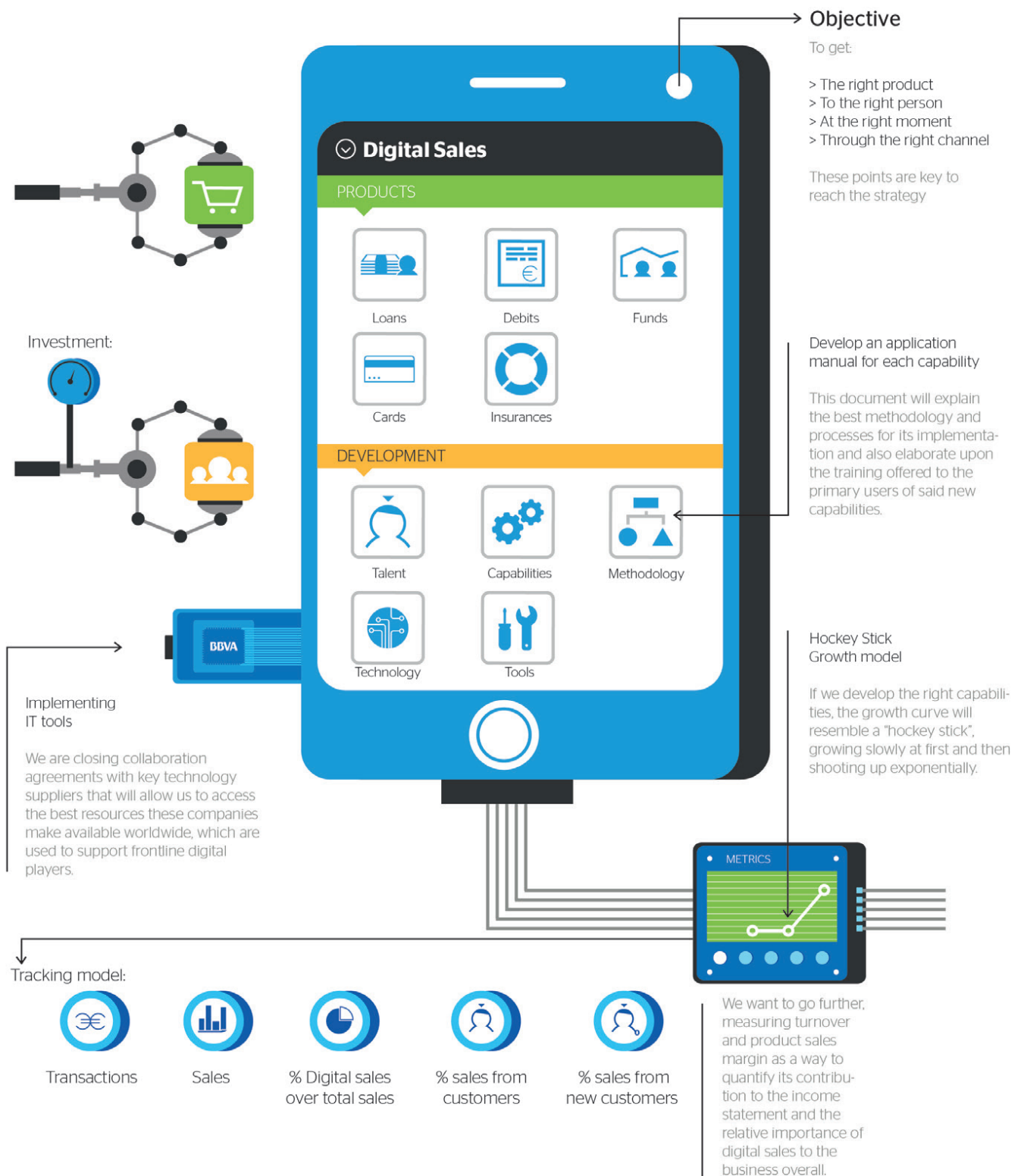
Greater scale, lower cost massive sale of products with global appeal to new and existing customers through digital channels

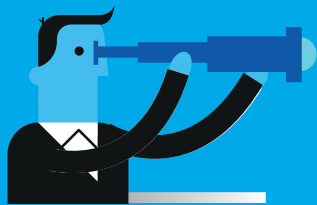


Global structure
Provide support to digital sale operations in each country

Digital sales are everyone's concern

Although this new team plays a key role in the transformation, becoming the best bank in digital sales will only be possible with everyone's help.











Create / Associate / Acquire new business models

Currently, new business models are arising with innovative value proposals ruled by paradigms other than those of the traditional banking industry. For such purpose, to get adapted to the new surrounding is essential to understand and participate in this evolution. The foregoing will enable BBVA to select the model that better adjusts to each opportunity:

- Creating and developing internally new models. (For instance: Nimble, Open Platform, etc.).
- Building alliances with new players.
- Participating in startups that allow learning from new disruptive models. (For instance: Prosper, credit granting platform between individuals; Taulia; SumUp).
- Across the world, the entrance of FinTech (contraction from the English words finance and technology that refer to services or companies of the financial sector that take advantage of the cutting-edge technologies to create innovative products) is taking place in isolated parts of the value chain and in specific products as in international payments and exchange of foreign currencies, contracting platforms, trading algorithms, etc. (For instance: Origin, Taulia).

At global level, BBVA has been actively involved in this industry and has a team for such purpose based in San Francisco, focused toward the establishment of relations with the most innovative companies which has also incorporated talent and key skills to the Group through the investments in Simple, Madiva, Spring Studio and Atom Bank, among others.

In this way, new income sources are being created worldwide for BBVA through the development of new digital business models with a diversified focus:

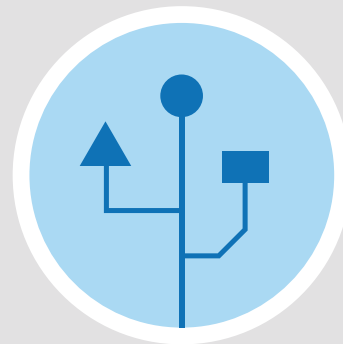
In-house development	Strategic Alliances	Investing in disruptive startups (1)	Digital M&A
<p>New independent Businesses</p> <p>With 100% digital culture</p> <p>Leveraged on BBVA assets</p>	<p>With new technological players</p> <p>With digital capacities and skills</p>	<p> PERSONAL CAPITAL</p> <p>PROSPER^P</p> <p> coinbase</p> <p> taulia</p> <p> sum up[®]</p> <p>Ribbit Capital</p> <p>500 startups</p>	<p> SIMPLE</p> <p> MADIVA</p> <p>SpringStudio</p> <p> Atom</p>



Digitalization has revolutionized other industries



Money is digital



Technology makes it possible to create new experiences and new business models



Optimize the capital allocation

Such priority is focused toward maximizing the return on capital available and sustained over time. Thus, an increasing emphasis is placed in the obtention of return over the resource, the capital, that from the beginning of the crisis has been the most expensive and scarce resource in the banking industry since all regulatory demands have increased substantially.

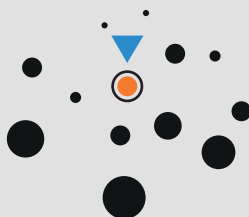
BBVA has a model that has demonstrated a great strength and resistance during the crisis and is still valid but the surrounding requires being even more efficient in the allocation of resources. Because of that, it is essential that the optimization goes along with the growth decisions, that priority is given to investments and the business decisions provide a larger return on the regulatory capital which is reflected in turn, in the daily management, and in the budgetary and planning processes.



Greater risk awareness

Use suitable management metrics regularly on RoRWA (Return on Risk-Weighted Assets) or ROE (Return on Equity).

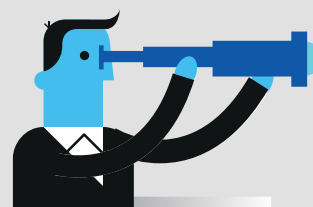
Product vision should not cast a shadow over what really matters: customers vision and the relationship's overall profitability



Better decision making

Efficiently allocating scarce resources.

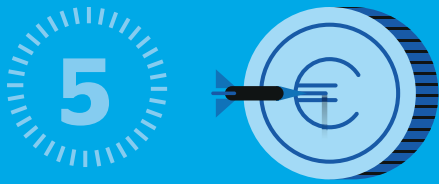
Being brave enough to discontinue lines of business that do not generate the expected value.



Better vision of the future

Assess our business model's behavior in different economic scenarios.

Preserve the Universal Banking Model with its diversification in terms of geography, customers and products which has proven its solidity over time.

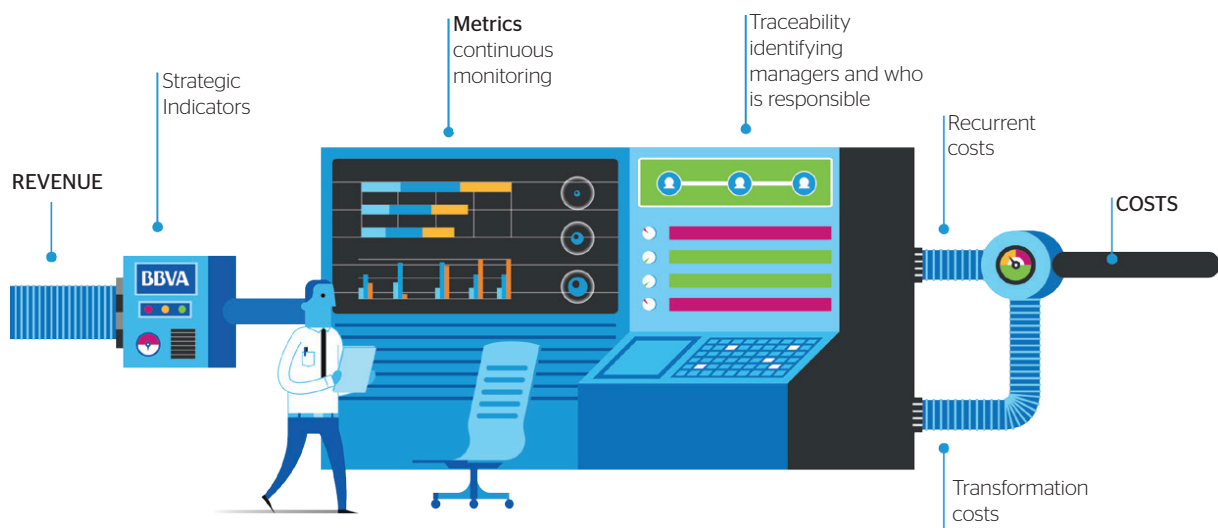


Adapt the model, the processes and structures to get the best level of efficiency

Technology should be used as support to simplify processes and transform the distribution model to one more efficient structurally that permits the generation of an advantage versus competitors.

Being cost effective does not mean at the expense of the service or quality but to provide better quality solutions. For instance, straight through processes are seamlessly thus allowing to obtain a higher efficiency but giving the best user experience to the customers.

Efficiency model



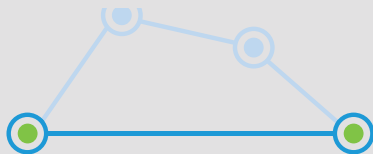


Decision making

Reinforce and expedite the approval and decision-making process as well as the corporate governance of projects and investment initiatives of the Group.

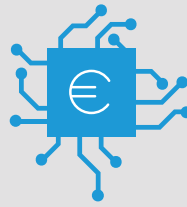
Simplifying Processes

Transform the productive model to become more efficient



Simplifying Processes

Transform the productive model to become more efficient



Technology intake

An Investment plan in technology that helps us and facilitates the customer's assistance at lower unit costs.



Standards and procedures

Ensuring that the cost and investment standards and procedures are known in the Organization and applied in every context, projects and business unit.



Control and monitoring

Analyze the recurrent costs and transformation kits



Training program

Develop the "21st century controller" whose objective is to train "Responsible Digital Financing Leaders"

And remember ...



Efficiency is everyone's concern

This is not the responsibility of central areas, holding or financial areas.



Efficiency is not incompatible with quality service

Continuously improving processes should allow us to reach both objectives.



Incorporate the concept of "breaking down"

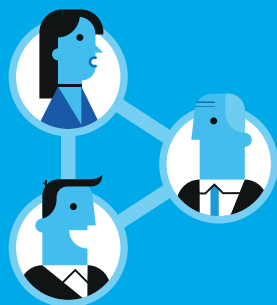
Differentiate costs that contribute to the transformation of the Group from those that do not.



"Single Development Agenda"

In order to achieve a certain order and prioritization that will allow us to reach the objectives we have set.

It is not a matter of "not spending" but of "spending wisely"



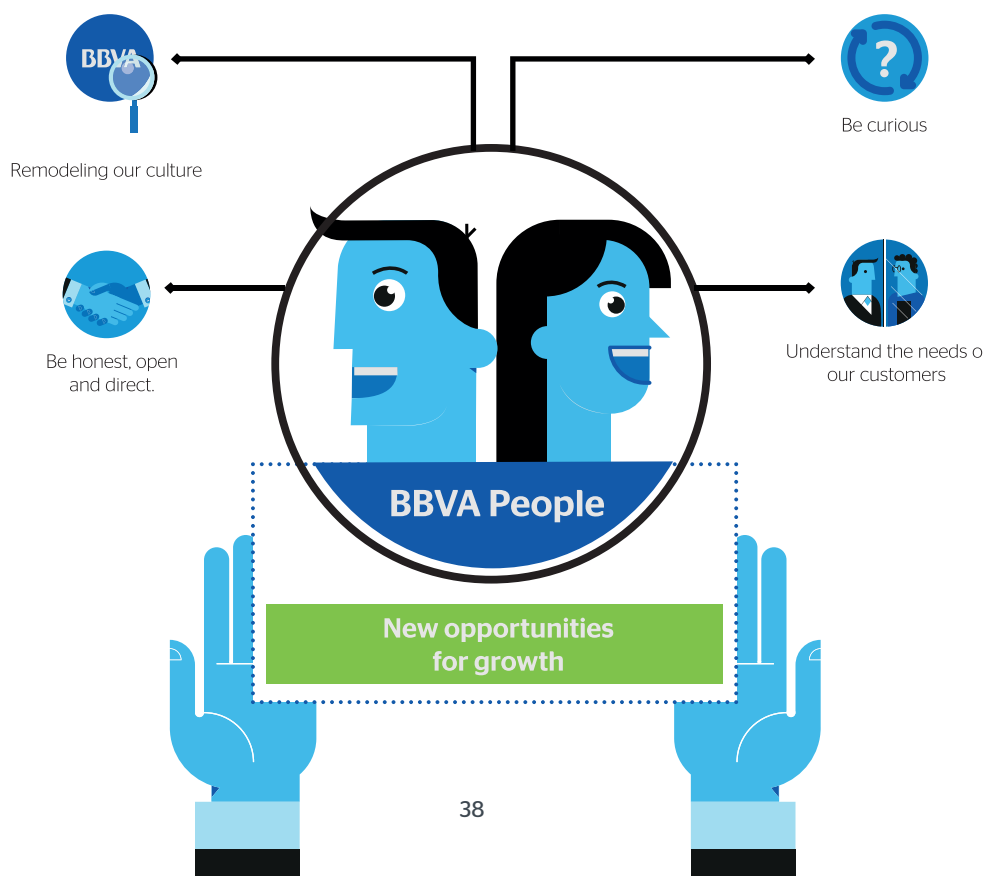
Develop, retain and motivate a first class workforce

Just as BBVA wants to offer the best experience for customers, it also seeks to develop the best “employee experience”. This means offering a value proposition attractive to identify, attract and retain the best talent, contributing to the development of the professional careers of each one of them. In this way, we want every employee interaction with the Bank to be excellent, resulting in a mutual satisfaction.

It is important to adapt the culture to an environment that requires new forms of work, promoting values such as entrepreneurship, curiosity, collaboration among teams, the breaking of silos, empathy, etc. In short, it is about reshaping the internal culture to develop some of the great values while adding other new.

“Attract, retain and inspire the best team”

a new way of working

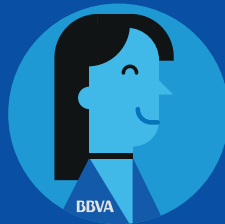


Talent and Culture



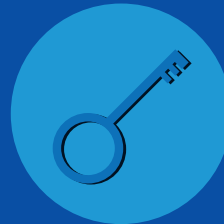
1. Only one bank.

An organizational infrastructure and an apoyo system to create a global company.



2. Employee value proposition

That BBVA is "the" desired place to work



3. A new type of Human Resources

Business facilitators to better support the Organization, employees and business areas.



4. Procedural Policies

Most effective tools for:

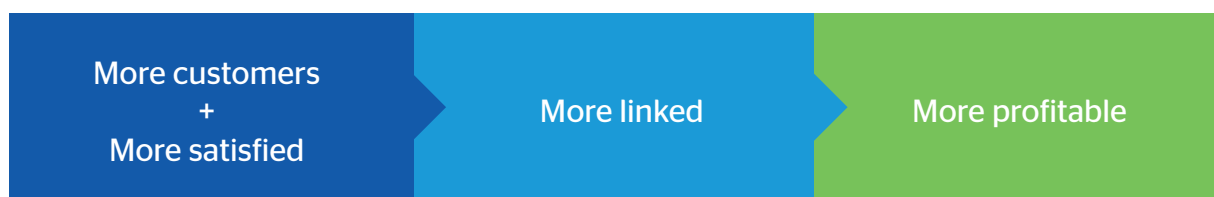
- Selection
- Compensation
- Training
- And much more to come ...

**It's not about doing a job. It is about doing an adequate job, the way
At the right time.**

If BBVA is successful in all of the above, this will allow you to:

1. Have a positive impact on people's lives
2. Enhance short-term results and business profitability
3. Compete successfully in the long term in a changing environment

Objectives of the transformation of the value proposition:

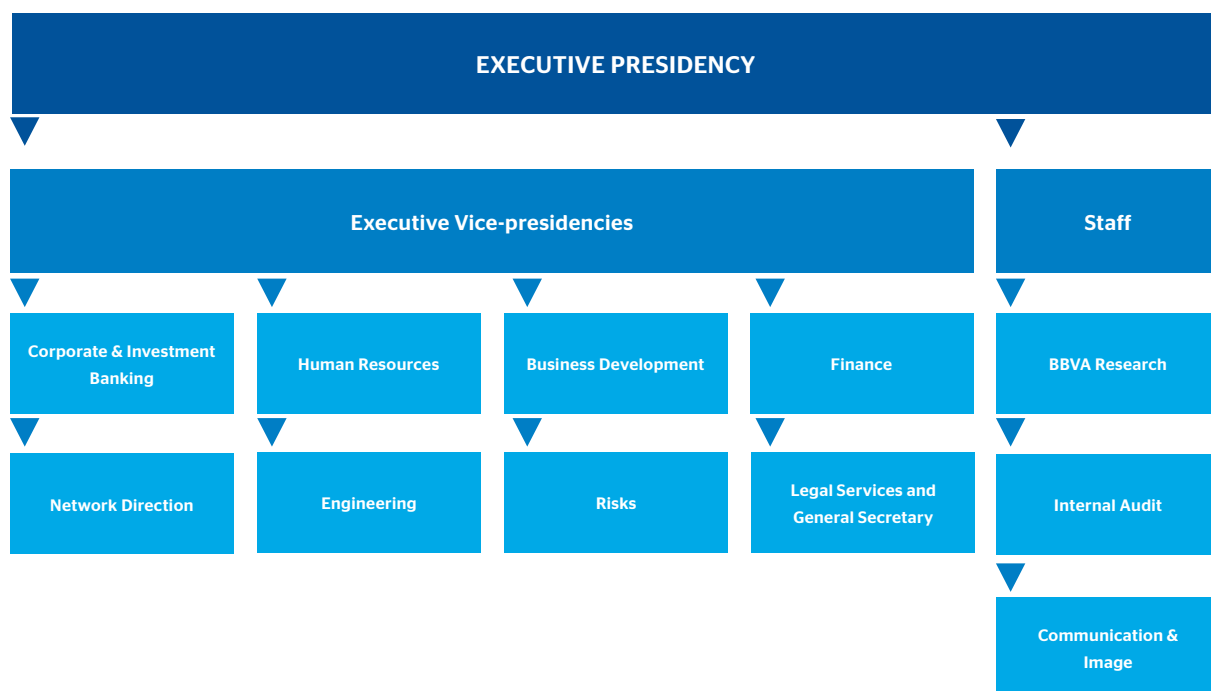


Business organization chart and structure

The organizational structure of BBVA Colombia is divided into strategic units made up by eight Executive Vice-presidencies and a strategy and control area named “Staff”. All the foregoing report directly to the Bank CEO.

In year 2016 and in order to consolidate the BBVA transformation process and advance with the compliance with the strategic priorities, the Digital Banking, Innovation and Development Vice-presidencies were merged into a new one named Business Development Executive Vice-presidency. It clusters key levers to develop the comprehensive offer of products and services and the transformation of the business model.

According to the foregoing, the organization chart of the Bank is structured as follows:



Below a brief description of the Management Area of each Executive Vice-presidencies:

- **Finance:** Responsible for relations with analysts, investors and shareholders, the management of industry and finance involvement, the preparation accounting and regulatory information, tax information, Planning, Reporting and Management Control, and Management Information Systems. Additionally, it is in charge for the real-estate management and procurement.
- **Risks:** Risk management area focused at preserving the solvency, supporting the strategy and ensuring the business development; keeping an adequate risk management throughout the risk life cycle.
- **Business Development:** Responsible for the transformation of the business model.
- **Corporate & Investment Banking:** Global area of markets, loans and transactional services for international corporate services and institutional investors.
- **Network Direction:** It manages the retail business networks and operations.
- **Engineering:** It develops the management of technology, software and process operations for global solutions to customers.
- **Legal Services and General Secretary:** Legal advisory and support to the different Bank areas on institutional, legal, corporate matters and Corporate Governance.
- **Human Resources:** It fosters talent management schemes and fits the culture into the new environment.

Additionally, the Staff area sets the strategy and action and control frameworks in aspects so relevant such as Compliance, Communication, Internal Audit, among others, as follows:

- **BBVA Research:** Responsible for the service of economic studies and promoting and developing institutional relations.
- **Internal Audit:** It provides an independent and objective activity of assurance and consultation, conceived to add value and improve the organization operations.
- **Communication and Image:** It manages local communication, boosts the brand journalism and works to increase the BBVA reputation through the development of its Corporate Responsibility programs.

Corporate Governance

System de Corporate Governance

El System de Corporate Governance de BBVA Colombia se encuentra en línea con las recomendaciones y tendencias internacionales, corporates y locales. Sus principios, elementos y practices se recogen en different instrumentos que orientan la estructura y funciones de los órganos sociales, como lo son los Estatutos Sociales, el Código de Corporate Governance, el Reglamento de la Asamblea General de Shareholders, el Reglamento de la Junta Directiva y los Reglamentos de los Comités de Apoyo a la Junta. El System también es integrado por las normas de conducta internas que se encuentran contenidas en el Código de Conducta de BBVA, el Código de Conducta en el Ámbito dthe market de Valuees y el Código de Conducta para la Prevention de Lavado of assets y Finance del Terrorismo, que consagran los postulados que rigen las actuaciones de los directivos, administradores y employees.

Additionally, el System de Corporate Governance de BBVA Colombia se concibe como un process dinámico en continua revisión, con un enfoque de improvementmiento y adaptabilidad a las nuevas realidades of the Bank y sus filiales, tomando como referente la normativa y recomendaciones que se produzcan en materia de mejores practices de Corporate Governance.

Hacen parte del presente Management report, el Annual report de Corporate Governance y el Reporte de Implementation Nuevo Código País ejercicio 2016, los cuales están disponibles como supplementary information en la página Web de Banco y en este informe.

Compliance System

The Compliance System constitutes one of the bases upon which BBVA consolidates its institutional commitment to conduct all operations and businesses in conformity with strict codes of ethical conduct. The Compliance Area continues articulating its activity around the development and implementation of policies and procedures, the dissemination and training in Compliance matters and the identification, evaluation and mitigation of potential compliance risks, understood as those that affect the following issues:

Markets behavior.

- Dealing with conflicts of interests.
- Prevention of money laundering and terrorist financing.
- Personal data protection.

For such purpose, during year 2016 the goals of the area were fully accomplished with regard to aspects such as managing and mitigating adequately the Compliance risk, active involvement in the New Products Committee, providing support and accompaniment to the commercial performance of the Bank and other BBVA companies in Colombia, strict compliance with internal and external reporting, timely assistance of the requirements of the State control and surveillance entities and training to all employees with regard to the Compliance function matters. An adequate organization structure with the clear assignation of roles and responsibilities through the organization.

Additionally, the training strategies were maintained to further strengthen the ethics culture in the entity. As a result of the publication of our new Code of Conduct, the virtual course of the Code of Conduct was launched through our online platform. Likewise, virtual courses were administered on: Conduct Policy in Securities Markets and Personal Data Protection. Besides, virtual and face-to-face training activities were carried out, subject to the Internal Conduct Regulation of Securities Market.

It is worth mentioning, finally, that in compliance with the provisions of the BBVA corporate policies, the Compliance Area conducted in 2016 the Compliance Testing to 25 offices of the Network to validate the controls associated to the function of personal data protection. In accordance with the results thereof, improvement plans will be implemented for strengthening the application of corporate principles and legal regulations. The Compliance Testing is a methodology focused toward the verification that the controls established to mitigate the risks are being properly executed.

Integrity in businesses

The Code of Conduct of BBVA Colombia depicts its particular commitments in accordance with one of the principles of its Corporate Culture: “Integrity as how to understand and develop its businesses”. Said Code also provides the appropriate channel of complaints of eventual violations and is subject to continuous training and updating programs to key finance personnel.

Year 2016 has been quite important to BBVA in its permanent commitment with integrity in businesses by having updated its Code of Conduct in order to:

- Adapt it to the new regulatory demands and social social expectations: (a) recommendations from international entities, (b) regulatory novelties, (c) high demands from supervision entities and the highest social expectations from a challenging ethic and legal compliance business culture, and (d) new social economic surrounding.

- Take advantage of the experience over 12 years through consultations and practical application criteria set since the previous Code of Conduct was approved in 2003.
- Adapt it to the new more international organization structure of BBVA.

The new BBVA Code of Conduct shows to the members, and also suppliers and third parties, how BBVA understands integrity, configuring it as a fundamental tool to implement the culture of respect to legality, ensuring that BBVA activities are performed in conformity thereof and the corporate values, reflecting clearly that the behavior of employees must be legal, morally acceptable and publishable, and providing the conduct guidelines in agreement with the BBVA principles (prudence, integrity and transparency), as well as the procedures to help employees solving doubts and facilitating the compliance with their obligations.

Formally, the new Code supposes a change of style, more straight forward, closer, simple and friendly. Also, it is configured as the benchmark document with respect to the conduct, limiting its contents to principles and basic guidelines yet facilitating simultaneously the access to policies, procedures and detailed internal regulations through the interactive link system.

The Code is applicable to all BBVA entities for which purpose it has been distributed individually to each member to be familiar with its contents and posted on the Bank website (www.bbva.com.co) and the employees' site (intranet). The formal adherence to the Code is facilitated through the technological development based on the electronic signature scheme, thus contributing to a more efficient and simpler process, in line also with BBVA technological innovation strategy.

The Code is structured in following sections: conduct with customer, conduct with our peers, conduct with the company, conduct with the society and application.

To raise global awareness, a Communication plan has been defined and launched, supported by audiovisual media which involves the Organization's senior management and also the people who have to apply it on a daily basis in different countries.

Additionally, during 2016 the Compliance Area has continued its advisory task both to the members of the Bank and senior management for the application of the Code of Conduct. Specifically, the Compliance Area responded to several individual queries made in writing. The queries focused basically on the acceptance of gifts or personal benefits on carrying out other professional activities and on addressing and managing potential conflicts of interests and management of personal wealth.

Prevention of money laundering and terrorist financing

Prevention of money laundering and terrorist financing (hereinafter PML&TF) constitutes above all an ever-present objective that BBVA Colombia associates to its improvement commitment in different social contexts in which it operates.

For BBVA Colombia, ensuring that its products and services are not used for illegal purposes constitutes also an essential requirement for safeguarding the corporate integrity and thereby, one of its main assets: the trust of people and institutions it deals with daily (customers, employees, shareholders, suppliers, etc.).

In order to achieve such purpose, BBVA Colombia as member of a worldwide financial group with branches and affiliates that operate in numerous countries, has a corporate risk management model which comprises all compliance issues (see description in the Compliance System section).

This model not only takes into account the Colombian regulation but also incorporates the best practices of the international finance industry in this regard, as well as the recommendations provided by international entities such as FATF (Financial Action Task Force).

It is also worth mentioning that the risk management model for prevention of money laundering and terrorist financing is constantly evolving and subject to independent review on a permanent basis.

In particular, the risk analysis performed allowed to reinforce the controls and establishing, in this case, additional mitigating measures to strengthening the model.

During 2016, BBVA Colombia has continued strengthening the model for which purpose performed important activities aimed at preventing that funds from illegal origin have access and use the financial system, for such purpose it continued reinforcing its policies of the Risk Management System for the prevention of Money Laundering and Terrorist Financing.

Following activities are highlighted:

- Design of new monitoring scenarios to detect unusual operations by customers.

- Regulation of the high-risk activities link policy and initiation of the update training plan for such customers whose economic activity is under any of the policy definitions.
- The segmentation methodology of risk factors of customers and products became more solid by including new variables and allocation of new weighting factors.
- Adjustments toward improving the control environment based upon the unification of criteria such as standardization of risks, controls and testing in BBVA entities in Colombia.
- Timely attention to those requirements from the Financial Superintendence of Colombia, as well as the training requirements of investigation bodies.
- Execution of the training plan, applying virtual and face-to-face strategies, covering more than 90% employees. Both the program of attendants and the contents of courses gave special attention to the needs of such employees performing in higher risk areas.
- Action plans performed of control bodies within terms set.
- Compliance Testing conducted on the proper operation of SARLAFT, making visits both in Bogota and the country.

Standards of conduct

The BBVA Code of Conduct provides the guidelines for behavior in line with our principles of prudence, transparency and integrity.

This document contains the commitments that contribute to the prevention of corruption in BBVA, as well as in specific policies related thereof. During 2016, BBVA has reviewed its anti-corruption framework to adjust it to the new Code of Conduct and, in turn, detect the reinforcement opportunities that will become material over next months.

Additionally, BBVA Colombia has a Security Market Conduct Policy which is based upon the guidelines provided in the Code of Conduct of the BBVA Group with regard to the securities markets and incorporates a series of principles and general criteria of actions commonly accepted worldwide and addressed to preserve the integrity thereof.

Particularly, it gathers the minimum action guidelines that every member of BBVA must follow with regard to the treatment of the privileged information, prevention of manipulation of quotations, management of potential conflicts of interests that could arise and the operation of employees at their own account in the markets.

BBVA also has documents seeking the commitments of each area where applicable, namely:

- Internal conduct regulation in the securities markets sector.
- Bylaws of Compliance.

Complaint channel

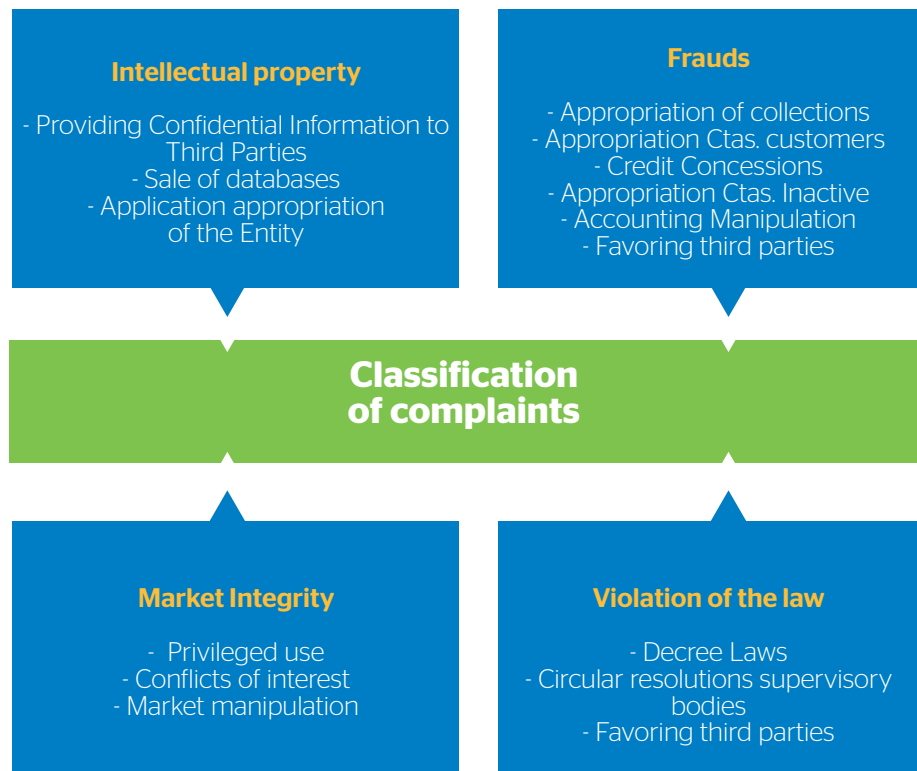
The main mechanism for the conduct risk management in BBVA is the Complaint Channel. As provided in the Code of Conduct, the members of BBVA are required to not tolerate any behavior disengaging from the Code or any conduct in the performance of their professional functions that may damage the reputation or the goodwill of BBVA, thus constituting a way to help employees to communicate the violations observed or reported by their collaborators, customers, suppliers or peers.

Following are the channels to be used by an employee for reporting an action or situation related to BBVA:

- Deal the case with their supervisor or contact person of Human Resources
- Notify the case through the Complaint Channel in the appropriate region or geography location.
- Use the Complaint Channel notifying the case to the Compliance area to the e-mail canaldedenuncia.co@bbva.com, or telephone: (+57) 3808171.

Those employees reporting in good faith facts or actions to the Complaint Channel shall not be subject to retaliation either any other adverse consequence for the supply of such information.

The Compliance Area handles the complaints received diligently and promptly, thus encouraging the confirmation thereof and driving the measures for their resolution, in accordance with the management procedures of Complaint Channel. The information will be analyzed on an objective, impartial and confidential basis.



BBVA is signatory of following international initiatives

- United Nations Global Compact (www.globalcompact.org)
- United Nations Environment Programme Finance Initiative (UNEP) (www.unepfi.org)
- Equator Principles. (www.projects-funded-according-to-the-Equator-Principles.com)
- Principles for Responsible Investment (PRI).
- International Integrated Reporting Council.
- Carbon Disclosure Project.
- Thun Group of Banks on Human Rights.
- Natural Capital Declaration.
- Global Initiative for Sustainability Ratings.
- Green Bond Principles.

Furthermore, BBVA recognizes publicly its respect for the Declaration of Human Rights of the United Nations, the basic regulation of the International Labor Organization and the Guidelines of the OECD for Multinational Companies.

BBVA was working in 2016 to connect the Objectives of the Sustainable Development (OSD) approved in September 2015 by UN with the initiatives and their materiality.

	Objectives	BBVA initiative
Objective 1	Eradicate every way of poverty around the world.	Fundación Microfinanzas BBVA
Objective 2	Eradicate hunger, achieve food security and improve nutrition and promote the sustainable agriculture.	Integration scholarships program «Niños Adelante»
Objective 3	Ensure a healthy life and promote the goodstar for everyone at all ages.	«Primera infancia» Project of the OEI
Objective 4	Ensure an inclusive, equitative and quality education and promote learning opportunities throughout everyone's life.	BBVA "Escuela para el Emprendimiento" Program
Objective 5	Achieve gender equality and empower all women and girls.	Global Gender Diversity Plan
Objective 6	Ensure water supply and its sustainable management and sanitation to everyone.	There are no specific initiatives
Objective 7	Ensure the access to affordable, safe, sustainable and modern energy to everyone.	There are no specific initiatives
Objective 8	Promote the sustained, inclusive and sustainable economic growth, fulfilling and productive employment and decent work to everyone.	Fundación Microfinanzas BBVA
Objective 9	Construct resilient infrastructures, promote inclusive and sustainable industrialization and encourage innovation.	There are no specific initiatives
Objective 10	Reduce inequality in and among countries.	Fundacion BBVA Awards: "Fronteras del Conocimiento"/"Cambio Climático y Ecología y Biología de la Conservación"
Objective 11	Make cities and human settlements inclusive, resilient and sustainable.	Investigation initiatives for health care from Fundación BBVA
Objective 12	Guarantee modalities of sustainable consumption and production.	Eco efficiency Global Plan
Objective 13	Adopt urgent measures to fight the climate change and its effects.	Fundacion BBVA Awards: "Fronteras del Conocimiento"/"Cambio Climático y Ecología y Biología de la Conservación"
Objective 14	Preserve and use in a sustainable way the oceans, seas and sea resources for the sustainable development.	Fundacion BBVA Award to the Conservation of Biodiversity
Objective 15	Protect, reestablish and promote the sustainable use of earth ecosystems, manage forests in a sustainable manner, fight against desertification, stop and invest the degradation of lands and hold back the loss of biological diversity.	Fundacion BBVA Awards to the Conservation of Biodiversity
Objective 16	Promote pacific and inclusive societies for the sustainable development, facilitate the access to justice to everyone and create efficient, responsible and inclusive entities at all levels.	There are no specific initiatives
Objective 17	Strengthening the means for the execution and reinvigorate the Global Alliance for Sustainable Development.	Fundacion BBVA Awards "Fronteras del Conocimiento - Cooperación al desarrollo"

Internal control model

BBVA Group initiated the evolution of its control model since year 2013 with the creation of new governance. The model evolution was based upon the combination of two levers: (i) Internal control model built over the existence of three differentiated control levels (three line defense model), and (ii) Coordinated governance model of the internal control model, denominated Corporate Assurance (comprehensive vision and involvement from senior management).

After its consolidation, the implementation of governance and recognition of the model by the regulatory European bodies, at the beginning of 2016 the achievements accomplished were reviewed and adjustments to the model were made on the basis of the identification of several improvement opportunities.

Also, in February 2016, BBVA Colombia formalized the New Internal Control model for implementing the level of geographies of BBVA Group. As from there, the local multidisciplinary team and holding performed the analysis of conceptual and organizational implications thereof which structure was approved at the end of the month of June in the forum of the local Corporate Assurance.

The new Internal control model is based on three-line defense:

1. The business and support areas are responsible for the control in its environment and the execution of measures set in this case from higher instances. Such line defense has been reinforced with an ad hoc team that manages, coordinates and supervises the performance of control tasks performed therein.
- 2. The Operational and Internal Country Risk Management Direction of the country based on corporate guidelines and local regulation provides the methodology and common tools for the management. In this new model, the second line is the local figure that leads and coordinates with cross vision the Internal Control System incorporated to the current function of operating risk mitigation. The control units specialized in this line (Internal Financial Control, Internal Risk Control, Internal Operations Risk, Internal Technology Control, Compliance and other in Human Resources, Legal Services areas) supervise the control of the different units within their cross-sector specialty, focusing them towards the definition of Policies and Procedures thereof and the exercise of “challenge” to the control activity made by the first-line defense.

3. The Internal Audit line performs an independent review of the model, verifying the Compliance and effectiveness of corporate policies and providing independent information about the control model.

At the closing of September, 2016 the structure and new functions had been undertaken and implemented in different levels of the organization. The Secretary of the forum of Corporate Assurance exercised by the Internal Audit was assumed as from October by the Operational and Internal Country Risk Management of the Country.

In turn, the Internal Audit performed the independent evaluation to the effectiveness of the Internal Control System of BBVA Colombia at December 31, 2016, pursuant to the provision of Section IV of Title I of Part I of the External Circular Letter 029 of 2014 (Circular Legal Basic) issued by the Financial Superintendence of Colombia. In such evaluation it was concluded that the Internal Control System implemented by the Bank complies reasonably with the criteria that the Financial Superintendence of Colombia has stated in the above mentioned Circular, as well as that the improvement plans established by the Bank to mitigate risks identified in the evaluations made during 2016, are implemented or in the process of implementation.

Internal Audit Report

The scope defined by the Internal Audit to BBVA companies in Colombia, includes the companies BBVA Colombia S.A., BBVA Asset Management S.A. Sociedad Fiduciaria (BBVA Fiduciaria), BBVA Valores Colombia S.A. (Comisionista de Bolsa), BBVA Seguros Colombia S.A. and BBVA Seguros de Vida Colombia S.A. The Internal Audit has free access to employees, work centers, systems, records and computer and hard files, and in general, to all the information required for the adequate performance of their functions.

During 2016, the Internal Audit developed its actions based upon the assessment of risks associated to the activity finance. Below the most representative works detailed per risk:

- **Credit risk:** Evaluation of the quality of portfolio of the Oil & Gas sector which presented a juncture that affected the productive chain and thus required the Bank to increase the supply of provisions during the fiscal term. Likewise, an evaluation to the business centers was conducted with regard to the admission circuits, taking into account the volume of operations approved from SMEs segment.

- **Compliance and Legal Risk:** Evaluation of new demands from different regulators that seek to provide an answer to the new supervision context in Europa and locally; review of the Compliance function (pursuant to the sub-risks defined by EBA - European Banking Authority), the Volcker Rule - 2016 Attestation and the evaluation of the requirements demanded by the Circular Basic Legal letter (C.E. 029/14) and the SFC - Financial Superintendence de Colombia about SARLAFT. Such works were performed to ensure that the information presented to EBA and SFC have the integrity and quality required; among the activities performed are the assurance to Prudential Reporting to EBA (FinRep and CoRep) and the review of the Accounting Control processes.
- **Capital Risk:** Evaluation of the compliance with the requirements demanded by the Accounting and Finance Basic Circular Letter (C.E. 100 of 1995) of the SFC about the resistance test scheme.
- **Risk of Extended Company:** Review of the policies and control mechanisms existing about the outsourcing processes and a punctual evaluation to the service provider Diebold that renders monitoring services and maintenance of ATM's network in order to verify the adequate delivery of the service by the provider, both on the technical and operating aspects, as well as the follow up and control by the Bank.
- **Internal Government Risk and Entity's Management Risk:** Evaluation of the effectiveness of the Internal Control System of BBVA Colombia in accordance to the provisions in the Legal Basic Circular Letter (C.E. 029/14) of the SFC and the verification of the Process for Setting Risk Appetite (RA) and Risk Culture as required by EBA.
- **Market Risk:** Review of the valuation process in Global Markets, evaluation of the framework of the Risk management in the markets activities and determination of Counterparty Risk Adjustment and Credit Value Adjustment (CRA and CVA).
- **Operating Risk:** Review of the operating processes that support the Bank activity, among which there are: eligibility of remodeling loans, Business Continuity Plan, on-line contracting, commercialization of products performed by external forces, operating circuit of facilities placement (of payroll deduction loans, vehicles, consumption, mortgage), compliance with internal control developed by the network of offices, eligible collaterals and assets acquired to

enter into leasing contracts, operating risk model in conformity with Banco de España, payment means, reporting management of RDA - Risk Data Aggregation, and settlement of liability products.

- **Technological Risk:** In this context, cyber security works have been developed from the Insider Threat approach and the Technological Risk management that have allowed evaluating the different subtypes of technological risk and the capacity of reaction to them. On the other hand, the framework of the Control of Information Sent to Third parties, with a protection approach for the case of leak of customers' and Bank's information.
- **Structural Risks:** Evaluation of Governance and Framework of Control of Liquidity and Finance, Change and Structural Interest).
- **Business Model Risk:** Overall diagnosis on the framework of Bank governance.

Finally, the main milestones of the Internal Audit 2016 were the following:

Implementation of recommendations.

- Focus on the alignment with six Strategic Priorities (Internal Audit as “enabler” of the transformation) and support to the transformation agenda of the Bank through the development of audits in digital business.
- New structure and plan focused toward management and new risk hedging.
- Organization more flexible focused toward project management.
- Higher accuracy and homogeneous quantification of impacts and recommendations.

Audit Committee Report 2016

In compliance with the provisions of the Financial Superintendence of Colombia (SFC) in the Legal Basic Circular Letter (6.1.2. of Section IV, Title I, Part I) the Board of Directors of Banco Bilbao Vizcaya Argentaria Colombia S.A. (hereinafter “BBVA Colombia”, or the “Entity” or the “Bank”) has the Audit Committee (hereinafter the “Committee”), study and support body that provides assistance to comply with its supervision function of the entity's Control Architecture.

The regulation of the Audit Committee is provided in Law 964 of 2005 and in the above mentioned Circular Letter of the SFC. Additionally, said Committee has an Internal Regulation in concordance with the aforementioned standards, their purpose, composition, functions and other aspects related to their operation, documents that are posted on the website of the Bank.

1. Composition

The Committee is made up by two independent Directors of the Board of Directors and an equity Director with the adequate experience to fulfill their appropriate functions.

During year 2016 the Audit Committee was made up as follows:

PRESIDENT: Carlos Eduardo Caballero Argaez
(independent)

MEMBER: Felipe Cifuentes Muñoz
(independent)
Juan Eugenio Rogero González
(equity)

2. Operation

The Audit Committee, in conformity with the provisions of the Legal Basic Circular Letter of the SFC and Law 964 of 2005 (Article 45 Paragraph 4) sits quarterly and its decisions and actions are reflected on the minutes in compliance with the requirements provided in Art. 189 of the Code of Commerce

The Committee schedules regularly the issues that should be informed such as the follow up on the effectiveness of the Internal Control System, operation of the information systems, dependability and integrity for the decision making process, follow up on the Risk Management Systems to the operations with related parties and possible conflicts of interest, as well as the follow up on the execution of the Statutory Audit, Internal Audit and Compliance work plan.

Furthermore, the Committee may call for external advisory services with regard to relevant matters whenever the specialization or independence issues cannot be provided by experts or technicians from the Bank.

3. Purpose

The purpose of the Audit Committee is to provide support to the Board of Directors for the compliance with their functions related to the implementation and supervision of the Architecture of Control, as well as the supervision of the preparation and presentation of financial information reporting.

The functions are detailed in numeral 4 of the respective internal regulation.

4. Operation of the Internal Control System (ICS)

Below there is the report about the ICS prepared by the Audit Committee in conformity with numeral 6.1.2.1, Section IV, Title I, Part I of the Legal Basic Circular Letter of the SFC:

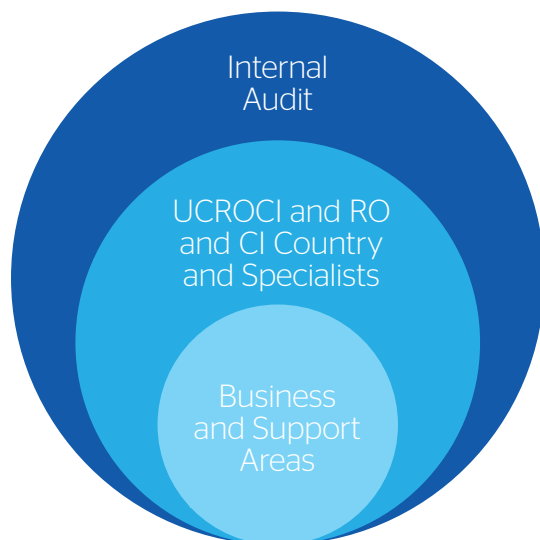
4.1. General policies established for the implementation of ICS

In year 2016 the new corporate internal control model was implemented with the main purpose to reinforce the action field of the Internal control and risk unit of the country, of control specialists and the business units of the control managers to support closely the processes of risk identification, follow up and mitigation.

This model is based upon the principles of self-control, self-regulation and self-management upon the approval of the Code of Conduct of BBVA by the Board of Directors.

The application of the model is supported on the anticipatory management which allows the control and business decision making process under the three lines of defense in line with international best practices, as follows:

Three lines of defense:



The internal control model is coordinated at corporate level, from the Corporate Operating Risk and Internal Control Unit that belongs to the Global Risk Management and locally, through the Direction of the Operating Risk and Internal Control of the country in the risk area.

In turn, the business or support areas have Control Managers and Managers of Internal Control and Operating Risk who depend functionally from the Direction of Operating Risk and Internal Control of the country and are in charge to implement the model on the routine of every area of the organization. In this way, the Bank has a close view of the processes which promotes the identification and prioritization of risks and mitigation decisions.

4.2. Process to review the effectiveness of the ISC:

The risk assessment and effectiveness of controls is made from the awareness and understanding of the business and operating processes by the entire organization. For such purpose, both the materiality criteria of probability of occurrence and economic impact, and the qualitative criteria associated to typology, complexity, nature of risks or the own structure of business or process are taken into account.

The identification system and risk assessment of internal control of the financial

information is dynamic, evolves over time on a permanent basis thus reflecting in each moment the business reality, the modification in operating processes, the risks affecting them and the mitigation controls. All this documented in a corporate management tool developed and managed per operating risk (Storm) which documents all the processes, risks and controls managed by the different control specialists, among them, the internal control of Information and finance.

Additionally, Internal Audit issues annually its opinion about the ISC effectiveness. The Internal Audit reported that during year 2016, the ISC implemented by the Bank complies reasonably with the criteria provided by the Financial Superintendence of Colombia in Section IV, Title I, Part I of the Legal Basic Circular Letter and that improvement plans provided by the Bank for mitigating risks identified in the assessments conducted have been implemented or are in process of implementation.

4.3. Most relevant activities developed by the Audit Committee:

During year 2016 the Committee performed its functions with autonomy of operation, the schedule of meetings and agenda were coordinated by its Chairman and Secretary to the Board of Directors.

In the period evaluated the Committee held four meetings (February, May, August and November) with 100% attendance from its members and the participation of the Statutory Auditor, the Compliance Officer and the Internal Auditor, among others, thus ensuring and maintaining the permanent communication line with the Board of Directors and Bank Administration.

The Committee performed all activities required to comply with the functions assigned by the regulation in force, bylaws and the Rules.

Following were the main activities developed by the Committee during year 2016:

a) Financial Information:

The Committee became aware of and agreed with the accounting principles, policies and practices and the evaluation criteria followed by BBVA Colombia in the process of preparation and presentation of the financial information and verified that they match with those provided by the regulation in force and that were applied correctly, reviewing also the adequate delimitation of the consolidation perimeter.

The Committee studied and issued its opinion about the individual and consolidated financial statements for the year 2016, in the sense that they comply, as to contents and presentation, with all the requirements provided thereof by the regulation and that have been prepared pursuant to the national and international best practices and recommendations, and the legislation in force.

b) Internal Control System

The Audit Committee supervised and learned about the different reports prepared, both internally and by the Statutory Auditor about the Internal Control System of BBVA Colombia and its affiliates, establishing that the ISC provides reasonable security pursuing following objectives::

- Effectiveness and efficiency of operations; i.e., the compliance with the basic objectives of the entity, safeguarding its resources;
- Sufficiency and dependability of the financial information as well as of the preparation of all the financial statements.
- Compliance with applicable regulation.

Furthermore, during year 2016, the Committee made the follow up to the Compliance under the instructions given by the Board of Directors in connection to the ISC.

c) Statutory Audit:

The Committee established appropriate relations with the Statutory Auditor, Deloitte & Touche Ltda., appointed for year 2016, which also supplied direct information in all the meetings.

The audit performed by the Statutory Audit was executed pursuant to the PCAOB (Public Company Accounting Oversight Board) audit standards and in concordance with the Work Plan 2016 without changes with regard to the audit plan presented for such year. The audit procedures were led to the identification and coverage of those risks determined in the audit plan and throughout year 2016 the Statutory Audit did not identify new risk areas.

With regard to the Internal Control, the Statutory Audit evaluation states that BBVA Colombia has established measures of internal control and of preservation and custody of its goods and of third parties in their possession.

Furthermore, the Committee followed up the evolution of the works in progress, the recommendations formulated and the plans adopted by the Entity for implementation.

The Committee also supervised the Statutory Audit services throughout the year, verifying that they were executed with quality, independence, fulfillment and effectiveness. Said verification was materialized by an evaluation completed by the members of the Audit Committee, whose unanimous result was the highest satisfaction score, highlighting the professionalism of teams and being a great ally for the governance and direction bodies with regard to the supervision of the efficacy of the internal control and risk and compliance management systems.

In connection to independence, the Statutory Audit declared that during year 2016, both the firm Deloitte and its partners, the main and alternate Statutory Auditor and the team of the firm appointed to conduct the audit on the financial statements, were independent with regard to BBVA Colombia.

Change of the Statutory Audit firm:

In compliance with new Spanish regulation that provides the obligation to change the Statutory Audit firm every 10 years, pursuant to the corporate decision of BBVA, S.A., the Audit and Compliance Committee carried out the selection process to change the independent auditor of BBVA and its consolidated group as from year 2017.

The BBVA, S.A. Board of Administration, upon recommendation of its Audit Committee, proposed KPMG Auditores as the independent audit firm to BBVA, S.A. and its consolidated group for years 2017, 2018 and 2019. In turn, the Audit Committee of BBVA Colombia has confirmed that the profile of the proposed firm meets the requirements necessary to perform the functions as Statutory Auditor pursuant to the provisions in numeral 4.3 of the External Circular Letter 054 of 2008 of the SFC and is not involved in any incompatibility and incapacity as provided by Colombian law. Following the recommendation formulated by the Audit Committee, the appointment of KPMG Auditores Colombia will be proposed in the next Shareholders' General Meeting..

En relación con la independencia, la Revisoría Fiscal declaró que durante el año 2016, tanto la firma Deloitte como sus socios, revisor fiscal principal y suplente, y el equipo de la firma asignados a la auditoría de los estados financieros, son independientes respecto de BBVA Colombia.

d) Internal Audit:

identification and management of the main processes of the Bank. The Committee made a regular follow up of its execution and was reported directly about any incidence during the performance.

Furthermore, it learned about the recommendations formulated by the Internal Audit arisen from their review works, as well as of the specific action plans defined and put into effect for its resolution, making a regular follow up of those more significant to the entity.

e) Compliance

The Committee knew and approved the Work Plan for year 2016 prepared by the Compliance Area and made the regular follow up of the most relevant matters, thus verifying its adequate execution.

The Committee reviewed the reports on SARLAFT evaluation, made the follow up on the actions of the members of the Board of Directors in the Securities Market and the compliance with the Code of Conduct.

f) Supervisory authorities:

The Committee learned about the requirements and any other actions performed by the Supervisory authorities, following up such actions, the answers and explanations forwarded to the Authorities and the action plans proposed.

In connection to the prudential supervision activities of the Financial Superintendence of Colombia in 2016, the meetings were held with the control entity with the purpose to follow up the relevant aspects in connection to the framework of risk appetite, the risk management in retail banking, review of banking – SMEs, follow up to the Audit Plan 2016 to the activities of the exchange market and the control function of the Board of Directors.

Finally, the Committee made the follow up quarterly to the levels of risk exposition; verified that the operations with related parties would have been made in market conditions, in compliance with the standards about the limits to grant credits and maximum debt quota or risk concentration effective on the date of approval of the operations.

4.4. Material deficiencies detected, recommendations formulated and measures adopted:

No material deficiencies were observed.

4.5. Observations formulated by supervisory bodies:

With regard to the follow up to the restructured portfolio of the SMEs banking, the final report of the SFC included recommendations with regard to the governance in committees, supplementation of the policies and procedures manual, and ordered the suspension of the practice consisting of the improvement of the qualification of the restructured credits outside the closing date due to an unforeseen parameterization of the system. Although the practice is a marginal situation with immaterial impact, the Bank performed the computer developments to ensure the automation of the process and qualification adjustment.

4.6. Evaluation of tasks by the Internal Audit:

The Committee supervises the functions and activities of the Internal Audit, being able to determine its independence and objectivity with regard to the activities audited that there were no limitations that prevented its proper performance and that the scope of its tasks fulfilled the entity's needs. Such follow up was materialized in the annual evaluation to the Internal Audit carried out by the members of the Committee and which unanimous result was the highest score of satisfaction.

Performance in 2016

The Management report submitted for approval by the Shareholders' General Meeting accepted by the Board of Directors, pursuant to Minutes No. 162/8 of January 31, 2017, contains the economic - financial analysis of the Balance Sheet and the Statement of Income of Banco Bilbao Vizcaya Argentaria Colombia S.A. BBVA Colombia, bank establishment incorporated as Joint-Stock Company by public deed 1160 of April 17, 1956 with effectiveness until December 31, 2009.

The Audited Financial Statements of BBVA Colombia are attached to this document pursuant to the standards of the Financial Superintendence of Colombia (SFC) and the Code of Commerce.

In concordance with Article 57 of Decree 2649 of 1993, the information and statements related to the Financial Statements have been duly verified and obtained from the accounting records of the Bank, prepared in conformity with the international standards of financial information and guidelines provided by the Financial Superintendence de Colombia.

The Financial Statements include the descriptive notes about accounting standards and accounts required for their preparation. In particular, Note 42 thereof discloses the balances and transactions with economic related parties (affiliates, partners and administrators) at December 31, 2016.

Figures of the statement of income and balance sheet included in this Management Report were taken from the Audited Financial Statements. They are classified and grouped pursuant to the methodology of the Financial Superintendence of Colombia, taking into account the convergence with the International Financial Information Standards.

Evolution of the macroeconomic and financial sector environment

The international volatility in 2016 was associated mainly to the electoral decisions across the world and the geopolitical conditions. However, the actions of central banks in developed countries and tax measures in the United States announced by new presidential term improved the perception

of markets. Also, it helped that China stabilized its growth and dissipated the fears of a strong land of its economy, thus helping to the recovery of commodities price across the world. With such news, the likelihood that FED increases its interest rate in 2017 increased. In fact, we hope that two additional increases take place in this year. In turn, the European Central Bank continued with its monetary expansion policies, extending them until December 2017, and at the same time maintained its interest rates at 0%; notwithstanding, the global growth for 2016 was below the average from 2000 to 2007 and was placed near 3%.

Such panorama conditioned the performance of Colombian economics since exports of goods and services were maintained in a depressed level, below the growth of our main commercial partners. Besides, the gradual slowdown of the internal demand continued, with an increasing downward adjustment in the household consumption and private investment. Thus, for the first time after the fall of the oil prices in 2014, in 2016 the aggregated demand grew below the total GDP, helping to the financial adjustment of households and companies and its slow deleverage. Additionally, the increases of the interest rate of the Banco de la República were a contributing factor. The Bank took its policy rate to 7,75% in 2016, and reduced it only by year end to 7,50%, pursuing the moderation of the expectations of the long-term inflation pushed by the strong increases of food prices and imported goods in the first part of the year; for the case of food, as a consequence of “El Niño Phenomenon” and for the case of imported goods for the devaluation of the exchange rate, which maximum peaked was reached in the first quarter of 2016.

In turn and in line with the adjustment of the economy, the banks portfolio decelerated. The commercial portfolio commercial has been the main source of the slowdown of all credit facilities in concordance with the adjustment observed in the private investment during most part of 2016. With regard to portfolio quality indicators, they have maintained a steady level in low values versus historic levels.

Bank financial performance

Balance

Total assets of BBVA Colombia showed an annual growth of 2,9%, closing the year with \$51,7 trillion balance and \$1,5 trillion variation.

Balance

(Specific Balances - Million pesos)

	2016	2015	%
Cash	\$ 4,448,179	\$ 5,432,069	(18.1)
Lending positions in mdo operations	448,960	909,177	(50.6)
Investments and operations with derivatives	6,405,251	6,276,126	2.1
Loans and leasing portfolio	39,618,529	36,910,626	7.3
Impairment	(1,562,298)	(1,247,237)	25.3
Portfolio interests of credit and other items (Net)	354,958	272,969	30.0
Other Assets	1,947,111	1,630,119	19.4
Total Assets	51,660,690	50,183,849	2.9
Deposits and receivables	40,844,062	35,943,242	13.6
Borrowing positions in mdo operations	533,645	3,877,977	(86.2)
Financial instruments at fair value	950,927	1,186,938	(19.9)
Banks and other financial obligations	1,552,578	1,598,178	(2.9)
Outstanding Investment Securities	2,416,132	2,488,551	(2.9)
Trade payables	604,291	605,816	(0.3)
Labor obligations	186,462	172,580	8.0
Other liabilities	561,891	491,487	14.3
Total liability	47,649,988	46,364,769	2.8
Share capital	89,779	89,779	-
Additional paid-in capital	651,950	651,950	-
Reserves and specific-purpose funds	2,279,237	1,977,124	15.3
Surplus	476,808	496,260	(3.9)
Profits or losses	512,928	603,967	(15.1)
Total Shareholders' Equity	4,010,702	3,819,080	5.0
Total Liabilities and Shareholders' Equity	\$ 51,660,690	\$ 50,183,849	2.9

With regard to the liquidity resources of the Bank, cash records a decrease by \$1.0 trillion versus previous year. explained for the drop of deposits in Banco de la República by \$2.3 trillion which was offset against an increase in cash and deposits in banks and other financial entities. The foregoing keeping in mind an effective administration of the surpluses of liquidity to the extent that the growth of deposits was placed timely in the credits portfolio.

In turn, the lending positions in market operations dropped by 50.6%, closing the year 2016 in \$0.4 trillion. The investments and operations with derivatives show 2.1% growth, increasing by 6.4 trillion. During year 2016 it was evidenced a recomposition of the investments portfolio, from investments at fair value with changes in income to investments at fair value with changes in ORI; the foregoing taking into account the market conditions and Bank strategy to minimize the impacts in the Statement of

Income, product of the volatility of the papers.

The portfolio of Credits and Leasing records an annual growth of 7.3% represented in \$2.7 trillion, closing the year with \$39.6 trillion balance. In turn, the Impairment account that corresponds to the specific and generic provisions of the portfolio shows 25.3% increase. Other assets record 19.4% growth or \$0.3 trillion.

With regard to the liability, deposits and receivables accounts, they show an annual growth of 13.6% or \$4.9 trillion, reaching \$40.8 trillion. Said increase is due mainly to the Term Deposit Certificates (CDTs per its acronym in Spanish), in particular those with more than 18-month maturity. The increase was \$7.1 trillion, counterbalanced partially with a drop in saving deposits for \$2.8 trillion. The foregoing, framed within the liquidity management strategy established by the Bank in order to clear and settle adequately the maturities of the portfolio with long-term deposits. Borrowing positions in market operations dropped by 86.2%, closing the year 2016 with \$0.5 trillion.

The Financial Instruments at fair value closed with \$1.0 trillion balance and 19.9% decrease versus 2015, due mainly to the lower volume in forward operations.

The credit facilities with Banks and Other Financial Obligations recorded 2.9% reduction explained by the fall in credit facilities with foreign financial entities by \$357 m.M. and were offset partially against increases in Bancoldex, Finagro and Findeter for \$311 m.M.

Outstanding Investment Securities fell by 2.9% and closed the year with \$2.4 trillion. Other liabilities grew by 14.3% and reached \$0.6 trillion.

Finally, the Shareholders' Equity account showed 5.0% increase reporting \$4.0 trillion balance at the closing of 2016.

Credits portfolio

Year 2016 ended with good results in connection to credit issues. The year closed with \$39.6 trillion pesos balance in Gross Credits Portfolio which represents an interannual growth of 7.3%, equivalent to 3.7 times the growth expected for the Colombian economics in year 2016.

The net credit portfolio of provisions for impairment reached \$38.1 trillion, with 6.7% growth or \$2.4 trillion versus closing 2015.

Credits Portfolio

(Specific balances- Million pesos)

	2016	2015	(%)
Gross Credit Portfolio	\$ 39.618.529	\$ 36.910.626	7.3
• Consumption	13.292.263	11.511.259	15.5
• Commercial	14.114.413	14.592.668	(3.3)
• Microcredits	-	6	(100.0)
• Mortgages	9.519.344	8.502.319	12.0
• Leasing	1.631.674	1.492.235	9.3
Non-performing loan portfolio	252.328	227.500	10.9
Delinquent loan portfolio	808.507	584.641	38.3
Impairment	(1.562.298)	(1.247.237)	25.3
Net loan portfolio	\$ 38.056.231	\$ 35.663.389	6.7

The BBVA Colombia loan portfolio maintains its focus toward the Retail segment which represents 57.6% of the gross portfolio at the year end 2016 with 14.0% increase versus previous year and \$22.8 trillion balance.

In turn, the portfolio consumption made up by Payroll Deduction Loans, Vehicle, Free Investment, Revolving Credit Limit, Individual Credit Cards and Particular Overdrafts, shows 15.5% increase versus year end 2015. The foregoing as a result of the continuity in the management focus for segments and commercial actions adjusted to the client's profile. Although payroll deduction loans is still the product with higher interest in consumption portfolio it is worth mentioning that the dynamics of Free and Vehicle Consumption showed annual growths for 5.2% and 34.4% respectively.

The mortgage portfolio grows by 12.0% or \$1.0 trillion versus year 2015 and amounts to \$9.5 trillion. The mortgage portfolio represents 24% of the gross portfolio at year end 2016.

The commercial portfolio showed an annual reduction by 3.3% or \$0.5 trillion, ending the year with \$14.1 trillion balance. In turn, the leasing portfolio increased by 9.3% or \$0.1 trillion and closed the year with \$1.6 trillion balance.

To conclude, despite of the slowdown of the Colombian economics, BBVA Colombia recorded a solid growth with regard to credit investment, marked mainly by the individual's portfolio.

Quality of the portfolio

The adequate risk management performed in BBVA Colombia allows the expansion of the credit activity, keeping the good quality indicators of the portfolio and the sound and competitive risk profile which is the BBVA signature. The exhaustive processes of admission and recovery have allowed the interannual growth interannual of the gross portfolio to be accompanied by some competitive indexes of non-performing and delinquent loan portfolio.

Non-performing loan portfolio and hedging

(Million pesos)

	2016	2015
Gross Credit Portfolio	\$ 39,618,529	\$ 36,910,626
• Non-performing loan portfolio total	1,060,835	812,141
• Non-performing loan portfolio	252,328	227,500
• Delinquent portfolio	\$ 808,507	\$ 584,641
Portfolio Indexes	%	%
Non-performing loan portfolio	0,64	0,62
Delinquent portfolio	2,04	1,58
Hedging level	%	%
Non-performing loan portfolio	619,15	548,24
Delinquent portfolio	193,23	213,33

An increase of the total non-performing loan portfolio was shown in line with the growth of the credit activity of the Entity and the slowdown of the Colombian economics during year 2016. Thus, the non-performing loan portfolio indicator closed the year by 0.64% and the Delinquent Portfolio by 2.04%, with annual variation of +2 bp and +46 bp, respectively. Moreover, the hedging indicator of the non-performing loan portfolio was placed in 619.15% and the delinquent portfolio in 193.23%, keeping in both cases adequate levels.

Customers' funds

During 2016 the deposit takings behaved in line with the growth dynamics of the portfolio and the liquidity requirements of the Bank. The customer's funds increased 12.6% or \$4.8 trillion, closing the year by \$43.3 trillion, the Term Deposit Certificates represented 41.9% from the total resources and recorded 63.9% increase, reaching \$18.1 trillion.

Customer funds

(Million pesos)

	2016	2015	(%)
Demand deposits	\$ 5,526,700	\$ 4,938,903	11.9
Savings deposits	16,579,931	19,398,501	(14.5)
Term Deposit Certificates	18,114,670	11,049,053	63.9
Other Deposits	622,760	556,784	11.8
Total Deposits from Customers	\$ 40,844,061	\$ 35,943,242	13.6
Outstanding Investment Securities	2,416,132	2,488,551	(2.9)
Total Customer Funds	\$ 43,260,193	\$ 38,431,793	12.6

At year-end 2016, the transactional deposits (Demand and Savings) were reduced by 9.2% represented in \$2.2 trillion

up to \$22.1 trillion. Such deposits represented 51.1% from the total customer funds.

The Outstanding Investment Securities closed the year by \$2.4 trillion and were reduced by 2.9% versus the year end 2015.

Adequate equity and solvency ratio

At the closing of 2016, the equity of the Entity amounted to \$4.0 trillion, and increased by 5.0% versus the closing of 2015. Such variation is explained by the increase of reserves in \$302 m.M. that was counteracted partially with reduction of surplus and income of the year.

Shareholders' Equity closed 2016 with \$5.2 trillion and increase by 0.3% versus the year end 2015. The Right Required Shareholders' Equity must be \$3.7 trillion pursuant to Colombian standards, which implies an Equity Surplus for \$1.5 trillion.

Right equity and solvency ratio

(Million pesos)

	2016	2015	%
Book value of assets and liabilities	\$ 4.010.702	\$ 3.819.080	5.0
Shareholders' Equity	5.231.846	5.215.575	0.3
Right Required Shareholders' Equity	3.737.210	3.456.684	8.1
Surplus of Shareholders' Equity	1.494.637	1.758.890	(15)
Weighted Assets and Contingency per Risk Level	\$ 41.524.554	\$ 38.407.605	8.1
Value at Risk (VaR)	207.784	169.971	22.2
Solvency ratio without VaR	13.34	14.28	(0.94)
Solvency ratio with VaR (minimum 9%)	12.60	13.58	(0.98)
Tier 1	6.74	7.03	(0.29)

¹ Basic Shareholders' Equity to weighted assets per risk level

Weighted Assets per risk level closed in \$41.5 trillion and grew by 8.1% or \$3.1 trillion, which evidenced the growth of the activity. In turn, the Market Value at Risk (VaR) increased 22.2% mainly due to the volatility of the exchange rate and the increase of the intervention rate of Banco de la República.

The solvency level of BBVA Colombia is right, exceeding the requirements of the regulatory entity with -98bp annual variation.

Income statement

Below the income statement of BBVA Colombia at the year-end 2016.

Accrued Income Statement

(Million pesos)

	2016	2015	%
• Credits Portfolio	4,361,986	3,467,190	25.8
• Interests Expenses	(2,279,666)	(1,285,648)	77.3
NET INCOME FOR INTERESTS	2,082,320	2,181,542	(4.5)
NET INCOME FOR BANK FEES	125,091	135,963	(8.0)
• Investment Portfolio	399,170	256,433	55.7
• Dividends	9,929	11,126	(10.8)
• Other Income	257,722	98,682	161.2
OTHER OPERATING INCOME	666,821	366,241	82.1
GROSS MARGIN	2,874,231	2,683,746	7.1
• Net supply of assets	(647,578)	(467,407)	38.5
• Overhead Administration Costs	(1,438,835)	(1,291,619)	11.4
- Staff Costs	(524,304)	(465,738)	12.6
- Overhead costs	(306,844)	(297,592)	3.1
- Fees	(21,515)	(23,187)	(7.2)
- Depreciation and Amortization	(74,901)	(87,334)	(14.2)
- Leases	(39,703)	(36,560)	8.6
- Insurance	(125,632)	(111,649)	12.5
- Maintenance and adaptations	(45,093)	(38,862)	16.0
• Contributions and taxes	(147,668)	(142,001)	4.0
- Taxes	(138,098)	(131,795)	4.8
- Contributions and affiliations	(9,570)	(10,206)	(6.2)
• Other	(452,164)	(380,066)	19.0
• Operating Risk	(7,855)	(6,222)	26.2
OPERATING EXPENSES	(2,086,413)	(1,759,026)	18.6
INCOME BEFORE TAXES	787,818	924,720	(14.8)
• Income tax	(274,890)	(320,753)	(14.3)
NET INCOME	512,928	603,967	(15.1)

The interest margin recorded an annual decrease of 4.5%; although the income for the loans portfolio raised by 25.8%. the interests costs increased by 77.3%; the foregoing bearing in mind the scenario of the increase of the interest rates of Banco de la República and their impact on the repricing of the customers' deposits in a more accelerated form than the portfolio.

The bank fees were affected during the year for the peso devaluation which reflected a reduction of net income for bank fees for 8.0% versus year end 2015. In turn, income from investment portfolio showed growth for 55.7% or \$143 m.M. explained mainly due to higher income from portfolios at fair value and amortized cost. The Other Income entry line that includes operating income for financial services supplied and recoveries from Operating Risk and others recorded an increase for 161.2% or \$159 m.M. explained mainly for the sale of the Bank interest in CFIN and for the valuation at market prices of the Bank interest in Credibanco.

With regard to the net supply of assets, an interannual increase for 38.5% was recorded in line with the growth of the loan portfolio and the economic slowdown reflected on an impairment of the portfolio quality indicators. Notwithstanding, it is worth mentioning that BBVA continues showing the best credit quality indicators of the financial sector.

BBVA Colombia continues reflecting an efficient management of the administration costs and has been slightly affected by the devaluation of the Colombian peso. The administration costs record an increase of 11.4% versus previous year. The Staff Costs increased 12.6% versus year 2015. On the other hand, the Overhead Costs grew by 3.1%, variation that would have been -3.0% deducting this effect. The expense for contributions and taxes grew by 4.0%.

Additionally, the income tax decreased by 14.3%, even with the increase of a percentage point in the tax rate pursuant to the last tax reform. The foregoing keeping in mind that the Bank has sought tax efficiencies, reason why the tax effective rate increases only 20 bp by going from 34.7% in 2015 to 34.9% in 2016.

Finally, BBVA Colombia recorded net income for year 2016 for \$512.928 M. In conclusion, 2016 was a challenging year, successfully accomplished and we will keep generating value to the investors, customers and employees.

Risks Report

General risk management and control model

As member of BBVA Group, BBVA Colombia has a general risk management and control model (hereinafter the “Model”) tailored to the local business, its organization and geographies where operates. Said Model allows developing its activity within the framework of the management and control strategy and policy defined by the Board of Directors of the Bank, adapted to a changing economic and regulatory climate, facing the risk management on a global basis and adjusted to the circumstances at any given moment.

This model is made up by the basic elements as detailed below:

- Governance and organization.
- Risk appetite.
- Decisions and processes.
- Evaluation, follow up and reporting.
- Infrastructure.
- Risk culture.

Governance and organization

The governance risk model in BBVA Colombia has characterized for a special coordination of its corporate bodies, both the establishment of the risk strategy and the follow up and continuous supervision of its implementation.

The Board of Directors approves the risk strategy and supervises the internal control and management systems, in particular, the strategy approved by the Board of Directors includes, at least, the declaration of risk appetite, the fundamental metrics and the basic structure of limits in Colombia, types of risks and classes of assets, as well as the basis of the control and management risks model, the Board of Directors also ensures that the budget is aligned with the approved risk appetite.

Pursuant to the basis established by the Board of Directors, the Risk Management Committee (“RMC”) performs the follow up on the risk limits, being informed both of the surpluses produced over the limits as, in this case, of timely correcting measures that could be set; likewise, it performs as a special relevant task the control and detailed follow up of the risks that affect the Bank as a whole that allows the surveillance of the effective integration in the management of the risk strategy and application of the policies approved by corporate bodies.

The Risk Vice-presidency for the best compliance of its functions is supported on a structure made up by cross units in Colombia. Within its field of competence, risk management and control functions, it is responsible for applying the corporate policies and standards approved by the Board of Directors and reporting as appropriate to the corporate bodies.

The decision-making process of the Risk Area is supported by the structure of the committees; the Risk Management Committee (RMC) is the highest committee of the risks function and, among others, it proposes and contrasts the risk internal regulatory framework, the procedures and infrastructures necessary to identify, evaluate, measure and manage the risks faced by the Bank in the development of their businesses, as well as the admission of the most relevant risk operation. The members of said Committee are the Colombia Risk Vice-presidency and the leading managers of the risk units of Colombia.

The Risk Management Committee (RMC) articulates the development of its functions in different supporting committees, among which it is worth mentioning:

- **Operations Technical Committee and Central Risk Committee** which purpose is the decision making with regard to the admission of wholesale credit risks of certain customers’ segments.
- **Wholesale Follow up Committee and Individual and SMEs Follow up Committee** which purpose is to determine the action measures to manage the recovery of non-performing loan portfolio and local and consolidated delinquent loan portfolio.
- **New Businesses, Products and Services Committee** which purpose is to identify, evaluate and analyze operating risks of new businesses, products and services to ensure the knowledge of all its inherent operating risks and the establishment of the required controls and mitigations.

Risk appetite

The Risk Appetite approved by the Board of Directors determines the risks and level thereof that BBVA Colombia is willing to assume in order to accomplish the business goals. They are expressed in terms of capital, finance structure, profitability, recurrence of income, risk cost or other metrics. The definition of Risk Appetite has the following goals:

Develop the Bank strategy and highest risk levels that is willing to undertake.

- Establish the action guidelines and a medium-long term management framework that prevent actions with which the future viability of the Bank may be compromised.
- Ensure the consistency in the decision making process preventing contrasting behaviors with the other geographies of the Group.
- Ensure the alignment with the new regulatory requirements facilitating the communication with regulators, investors and other stakeholders thanks to a comprehensive and stable framework of the risk management.

The Risk Appetite defined by BBVA expresses the risk levels and types that the Bank is ready to take in order to carry out its strategic plan without relevant diversions even in stress situations. The Risk Appetite is embodied in the management and determines the basic activity lines of the Bank since it provides the framework of the budget.

Decisions and processes

The transfer of the Risk Appetite to ordinary management is supported on three basic aspects:

- A homogeneous regulatory body.
- The risk planning.
- A management integrated to risks along their life cycle.

Homogeneous regulatory body

The Risks Area follows and adopts the regulatory body defined on a corporate basis pursuant to the local demands and the effects of having a decision making process that results adequate to the local area and aligned with the Group policies.

Risk planning

The risk planning allows ensuring the integration in the Risk Appetite management through the cascade process of limits setting where the function of the Risks Area of Colombia is to guarantee the alignment of said process with the Risk Appetite.

Risk daily management

All risks should be managed comprehensively during their life cycle based upon a differentiated treatment pursuant to their typology.

Evaluation, tracking and reporting

The evaluation, tracking and reporting is a cross element intended to allow the Model to have a dynamic and anticipated vision that enables the compliance with the Risk Appetite approved by the Board of Directors, even before unfavorable scenarios. This process covers all the categories of material risks and its objectives are as follows:

- Evaluate the compliance with the Risk Appetite at present time through the tracking of fundamental metrics and limits.
- Evaluate the compliance with the further Risk Appetite through the projection of variables to the Appetite both in a budget based scenario and a stress-test risk scenario.
- Identify and value the risk factors and scenarios that could compromise the compliance with the Risk Appetite through the development of the risks reposition and the analysis of their impact.
- Act to mitigate the impact in Colombia of the risk factors and scenarios identified, keeping them within the goal risk profile.

- Supervise the key variables that do not form part directly of the Risk Appetite but condition their compliance; they are both external and internal.

Infrastructure

The infrastructure constitutes an element that must ensure that BBVA Colombia has the sufficient human and technological resources for an effective risk management and supervision, the performance of functions comprised in the Model and the goals achievement.

Risk Culture

BBVA Colombia considers the risk culture as an essential element for the consolidation and integration of other components of the Model, the culture transfers to all levels of the Organization the implications that, from the risk perspective, lead to the activities and businesses of BBVA Colombia. The risk culture is articulated based upon the following levers:

- *Communication:* promotes the dissemination of the Model and, in particular, of the principles that should rule the risk management in BBVA Colombia consistently and comprehensively in the organization through the most suitable channels for such purpose.
- *Training:* its main objective is to disseminate and settle the risk management model of the Bank, ensuring the standards in capacities and knowledge of the different parties in the risk management processes.
- *Motivation:* area that pursues the incentives of the risk function teams that support the strategy management, values and culture of the function at all levels. It includes the compensation and every such element related to motivation -working environment, etc.,- that contribute to the achievement of the Model objectives.

Credit Risk

The credit risk source comes from the likelihood that one of the parties of the financial instrument contract breaches its contractual obligations for insolvency or incapacity of payment reasons and produces to the other party a financial loss.

The principles that support the credit risk management of BBVA Colombia are the following:

- Availability of basic information for the risk analysis, risk proposal and the documentary approval support that collects the conditions required by the appropriate internal body.
- Sufficiency in resources generation and equity solvency of the customer to assume the debt servicing, including among others, capital amortizations, interests of credits and insurance policies.
- Constitution of adequate and sufficient collaterals that allow the effective credit recovery, being the second and exceptional collection way.

The credit risk management in the Group has a comprehensive structure of all its functions that allows the decision making on an objective and independent basis throughout the risk term.

At Group level: The frameworks of action and homogeneous conduct standards for risk treatment are defined, specifically the circuits, procedures, structure and supervision.

At local level: They are in charge of adapting the Group criteria to the local reality, being responsible for the direct risk management pursuant to the decision circuit.

The purpose of the Risk Area is to preserve the solvency of BBVA Colombia, supporting the definition of its strategy and facilitating the business development.

The general purpose is accompanied by five basic principles for management as described below:

- The risks assumed should be adjusted to the general risk policy set by the Board of Directors of BBVA Colombia.
- The risks assumed should maintain the proportionality with the level of own resources and generation or recurring income of BBVA Colombia, giving priority to the risks diversification, preventing relevant concentrations.
- The risks assumed have to be identified, measured and valued, with the mandatory existence of procedures for tracking and management, besides of solid control and mitigation mechanisms.
- The risks should be managed with soundness and integration during their life cycle with a differentiated treatment pursuant to their typology.

During the year 2016 and in the course of prudent supervision activities from the Financial Superintendence of Colombia, the following issues became relevant:

- *Resistance Test Scheme*: in conformity with the best international practices, it provides the minimum guidelines to implement the Resistance Test Scheme and the contents of the qualitative and quantitative report of the results obtained which were presented in December and described in overall the results and risks and vulnerabilities to which the entity would be exposed.
- *Subjective qualification of commercial portfolio*: Adjustments to the qualification methodology and validation process could be made. In May, the Entity reported to the SFC the modifications made focused toward the variables: behavior with the entity, behavior with the sector and final qualification. With regard to the validation of the methodology, in August BBVA forwarded the documents supporting such validation. From the foregoing, the regulator has not stated any further comments.
- *In-situ inspection to SMEs Banking*: the SFC conducted a visit from June 7 to 24 in order to follow up the restructured portfolio of the SMEs Banking which final report was received in July and included recommendations with regard to the ruling in committees, and supplementation of the policies and procedures manual marked the restructured operations, among others.

- *Adjustment to the reference model of the consumption portfolio:* the regulator performed the modification of the calculation of the loss expected of the reference model of the consumption portfolio which includes now an adjustment variable per term which increased the value of the provision in those operations with more than 72 months term. The foregoing came into effectiveness with the new billing of December 2016.
- *Risk Appetite Framework:* the presentation to the SFC was made with the governance structure, the methodology adopted to establish the individual metrics for main risks, limits defined, maximum capacity of the risk tolerated and policies set when limits are exceeded.

Exposition to Credit Risk

With the last figures available for sectors at the cut-off date in October 2016, BBVA has 9,9% interest, ranking as the third largest competitor in the Colombian market. Despite the economic slowdown and diverse factors that hit the financial sector during the year, the growth of the investment at the reference cut-off date was 9,5%, greatly affected by the decline in the commercial portfolio (1,9%) which was absorbed for the good performance in the consumption portfolio (17,5%).

At year end December 2016, the credit investment of BBVA shows an interannual growth of +\$2,7Bn (7,2%), marked out by the activity of the individuals portfolio (+\$3,0Bn, 14,6%) that offsets the slowdown of the commercial portfolio (-\$357mM, -2,2%).

For the retail area, several initiatives have been implemented to pursue the common purpose of the customer-oriented team, profitability and capital management as well as the proactivity in view of the macro-economic and social and political events faced by Colombia. From the admission point, new scoring models have been implemented both reactively (cards) and behaviorally thus enabling the improvement of the discriminant capacity of the internal models of credit risk.

Based on the development of such more discriminant models, several commercial and action policies were enforced, enabling the relevant steps for the insight of digital banking. The accompaniment of the Risks Area in said digital development enables the assurance of the risk appetite of the Group. Examples of such actions have been the deepening on the sale of asset products such as consumption and cards in customers

with payroll paid directly into the bank, the sale of cards through the web page or channels such as ATM's or introduction of the "advance payment of payroll".

Such actions have led to improve efficiencies but at the same time to improve the profile of the new admission increasingly focused on attracting customers with payroll or ensuring the deepening of such customers with payroll paid directly in the bank and without asset products through digital and efficient value offers.

Investment in other segments such as Small-Sized Companies have shown a marginal growth product of the impairment of the economy and adjustments made to the admission policies in 2015 that led to a better placement versus previous years. In Medium-Sized Companies there is an important growth as a result from specific operations that helped the dynamism of the activity. In order to support the increase of the investment, campaigns with customers are being designed as well as profiling the basis for linking new customers that may help in 2017 to the growth of investment based on a good risk level.

On the other hand, the wholesale sector was framed by a lower dynamism in the economy as a result of the collapse of oil income and devaluation of the Colombian peso against US dollar; notwithstanding such fact, the profitable investment of the companies segment is maintained at \$13 trillion. The foregoing was possible thanks to the trend of the portfolio to customers in sectors with positive evolution and better vulnerability.

The classification and qualification per modality of loans portfolio at December 31, 2016 is:

Portfolio	Capital	Interests	Other
Commercial:			
• Category "A"	\$ 14,941,907	\$ 164,865	\$ 4,701
• Category "B"	630,826	7,217	492
• Category "C"	231,942	6,220	117
• Category "D"	34,097	1,226	440
• Category "E"	182,325	8,671	4,715
Total commercial	\$ 16,021,097	\$ 188,199	\$ 10,465
Consumption:			
• Category "A"	\$ 12,828,049	\$ 118,171	\$ 1,005
• Category "B"	283,215	6,358	266
• Category "C"	135,554	2,484	204
• Category "D"	236,819	6,263	449
• Category "E"	291,590	7,935	1,133
Total consumption	13,775,227	141,211	3,057

Portfolio	Capital	Interests	Other
Microcredit:			
• Category "A"	-	-	-
• Category "B"	-	-	-
• Category "C"	-	-	-
• Category "D"	-	-	-
• Category "E"	2	-	-
Total microcredit	2	-	-
Housing:			
• Category "A"	9,088,221	49,103	3,346
• Category "B"	173,300	1,919	346
• Category "C"	87,091	1,063	505
• Category "D"	29,558	472	302
• Category "E"	89,841	1,840	1,533
Total Housing	9,468,011	54,397	6,032
Employees Housing:			
• Category "A"	249,566	-	-
• Category "B"	704	-	-
• Category "C"	433	-	-
• Category "D"	-	-	-
• Category "E"	243	-	-
Total Employees Housing	250,946	-	-
Employees Consumption:			
• Category "A"	102,285	-	-
• Category "B"	179	-	-
• Category "C"	83	-	-
• Category "D"	318	-	-
• Category "E"	380	-	-
Total Employees Consumption	103,245	-	-
Overall impairment (Provision)	-	-	-
Individual impairment counter-cyclical component	-	-	-
Other	-	8,605	-
Total Loans Portfolio	\$ 39,618,528	\$ 392,412	\$ 19,554

Credit risk mitigation, security interests and other credit improvements

The highest exposition to credit risk in most cases has been reduced by the existence of security interests, credit improvements and other actions that mitigate the exposition of the Bank. The hedging policy and risk credit mitigation in BBVA Colombia comes from its conception of bank business, focused toward the relational banking. In this connection, the demand of collaterals may be an instrument necessary but not enough to the risk granting since the assumption of risks requires the previous verification of the debtor's capacity of payment or to generate enough resources that allows them the risk amortization under the conditions agreed.

Consequently, the policy of the credit risk assumption in BBVA Colombia is instrumented in three levels:

- Analysis of the operation financial risk based upon the capacity of reimbursement or generation of resources of the credit receiver.
- Where appropriate, provision of guarantees appropriate to the risk assumed in any of the forms generally accepted: monetary, collateral, personal or hedgings, and finally
- Risk valuation of recovery (liquidity of asset) of guarantees received.

The focus of BBVA Colombia for the risks assessment is based upon the resource generation instead of the guarantees provided; in this spirit, the Bank does not grant credit operations based only on the guarantee.

At corporate level, the management tools to regularly monitor the portfolios showed in 2016 following advances:

- *Capital map*: with the purpose to homologate the financial information, BBVA Group modified the structure of the information as to the epigraphs, migrating from local to corporate epigraphs.
- *Asset Allocation*: through the circuit established, the modification of the limits provided for 2016 was requested which were approved by the Board of Directors.

- *June and November:* reaccommodation of limits based on the local sector analysis and with which the Colombia sector mapping was adjusted.
- *October:* increase of the limits for Consumer Finance and Consumer Loans due to the increase of the investment in such portfolios. For the case of Consumer Finance it is due to the Joint Venture made with Renault (Renault Credit International: RCI) and in Consumer Loans as a result of the positive behavior in the investment of payroll deduction loans that exceeds the growth forecasted.

Bearing in mind the macroeconomic environment of Colombia which goes through indicators with some degree of detriment in specific sectors, the processes of tracking and analysis of the individual portfolios have been oriented to the detection of possible focuses of impairment mainly in consumption lines where the reaction was to adjust the policies and admission tools toward the restriction of profiles with greater likelihood of non-compliance.

The strict tracking of said portfolios under a wide spectrum of variables has enabled the anticipation of early impairments in some profiles of customers and/or products. In BBVA Colombia a large spectrum of anticipated risk metrics is used such as harvests, probabilities of non-compliance, default indexes and others obtained from different management axis. Such axis may be levels of bureaus, payment or not of payroll in bank, the self-employed sector and others that have provided us the possibility to take adequate management measures for admission and pricing; thus, rates increased over the year in such profiles with greater awareness to the macro situation, some risk profiles were restricted and the admission reoriented to the greater risk adjusted profitability profiles, preserving the efficient management of capital.

Furthermore, the retail recovery has been focused toward a main objective such as proposing with advance, new forms of restraint of the portfolio, anticipating the possible impairment of the economy and reacting in the early stages through the offer of value solutions to customers that show some difficulty to comply with their commitments with the Bank. In the Recovery Area actions have been taken with regard to the definition of standards, protocols and processes that seek the closer an efficient support to the client that may start showing impairment signals.

Under the principle of the strict orthodoxy of the actions for recoveries and preservation of the BBVA Group solvency the incentives of the collection agencies have been modified and the risk teams have been enhanced in the territories. The purpose of such initiatives is to ensure that every BBVA customer willing and with payment capacity will have an ally in our Group to solve any possible important difficulty.

Such strategies have taken BBVA to lead in the Colombian financial system proposals of regulatory adaptations by the regulator in order to match to a possible challenging macroeconomic climate in the coming year. Such proposals have been shared by all the financial sector and it is expected to go public in the first semester of year 2017.

The team work and cross strategy along the value chain since the customer's requirement until the recovery of the loan has allowed the more efficient visualization toward the efforts direction in order to reach the balance of the risk as critical axis to the income statement.

In turn, with regard to SMEs risks, the adverse macroeconomic evolution is added with climate factors that hit several regions of the country. For such purpose, at the end of the first semester of 2016 the Containment and Tracking of SMEs Area was created which purpose is to generate closeness with customers and provide support to those who for adverse situations may have affected their cash flow. Furthermore, a joint work with collection agencies has started to improve the processes of recovery of the portfolio higher than 90 days in order to improve the recovery ratios in the segment.

On the other hand, with regard to the climate factors mainly to "El Niño Phenomenon" in last years the Bank has financed the customers for the investment in improvement of infrastructure that mitigate both the drought phenomenon as well as the winter season, thus making customers stronger before such current weather conditions, keeping their normal agriculture production.

With regard to the companies risks, during the year the follow up on investment in sectors and portfolios with possible affectation for the situation of the economic climate was emphasized, in particular the oil sector, oil service companies or activities related thereof. For such situation, a special program was developed jointly with the companies network which was denominated "Plan País" through which a greater deepening could be made over the situation of each company that belongs to such group with the purpose to implement the action plans that led to anticipate actions in face of possible impairments, offering accompaniment and support measures to the entrepreneurs through the extensions of terms or changes in the conditions of their operations.

With regard to recovery, the activities were focused toward the management of groups with tailored made solutions, ensuring the accompaniment of the financial needs of the companies reporting default of the regular payment of their obligations due to the reduction of their income for lower contracting or higher costs arising from the increase of the exchange rate. Each company or client was subject to an individual study which was addressed regularly within the framework of joint negotiations with other creditor financial entities through the agreement of payment formulas led to the facilitation of the compliance with their credit obligations in equal conditions and adjusted to their cash reality, strengthening to wherever possible, the guarantees and hand in hand with the control structures to the payment source.

Concentración de riesgos

With regard to the mitigation of the credit risk concentration, BBVA Colombia keeps updated the maximum concentration indexes authorized, both individual and sectorial, with regard to the different variables observable, related to the credit risk.

On the other hand, the presence or finance quota of the Bank in a particular client is conditioned by its credit quality, nature of the risks kept thereof and the presence of the Bank in the market pursuant to following guidelines:

- The finance needs of the Customer (commercial/financial, short-term/long-term, etc.,) are intended to be reconciled with the Bank interests to the extent possible.
- The legal limits that may exist about risk concentration (relation between risks maintained with a client and the funds own of the entity assuming them) are taken into consideration as well as the situation of markets, macro-economic situation, etc.

The Bank credit portfolio at December 31, 2016, was distributed into debtors dedicated to the following economic activities:

Activity	2016	2015
Association - education - health activities	\$ 1,393,740	\$ 1,319,103
Recreation activities - cultural activity	195,867	173,357
Real estate - companies - lease activity	1,209,420	1,243,394
Water collection - depuration - distribution	32,659	33,455
Wholesale commerce - fees - contracting	1,611,561	1,704,034
Retail commerce - non-specialized establishments	2,272,621	2,661,508
Construction - conditioning - finishings	2,219,391	2,028,605
Mail and telecommunication	434,580	408,090
Preparation food products and beverages	1,274,326	1,507,559
Exploitation public administration and defense	1,009,066	937,081
Non-metallic minerals exploitation	34,793	29,837
Coal extraction	31,681	32,185
Ore minerals extraction	2,974	3,456
Oil gas - natural gas extraction	455,723	503,022
Paper manufacture- coal and its products	37,951	50,765
Fabrication - refining - oil - chemical products	559,277	634,597
Non-metallic minerals fabrication	54,607	216,243
Fabrication other manufacturing industries	66,392	65,538
Metallic products fabrication- machinery	263,315	277,756
Textile products fabrication	199,338	241,961
Insurance plans finance	34,825	41,461
Generation - fabrication electricity- gas - water	1,674,476	1,833,312
Hotels and restaurants	267,765	250,189
Industry - manufacture - metals	52,039	84,587
Finance intermediation	1,078,489	1,026,541
Employees	16,977,280	14,225,302
Capital rentiers	408,384	231,050
Printing activities	18,072	21,252
Not differentiated activities of individual households	296	274
Extra-territorial organizations and bodies	10,417	10,055
Other community service activities	3,802,195	3,187,689
Production fishing farms	12,057	13,070
Agriculture and livestock production	906,492	898,057
Sanitation services and similars	62,149	54,659
Forestry, extraction woods and services	7,159	7,072
Transformation - factory - basketry wood	20,498	19,598
Transportation	926,653	934,909
Total	\$ 39,618,528	\$ 36,910,623

Credit quality of financial assets that are neither past-due nor impaired

BBVA Colombia counts on qualification tools (“scorings” and “ratings”) that enable it to order the credit quality of its operations or customers as from the valuation and correspondence with the denominated probabilities of default (“PD”). To be able to study how such probability varies, tracking and historic data base are available to gather the information generated internally that permits to group in scoring and rating models.

Scoring

The scoring is a decision model that helps for the grant and management of retail credits: consumption, mortgages, individual credit cards, small business, etc. The scoring is the basic tool to decide the grant of a credit, the amount to be granted and the strategies that may contribute to set the price thereof since it is based on the algorithm that orders the operations with regard to its credit quality. Such algorithm allows the assignment of a score to each operation requested by a client on the basis of a series of objective characteristics that statistically have demonstrated the risk quality of such type of operations. The scoring advantage resides in the simplicity and homogeneity: for each client only requires a series of objective data and its analysis is automatic through an algorithm.

There are three types of scoring pursuant to the function of the information used and purpose:

- *Reactive scoring*: it measures the risk of an operation requested by an individual using relative variables to the operation requested as well as of social economic data of the client available at the time of request. The decision to grant or turn down the new operation is made on the basis of the qualification given by the scoring.
- *Conduct scoring*: it scores the operations of a certain product of the active risk portfolio in the entity, enabling the follow up of the credit quality and being proactive with regard to the customer's need; for such purpose, the operation and client variables available internally are used, specifically, variables that refer to the behavior both of the product and the client.
- *Proactive scoring*: it grants the score at client level using variables of general conduct of the individual with the entity, as well as their behavior of payment in all products contracted. Its purpose is to follow up the credit quality of the customer, using it to give a previous granting of new operations.

During 2016 credit inputs were developed in the Retail Risk Credit Area as the probability of default and severities used as inputs to measuring models of risk adjusted profitability. In this way, the Bank customers' base has been broadened, seeking better levels de profitability; also, they are addressed effectively with value offers that meet their expectations.

From the perspective of efficiency and support to networks, important steps have been initiated to change the traditional scheme of evaluation and credit granting toward the use of models seeking the characterization of customers and automation of the decision in specific segments. This way, the characterization and automation are made supported on the information not extracted exclusively from the supporting documents delivered by the applicants, but with the technical exploitation of data bases that show with a high degree of effectiveness the financial situation, the payment behavior and the resource generating activity of the customer, among other aspects.

Realized projects over the year such as the installation of mobile commercial management tools, digital channels to access portfolio offers and the entire identification of customer through matching their fingerprint technologically, are ensuring on one side the closeness with the customer, the possibility to access to credit in a more streamlined, timely and simpler manner, and on the other side, the strong risk mitigation of phishing fraud; this within the framework of new working methodologies for said initiatives and projects with the active involvement from the Bank areas that in one way or another, and from their fields, contribute to the accomplishment and start-up of the plans proposed, mainly those under the technological scope.

Rating

Rating, unlike scorings (that qualify the operations), is a tool focused toward the customers' qualification: companies, corporations, medium-sized businesses, etc. The rating is an instrument that allows on the basis of a detailed financial analysis to determine the capacity of the customer to meet their financial obligation. Usually, the final rating is a combination of different factors in nature; on one side quantitative factors and on the other qualitative factors. It is a middle road between individual analysis and statistical analysis.

The fundamental difference with the scoring is that the latter is used to evaluate retail products while the ratings use the whole sale banking approach; besides, the scoring only includes objective variables while ratings incorporate qualitative information, and although both are based upon statistical studies, incorporating a business vision, for developing the rating tools a greater weight is granted to the business criterion than in scoring.

In such portfolios where the number of defaults is quite small (sovereign, corporate, with financial entities risks, etc.), the internal information is supplemented with the benchmarking from the independent rating agencies (Moody's, Standard & Poor's and Fitch); for such purpose, every year the estimated PDs are compared by the rating agencies for each risk level and the result is the equivalence between the levels of the different agencies and the levels of the Master Scale of BBVA.

Once estimated the probability of default of operations or customers, the so-called "cycle adjustment" is made since it is required to establish the measure of the risk quality beyond the context estimate, seeking to gather information that represents the behavior of portfolios during an entire economic cycle. Such likelihood is linked to the Master Scale prepared by BBVA in order to facilitate the classification in homogeneous terms of their different risk portfolios.

Below the reduced scale used to classify the active risks of BBVA Colombia:

Independent Ratings Standard&Poor's Scale	Internal Ratings Reduced Scale (22 groups)	Probability of Default (basic points)		
		Medium	Minimum from >=	Maximum
AAA	AAA	1	-	2
AA+	AA+	2	2	3
AA	AA	3	3	4
AA-	AA-	4	4	5
A+	A+	5	5	6
A	A	8	6	9
A-	A-	10	9	11
BBB+	BBB+	14	11	17
BBB	BBB	20	17	24
BBB-	BBB-	31	24	39
BB+	BB+	51	39	67
BB	BB	88	67	116
BB-	BB-	150	116	194
B+	B+	255	194	335
B	B	441	335	581
B-	B-	785	581	1,061
CCC+	CCC+	1,191	1,061	1,336
CCC	CCC	1,500	1,336	1,684
CCC-	CCC-	1,890	1,684	2,121
CC+	CC+	2,381	2,121	2,673
CC	CC	3,000	2,673	3,367
CC-	CC-	3,708	3,367	4,243

The determination of said different levels and their limits of Probability of Default (PD) was performed taking as reference the rating scales and default rates of independent agencies Standard & Poor's and Moody's. In this way, the levels of Probability of Default of the BBVA Master Scale are set. The calibrations (mapping of PD tranches scores of DP / levels of the Master Scale) are made as a tool for BBVA Colombia.

From companies risk, the update of customers financial information continued in different tools available to capture the quantitative and qualitative information (sectorial rating, risk analysis) that is of vital importance to safeguard the quality of the wholesale portfolio, therefore, permanent campaigns were carried out to allow the reduction of updating and validation percentages of the ratings which by year end reached 90%.

The composition of the risk exposition distributed per internal rating at the last cut-off date available (September 30, 2016) is shown below:

Distribution of credit risk per internal rating	September 2016		December 2015	
	Amount (million pesos)	%	Amount (million pesos)	%
A/A	\$ 817,762	5,34	\$ 213,125	1,31
BBB+	227,548	1,48	457,610	2,82
BBB	756,707	4,94	841,568	5,18
BBB-	1,624,437	10,60	2,592,156	15,95
BB+	1,830,592	11,94	1,299,730	8,00
BB	1,519,264	9,91	1,368,981	8,43
BB-	1,689,546	11,02	2,092,414	12,88
B+	1,858,271	12,12	1,838,354	11,31
B	1,029,791	6,72	1,342,937	8,27
B-	706,568	4,61	1,304,202	8,03
CCC/CC	417,916	2,73	588,511	3,62
Otros Modelos	2,848,079	18,58	2,307,466	14,20
TOTAL	\$ 15,326,481	100	\$ 16,247,054	100

Non-performing and not impaired risks

Although the existence of the non-performance segment is understood as any credit operation exceeding 30 days of non-payment but not in default yet, in BBVA Colombia tracking is focused on the non-performing portfolio.

Bad or impaired risks

For the classification of a bad credit operation it should be taken into account the portfolio to which it belongs and the non-payment days incurred, as follows:

Portfolio	Días de impago
Consumption	> 60 días
TDC	> 60 días
Mortgage	> 120 días
Commercial	> 90 días

With regard to this sector, the bad portfolio has reflected the stormy economic climate and at the closing of October increased by 36,8% in line with its major competitors that showed raises for 35,4% and 33,8%, whilst the entry into write-offs is twice or even three times the ones made by BBVA Colombia. It is worth mentioning that the policy of entry into write-offs although benefits the bad portfolio, means a higher impact on write-off and what is intended to do from the Risks Area to safeguard the expenses, thus allowing the leadership in the cost risk.

The local provisioning is made as set forth by the Financial Superintendence in annexes 3 and 5 of Section II of the Accounting and Fiscal Basic Circular Letter with regard to the Commercial and Consumption Reference Model keeping a more solid management in the severity of the Consumption Portfolio.

The breakdown of the provisions recorded in balances to cover losses for impairment estimated at December 31, 2016 is shown below:

Restructured portfolio	Capital	Interests	Other
Commercial:			
• Category "A"	\$ 152,301	\$ 1,838	\$ 77
• Category "B"	17,624	1,100	77
• Category "C"	27,027	1,710	235
• Category "D"	12,309	1,292	570
• Category "E"	116,523	8,362	4,543
Total commercial	325,784	14,302	5,502
Consumption:			
• Category "A"	215,797	2,859	45
• Category "B"	22,879	2,139	101
• Category "C"	17,158	1,189	57
• Category "D"	177,100	6,566	449
• Category "E"	247,950	7,181	1,324
Total consumption	680,884	19,934	1,976
Microcredit:			
• Category "A"	-	-	-
• Category "B"	-	-	-
• Category "C"	-	-	-
• Category "D"	-	-	-
• Category "E"	2	-	-
Total Microcredit	2	-	-
Housing:			
• Category "A"	95,092	3,514	345
• Category "B"	6,004	1,919	333
• Category "C"	8,966	1,067	469
• Category "D"	6,100	474	323
• Category "E"	30,997	1,831	1,589
Total Housing	\$ 147,159	\$ 8,805	\$ 3,059
Employees Housing :			
• Category "A"	\$ 2,622	\$ -	\$ 8
• Category "B"	23	-	-
• Category "C"	43	-	-
• Category "D"	-	-	-
• Category "E"	114	-	-
Total Employees Housing	2,802,00	-	8

Restructured portfolio	Capital	Interests	Other
Employees Consumption:			
• Category "A"	1,565	-	-
• Category "B"	15	-	-
• Category "C"	1	-	-
• Category "D"	231	-	-
• Category "E"	243	-	-
Total Employees Consumption	2,055	-	-
General Impairment (Provision)	97,190	-	-
Individual counter-cyclical impairment component	306,420	3,421	-
Other	-	-	-
Total Loans Portfolio	\$ 1,562,296	\$ 46,462	\$ 10,545

Based upon the international standards IAS39 (International Accounting Standards) the statistical model of incurred loss was developed for the calculation of consolidated provisions which was approved by the Technology Analysis Committee (TAC) in June 2016.

On the other hand, and in line with the implementation of International Standards, the adaptation of the corporate model of expected loss (IFRS9, International Financial Reporting Standards) was initiated; it will replace the incurred loss model as from January 2018. During the second semester, 2016 and together with the Finance Area and Analytics & Technology Risks Area the definition tasks (variable and concepts) and gathering of information were initiated.

Refinance and restructuration operations

Generally speaking, the goal should be that every credit operation is repaid entirely by the debtors within the term provided and the agreed modality of payment. Notwithstanding, this objective not always is possible; therefore, in the event of potential or real defaults the following alternatives were presented in a broad sense, that may be combined also:

- Change the initial terms of the operation in common agreement with the debtor (term, amortization calendar, guarantors and guarantees) to adapt them to the new financial capacity of the customer.
- Find alternative ways of recovery (purchase of assets, dation in payment, establishment of payment arrangements, etc.).

- Resolve the operation by court proceedings, enforce the existing collaterals and recover the highest possible amount, both from the principal and interests.
- Sale of portfolio.

We understand the restructuring as a modification of financial conditions of a pre-existing operation in order to facilitate the payment of the debt (principal and interests) motivated by the fact that the debtor cannot or it is foreseen that will not be able to comply in time and manner with their payment obligations, even though said modification was provided in the contract.

The change in initial terms of a credit operation may be implemented by modifying the current operation or signing a new one. The mechanism is originated through the voluntary and agreed negotiation with debtor by means of which the terms of the current operation are modified or through exceptional mechanisms according to the insolvency law of each country (for the case of Colombia, by means of the Business Reorganization ruled by Law 1116 of 2009 or the Insolvency Regime - Law 550/1999).

The refinance / restructuring policies should be focused toward the recovery of all the amounts owed which implies the need to recognize immediately the amounts that, where appropriate, are estimated as irrecoverable. The use of the refinance or restructuring with con other objectives, as it may be the delay of the immediate recognition of losses is contrary to the good management practices.

The Colombia Risks Area develops the own procedure that includes such concepts and adapted to the requirements of the local regulator.

Market Risk

Market Risk en portfolios

The market risk is generated from the movements in market variables that impact on the valuation of financial products and assets with which the trading activity is carried out. The main risks arising may be classified in following aggregations:

- **Interest rate risk:** this arises as a consequence of the exposure to the movement in different interest-rates operating curves. Although the typical products generators of the awareness to the movements in the interest rates are the products of the monetary market and derivatives of traditional interest rates, in practice, the totality of the financial products are exposed to movements in the interest rates for the effect from their valuation through the financial discount.
- **Exchange rate risk:** this is caused by the movement in the exchange rates of the foreign currencies of the position held. As in variable income, this risk arises in the spot positions and in any derivative product whose underlying asset is an exchange rate.

The metrics developed to control and monitor the market risk in BBVA Colombia are aligned with the best international practices ranking the Bank as the landmark in local market.

Metric procedures are established in terms of the possible impact of negative market conditions of the markets under both ordinary circumstances and stressful circumstances of the trading portfolio of BBVA Colombia.

The standard metrics used to measure the market risk is Value at Risk ("VaR"), which indicates the maximum loss that may occur in the portfolios at a given confidence level (99%) and time horizon (one day). This statistical value is widely used in the market and has the advantage of summing up in a single metric the risks inherent to a trading activity, bearing in mind the relations among them and providing a prediction of loss that the trading book could sustain as a result of the fluctuations in prices of the interest rate and exchange rate markets. The analysis of the market risk takes into consideration the following risks: basis risk between several instruments and correlation risk.

Most of the entries of the consolidated balance sheet of BBVA Colombia that are subject

to the market risk are positions which main metric is VaR.

The current management structure includes monitoring the risk market limits that consists of a scheme of limits based on VaR (Value at Risk), economic capital (based on VaR metrics) and VaR sublimits, as well as stop-loss orders for each business units of Treasury. The VaR metric model for most 2016 corresponds to a parametric model that by using the estimated volatility date and assuming a normal distribution of return, infers the maximum foreseeable loss of current portfolio with 99% of confidence level. The historic period for estimation of volatilities used in this model is two years.

On December 12, 2016 the metrics methodology changed to the historic VaR; this method is based on historic values of the risk factors; therefore, includes naturally the correlation among them and their occurrence distribution in such a way that unlike the parametric VaR is not required to suppose the normality in the distribution of the risk factors.

The figures of VaR are estimated following 2 methodologies:

- *VaR without smoothing*, compares the daily information of last 2 years. At present, this is the official metric methodology of market risks with regard to the monitoring and control of risk limits.
- *VaR with smoothing*, gives more weight to the latest market information. This is a metric that supplements the aforementioned one.

Also, and following the guidelines set by European Authorities, BBVA Colombia incorporates additional metrics to VaR in order to meet the regulatory requirements of Banco de España for the purpose to calculate own resources for the trading book. In particular, the metrics incorporated in BBVA Colombia since February 2015 (pursuant to the guidelines of Basilea 2.5) are:

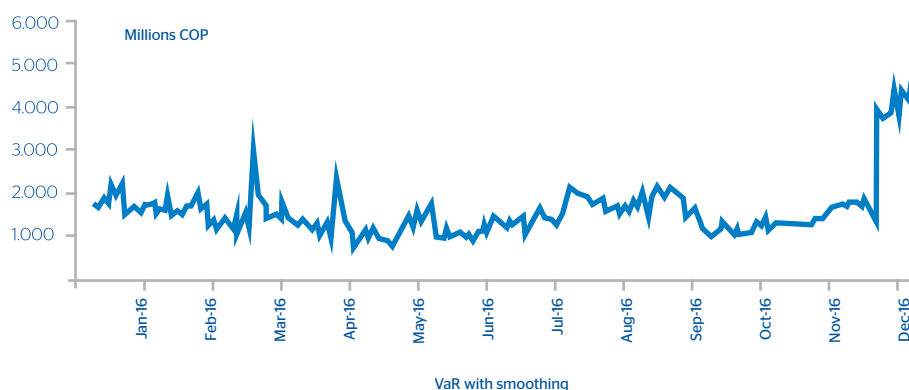
- *VaR*: In regulatory terms, the charge for VaR is added with the charge for VaR Stress (VaR and VaR Stress). Thus, the loss associated to the movements of the risk factors inherent to markets operations is quantified (interest rate, FX). Both VaR and VaR Stress are rescalated by a regulatory multiplier set in three and by the root of 10 to calculate the capital charge.
- *Specific Risk*: Incremental Risk Capital ("IRC"). Quantification of the default risks and downgrade of the credit rating of bonds positions.

The charge of capital is determined on the basis of losses associated (at 99,9% in 1 year-horizon under the constant risk hypothesis) as a consequence of the migration of rating and/or default status or default by the issuer of the asset. Additionally, the price risk is included in the positions of sovereigns for the stated items.

The validity tests of the risk measuring models used by BBVA Colombia are conducted regularly in order to estimate the maximum loss that could have been produced in those positions considered with a certain level of probability (Backtesting), as well as impact metrics of extreme market movements in the risk positions held (Stress Testing).

The market risk in 2016

The market risk of BBVA Colombia remains in low levels when compared against the managed risk magnitudes, in particular those of credit risk. This is the consequence of the business nature and the Bank's policy, with limited own positions. During 2016, the average VaR is \$1,768 million, slightly below versus year 2015, with a maximum level in the year until December 20 when amounted to \$4,775 million. Below is the evolution of the market risk of BBVA Colombia during 2016, measured in terms of VaR (without smoothing), with 99% confidence level and 1 day horizon expressed in million pesos.



The change of level during the month of December makes reference to two factors: In the first place the change of metric methodology went from the parameter VaR to historic VaR as previously mentioned. Secondly, on the same date the valuation of the methodology of derivatives portfolio was changed to start the recognition of the funding cost, thus allowing the metric of the base risk between interest curves in accordance to the collateral of the operations.

For the market risk typology assumed by the trading book of the Bank, the main risk

factor remains linked to the interest rates with 95% weight of the total at year end 2016, increasing the relative weight versus year end 2015 (59%). On the other hand, exchange risk represents 5%, reducing its ratio versus December 2015 (41%).

At December 31, 2016 and 2015 the balance of VaR was \$4,614 million and \$1,964 million, respectively. The figures are broken down as follows:

VaR per risk factors	Interest risk	Change risk	Total
Year 2016			
Average VaR	\$ 1,702	\$ 741	\$ 1,768
Maximum VaR	4,851	2,067	4,775
Minimum VaR	846	35	880
VaR at year end	4,712	253	4,614
Year 2015			
Average VaR	2,339	797	2,392
Maximum VaR	4,472	2,377	4,302
Minimum VaR	775	110	778
VaR at year end	\$ 1,782	\$ 1,215	\$ 1,964

Validation of the model

The internal model of the market risk is validated regularly through the Backtesting. The purpose of said backtesting is to validate the quality and accuracy of the internal model used by BBVA Colombia to estimate the maximum daily loss of a portfolio for 99% confidence and 250 days temporary horizon by means of comparing the Bank results to the risk measures generated by the model. These tests evidenced that the internal models of the market risk of BBVA Colombia are adequate and accurate.

During 2016 the “Hypothetic” daily VaR backtesting was performed by making the comparison to the results obtained without taking into consideration neither the intraday results nor the changes in the portfolio positions. In this way, the suitability of the market risk metrics is validated for the position at the end of the day.

At year-end 2016, the contrast showed the proper operation of itself remaining within the “green” zone (0-4 exceptions) which allows the acceptance of the model, as it has taken place in every year since the internal model of market risk was approved in the group.

Analysis of stress test

Different exercises of stress test were made in the trading books of BBVA Colombia. On one side, historic scenarios are used, both globally and locally, replicating the behavior of some past extreme event, for instance the Lehman Brothers' bankruptcy. Such stress exercises are supplemented with simulated scenarios where the intention is to seek the generation of scenarios with significant impact on different portfolios but without anchoring in any concrete historic scenario.

Historic scenarios

The benchmark historic stress scenario in the Bank is Lehman Brothers' which sudden bankruptcy in September 2008 derived in a significant impact on the behavior of the global financial markets. The most relevant effects of such historic scenario are the following:

- Increase in the volatility of most financial markets giving place to a large variation in the prices of different assets (foreign currencies, equity, debt).
- Liquidity shock in financial systems which reflected into a strong movement of interbank curves, especially in such shorter tranches of euro and US dollar.

Simulated scenarios

Unlike the historic scenarios that are fixed and, therefore, do not get adapted to the composition of the risks of the portfolio each time, the scenario used to make economic stress exercises is supported under the Resampling methodology which is based upon the use of dynamic scenarios recalculated regularly pursuant to which are the main risks remaining in the trading books. Over the data windows, large enough to collect different stress periods (data is taken since January 1, 2008), the simulation exercise is carried out through the resampling of historic observations, thus generating the distribution of profits and losses that enable the analysis of the most extreme events from those that have taken place in the selected historic window. The window of this methodology is that the stress period has not been previously set but depends on the portfolio at each time and that by making a high number of simulations (10,000 simulations) the analysis of the expected shortfall can be performed with greater richness of information than the one available in those scenarios included in the calculation of VaR.

The main characteristics of this methodology are the following: a) the simulations generated respect the structure of data correlation, b) flexibility in the inclusion of new risk factors, and c) enables the introduction of a greater variability in simulations (desirable to consider extreme events).

Structural risks

The Assets and Liabilities Committee (ALCO) is the key body for the structural risks management with regard to liquidity, finance, interest rate and foreign currency. On a monthly basis and with the representation of the ALCO Finance Management, Risk and Business Areas, the Committee monitors the aforementioned risks and presents for approval the management proposals which should be performed by the Finance Management Area on a prospective basis, bearing in mind the framework of the risk appetite and with the purpose to ensure the recurrence of results and preserve the entity's solvency.

Interest rate structural risk

The Interest Rate Structural Risk ("IRSR") collects the potential impact generated by the market interest rates in the interest margin and the equity value of the entity. In order to measure adequately the IRSR, BBVA Colombia considers as main generation sources of such risk: the repricing risk, the yield curve risk, the option risk and basis risk, which are analyzed from two supplementary perspectives: interest margin (short term) and economic value (long term).

ALCO monitors the risk metrics of the interest rate and the ALCO Finance Management Area presents the management proposals for the structural balance. The objective of the management is to promote the stability of the interest margin and equity value with regard to the variation of the market types, respecting the solvency and internal limits in the balance sheet of BBVA Colombia and in compliance with the requirements to maintain the interest rate risk within the approved limits, meeting the current and future regulatory requirements.

The control and monitoring of the risk management of the structural interest of BBVA Colombia is based upon a set of metrics and tools that enable the appropriate monitoring of the entity's risk profile. In this way, a broad range of scenarios is measured regularly, including the awareness to parallel movements in face of different shocks,

changes in the slope and curvature. Also, other probability metrics based on statistical methods of simulated scenarios are assessed such as Earnings at Risk ("EaR") and Economic Capital ("EC"), defined as the maximum adverse deviations in the interest margin and economic value, respectively, for determined confidence level and time horizon. Over such management metrics, impact thresholds have been established both in terms of deviations of the interest margin and the impact on the economic value. All this conducted on a differentiated way for each of the foreign currencies to which the BBVA balance sheet is exposed, considering later the diversification effect among foreign currencies.

In order to guarantee the model efficacy, it is submitted periodically to the internal validation including the backtesting. Additionally, the exposures of the Banking portfolio to the interest risk are submitted to different stress scenarios in order to observe the balance sheet vulnerabilities under extreme circumstances.

Those exercises take into account both the analysis of unfavorable macro-economic scenarios designed specifically by BBVA Research, and a large spectrum of potential scenarios seeking those environments with interest rates particularly detrimental to the entity. For such purpose, extreme rupture scenarios of the interest rate levels and historic correlations have been generated giving rise to sudden changes in slopes and even to inverse curvatures.

The model is supported, necessarily, on an elaborated set of hypothesis intended to reproduce the behavior of the balance sheet as real as possible. Within such assumptions, particular relevance is given to those related to the behavior of the "accounts without explicit expiration" for which stability and remuneration assumptions have been set in accordance to an adequate segmentation per typology of product and customer and the prepayment estimates (implicit optionally).

Hypothesis undergo regular reviews and adaptations pursuant to the evidence of the evolution of behaviors and are kept properly documented being reviewed periodically in the internal validation processes. The impacts on metrics are evaluated both from the economic value perspective (gone concern) as on the financial margin perspective for which purpose the dynamic model (going concern) is applied, which consists of the corporate assumptions of the results preview. The medium interest risk levels are shown below in terms of awareness for the BBVA Colombia balance sheet during year 2016:

Analysis of awareness to interest rate	Impact of interest margin (*)		Impact of economic value (**)	
	Increase by 100 bp %	Decrease by 100 bp %	Increase by 100 bp %	Decrease by 100 bp %
December 2015	24.85	(25.82)	6.47	(10.07)
December 2016	41.77	(44.15)	24.98	(32.51)

(*) Percentage regarding "1 year" interest margin projected of each unit.

(**) Percentage regarding the Core Capital of each unit

Throughout 2016 an upward cycle of the interest rates showed, mainly for the second half of the year influenced by the oil price, the resulting devaluation of the US dollar and inflation which has led Banco de la República to increase by 200 bp the interest rate. BBVA Colombia maintains a favorable margin positioning in the event of an increase in the interest rates. During 2016 said exposure increased mainly due to the change of the finance structure toward term-funds, in particular, medium and long term which hold more stability and hedge the risk of rates hikes.

Exchange rate structural risk

In BBVA Colombia the structural exchange rate risk arises from the exposure of the structural balance sheet to foreign currency positions and their impact on the solvency of BBVA Colombia. ALCO Finance Management designs and executes the strategies in order to control the potential negative impacts for fluctuations of the exchange types in capital ratios.

The monitoring risk metrics are reported in the Assets and Liabilities Committee. ALCO, and supplemented with additional evaluation indicators of the operating position in foreign currencies of the Bank in order to ensure the regulatory compliance of the limits to the position in foreign currency and the adequate management risk of change in the structural balance sheet. With regard to the market, in 2016 the devaluation of the Colombian peso against US dollar stands out, affected by the fall of prices of the commodities, in particular oil and the uncertainty about the growth of economies of Latin America.

The exposure level to the exchange rate structural risk of BBVA Colombia is around 25 bp of its solvency with 10% revaluation of the Colombian peso. This due mainly to the issuance of subordinated debt in US dollars made in April 2015 which held 20% weight in the Group equity.

Liquidity risk

The management of finance and liquidity in BBVA Colombia is grounded on the principle of financial autonomy of the entity, approach that contributes to preventing and mitigating the liquidity risk of the Entity by limiting the vulnerability to events that affect the BBVA Group in periods of high risk in their affiliates in other geographies. For such reason, the Entity acts on an independent basis in order to cover its liquidity needs in the respective market.

ALCO Finance Management performs the liquidity and finance management of BBVA Colombia, planning and executing the funding of the long-term structural gap and proposing to ALCO the actions to adopt in such matter pursuant to the policies and limits provided by the CDP.

The target behavior of the entity, in terms of liquidity and finance risk, is measured through the Loan to Stable Customer Deposits (LtSCD) ratio, ratio between the net credit investment and stable funds from customers. The goal is to preserve the stable finance structure in the medium-term, bearing in mind that maintaining an adequate volume of stable resources of customers is critical to reach a solid liquidity profile. Such stable resources are computed through the analysis of the behavior of general balance sheets of the different segments from customers identified as susceptible to provide stability to the financial structure; giving priority to the link and applying higher haircuts to the credit facilities of less stable customers.

In order to establish the target levels (maximum) of LtSCD and provide a reference for the optimum financial structure in terms of risk appetite, GRM Structural Risk identifies and consolidates some economic and financial variables that may be deemed as conditioning to the financial structure of the geography. The behavior of the indicators reflects that the solidity of the financial structure is maintained during 2016, in the sense that the self-funding levels are maintained with stable resources of customers above the requirements.

Loan to Stable Customer Deposits (LtSCD)	
December 2016 %	December 2015 %
111.21	119.80

The second axis in liquidity and funding risk management is to achieve the proper diversification of the funding structure thus preventing a high dependency of the short-term funding through the establishment of the maximum level of the short-term fund raising that comprises both the wholesale funding and the less stable resources from non-retail customers.

As the third main axis, the resistance to the short term liquidity risk profile is promoted, ensuring that BBVA Colombia has sufficient collateral to face the risk of the closing of wholesale markets. The basic capacity is the metric of the risk management and control of short-term liquidity that is defined as the relation between the explicit assets available and the maturities of wholesale liabilities and volatile resources at different temporary terms with special relevance in 30 day.

The Entity has a liquidity fund at individual level. The following chart shows the liquidity available per instruments at December 31, 2016 for BBVA Colombia:

December 2016	BBVA Colombia
Cash	\$ 2,782,341
Fixed income	4,553,410
TES (Public debt securities)	2,201,419
Corporate bonds	2,014,741
Collateral received as guarantee	\$ 337,250

The above metrics are completed with a series of indicators on which the thresholds are established which purpose is to prevent the concentration in the wholesale financial per product, counterparty, markets and term. Additionally, reference thresholds are established about a series of indicators that allow anticipating stress situations in markets and adopt, where appropriate, preventive actions.

Within the analysis of the liquidity and funding risk management, the stress analyses are a critical element of the monitoring scheme since they allow anticipating deviations with regard to the targets of liquidity and limits provided in the appetite, and establish the tolerance ranges in different management axis. Furthermore, they perform a paramount role in the design of the Liquidity Contingency Plan and in the definition of specific action measures to redirect the risk profile.

For each scenario, it is contrasted if the Bank has enough stock of liquid assets that ensure the capacity to service the commitments/outflows of liquidity in the different periods analyzed. For the development of the analysis, four scenarios are taken into

consideration: one central and three for crisis (systemic crisis; own crisis, that affects the capacity to issue in wholesale markets and in the perception of business risk by the bank intermediaries and the customers of the entity, and mixed scenario with a combination of the previous two). Each scenario considers the following factors: the liquidity existing in the market, the behavior of the customers and the funding sources and impact of rating falls, the market values of liquid assets and collaterals and the interaction between the liquidity requirements and the evolution of the Bank credit quality.

From the stress exercises performed periodically it is concluded that BBVA Colombia keeps a liquid asset buffer (stress buffer) sufficient to face the outflows of the estimated liquidity in an scenario resulting from the combination of a systemic crisis and own crisis, during a period exceeding 8 months.

In addition to the behavior of the major indicators above mentioned, BBVA Colombia calculates the IRL, a regulatory report with weekly and monthly transmission where the lending, borrowing and out the balance sheet positions are presented on an aggregate basis. The IRL should meet for each band (7 and 30 days) that the relation between the liquid assets adjusted by market liquidity and exchange risk and the requirement of the total net liquidity exceeds 100%. Throughout year 2016 the IRL level for BBVA Colombia has maintained above 100%, comfortable levels and above the sector level, indicating their strong position in terms of liquidity.

Additionally, BBVA Colombia with regard to its interest in BBVA Group, established a demand level of Compliance of the LCR ratio set by Basilea, based upon the highest standards in connection to liquidity risk. The internal levels required are oriented to comply with enough anticipation and efficiency the implementation of the regulatory requirement of 2018 above 100%. During year 2016 the LCR level for the entity was maintained sufficiently above said level.

The Entity has maintained a solid position of liquidity over year 2016 with a clear strategy to increase its term resources through deposit taking of CDT's at more than 2 years term, increasing the stable resources of customers, thus guaranteeing a sufficient buffer of liquid assets available, diversifying their funding sources and ensuring a wide collateral position to face difficult situations of the markets and meet the local and international regulatory requirements of liquidity.

Operational risk

The Operational Risk (“OR”) is the one that may generate losses due to human errors, inadequate or faulty internal processes, systems failures and as a result of external events. This definition includes legal risk and reputational risk and excludes the strategic and/or business risk.

Operational Risk is inherent to all activities, products, systems and processes, and its origins are diverse (processes, internal and external frauds, technology, human resources, commercial practices, disasters, suppliers).

The operational risk management is integrated into the structure of Global Risk Management of BBVA Group, thus ensuring at all time the enough capital to face the expected or unexpected losses that may arise thereof.

Operational risk management framework

The active management of the Operational Risk in BBVA Colombia is built as from following levers:

- The active management of the Operational Risk and its integration into the daily decision making process, which supposes:
- The knowledge of real losses associated to said risk.
- Identification, prioritization and management of potential and real risks.
- The existence of indicators that allow analyzing the evolution of the Operational Risk over time, define the alert signals and verify the effectiveness of the risk associated controls.

All the foregoing contributes to an anticipatory model that enables the decision making process of monitoring and business, as well as prioritizing the efforts of relevant risk mitigation to reduce the exposure of BBVA Colombia to external events.

The improvement of the control environment and reinforcement of corporate culture.

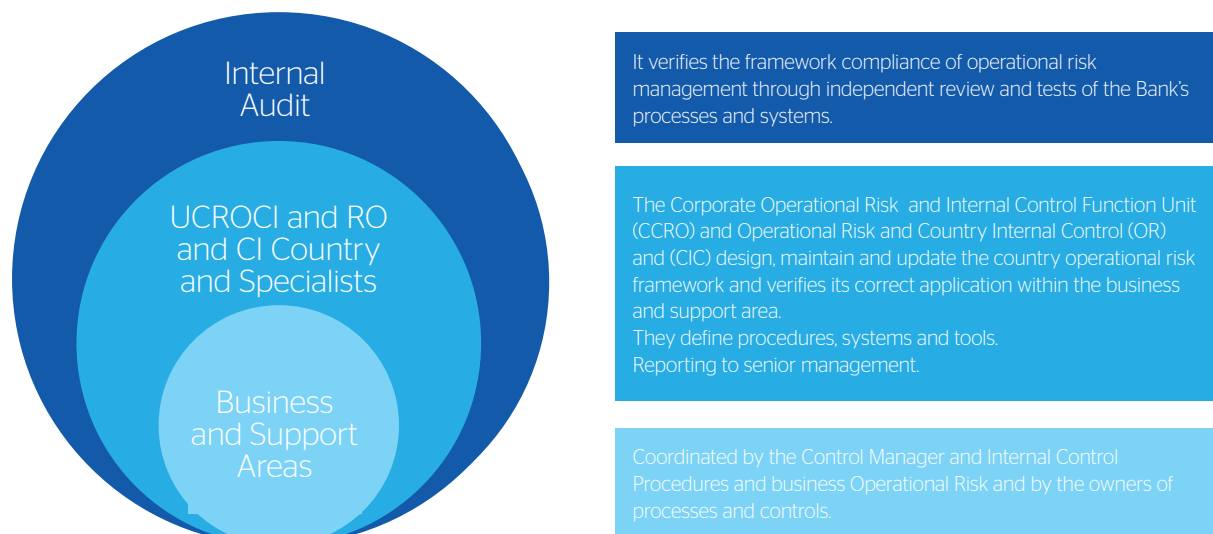
- The generation of a positive reputational impact.
- A three-line defense based model, aligned with the best international practices.

Operational risk management principles

The operational risk management principles reflect the vision of BBVA Colombia related to it, based upon the fact that the events resulting as a consequence thereof have an ultimate cause that should be identified and managed to reduce its impact.

Regardless of the adoption of all possible measures and controls for preventing or reducing both the frequency and severity of operational risk events, BBVA ensures at all times that sufficient capital is available to cover any expected or unexpected losses that may occur.

Three lines of defense in operational risk management.



The operational risk management in BBVA Colombia is designed and coordinated by the Corporate Operational Risk and Internal Control Unit and by the Country Operational and Internal Control Direction in the Risks Area. The business or support areas have, in turn, Control Managers and/or Internal Control and Operational Risk Administrators that are in charge to implement the model in the day-to-day activities of the areas. In this way, the Bank has a view of risks at the process level where they are identified and prioritized and mitigation decisions are made.

The control of the operational risk management is reinforced by an internal audit process that verifies on an independent basis, the compliance and test of the Group's controls, processes and systems.

The operational risk management in BBVA Colombia should:

- Align with the risk appetite declaration formulated both at corporate and local levels.
- Foresee the potential operational risks BBVA Colombia would be exposed to as a result of the appearance or modification of new products, activities, processes or systems and outsourcing decisions and establish procedures that enable its reasonable evaluation and mitigation previous their implantation.
- Establish the methodologies and procedures that allow the regular reevaluation of the relevant operational risks to which BBVA Colombia is exposed for adopting the mitigation measures that are more suitable in each case, once the identified risk and the mitigation cost (cost/benefit analysis) have been considered, preserving always the BBVA Colombia solvency.
- Identify the causes of operational losses of BBVA Colombia and establish the measures for its reduction. For such purpose, there should be procedures that allow the capture and analysis of the operational events generating them.
- Analyze the events that have produced losses for operational risk in other entities of the financial sector and boost, where appropriate, the implementation of the measures required to prevent their occurrence in BBVA Colombia.
- Identify, analyze and quantify events unlikely to take place but with high impact, which for their exceptional nature it is very possible that they are not gathered in the data base of losses or if they are, with impacts not highly representative with the purpose to ensure their mitigation.
- Have effective governance where the functions and responsibilities of areas and bodies that participate in the RO management are clearly defined.

Such principles reflect the view of BBVA at corporate and local levels about the operational risk on the basis that the events produced as a consequence thereof have an ultimate cause that should be identified always and that through its control the impact of the events is reduced significantly.

Regardless of the adoption of all possible measures and controls to prevent or reduce both the frequency and the severity of the RO events, BBVA Colombia ensures at all time that such risks are evaluated and managed consistently and with the Declaration of Risk Appetite formulated by the Board of Directors with the purpose to preserve the entity's solvency.

Each business or support area provides one or more GRO Committees meeting quarterly where the operational risk is analyzed and the timely mitigation decisions are made.

Apart from that, there is a system denominated Corporate Assurance, that constitutes one of the components of the internal control model of the Group where the general monitoring is conducted on the main weaknesses of control presented in the Executive Committee of the Corporate Assurance in the country and the Global Committee of the Corporate Assurance (CGCA) at holding level.

Social, environmental and reputational risks

As a financial entity, BBVA Colombia has a direct impact on the environment and society through the use of natural resources and the relation with their stakeholders, and indirectly, through our credit activity and the projects funded by us.

Such extra-financial risks may affect the credit profile of customers or of projects funded; therefore, they also affect the risk quality assumed and the payment of obligations.

For the management of said risks, BBVA Colombia takes into consideration environmental, social and reputational aspects together with the traditional financial variables. Their integration into the risk management is coherent with the principle of prudence that rules the activity of BBVA Colombia and is materialized in different action lines.

Social and environmental risks management:

Equator Principles

The Equator Principles (EP) are the benchmark of the financial sector to determine, evaluate and manage the environmental and social risks of the projects. They are based upon the Performance Policy and Standards about Environmental and Social Sustainability of the International Finance Corporation (IFC) and the general guidelines about Environment, Health and Safety of the World Bank.

The EP is applicable to fund the new projects and significant expansions through four financial products: advisory for funding projects, projects funding, corporate loans to related parties for projects and bridge loans.

The last version of the Equator principles was published in 2013; it extends its scope, addresses new environmental and social concerns and represents a significant advance in the transparency and consistency of its implementation.

Since its accession to the EP, BBVA Colombia applies it with the higher standard, extending it to projects in the operation stage and to those funded with other financial products: project bond, assignment of credit rights and guarantees attached. BBVA Colombia does not apply the minimum threshold for 10 million US dollars reviewing all the operations under the EP regardless their amount.

In BBVA Colombia we have a team dedicated to the management of the EP integrated in the Corporate & Investment Banking (CIB) Area that analyzes the projects, represents Bank with the stakeholders, is accountable with the senior management and designs the management system, proposing the adoption of best practices and getting involved in the training and communication of all the aspects related with the EP.

The analysis of the projects is incorporated in the internal processes of structuring, admission and monitoring. Each transaction is submitted to an environmental and social due diligence process that is initiated with the assignation of a category (A, B or C) in conformity with the categorization process of the IFC that reflects the risk level and environmental and social impact of the project.

*During 2016 there was no project funded under the EP methodology”..

Reputational management risk

Since year 2006, in BBVA Colombia we have a methodology to identify, evaluate and manage the reputational risk. Through said methodology, the Bank defines and reviews regularly the map that prioritizes the reputational risks faced and the set of action plans for their mitigation.

Said prioritization is made in connection to two variables: the impact on the stakeholders' perceptions and the strength of BBVA Colombia to the risk.

This reputational exercise is conducted annually and the results provided the consolidated vision of the Bank.

During 2016 the methodology was strengthened and an IT tool was used for its management.

In accordance to this new model of governance, two groups have been defined for the design and implementation of the methodology to identify and promote the management of reputational risks: one at global level and the other at local level and, that in both cases are made up by the directors of Internal Risk Control & Operational Risk, Compliance, Communications and Responsible Business.

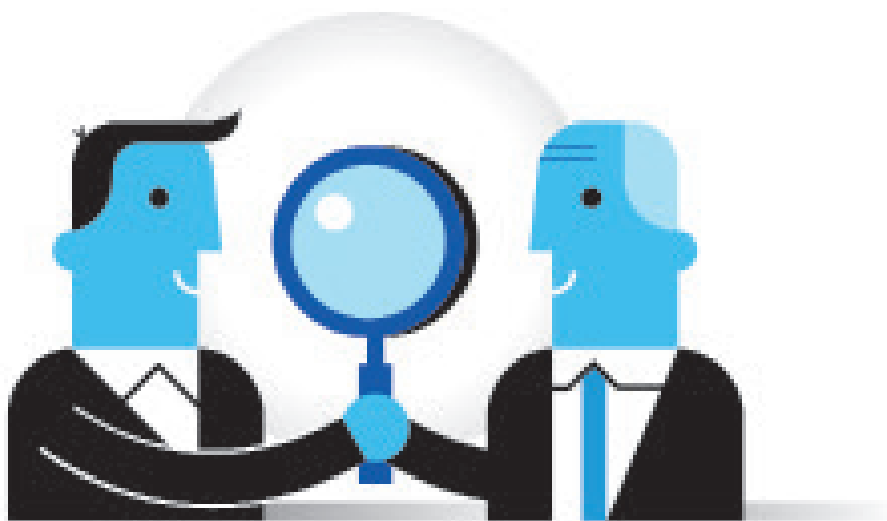
For the implementation of the methodology two key types of functions are involved:

- The Responsible Business and Communications teams are responsible for the identification of the risks and their impact valuation.
- The so-called assurance providers, responsible for evaluating and mitigating the risks identified come from diverse areas since the origin of the reputational risks is quite diverse.

Each of these functions should report the reputational risk management of its action field through the reporting channels used usually. The aggregated vision of the reputational risks is reported according to the local regulatory demands.

Responsible lending:

BBVA Colombia has incorporated the best practices of responsible lending to consumers and has policies and procedures described in the section of credit risk report.



Innovation and technology: the digital transformation

BBVA Group has been aware for some years that transformation involves adapting banking services to people's real lives. Nowadays, customers seek new forms to relate with the Bank and demand services in different forms. Such new market trend has led BBVA to use the digitalization in order to meet the new demands from customers.

Increase of the base de digital customers

BBVA Colombia continues expanding the number of customers who interact with the Bank through digital channels. Thus, at November 30, 2016, it has 436 thousand digital customers meaning 21% penetration, 41% more than previous year, from which 315 thousand are users of the Mobile Banking (85% more versus same month in 2015).

During 2016 the customers' digitalization plan was made based on three pillars: activation, use and retention. With regard to activation, the transformation process took place on the total entrance to the channels making it easier and simpler (less steps and passwords, use of fingertip for access, etc.) which enabled the opening to all the Bank customers. With campaigns in offices and using the digital media customers learned and were encouraged to make the payments of banking products (cards and loans) and private collections through the Mobile Banking and BBVA Net. In order to grow and maintain the customers in Internet and aligned with the digital transformation project, BBVA launched a new version of the transactional page BBVA Net which offers important improvements in design and usability.

The functionalities developed with the digital transformation make the financial operations faster and simpler besides of changing the traditional concepts of the banking. .

Transformation reached the offices

Once the 2013-2015 three-year expansion plan was completed, which resulted in the extension of BBVA Colombia network in 100 new local offices, during year 2016 the transformation process was initiated aimed at making those network operational processes more efficient in such a way that the Bank could offer the best experience to its customers (less queue time) and have greater commercial capacities that allow the growth in customers and business volume, keeping the current structure size.

Within the projects developed, it is worth highlighting two in particular:

- **Integral Service Assistant:** This project is oriented to the implementation of the polyfunctionality within our assistant team, thus eliminating the traditional differentiation between counter assistants and service assistants. In this way our customers will receive a 100% integral assistance by our service assistants and at the same time, the capacities of our structure will be used with more efficiency, eliminating the down times generated in one type of assistant or another, giving more fluency to the assistance to customers and users coming into our bank hall.
- **Nácar Express:** The review performed by the Processes Area over the transactions increasingly demanded by customers and users allow the detection of inefficiencies in the browsing of the mentioned transactions. Thus, instead of locating the transactions in different menus of the bank application, the icons of the 10 most frequent transactions were grouped into a single screen, both for monetary and non-monetary operations, in such a way that the access to said transactions can be made almost immediately. Such improvement allows more than 50% time saving in the average time to access the transactions which means an enhanced experience to the customers waiting for assistance.

Engineering

In line with the Group Strategic Priorities to provide the best experience to the user and boost the digital sales and new business models, BBVA Colombia created the Engineering Executive Vice-presidency which replaced the former Media Executive Vice-presidency. The Group is going through a big transformation process which purpose is that the Engineering Area becomes to a large extent the drive of such transformation, getting involved in the engineering of the processes and ensuring that the tools being used are fast and provide the best experience to our customers and usability to officials.

During 2016 large projects were launched to contribute to the digital transformation that an approach to the customers. Below only some projects that for their revolution in the sector have generated acceptance among customers.

In November the Wallet application was launched into the market. It is the first one universally accepted and operating in the country and thus, ratifies our leadership in digital banking in the industry. During the first week available to the public Wallet exceeded the 5,000 downloads and at the cut-off date December 2016 it had reached 32,000.

Likewise, the “Adelanto de Nómina (ADN)” (Payroll Advance) project was implemented; a service that allows payroll customers to have 30% advance of their salary, quickly and efficiently. Customers request the advance of a monthly payment of their payroll without interests at only one monthly fee when used. For the first year it is expected to generate income for bank fees above \$1 billion and obtain 330,000 additions of product approximately.

Additionally, upon the validation of its position as technological leader in the financial sector, BBVA Colombia became the first private entity of the sector to implement the biometric verification to its customers at the offices. It has been

a joint project between the National Registry Office and BBVA Colombia.

Infrastructure

During 2016, Infrastructure and Communications worked to make the technology a viable tool for developing, collaborating and operating adequately the technological infrastructure in BBVA Colombia to keep the services available to customers through different channels.

The Engineering Area works on a continuous basis in order to keep the different channels and services at 100%, renovating the technological infrastructure and strengthening their high availability schemes to ensure the growth and use of channels incorporating new technologies. Such improvement and new implementations have enabled BBVA Colombia to generate greater benefits and be accessible to customers, creating innovative products such as Mobile Banking and Wallet that provide the opportunity to have all services available from the 7x24 mobile devices.

On the other hand, the BBVA Group began the progressive transfer of the Data Processing Centers (DPC) located in Monterrey to Lago Esmeralda (both cities in Mexico) which provides hosting services, data processing, technologic development, advisory and technical support to BBVA Colombia and BBVA Group companies in United States, Mexico, Peru and Chile.

The new DPC is the technological headquarters created under the concept of integral, modular, scalable, flexible and safe solution; therefore, it received the certifications from the Uptime Institute Level TIER VI in design, construction and sustainability, recognizing its excellence to support the functions of BBVA business. In the current stage of transformation toward banking services leveraged on technology, the DPC is the basis for the short and long term with high standards architecture and state-of-the-art engineering system, and highly trained personnel. The transfer of the DPC to Colombia was planned for February 2017.

From the technological perspective, the new DPC has most modern machines with higher efficiency, performance, reliability and increased availability, and from the infrastructure point of view, the Lago Esmeralda DPC has been designed with greater structural resistance (50% or more) to be able to support the maximum credible seism and has a ductile structure system capable to dissipate the energy efficiently.

Finally, in next years BBVA Colombia will make investments in new technologies with the purpose to have faster and simpler services to our customers thus generating innovative experiences to provide solutions to their needs, generating value to their daily lives.

Global architecture and deployment

The Strategic Priorities of BBVA Group have deep-rooted the continuous improvement philosophy, which within the current digital revolution digital becomes the technological cornerstone required for BBVA.

Based upon said panorama, BBVA Colombia has forged the Global Architecture and Deployment team with the purpose to boost, with active and committed involvement, the radical leap toward new technologies as a leadership factor in this ever-changing market.

Focused toward the own technological evolution, the team goal is to define, design and contribute end-to-end in the transformation deployment process, always based on the strategic balance between innovation and the increasing digital needs from the customer.

A major part of such challenge is to facilitate and contribute in the adaptation process to such new climate, ensuring strong security policies, scale economies and elasticity given by the Cloud Computing. Tools such as the Customer Relationship Management (CRM) and the Big Data strategy are explored seeking to position the data as the core of the Organization for the comprehensive management, unifying all the information through any channel in real time real, which leverages a further knowledge of customers identifying trends and behaviors, making available to them the opportunities of this new era and ensuring the competitiveness in the sector.

The action framework of the team has followed these principles:

- Boost the cloud computing under standardized, elastic and homogeneous architectonic models.
- Enhance the use and efficiency of each component in the IT ecosystem, incorporating the reutilization and, therefore, reduction of costs and times.
- Streamline the processes in software production incorporating new forms to do things (automation).

- Ensure an integrated security management .
- Deploy atomic and decoupled technological platforms, client-oriented.

Transformation of processes

The Business Process Engineering-BPE Area was created in April with the purpose to contribute to the transformation of processes of the Organization through an agile methodological approach with and 'end-to-end' vision. The "Processes Plan" was defined and is being developed within three priority axes: customer's experience, productivity and Internal Control. Also, BPE in Colombia mission is to define and strengthen the governance of the taxonomy of processes to ensure the proper implementation of any change in the Organization. In pursuit of the transformation and in line with the strategy of the Bank, in 2016 the transformation plans of processes have proceeded with 34 key projects that allowed obtaining following results:

- Optimization of queue times by 50% of 10 operations that make up 90% of the transactionality of counter customers (Nácar Express), payment of loans, account withdrawals and deposits, consultation of balances and movements, mass payments, cheques payment.
- Reduction by 38% of the execution time of 22 non-monetary transactions more relevant in counter with less number of clicks (Nacar Express II), account opening and cancellation of CDT, payment of interests, delivery of check books, delivery of CC, consultation of balances and movements, printing of statements of accounts and certificates.
- Universal assistance with the consultation of signature cards in any office, allowing the issuance of debit or credit card, timely transfer among accounts, withdrawal from account without management means, withdrawal from AFC account, data update, issuance of cashier's check.
- The process of issuance of certificates of balances was mechanized in offices which can be generated automatically and forward to client through e-mail.
- Fast and simple contracting of accounts savings, reducing the time to operational market by 39%.

- Implementation of the model of the Processes Architecture which is the reference framework for the proper management of the processes under a common language and centralized governance thus enabling the faster and structured progress of the transformation and optimization process of the organization.

Agile strategy and culture

In order to accelerate the transformation, in the last year BBVA Colombia has adopted a new business culture with new ways of working, more collaborative and flexible, based on agile methodologies that are grounded on iterative processes, incremental deliverables and continuous evolution of solutions to our customers.

In year 2016 the first Scrum teams were made up and consolidated, one of the most known agile working methodologies; multidisciplinary, self-sufficient teams, conformed by people from different areas as required by the project, working on a collaborative basis with a common goal and short and continuous iterations.

Another agile practice is the quarterly planning arising from the planning with regard to the business objectives giving priority to the higher value initiatives.

During 2016, 3 planning journeys were conducted with an average participation of 210 people approximately and 50 prioritized strategic projects.

The five key transformation elements that are being developed are the following:

- **People:** Changing agents and leaders as transformation facilitators
- **Collaborative work:** No silos or hierarchies
- **Focus:** With common vision and purpose
- **Timely delivery of value to our customers:** Iterative processes and incremental deliverables
- **Communication:** Transparent, clear and responsible (TCR)

Digital sales

In year 2016 BBVA Colombia engaged in the digital sales with products such as Electronic Deposit and Payroll Advance available through ATMs; and pre-approved Consumption Credits and Credit Cards as well as Online CDTs available through BBVA net and BBVA mobile.

New Digital Businesses

In order to explore and take advantage of the new digital business models, the Bank is creating reciprocity communities with entrepreneurs, intra-entrepreneurs and the Fintech ecosystem to make available the new era opportunities to everyone.

- In association with startups, the joint work is being developed to construct new business models. In year 2016, 5 pilot tests were conducted with startups which continued after being contracted by the Bank. Such 5 new solutions include: (i) an app-robot that monitors the performance of the Bank application; (ii) a collaborative economy platform that rectifies the real geolocalization of offices, ATMs and correspondent offices; a platform to improve the search, selection and contracting of commercial profiles; (iii) Two benefit platforms for SMEs, Bank cardholders and employees.
- We continue with the determined boost to Open Talent, the contest to support entrepreneurs specialized in the finance technology sector (fintech), increasing by 27% the interest of Colombian startups, reaching 78 and becoming the third country worldwide with the larger number of participants and the first one in Latin America. From those registered, 6 accomplished the regional final and one was the global winner.

With the foregoing, and together with high impact organizational projects and within the Colombian financial system, BBVA Colombia is positioned as an innovative Entity that has included 5 initiatives in the Colciencias calls to develop Science, Technology and Innovation Activities (ACTel per its acronym in Spanish) and the Innovation Center of BBVA Colombia has been awarded with the Accenture prize from the public in financial services, award that recognizes the innovative concept in different economic and social sectors: Communication, consumption, energy, social responsibility and financial services.

Performance Business Segments

Individual Customers Segment

The Individual Customer Segment integrates the entire value proposal and the approximation strategy to individual customers. With regard to this customers' Segment, the management of liability products, loans, means of payment, Consumer Finance and insurance come together as part of the strategy of individual customers.

The Individual Customers Segment aligned with the corporate purpose makes available to everyone the opportunities of this new era through the digital evolution of its products and channels which has allowed the delivery of simple and safe solutions, supplementing the value proposal with higher benefits to our customers, boosting our centered actions to extend the digital basis of customers in Colombia.

Management priorities

In line with the strategic priorities, the Individual Customers Segment has focused the efforts on the business transformation, analyzing the needs of the individual customers to provide the best experience, a comprehensive service and the boost to products and digital sales. The strengthening of long-term relations is a priority; an important management focus is the payroll customers which provide transactionality, become a strategic collective for the growth of lending and borrowing positions of the Bank.

Additionally, in payment means the priority is targeted to innovation with the startup of new solutions boosting the digitality and which facilitate the cardholders' life; in Consumer Finance the priority has been set on the strengthening of alliances and innovation of its value proposal.

Upon said management priorities, the Individual Customers Segment has contributed with value to the following three Strategic Priorities of the Group:

Strategic Priority 1: Provide the best possible experience to customers, setting a new standard

The necessity to advance in assertive communication with BBVA customers, the integral management, and the approach to brand motivated the actions for year 2016, as follows:

- Definition of the communication with customers and non-customers, respecting the principles of transparency, clarity and responsibility addressed in the TCR project which primary purpose is to provide tools to customers to make their financial decisions based upon simple and complete information.
- Strengthening the assistance model to top customers thus consolidating the Premium Banking with a comprehensive and specialized assistance supplemented with a strong financial offer and with exclusive benefits for being a member of said Banking, such as the possibility to attend to economic agenda events, gastronomic and sport events, among others, thus maximizing the customer experience in BBVA Colombia.
- In year 2016 the first stage of the “Más Actividad en Particulares” (MAP) plan (More Activity with Individuals) was designed and started up towards the assistance of the customers’ needs in each stage of their life cycle oriented to customers with low deepening level and reaching customers without any previous credit record with payroll paid directly with BBVA Colombia. Consequently, the placement of cards and consumptions was opened to certain profiles of customers without any credit record through products such as “Credinómina”, “Adelanto de Nómina” and D+Cero cards (cards granted at the zero time of the payroll account opening).

As a matter of fact, the Payrolls were at the core of the Segment management, supplementing the approach model to said customers through the commercial management. All the foregoing was consolidated with an important synergy with the specialized banking, support from the Specialized Servicing Executives, In-house managers in issuing companies and continuity actions of programs such as “Nómina Fiel” and “Más Emisores” addressed both to individual customers and companies.

Also, the recurrence and growth of resources strategy has been developed with actions such as “Cuando Ahorras Llegas” and with a special boost to the offer of stable resources (“AFC”, planned savings and “CDT”). All this guided by a communication and training network plan intended to embracing the resources offer to get the balance between asset and liability with a comprehensive management to improve the customers’ experience.

- Consumer Finance, through its Dealer Centric model, pursues the transformation of the business and, in turn, the customer’s experience. This is the reason why improvements such as “Aprobación Automática” have been implemented in the

channel as well as the basis of the Information Operational Services (IOS) as a consultation tool to provide an agile answer to the customers.

Strategic Priority 2: boost the digital sales

Understanding the environment and the increasingly digital customers, the responsibility of BBVA is to act with regard to the demands of the new relation schemes with the Bank where the channels available should be used and optimized for the Bank to be aligned with said transformation.

From the Individual Customers Segment, the development of new digital business lines has been led, also focused to improve the experience of current and potential customers, such as On-line CDT, On-line Account and availability of pre-approved offers (consumption, revolving, credit card) through the transactional digital channels; also, the “Dinero móvil” electronic deposit was available to non-customers, its characteristics are ruled pursuant to Decree 4687 of year 2011.

To supplement said initiatives and in order to increase the number of digital customers, the BBVA Wallet was launched in 2016 delivering an extraordinary and unique experience, becoming the first electronic wallet in Colombia, universally accepted, allowing the activation or inactivation of cards, purchases in authorized stores and generation of the online card for safe purchases in internet and giving access to said channel to customers that do not have card and may use their funds resources directly from savings or current accounts.

Consumer Finance has progressed in the development of EKIP project seeking to advance in the digital transformation of BBVA Colombia. Said platform is intended to get that customers become digital users, providing access to the information tool in real time about the operations being processed with the Bank (both in car loans and in Other Consumer Business - OCB), through digital means, paperless, with direct identity authentication through the National Registry Office and biometric signature. This is a huge bet to innovation since there is no other tool like this in the market that allows having the loans management and administration automatically, immediately and safely for cars and OCB.

Additionally, Consumer Finance in line with the digital transformation of the Group, created the own web page in order to have an approach to dealers, stores and final customer. It also created the first BBVA automotive digital fair where the digital sale of vehicles was the axis of this proposal generating value for allied Dealers.

Strategic Priority 3: Create new business models

Consumer Finance Colombia is a profitable unit that provides financial comprehensive solutions in order to attract new customers to BBVA Group.

Under its “Financiación en punto de venta” Dealer Centric model, fast and simple solutions are provided to customers, boosting the transformation into the new digital climate.

BBVA Colombia and the foreign company RCI Banque incorporated the company RCI Colombia S.A. Compañía de Financiamiento, as the finance agent of Renault brand which ranks the second place in sales in the automotive industry with 22% market share in 2016. In this way, BBVA Colombia with its knowledge and experience in vehicles financing, assists RCI Banque in the commercial development and consolidation of the brand in the country.

Income at year end reported 10.960 vehicles financed for \$306.184M. Such income implies a large growth of billing versus January 2016 with billing for \$7.126M.

Legal Entities Segment

This Segment incorporates Institutional Banking, Corporate Banking and Business Banking which are in charge for the development of the commercial model, preparation of policies and administration of the products portfolio. Also, incorporates the Product Development, Transactional, Foreign Trade, Strategic Alliances, Leasing and Factoring units which act across the segments, performing the administration and development of the respective products portfolio.

In 2016 different strategies were developed in the Segment that contributed to engaging new customers and insight. Such strategies were prepared based upon the profitability and usage of the products portfolio which was consolidated as one of the most complete of the local banking.

Likewise, Colombia continued as one of the more friendly countries to do business In Latin America, generating important opportunities to the Segment that were reflected in the products development and special programs that enabled strengthening the relationship with local customers and foreign investors; this has contributed to the generation of a higher referencing from customers that in turn, allowed us to maintain the recommendation qualification.

Management priorities

For 2016 the Legal Entities Segment had important advances in the six strategic priorities of the Group. In this way, generating a better customer's experience and the drive of digital sales are highlighted as those priorities that enabled having better results. The focus of the Segment will continue toward innovation from which different strategies are derived seeking to impact on new business models. Under the consolidation of alliances and the increase of digital sales it is expected to deliver to the customers customized financial solutions that to the possible extent are accompanied by the non-financial offer such as training plans for entrepreneurs, thus expecting to win new customers and gain the loyalty from the current ones.

Strategic Priority 1. Provide the best possible experience to customers, setting a new standard:

The Institutional Banking continues maintaining a privileged position in the Financial System that corresponds to attracting public funds in demand and in investment from Territorial Entities.

Seeking to reinforce the leadership in service quality and going further in the attraction of resources from municipalities and departments, technical improvements have been performed in the different computer systems pursuant to the regulatory framework in force.

The construction credit unit showed an excellent performance thanks to its specialized team; the organization of own events, the synergies with other areas of the Bank, as well as the approach model to customers and the specialized portfolio for customers of the sector enabled us to be at the top of mind of sector customers achieving 25% annual growth, and reaching the trillion pesos in balances of portfolio thus to be ranked as the third bank in the podium of the construction credit market.

In concordance with the best customer's experience, the management model with Business Executives together with the business centers and an adequate offer of the product and rate, allowed 88% IReNe, one of the best results among the Bank areas, emphasizing the speed and assistance as fundamental points of the good customer's experience.

During 2016 and for second consecutive year, the “Camino al Éxito” platform was launched as support to the training of SMEs where the client finds an interesting range of courses for their employees that will help them to improve their knowledge for the proper business management.

The Foreign Trade Area has designed the Bank Training program with emphasis in Foreign Trade, Exchange Regime and Treasury products for 30 hours in which 175 companies have participated to date.

Within the improvement to Foreign Trade products, the Importing Credit Card was designed to enable the payment of imports of goods, thus generating to the client efficiency in processes, agility in payment to suppliers and mitigation of the impact of sanctions by the control entities for exchange infraction. Likewise, the long-term finance of imports of capital goods was consolidated with the “ECA” product (Export Credit Agency), with collateral from the multilateral entities of industrialized countries for development projects as ports and reconversion of capital from large productive industries.

Thinking about the specialized and differentiated services for Segment customers, an accompaniment system, denominated “transactional advisories”, has been implemented in customers focused toward the startup of tailor made suits, gaining loyalty from companies and institutions in the different sectors (education, insurance, distribution, public sector, production, among others).

During year 2016 the Factoring and Leasing management was unified with clear objectives such as a greater national coverage and the delivery to our customers of the best advisory and accompaniment with regard to their needs of liquidity and investment projects.

The Factoring Triangular Line solution was presented to customers; it allowed gaining more than 60 agreements with large provider companies which benefited in sales through the assignment of financing lines available to BBVA Colombia customers for the specific purpose to supply the stock to SMEs.

The strategic alliances and synergies unit was created with the purpose to get the Bank closer to guilds and relevant companies from the sectors framed within the strategic plan of the Segment. Another objective of this unit is to motivate and support new synergies among the banking that allow generating new businesses and that, in turn, strengthen the loyalty from customers. Within the activity of 2016, said unit referred an

important number of customers that impacted positively the SMEs segment; customers were gained through the creation of special finance plans and participation in key events.

Strategic Priority 2. Boost the digital sales

For the proceeding of foreign trade operations, the digital platform “Comex net” has been implemented in order to permit the foreign trade users to make online transactions, giving an aggregated value in agility, efficiency and security in their purchase and sale operations of foreign currencies for imports, exports and wire transfers or reimbursements for services. Additionally, it has the new provisions of the exchange regime such as the elimination of current exchange declarations but keeping the minimum information that should be sent to the control entities as DIAN and Banco de la República thus allowing a 100% on line operation.

Factoring presented the update of the specialized platform where businesses as Confirming and Triangular Line enable customers to manage their accounts to be payable/or receivable through the web, generating the liquidity benefits of the product.

Strategic Priority 3. Create / associate with / acquire new business models

For the occasional collection, in concert with a provider, the service time of counters was extended on key deadlines, which has benefited the major universities and territorial entities that optimized the collection of registration fees or taxes; therefore, by covering the necessity of said customers we gained an important reciprocity in attracting resources.rsos.

Strategic Priority 4. Optimize the capital allocation

For the Institutional Segment, in connection to return, in 2016 improvements to the agreements model were made from which the inclusion of historic records of agreements (mirror agreement) stands out for the purpose to reduce the operational burden of the offices network, new automatic concepts within the return model and monitoring customers’ commitments.

The migration of collection of national and department taxes was increased through different web channels and Mobile Banking, offering to the taxpayer (customer or non-customer) more payment alternatives, higher agility, opportunity and security in transactions and efficiency in the collection for collecting institutions.

In Foreign Trade and Treasury the management of resources has been enhanced through hedging products, Derivatives and Collaterals enabling a lower consumption of allocated capital and generating better return.

Finally, during year 2016 the Companies and Banking Institutions had 53,9% Financial Margin growth as a result of the adequate price management and profit-making plan with customers, making emphasis in the increase of their return by gaining better spreads and placements in sectors with higher return.

Strategic Priority 5. Adapt the model, the processes and the structures to achieve an unrivaled efficiency

Within the main subjects, the pre-approvals strategy of current customers was developed for the Business segment, thus allowing a better approach and in some cases improvement and increase to their quota.

And for the case of potential customers, actions per best performing sectors were designed aimed at engaging them through the Investment and Resources offer, thus developing tools to increase the number of current customers.

By year end of 2016 the structure of external forces was adapted to the Bank management model, creating the Legal Entities Segment Heads in the country -Bogota, Western, Northern and Center territories. They are in charge for leading the sales force that support the commercial management of the Business segment (SMEs Executives, Transactional Executives and Acquisition Executives) to get a better efficiency and synergy in management.

For the documenting preparation process for credit facilities in foreign currency, an efficient assistance model was designed in which, as from year 2016, the area undertakes the preparation of documents in order to minimize the errors and generate efficiency in the operations proceedings.

The Transactional unit made up an important offer to customers which consists of the supply of supporting services for cash transportation. The purpose of this offer has allowed the improvement of cash handling, reducing the mobilization risk to monetize the operation and support the reduction of Bank costs in this regard. In year 2016 this strategy represented \$15,300 million savings with 164 related customers and total collection for \$3.2 trillion at the closing of the year.

Strategic Priority 6. Develop, retain and motivate a first class workforce:

The Institutional Segment conducted successfully the First Certification in Public Banking addressed to some Managers servicing local municipalities and governorships, focused to strengthen the theoretical and specialized knowledge on public finance and in this way enabling the delivery of an integral advisory to the customers of said niche.

The SMEs segment developed a training plan in product and commercial skills addressed to 151 Business Executives and 5 Legal Entities sale reps in order to leverage the sales force in such fundamental matters for an effective commercial performance.

On the other hand, within the Training strategy, Foreign Trade designed together with the Segment an integral training network program which has allowed having more trained and skilled personnel, increasing the sale capacity.

Also, the “Train the Trainers” program, addressed to transactional specialists with the purpose to create a support network in different regions and thus, getting better competencies in the knowledge of the offer and management of this product.

Corporate & Investment Banking

This area is a service provider of added value that thanks to its business strategy has a range of products that includes from the simplest to the most complex solutions for customers. The strong presence of CIB and BBVA Group in Latin America markets has allowed the area to position as an important reference to customers with diverse needs from all over the world. The market target is the multinational companies with Global CIB presence. Additionally, CIB delivers investment banking services to the companies banking of BBVA Group. .

CIB Colombia objectives are:

1. Become the leaders in Investment Banking
2. Optimization in capital allocation
3. Becoming the strategic partner of customers

4. Increase crossed sale margins

5. Potentiate financial indicators

The compliance with the strategic objectives has been preponderant since when their accomplishment generates a greater consolidation of the business, and efficiencies in long-term processes and relations.

Strategic Priority 1: Provide the best possible experience to

As facilitators of new tools and knowledge, both internal and external customers could be offered with possibilities to improve and grow. For the case of the internal customer (CIB team) two strategic thinking units were consolidated in order to understand and socialize the current changes of the wholesale banking across the world. For the case of the external customer, the way to do things has gone beyond, understanding that businesses change and companies are transformed; therefore, understanding new business models allowed CIB Colombia to arrive with offers that integrate all the value chain of the corporate business.

Year 2016 was a challenging one, with a complex macro-economic climate and business opportunities not quite visible; however, the commercial team carried out an exceptional work, generating presence and accompaniment through economy talks, telephone advisories, regulatory training, commercial events and visits.

Said initiatives could increase the visibility that nowadays is translated into the improvement of the experience toward our customers. This is confirmed by the last results of NPS (Net Promoter Score) survey where the banker Category and their attributes ranked the first place among the different Categories evaluated for 2016 as well as the recognition to the best Investment Banking in Colombia granted by Euromoney magazine.

The transactional services make available to corporate, company and institutional customers a range of technological solutions such as BBVA Net Cash, BBVA Global Net Cash, H2H, Swift and Mobile Banking that allow meeting daily and short-term requirements. In turn, the commercial transactional team generates integral solutions for the full management of the liquidity.

Strategic Priority 2: Boost digital sales

The doing business of this area is specialized and both the companies and industries in general have a high financial, commercial and strategic knowledge. The boost of digital sales was materialized in 2016 with the increase of companies using the mobile channel to make different types of transactions such as: payments to suppliers, minor monetization, management of its liquidity, accounts movements; all this through the Net Cash platform which originates from the Corporate Banking.

Strategic Priority 3: New business models

In line with the foregoing, this implementation has derived into the planning of new business models. Since the companies have undergone a transformation (digitally) and their organizational structures are becoming flatter, in the same way the strategic dialogue has been transformed. This is the reason why the CIB specialized commercial team (Industry Bankers) undertook the task to identify new contacts and generate for them a new model of strategic valuable dialogue at the final quarter of the year. Furthermore, the synergies created inside the Group allowed the capitalization of relevant opportunities in the Colombian market.

Strategic Priority 4: Optimization of capital allocation

This area is committed with monitoring and improving the financial indicators; therefore, in order to optimize the capital a prices tool was created to ensure that the asset operations in the balance sheet generate return and create the value as required by the area and Group. Likewise, one of the core axes of the financial strategy of the corporate banking is the monitoring of the Group indicators: EVA, RORC, ROE, RAR, Efficiency ratio, Margins and Balances, financial indicators that have allowed that CIB closes year 2016 with +18% growth TAM in income.

Strategic Priority 5: Adapt the model, the processes and the structures to achieve an unrivaled efficiency

CIB Colombia has an interdisciplinary team with deep knowledge and experience in the industry and market. The solutions for customers are consensual, discussed and generated within the commercial and financial circuits that assess which will be the best alternative in terms of business and convenience to the final customer. Within such teams there are industry bankers, transactional bankers and Cash management representatives and product specialists.

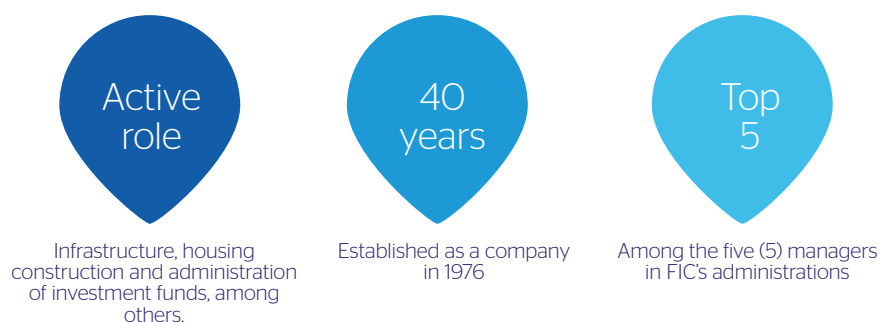
Strategic Priority 6: The first class workforce

Lastly, the CIB Colombia Vice-presidency drives constantly the retention, development and promotion of the entire team. The 140 persons of the area are deemed as highly qualified, making up an interdisciplinary team committed to work in the same direction towards the attainment of those goals set and impacting positively the short-term results.

BBVA Asset Management S.A. Sociedad Fiduciaria

BBVA Asset Management S.A. Sociedad Fiduciaria (“BBVA AM”), affiliate of BBVA Colombia, is in charge to administer the resources in Investment Funds and Structured Trust for over 40 years.

BBVA AM is positioned as one of the first 5 trust administrators of collective investment funds (without sin private equity funds) with a differentiated product offer. The success of BBVA AM lies in their people, the processes of invention and control of global risks applicable, and thus, the pursuit of consistent performance over time for its customers.



In order to accomplish the purpose of BBVA Colombia, BBVA AM has worked to enhance the digital channels, both for individuals and legal entities; besides, it has created a new offer of exclusive interests in Investment Funds addressed to customers that belong to different economic sectors with great growth potential. A relevant point this year has been also the improvements in the technological core in matters such as automation in the creation of funds and classes, allowing more competitiveness in the industry.



AUM's

9,8 Bill

BDI

+19,36% vs 2015

Data at December, 2016

Management priorities

BBVA AM in line with the Group strategic priorities and with the purpose to drive the business return has established a plan with priority focuses that includes a higher management in four from the six strategic priorities: the best experience to the customer, digital sales, launching new products aligned with the needs of the different segments and optimization of technology.

Strategic Priority 1: Provide the best possible experience to customers, setting a new standard

In 2016, BBVA AM has ranked among the entities recommended by individual customers of collective investment funds, with an outstanding improvement of the indicators (iReNe index) versus previous year. This is the result of the change in business transformation thanks to the strategy developed by the entity which main axis is the customer's experience by improving the assistance, service quality and transparency.

Strategic Priority 2: Boost digital sales

The need to open new distribution channels demands driving the digital sales. Within the strategic projects in 2016, the net was developed to engage new customers. This achievement is fundamental to advance in the future digital contracting processes.

Strategic Priority 5: Adapt the model, the processes and the structures to achieve an unrivaled efficiency

The distribution commercial model was split between the two business lines (Fies and Structured Trust) modifying the structure in order to streamline the sales.

In terms of efficiency, the transformation process of the technological core will allow a substantial improvement in the procedures thus helping the Entity to comply with the targets set and become a reference in the industry.

Strategic Priority 6: Develop, retain and motivate the first class workforce

BBVA AM is developing initiatives with the purpose to support and motivate the team through specific actions such as the quarterly award to the best official per area or communication workshops intended to develop and enhance both the personal and professional scope of the team.

BBVA Valores Colombia Comisionista de Bolsa S.A.

BBVA Valores Comisionista de Bolsa S.A. (hereinafter BBVA Valores or the Stockbroker), affiliate of BBVA Colombia, enables meeting the investment needs of institutional, corporate and individual customers through commission contracts, especially in equity markets.

BBVA Valores is in line with the six strategic priorities of the BBVA Group and has delivered value in five of the six priorities, as follows:

Strategic Priority 1. Provide the best possible experience to customers, setting a new standard:

In year 2016 BBVA Valores began to facilitate the direct access to the Colombian market of the global customers through order routers of the Group.

Additionally, the Stockbroker has provided advisory to Individual and Family Company customers in their investment process, seeking to maximize the return of their portfolios, subject to their risk profile and long term investment goal.

Furthermore, a project initiated that will be materialized in year 2017 and will allow the customers with products in the Bank, the consultation of cash statements, statements of securities and withholding at source certificates of our products through BBVA Net.

Strategic Priority 3: Create / associate with / acquire new business models

One of the objectives is to increase the strategic dialogue and integral solutions with the purpose to provide advisory in M&A to Customers/Financial Sponsors where no advisory has taken place. Also, keep on fostering the cross-selling of products and cross-

border with a cross dialogue within different products/geographies.

During 2016 three operations in energy, petrochemicals, and education sectors were closed; four operations in execution process (three sell-sides and one buy side) in health sector, airport infrastructure, specialized engineering and oil & gas. Three new earned mandates (sell-sides), with estimated initial execution date by the fourth quarter in oil & gas, infrastructure and real estate. For 2017 it has been projected that the Investment Banking advisories are increased highly versus previous year.

Strategic Priority 4: Optimize capital allocation

The Stockbroker has focused its contracting of supplies with providers of goods and services of BBVA Colombia. Such synergy allows the Stockbroker to participate in benefits in rates which has generated an optimization of the capital allocated to the contracting of goods and services since mid-year 2015.

Additionally, BBVA Valores closed the negotiation of the assignment of approximately 27,000 security administration contracts de administration de values that correspond to the shares issued in procesos de democratization, related parties to the Stockbroker through the BBVA Colombia office network when Ecopetrol, ISA, ETB and Isagén carried out the democratization process.

The assignment contract was formalized with Global Securities in January 2017 and this will imply savings in Overhead Costs mostly in the entry lines of correspondence, stationery and computer development associated to democratized business.

Strategic Priority 5: Adapt the model, the processes and the structures to achieve an unrivaled efficiency

During year 2016 the teamwork was conducted in the branches of BBVA Colombia in order to generate the cross-sale strategy always focused to the specialized advisory in the securities market, differential offer, improve the customer's experience and provide an exclusive service

In accordance to the strategic direction of the Stockbroker, it has devoted all the efforts in deepening the relations existing with the Premium customers segment deemed as a customer niche with growth potential for us.

The improvement of the products portfolio was pursued, including the development of

a platform that allows the customers to invest in other markets; the foregoing through correspondent contracts with the different affiliates of the Group (as duly authorized): BBVA Bancomer (Mexico) and Compass (United States).

Strategic Priority 6: Develop, retain and motivate a first class workforce

In year 2016 the Stockbroker kept on promoting the education culture in staff in order to be trained in the e-campus tool both with the mandatory courses and those related to the performance of functions.

The front office staff has the AMV ruling certifications. The back office staff has attended to the trainings made in the Stock Market of Colombia and Deceval regarding the updates of computer tools, as well as the new operational tools for new products.

Insurance banking

Insurance Banking is in line with the six strategic priorities of BBVA Group, providing value in each one of them, namely:

Strategic Priority 1: The best customer's experience:

In 2016 the outsourcing of operational processes and key procedures was made for the customer service in the offices network, the sales force and the customers, achieving the reduction of service times to the customers' requests by 15%, improving the quality of answers and automating sensitive processes such as indemnities and PQR's. With the foregoing, the improvement of the internal and external customer was accomplished, issue that will be consolidated at the beginning of 2017.

Strategic Priority 2: Boost digital sales:

The placement strategies of loans and credit cards through digital channels were assisted by securing such obligations since their commencement date, without additional requirements to customers.

Strategic Priority 3: New business models:

Together with the Legal Entities Segment, the Insurance model for companies was defined and implemented, taking advantage of the commercial network of the insurance

company and the model, already developed and tested in the Bank by specialists, being supported on the management of business executives. With the foregoing, the portfolio offered to customers was extended.

Strategic Priority 4: Optimization of capital allocation

With low capital investment, the Bank receives for the insurance products placed in its network a fee percentage near to 22%; this together with the return of insurance company, makes that the yield from insurance products is highly profitable to the Group.

Strategic Priority 5: Adapt the model, the processes and the structures to achieve an unrivaled efficiency

The synergy achieved between BBVA Insurance teams with Bank areas is outstanding, in particular, with the segments and business lines such as means of payment and Consumer Finance, allowing the accompaniment to the strategies developed on the channels, including the digital. With this we achieved the goal to accompany the placement of bank products (credit cards) giving also, the protection to the customers directly to their product. In the third quarter of 2016, the “Masificación Hurto” strategy could be developed and it had excellent results in income for the Group near \$4.000MM and an important learning for developing said synergy strategies.

Strategic Priority 6: First class workforce

The support with the team of insurance promoters provides permanent support by commercial accompaniment to the 16 zones of the Bank and training is provided also permanently about insurance products marketed in the network, with emphasis in the best practices with customers, thus achieving the accompaniment to the local strategies of each zone.

Responsible banking

BBVA believes in a differential banking model. The Bank is aware that there is much room for improvement, in the clear knowledge that being profitable does not mean doing business in any way; this is why during 2016 it continued strengthening the responsible banking model.

On one side, the new BBVA Corporate Social Responsibility Policy was approved, with the adjustments to the new recommendations and international standards. The final goal is threefold:

Ensure the transparency, clarity and responsibility in our relationship with our customers.

- Generate long-term value for all stakeholders.
- Integrate opportunities and social and environmental risks into the business.

As stated already, with said commitments, BBVA aims to become the best bank for customers, offering them the best banking solutions and providing the assistance to make the best financial decisions.

Primary stakeholders

Materiality and dialogue

BBVA has a broad range of tools for consultation and dialogue with all the stakeholders in every country where it operates and in each business area.

These tools guarantee two things: that the stakeholders have the proper service channels available and BBVA has sufficient sources of information to know what their priorities and expectations are with respect to the Entity, and thus, offer them the appropriate response.

Listening and dialogue tools	Scope
Customers and Society	
Satisfaction survey and recommendation from customers and other quantitative and qualitative quality/satisfaction research managed by the Customer Experience Areas	BBVA Group
Customer service and committees of complaints and claims analysis	BBVA Group
Customer ombudsman	BBVA Group
External reputation survey to customers and general public (RepTrak)	BBVA Group
Continuous tracking or monitoring of advertising and the brand	BBVA Group
Focus groups and workshops with customers to learn their opinions on specific issues (in addition to service quality)	BBVA Group
Analysis of our presence on the social networks (Facebook, Twitter...) and online media: <ul style="list-style-type: none"> • HootSuite • Blog bbvasocialmedia.com • Epsilon Dashboard • Alto Analytics 	BBVA Group
Analysis of our presence on the media	BBVA Group
Direct dialogue with NGOs, the media, experts, and academic and research centers	BBVA Group
Secondary sources for trends and expectations in public opinion and civil society organizations	BBVA Group
Involvement in Corporate Responsibility and Reputation events and forums	BBVA Group
BBVA Research services	BBVA Group
Communication and Responsible Business/Corporate Responsibility and Reputation Department. It uses most of these tools/sources acting as "radar"	BBVA Group
Employees	
Employee Care Service	BBVA Group
Employee Care Service	BBVA Group
Employee satisfaction surveys	BBVA Group
Internal reputation survey, RepTrak	BBVA Group
Tu&BBVA magazine - "Pasión por las Personas"	BBVA Group
Employee Portal: Tu&BBVA	BBVA Group
General Portal	BBVA Group
Interviews setting objectives, competencies and feedback	BBVA Group
HHRR Managers	BBVA Group
Google+ communities	BBVA Group (except USA)
"Apúntate"	BBVA Group
Meeting to present results	BBVA Group
Shareholders and Investors	
Annual General Meeting of Shareholders	BBVA Group
Website (accionistaseinversores.bbva.com)	BBVA Group
Annual report, quarterly reports and significant events	BBVA Group
Constant contact with shareholders and investors (e-mail and telephone helplines, events in bank branches...)	BBVA Group
Roadshows and meetings with investors and shareholders	BBVA Group

Listening and dialogue tools	Scope
Attendance to conferences for investors and shareholders	BBVA Group
Relationship with analysts and rating agencies	BBVA Group
Alert services and distribution of relevant information	BBVA Group
Analysis of expectations and priorities of the sustainability analysts (MSCI, RobeSAM, Sustainalytics, Vigeo, CDP, GS Sustain, Oeken, EIRIS) and investors interested in the issue	BBVA Group
Regulators	
Institutional relations: Coordination of Bank participation in formal and informal forums to gain a better understanding of regulators' concerns	BBVA Group
Departments involved in managing the relations with regulators: General Secretary, Legal Services, Institutional Relations, Internal Control, Risks, Chairman's Office	BBVA Group
Reports on regulatory trends: <ul style="list-style-type: none"> • KPMG - Evolving Banking Regulation • Deloitte - Top 10 or 2015: Our Outlook for financial markets, regulation and supervision • Sustainability Accounting Standards Board (SASB) 	BBVA Group
Providers	
BBVA provider mailbox	BBVA Group
Provider's satisfaction survey	BBVA Group
Global provider helpdesk	BBVA Group

Materiality analysis

This year, the process of defining material issues has been bottom-up; i.e., each one of the countries has carried out its materiality exercise taking into account the local reality and, a posteriori, has been consolidated to give a comprehensive view of the Group. This methodology has been prepared following the recommendations on disclosure in the GRI G4 sustainability reporting guidelines.

The final result of the process is a materiality matrix in which each of the relevant issues identified is classified according to two variables: importance for stakeholders and importance for BBVA business.

1. Process to define material issues

a) Identification of material issues:

To draw up the final list of material issues, we have used those issues that have been defined as reputational risks for BBVA and identified other material issues that do not represent a risk.

In both cases, the consultation sources used have been the following

1. Research and contacts that provide information on the stakeholders' perceptions through the consultation tools described in the above section.

2. Analysis of information from expert observers (NGO's, sustainability analysts, labor unions and other civil associations) that assess the companies' behavior.
3. Regulatory trends in the sector.
4. Analysis of competitors, which are the most relevant issues or controversial subjects that affect them and that may also affect us.
5. Analysis of the media and social networks: negative news, trending topics, social concerns, etc.

b) Prioritization of material issues:

We have analyzed two aspects for prioritizing material issues: relevance for stakeholders and relevance for the BBVA business.

- Relevance for stakeholders: to measure the relevance of these issues for stakeholders, we have taken into account how important the issues are for said groups, as well as whether there are legal requirements or related commitments entered into by BBVA. Thus, an issue becomes more relevant when:
 - The greater the number of stakeholders affected and the greater the importance of these stakeholders for BBVA.
 - The greater the impact of the issues for the stakeholders affected.
 - There are legal requirements or commitments by BBVA related to the issue.
- Relevance for the business: the relevance for the business consists of determining the issue impact on BBVA's current and future business. The global Responsible Business Division identified those responsible for managing each issue at global level and then they identify their local counterparties. Such counterparties are those who have valued the impact on the business of the issues within their management field.

2. Materiality matrix

In accordance with this process, the materiality matrix was built for Colombia and as

from each matrix the global materiality matrix was obtained for the whole Group.

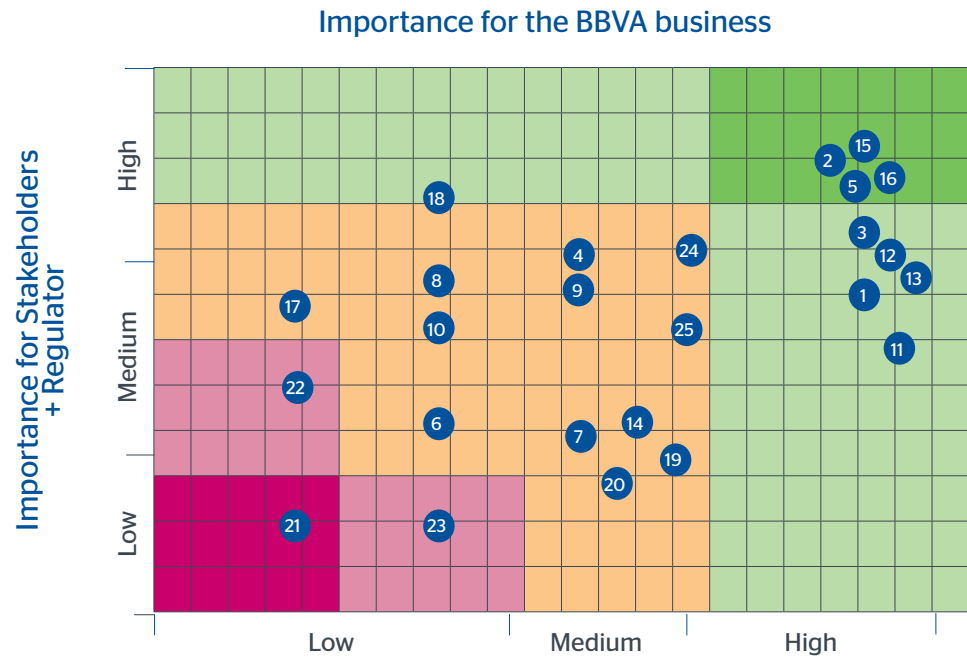
The consolidation process has been carried out making a weighted average of the relevance for the stakeholders and for the business in all countries. The weight used has been the gross margin in each country.

The resulting materiality matrix is the following:

No.	BBVA Group Issue	Relevance for stakeholders						Relevance	Materiality Connection
		Society	Customers	Shareholders	Regulator	Employees	Suppliers		
16	Solvency and finance management	X	X	X	X	X	X	High	TCR Communication Financial literacy Customers responsible management
5	Security, privacy and customer protection (including big data)	X	X	X	X	X	-	High	Governance systems
2	Communication and marketing practices	X	X	X	X	X	-	High	Compliance system - Customer protection
15	Good corporate governance	X	-	X	X	X	-	High	Governance systems
4	Response to the credit demand of the company	X	X	-	X	X	-	High	Integrity in business - Risk management
3	Customer service/care quality	X	X	X	-	X	-	High	TCR Communication Financial literacy Customers responsible management
13	Ethical conduct	X	-	X	X	X	-	High	Governance systems
12	Compliance with legal regulations	X	-	X	X	X	-	High	Compliance system - Internal audit - Responsible credit process - Prevention of money laundering and terrorist financing
11	Prevention of asset laundering / finance of terrorist activities	X	-	X	X	X	-	High	Risks management
10	Social & environmental responsible funding	X	-	X	X	X	-	High	Integrity in the business- international commitments executed
8	Respect for employees rights	X	-	X	X	X	-	Medium	The team
18	Respect for human rights	X	X	X	X	X	X	Medium	Financial literacy, financial inclusion

No.	BBVA Group Issue	Relevance for stakeholders							
		Society	Customers	Shareholders	Regulator	Employees	Suppliers	Relevance	Materiality Connection
1	Products with good quality/ price relation (without abusive clauses,...)	X	X	X	X	X	-	Medium	Corporate principles - Governance systems - Integrity in business
6	Assistance to customers in difficult situation	X	X	-	X	X	-	Medium	Fundación Microfinanzas - Financial literacy
14	Responsible procurement / outsourcing	X	-	X	X	X	X	High	Providers
9	Remuneration policy of top senior management and administration board	X	-	X	X	X	-	High	The team
24	Digitalization	X	X	X	X	X	X	Medium	Innovation and technology: the digital transformation
25	Financial literacy	X	X	-	X	-	-	Medium	Human Resources - Impact on society- Financial literacy
19	Contribution to development of local communities (job creation, support to SMEs...)	X	-	-	X	X	X	Medium	Omni-channel model - financial inclusion
20	Financial inclusion	X	-	-	-	-	-	Low	Governance systems - Human Resources
7	Job quality (seasonality, outsourcing, relocations...)	X	-	-	X	X	-	Low	The team
17	Talent training and development	X	X	X	-	X	-	Low	The team
22	Diversity and reconciliation	X	-	-	X	X	-	Baja	The team
23	Eco efficiency and environment	X	-	X	X	-	-	Baja	Environment
21	Social action	X	-	-	-	-	-	Baja	Impact on community

The classification has taken into account the importance of their impact and influence on stakeholders, obtaining the following matrix:



Ultimately, it may be stated that the BBVA business model is practically the mirror that reflects what the stakeholders are asking for and responding to their expectations is one of our top priorities.

Customers

Customer experience

Providing the best customer experience as the first strategic principle, BBVA continues its endeavor to become the most recommended Bank; therefore, it has improved the listening models of the voice of the client to have as more natural approach and deliver the on-line and permanent feedback on their comments.

In concordance with the transformation of BBVA to become the best digital bank, the measuring model of the voice of the customer was amended in the contracting experiences and channels, going from telephone surveys to e-mail surveys, evidencing improvement in such indicators throughout the year for most cases. It included also the measurement of the aftermarket in order to evaluate the experience of the customer over time, understanding that it is derived from the likelihood of permanence. Being

aware that the offices channel is still the most used one, a particular monitoring plan was defined with the involvement of the network responsible, thus achieving the best office IReNe to date.

With regard to the functionality PREGÜNTALE A DG, designed as support to the offices for delivering clear and complete information to the customer, it has become an excellent support channel, mainly for the detailed tracking carried out by Quality on each consultation in order to ensure that the answers given are in compliance with the time and quality of the service agreements which is useful to the office in order to provide a complete answer to the customer thus enhancing their experience. The 99% of consultations have been resolved in compliance with the service agreements and 80% have been qualified with 9 or 10 by the offices. The impact of this model in the office is summarized in AGILITY, EASY ACCESS, RETURN AND CLEAR AND PRECISE CONCEPTS.

Transparent, Clear and Responsible Communication

Transparent, Clear and Responsible (TCR) communication is one of the strategic priorities of the Responsible Business Plan since this is one of the most relevant issues to customers and regulators.

Communicating in TCR language helps the customer to make an informed financial decision and prevents them from unexpected surprises and is a key element to generate confidence.

Also, being a bank that communicates on a TCR basis increases the consideration (that a non-customer deems the Bank as a possible financial services provider) and the recommendation (that an existing customer recommends BBVA).

Following this path means following the trend of the legislation which is increasing with regard to the transparency and clarity to favor and protect the customers.

TCR contents:

- It has all the information relevant to the customer, keeping the balance between advantages and costs (transparent).
- Easily understood (clear).
- Looks after the customer's interests in the short, medium and long term (responsible).

BBVA has continued with this initiative since 2015, being the most relevant advances the following:

TCR Product Offers of Individuals Segment

The Bank is aware of the impact of the communication on people's financial decisions and therefore, on their lives; that is why at BBVA we implemented in 2016 the use of TCR commercial offers on a mandatory basis through the business portal which could be used as the guideline to make the selling and send the proposal via e-mail to the customer, with own and external sales force, in order to ensure a communication consistent with the offers in any of the channels, communications and advertising, showing the customers that the Bank is able to accomplish it since BBVA walks its talk.

During 2016 we implemented 442% of TCR commercial offers with 338 offers versus 69 forecasted for the year. Such offers represent the different categories of the Individual Customers Segment: assets, liabilities, means of payment, insurance and four TCR welcome letters for mortgage, leasing and assignation of limits for "Red" and "FuVEx" which are found in the Banking Business Portal, the web tool that includes the information relevant of the products under the principle of transparency and clarity.

Following this line, by allowing the legal customers make informed decisions over its relations with the Bank in offices and other channels it is pursued to create a successful customer's experience. For such purpose, the legal segment will incorporate into the offer models of TCR product as from the first semester of 2017.

TCR contracts

This initiative consists of reworking current customer contracts and structuring them more intuitively with language that is easy to understand. In 2016 four TCR contracts were entered into: global individuals master contract or global legal entities master contract, rights assignment contract and ruling contract of payroll advance product.

In 2017 the adjustment of following contracts will continue:

- Financial Leasing
- House Leasing
- Factoring
- Mortgage
- Term-deposit certificate.

Digital TCR

Most of BBVA's digital solutions and contents are produced under the Agile methodology. To guarantee that the groups working with this methodology make TCR deliverables, the Bank has performed the following actions in 2016:

- Training workshop to digital sale team and scrums teams
- Direct support to some of said work teams

The challenge in 2017 is to ensure that the TCR checklist is always part of the work routine of such work teams and that deliverables meet TCR principles.

Also, the TCR project will be initiated on white page.

Call Center

Transparent, Clear and Responsible communication (TCR) is one of BBVA priorities for communication and therefore, in 2016 the TCR clear language and principles training continued in call center and quality areas.

Also, a pilot was conducted with the call center providers where new TCR script was built for Cards and Insurance products with the purpose to make clear, transparent sales where customers may make informed decisions and contract said products by conviction of the offer.

Metrics

In 2016 we have also improved how to measure whether the Bank is TCR for our customers; for such purpose, we have incorporated into an open market local surveys of Net Promoter Score (NPS). Metrics were created to allow the review of the use of offers in each of the sales and not sales of the products and also a back log was created to identify what was offered to the customer and which manager provided the assistance in the case of claims or complaints filed with the Bank.

Management of claims and complaints

Upon the understanding that complaints are improvement opportunities stated by the customer, the alert and review of grounds model for complaining was strengthened, involving the entire value chain in order to define the joint actions that enable the identification, correction and management of the solution that meets the necessity of the financial consumer not only in each particular case but in the adjustment of the root causes to mitigate the impact to other customers.

With regard to shortfalls in selling, actions were taken from the generation of the offer in the core areas of the Bank, up to the specific actions of the external sales force which result is evidenced in the reduction of complaints on such grounds.

Also, the management protocols of complaints of different reception channels (call center, core areas, social networks) were unified with the purpose that the customer claiming experience is standard under BBVA Colombia action model.

Improvements were implemented in the internal claims management circuits in order to optimize the course thereof since the filing by the customer until its resolution in the Quality Area, adjusting differential times and commercial attributions per segment, thus allowing the improvement in timely answer.

Regular meetings have been held with the Financial Consumer Ombudsman for taking joint actions that improve both the assistance to the customers' requirements and identify the causes of overflows and the solution.

	Accrued at May 2016*	Accrued at August 2016*	Accrued at December 2016*
Global Bank IReNe	49%	48%	48%

*Updated since March, 2016

For 2016 the measurement model was adjusted by changing the application channel of surveys going from 100% of telephone surveys to the e-mail surveys. This implies that the metrics of 2015 and 2016 are not comparable due to the fact that the channel has a strong incidence on the qualification since the anonymity of the e-mail survey helps to express a more critical answer, less accepted socially and with less consent.

The above affected both the Global IReNe Global and the Complaint IReNe

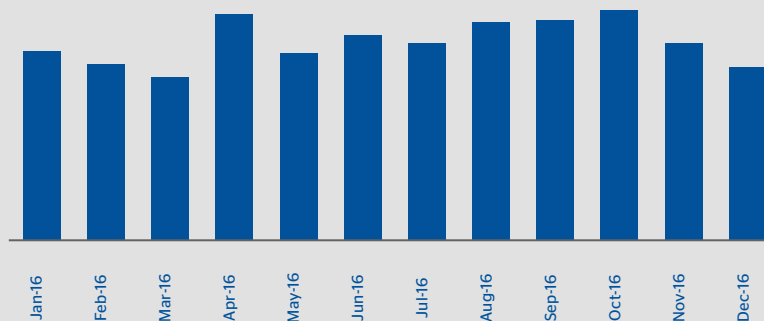
	Accrued (Mar. - May) 2016	Accrued (Jun. - Aug.) 2016	Accrued (Sept. - Nov.) 2016
IReNe Complaints	(41%)	(40%)	(41%)

The complaints IReNe was also impacted mainly to the kindness and service lever due to the migration done this year in the call center which generated delays in service, shortcomings of information per learning curves of learning, and mistaken information while the service protocols stabilized.

Number of complaints in connection to the respect for privacy and leak of customers' personal information

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Act of personal data protection	7	8	5	11	10	8	8	6	15	11	13	8

Tiempo de resolución de los reclamos

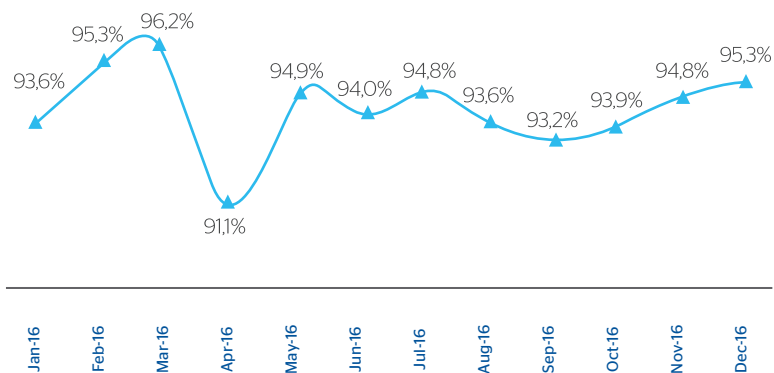


	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total
Total	2,84	2,67	2,47	3,42	2,82	3,10	2,96	3,28	3,32	3,47	2,99	2,60	3,00

Porcentaje de reclamos resueltos a tiempo

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Total managed	7,771	8,043	7,967	8,819	9,563	10,859	9,910	9,778	9,027	9,506	9,734	10,256
Total managed on time	7,276	7,669	7,667	8,031	9,073	10,212	9,391	9,148	8,414	8,924	9,230	9,769
Timeliness %	93.6	95.3	96.2	91.1	94.9	94.0	94.8	93.6	93.2	93.9	94.8	95.3

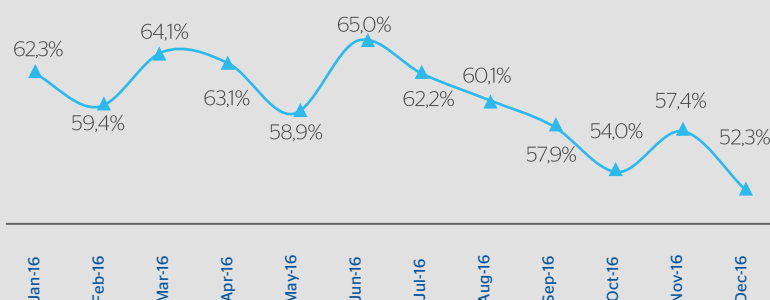
PQRs Timeliness



Percentage of claims and complaints managed by FCS (First Contact Solutions)

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total
Complaints filed FCS	5,475	5,733	5,673	6,422	7,127	7,190	6,279	5,800	5,432	6,558	6,144	6,905	74,738
Complaints managed FCS	3,411	3,408	3,634	4,051	4,195	4,672	3,904	3,483	3,143	3,542	3,527	3,614	44,584
FCS share %	62.3	59.4	64.1	63.1	58.9	65.0	62.2	60.1	57.9	54.0	57.4	52.3	59.7

FCS share



Omni-channel model

It is important to remember that BBVA omni-channel strategy is supported on three main pillars:

- The client could choose the more interesting channel for each operation.
- The client should perceive one single experience during their dialogue with BBVA, not detecting the multiple channels as different access forms.
- Processes analysis that allows the customer to have an agile and sound experience that responds to their needs.

Within the framework of said strategy, new digital channels such as BBVA Wallet have been launched, a wallet type mobile application available both for iOS and Android that provides customers a new form to manage the transactions of their cards in a fast and safe manner through their smartphones. With BBVA Wallet the customers may use their mobile phone to pay all their purchases and administer the security of their cards, enabling or disabling them promptly and with flexibility.

Besides, a new version of the transactional page was presented on Internet BBVA Net, offering greater level of information to our customers simply and easily. Together with this new Internet page, a new channel of payments of BBVA products is available, denominated PSE Payments where payments of products such as credit cards, revolving quotas and loans against accounts from other banks can be made, saving the customer from moving to office premises to make the operation.

It is worth mentioning the launching of new functionalities in the channels which purpose is to make customer's life easier and simpler such as: simpler access to BBVA Móvil and BBVA Net with less passwords, access to BBVA Móvil with fingerprint, contracting and use of payroll advances in ATM's and opening of the Term Deposits in BBVA Net and BBVA Móvil.

Other data that show new omni-channel model evolution in 2016:

- Increase of more than 75% in mobile customers exceeding 315.000 active customers at November 2016.
- Launch of the new BBVA Wallet application with more than 20.000 downloads.
- More than 300 payments of BBVA products made via PSE in December pilot stage.
- Near 15% of the mobile customers already use their fingerprint to enter to BBVA Móvil.
- More than 1.900 openings of Term Deposits in BBVA Net and BBVA Móvil.

Customer protection

The Engineering Risk & Corporate Assurance Area (ER&CA), formerly Fraud and Security Management, ensured the integrity, confidentiality and availability of the different products and services offered by BBVA Colombia to customers, shareholders, employees and third parties in order to generate confidence, loyalty to brand and reduction of internal and external risk events.

During year 2016, the model for integral fraud management and logical assurance model was strengthened with solutions in logical security systems to protect, prevent and mitigate fraud risks, counteracting the new trends of attacks from the organized crime.

With regard to fraud prevention in 2016, the fraud in cards was reduced by 7.3%. BBVA Colombia keeps on positioning at local and Group level as one of the benchmark entities in matters of protection, prevention, recovery of misappropriated monies and mitigation of related events. Throughout the year, the Bank has developed rules of business that allow reducing the impact generated by scammers through improving the detection and increase of the service levels of credit and debit cards.

Specialized tools in control of Advanced Persistent Threats, “set of stealthy and continuous computer processes, often orchestrated by human beings intended to penetrate the computer security of a specific entity” were implemented. Through such tools the protection and risk mitigations are achieved against the exposure of the new cybercrime techniques.

The passwords unification project was implemented in business applicative to speed up the access to information services which have an impact on the improvement to customer service.

The Forensic Computer Lab was updated in matters related to the computer security; this to maintain the data integrity of the investigations that allow the protection and prevention to customers from becoming technological fraud victims.

In the technological and operational risk field, actions have been oriented toward the reduction of the impact of Cyber-Security incidents through the application of techniques that enable the identification, protection, detection, response and recovery thereof; furthermore, strengthening the identification of operational risks of processes, reinforcing the risk identification and valuation of new initiatives to anticipate its materialization. The events of Technological and Operational Risk are under permanent monitoring with the purpose to minimize them, leveraged with permanent awareness campaigns and the celebration of the international day of information security with the slogan “¡Ciberseguridad de la mano de la transformación digital en BBVA!” (Cybersecurity hand in hand with digital transformation in BBVA).

Likewise, with regard to Internal Control, the Control Model was updated with the goal to reinforce the identification and detection of the control problems thus ensuring an adequate risk management.

The response process was reinforced as well as the partial or total recovery of critical functions in face of unexpected events that involve the interruption of the operation with the integration of the Business Continuity Group.

[More Security](#)

During year 2016 the Security - Investigation Document Fraud Department managed and investigated 533 events, quantifying initially the reported fraud in \$15,521 Mill. Consequently, from the processes initiated 90 accounting items were regularized for a total of \$1,351MM, reducing fraud by 65% versus year 2015.

Year	Cases	Value
2015	155	\$ 3,899,MM
2016	90	\$ 1,351,MM
Absolute Var.	\$ (2,547) Mill.	
Relative Var. %	(65)	

Within the Security Master Plan, the purchase and installation of the PACOM alarm system was carried out for 19 offices with the appropriate upgrade and streamline of the previous Honeywell system. Also, the technological upgrade of the Alarm Management Center was made with the installation of 12 new monitors.

Finally, thanks to the accurate performance of the staff from the Bank branches and the team working from the Security Department, events in different modalities were frustrated for \$14,273 Mill.

People-centric solutions

As the third strategic priority of the responsible banking model, the high social impact products are developed as financial products and services that integrate differential social attributes.

The purpose is to integrate differential social attributes within the products and initiatives of the Bank daily activity. In this way, besides the social impact generated by the ordinary activity, products and services can be designed with a higher social impact.

Said products are grouped in four large blocks: those useful to favor the financial inclusion, those for SMEs, for individuals with special needs, and finally, the socially responsible investment.

Banking correspondent

They appear with the purpose to extend the number of customer's service points, in particular in those locations where there are no banking branches, rendering basic financial services through entities such as stores, supermarkets, drugstores, among others, including in some countries, mobile telephone operators.

The banking correspondent has become a major channel for the development of commercial strategies such as the payment of payrolls in municipalities where there

is no presence of the office network or ATM's, thus allowing the customer service to business customers by means of officials in remote sites.

BBVA closed 2016 with a total of 5,826 correspondent banking points, bearing in mind that for this year the clearance of the network was conducted with the purpose to offer higher stability and better service quality to our customers. As indicator, we should mention that during this period the channel provided services to a total of 1,507,738 transactions for \$456,348 Mill.

Additionally, the channel commercial offer was strengthened by developing transactions such as withdrawal from electronic accounts and deposits through OTP, which enables customers to withdraw cash money from the correspondent point without physical handling but through the use of the Mobile Banking application. The foregoing, as part of the strategy for using digital means through non-conventional channels.

Fundación Microfinanzas BBVA

Within the framework of the commitment with financial inclusion, Fundación Microfinanzas BBVA¹, was created in 2007, a non-profit entity which mission is to promote the economic and social, sustainable and inclusive development for underprivileged people, through the Responsible Productive Finance, its speciality and methodology. The model that pursues the client's development and offers a customized service to vulnerable entrepreneurs, getting closer to their home-company a thorough range of financial and services products, as well as the advisory on financial administration and management for their small businesses and training.

With the name "Midiendo lo que realmente importa" (Measuring what really matters), the Fundación releases annually its Social Performance report that summarizes the main magnitude of the impact of their activity in customers' life at an aggregate level in the region and in each one of the countries where it is present. This social measurement system has been highlighted by the UN and is a benchmark for the sector.

From its incorporation, the Fundación has delivered globally an aggregate volume of USD 8,246 million to low-income entrepreneurs in Latin America for developing their productive activities (2007-2016) and became one of the major philanthropic private initiatives in the Region.

(1) Fundación Microfinanzas BBVA arises from the Corporate Responsibility of Grupo BBVA but as a non-profit entity and independent from it both in government and management. For such purpose, the Grupo BBVA goal is to reflect that Fundación Microfinanzas BBVA does not form part of the BBVA financial group. Consequently, Grupo BBVA does not manage nor is liable for the activity performed by the Fundación or by the financial entities acquired by it for accomplishing its purpose.

During 2016 the Fundación, with more than eight thousand employees, continued working to deepening in the neediest areas, servicing 1.8 million customers.

More than half the entrepreneurs serviced were women which contribute directly to reduce gender inequality.

In Colombia, Fundación Microfinanzas is present through its entity, the Banco de las Microfinanzas Bancamía. With the purpose to improve the life quality of low-income families in urban and rural areas of the country with difficulties to access the formal banking, Bancamía offers customized financial and non-financial products and services, covering microcredits for productive activities, savings accounts, term deposits, insurance or international transfers, channels and services such as Mobile Banking and Financial Literacy. At the closing of December 2016, Bancamía was serving 828,499 people, 56% women.

In 2016 the World Bank president, Jim Yong Kim, during his stay in Colombia, visited Bancamía and met the entrepreneurs who explained him how far they have come thanks to the Bank loans.

The mission and methodology of the Fundación have been recognized in several times by the UN for its contribution to the Sustainable Development Goals Fund (SDG) of the Agenda 2030 for the eradication of poverty, gender equality, support to inclusive and sustainable economic growth and dignified work, among others.

During 2016 the Economic and Social Council of the United Nations (ECOSOC) granted Fundación Microfinanzas BBVA the consultative status, a recognition to the work in its field of action: microfinance for development. The Fundación could be consulted by United Nations to guide and recommend actions to contribute the sustainable development.

The Sustainable Development Goals Fund (SDG Fund) of United Nations has renewed the Fundación as member of the Advisor Group of the Private Sector for the period 2017-2019. The Fundación was already since April 2015 one of the 13 worldwide institutions as founder members of such Advisor Group that provides strategic support to UN in order to get the best results in sustainable development in coordination with the private sector.

Also, since 2016 the Fundación participates in the High Level Panel on Women's Economic Empowerment of the General Secretary of the United Nations, having recognized the Fundación as case study.

For 2017, the Fundación will continue working to deepen in the scale and scope with an extended proposal value that ensures the development and progress of its entrepreneurs through technological solutions, also to improve the efficiency, the processes and use of synergies.

Support to SMEs

BBVA understands that SMEs are the engine that fosters the social development of the country. Through education, as the best development tool and promoter of the social equality, the Bank designed together with Universidad de los Andes the first training program for SMEs made in Colombia by a financial entity.

Through the different credit facilities offered by the Bank, a large quantity of new customers could be reached, billing \$3.5 trillion in 2016 (6.1% increase versus 2015 for \$3.3 trillion) for the acquisition of productive assets, providing more competitiveness in the market and helping our customers to grow on a steady basis.

In 2016 the SMEs Segment leveraged its growth in credit investment with a strategy focused toward agriculture and trade. The main vectors were Leasing and Agrocredit and it is quite relevant to mention the advance in the model of generation of pre-approved, becoming a generator of new operations.

As to transactional operations, it was an excellent year in the evolution of collections and acquisitions. Another achievement to highlight is the positioning of BBVA Colombia as a reference bank with regard to the support and differentiating attention to SMEs.

BBVA kept on reinforcing the training to SMEs through the virtual platform "Camino al Éxito" (Path to Success) which during 2016 reached 278 entrepreneurs who had access to online training programs among which subjects such as were included: Finance (financial statements, analysis of commercial operations, company insight and economic situation and financial markets), businesses, (commercial skills and negotiation, marketing strategy, service quality and customer service and collaboration and team working) and e-commerce, (How to create my own virtual store, Digital Marketing, advantages of e-commerce, new forms of relationships with the customer).

Support to individuals with special needs

“Héroes” Affinity Card

BBVA continues strengthening the commercial relation with active members and administrative officials of the National Police and the Armed Forces of Colombia by making them easier to reach their goals through preferential products and services in payroll, payroll deduction loans, credit cards and other asset and liability products. During year 2016 more than 22,000 new customers became members of “Héroes” portfolio. Currently, there are more than 42,000 customers with the card, billing \$25,000 Mill at year end.

Besides of strengthening the new credit card “Héroes” exclusive for such group is focused to boost products such as saving, payroll and credits leveraged, it drives the use of transactional channels such as BBVA Móvil and BBVA Net, among others.

At the closing of 2016, the “Héroes” BBVA Program in agreement with the Ministry of Defense has contributed with more than \$162 million through the “Héroes” card for the wellbeing projects.

Finally, the Corporate Responsibility Program was enhanced, reaching more than 8,992 military and policemen who received training with 36,000 workshops in Financial Literacy with “Adelante con tu futuro” program. More than 2,500 school kits were delivered as support and incentive to childhood education in the Wellbeing project to the community led by the Armed Forces of Colombia in the territory.

“Visión Mundial” shared brand credit card

Visión Mundial is an international humanitarian NGO devoted to the assistance, development and defense of girls, boys and families and communities in poverty and unfair condition.

BBVA Colombia and Visión Mundial have developed an alliance to provide a better future to the Colombian childhood through a credit card that for each purchase generates a 0.5% donation from interests to support the Visión Mundial program.

During year 2016 more than 4,000 new customers chose the Visión Mundial card in order to support the Colombian childhood. Currently, there are more than 40,000 cardholders an at year end invoiced \$60,000 Mill.

“Mujer BBVA” Affinity credit card

Several years ago, the Bank decided that women needed a special card for the products and services offer of BBVA Colombia. They are the basis of the household economy, they generate wellbeing in every surrounding since their participation is vital in major decisions that pursue the family development such as choosing the school of children, location of residence, the quality of meals and expense control, among others. In summary, the Bank knows its role in Colombian society and its huge influence capacity and therefore, it was defined the necessity to have special products with promotions and services exclusively dedicated to them.

To support them in their daily life, BBVA offers the “Tarjeta Mujer” in alliance with Visa. The “Tarjeta Mujer” credit card provides home assistance for having at hand specialized services for incidents at home: plumbing, locksmith, electrical damages services, among others, available on a free basis.

“Dinero móvil” (Mobile money)

“Dinero móvil” is an initiative of BBVA Colombia to promote the financial inclusion through electronic deposit, product from banking usage addressed to the more vulnerable collectives and ruled under the provisions in Decree 4687 of year 2011.

“Dinero móvil” enables handling cash up to 3 Minimum Monthly Wage (SMMLV per its acronym in Spanish) monthly: in balance, debit and credit transactions, exempt from the charge of lien to financial movements (GMF) up to 65 monthly units of tax value (UTV) which contracting is totally virtual through a mobile device and the account number is the telephone line.

“Dinero móvil” allows transfer transactions, cash withdrawals, deposits, payments of utilities and cell phone recharges. Only individuals can have access to this without fees management.

For year end 2016 the number of contracts in force amounted to 5,306 and billing for the year was \$274,679,545.

Agribusiness credit facilities

BBVA Colombia focused toward the strategy to provide the better experience to customers, has strengthened in 2016 the accompaniment processes and supplementary advisory to

customers of the agribusiness sector (Agribusiness Development, Agrocrédito and Agroleasing facilities) providing tools to take advantage of business opportunities and meeting their needs. Furthermore, the Bank works with different players involved in the agribusiness productive chain, the foregoing is evidenced in the increase of finance operations reaching \$637,802 million and maintaining an outstanding position in the sector.

Foreign trade

In order to provide the best possible experience to customer, Foreign Trade has designed a banking training program with emphasis in Foreign Trade and Treasury services for 30 hours with the attendance of 175 companies.

Additionally, within the improvement to banking services of Foreign Trade it was designed the Importing Credit Card which allows the payment of operations without the presentation of the information to Banco de la República, gaining in agility and mitigating the likelihood of exchange infringement.

Within the Foreign Trade products portfolio new schemes have been designed to make possible the long-term finance of foreign goods or services with the support of Government entities and multilateral entities of industrialized countries. This is about projects which for their amount or individual characteristics have a major impact in the business chain.

With regard to the proceeding of foreign trade operations, the digital platform “Comex net” was implemented, thus allowing users of Foreign Trade to deal on line, giving an aggregate value of speed, efficiency and security in its purchase and sale operations of foreign currencies for imports, exports and transfers or reimbursements for services. Additionally, it contains all new provisions from the Exchange Regime such as the elimination of current exchange returns but keeping the information required that should be sent to control entities as DIAN and Banco de la República, enabling a 100% online operation.

The team

As important as it is to offer the best experience to customers, Human Resources developed the best “employee’s experience”; thus, and based on the commitment to attract and retain a first class workforce, Recruiting acquired the appropriate tools to attract differentiated profiles that contribute to the construction of new business models, the best user experience, boost digital sales and ensure the digital transformation under agile project methodologies.

The internal promotion tools were strengthened based upon the objectivity to select and promote the in-house talent ensuring the quality of promotions and gender diversity. State programs as “El primer empleo” and in-house programs of professionals in training were supported.

Total Headcount Banco BBVA Colombia	5.583
Men	2.326
Women	3.257
% Men	41,7
% Women	58,3

Company	Female	Male	Total EE	%
TMP				
Acción	183	81	264	40
Adecco	279	124	403	60
Total			667	100

Company	Female	Male	Total EE	%
TMP				
Apprentice SENA	178	101	279	82
Intern U	38	25	63	18
Total			342	100

Item	Total
Number employees under collective agreement	1.180
Number employees collective bargaining	4.403
Total employees	5.583
% CC	21,1
% PC	78,9

Item	Total
Total employees Banco BBVA Colombia	5.583
Average Age	37,2
Average Seniority	11,9
% Under 25	10
% Between 25 and 45	64
% Older than 45	26

Positions	F	M	% F	% M
Senior management	17	56	0,5	2,4
Specialists	935	841	28,7	36,2
Sales Force	972	526	29,8	22,6
Middle-level Positions	112	141	3,4	6,1
Base Positions	1.221	762	37,5	32,8
Total General	3.257	2.326	58,3	41,7

Professional Category	F	M	Fixed annual average income	Women / men salary ratio
Senior Management	\$ 282,411,438	\$ 314,737,670	\$ 307,209,643	0,9
Specialists	59,302,540	65,682,575	62,323,716	0,9
Sales Force	67,424,187	76,069,821	70,459,971	0,89
Middle-level Positions	113,375,521	119,519,953	116,799,888	0,95
Base Positions	31,155,650	33,469,860	32,044,923	0,93
Total General	\$ 54,198,430	\$ 66,738,361	\$ 59,422,840	0,81

Minimum Salary BBVA Colombia	SMLV	Salary Ratio
\$ 1.620.707	\$ 689.454	2,35

Benefit	Employees	Amount paid
Incentive Cash Tellers	796	\$ 193,438,008
Vacations bonus	4.661	7,031,294,078
Optical Allowance	2.588	1,694,904,608
Meal Allowance	658	864,380,554
Education Allowance	2.565	510,884,110
Seniority Premium	722	7,388,731,801
Compensatory Allowance	573	365,825,168
Maternity Allowance	214	130,070,000
Funeral Allowance Parents and Siblings	109	57,880,000
Funeral Allowance Spouse and Children	6	\$ 3,700,000

The Human Resources Management worked in synergy with its management divisions in order to provide assistance to staff, generating closeness spaces and accompaniment, all within the institutional action framework and with an own hallmark that provides a particular and intrinsic style with the intention to become a strategic partner to the business, This explains the relevance of the direct work with leaders, the accompaniment and proximity individual and group spaces that allow leaders to be the reference and model, whose conduct is aligned with the expectations from a leader in BBVA and also, engaged with the talent development and representing an important source for the promotion of future leaders,

Upon the inspiration of the Bank purpose and vision, Culture, Leadership and Wellbeing engaged in having each person of BBVA Colombia to understand and incorporate such vision and that both collective and individual behaviors and attitudes demonstrate it,

From this particular standpoint and committed with the favorable impact in three key indicators:

1, NPS (Net Promotor Score)

2, Engagement

3, Attraction

The following three work fronts were developed:

1, Strengthening of Leadership model, which reached following figures in 2016: more than 1,200 people trained in local leadership schools, more than 33,000 training hours and more than 4,500 coaching hours,

2, Design action plans to impact the commitment and labor environment of BBVA which was accomplished in 3 stages:

Stage 1: Dissemination of Employee's satisfaction survey to more than 1,000 collaborators,

Stage 2: Design of action plans for each Vice-presidency,

Stage 3: Act and maintain the accompaniment to action plans provided by each Vice-presidency,

3, Strengthening the "TÚ&BBVA más felices" program that develops a set of actions and benefits that impacted positively the labor environment, among others, Some of said actions were: National Sport Games, celebration of special dates, Portal of Benefits, "Bici al trabajo", "Café de las letras",

New incentive model

For 2016 the Bank implemented a new variable incentive model which aims at the goal achievement, not only financial but strategic, which are aligned with the Group goal and strategic priorities, This model seeks to maintain the transparency and equity for the incentive payment to employees,

Furthermore, it encourages the permanent dialogue so that employees have a clear vision of their contribution while recognizing the importance of the interdependence among the different geographies/companies to accomplish the success of the strategy. Besides, the variable compensation is based upon the global performance of the Group, Area and Individual pursuant to the contribution of each of them to the results of BBVA,

Organizational development

With the purpose to provide a better experience, more simplicity, accessibility and closeness to users, the OMS tool (Organizational Management System) was launched in 2016 to enable the update of the function manuals in an agile way through the intranet. Also, from said applicative the requests for filling vacancies can be made as well as the link with E-Campus and FARO applicative,

This is a worldwide pioneer project in the Group; furthermore, the first class workforce was enhanced on the basis of several impact projects in different areas which included structural analysis from the redenomination of positions and restructurings according to the function with the purpose to generate career plans, homogeneous structures (Benchmarking) and functional analysis of each position,

This allowed the technical valuation of 80% of the individual posts. Also, a new profile culture was generated as from the creation of a new circuit that resulted in efficiency in the response times and service to the customer,

Under the transformation of the business model, the analysis of capacity was carried out which enabled the dynamic allocation of optimal resources,

Volunteering and social engagement

The volunteering actions contribute to the responsible banking model and help, mainly, to boost education programs, emphasizing the Financial Literacy and the support to entrepreneurship, besides of fostering social actions that involve employees,

In 2016, employees participated in some activity as volunteers; among the most relevant initiatives it should be highlighted the support to financial literacy, the contribution with 276 markets with non-perishable products, beans, care products and others for the victims of the winter in Choco and the participation in the Christmas campaign for the children of La Guajira where the staff delivered 121 toys, plus 160 more purchased for a total of 281 gifts donated,

BBVA Colombia subscribed an alliance with Fundación ProBono which purpose is to facilitate the access to justice and quality legal advisory for vulnerable population; within the main allies there are the best law firms of the country, The Bank has made available to the Fundación its legal team who voluntarily participate in trainings, advisory and solution of cases of such population, In year 2017 the alliance will be executed,

Shareholders

The Colombian Stock Exchange showed a significant valuation at year end 2016 versus year 2015, In fact, the COLCAP index increased by 17,2% interannual, However, said behavior had marked fluctuations throughout the year, determined mainly by the external environment and prices of commodities, At the beginning of the year, it followed the trend of the end 2015 when it showed strong devaluations for the drop in oil prices, Afterwards, their recovery and higher incoming of capitals from foreign portfolio in subsequent months raised the index value, By mid-year and in fourth quarter, external factors such as the brexit and the elections of the United States generated volatilities and reductions in the index but did not interrupt permanently its upward trend in the year,

Other indexes of the Stock Exchange of Colombia showed quite similar behaviors to COLCAP, being positive in all cases, although slightly different in their interannual variation rates, The COLEQTY that gathers 40 shares grew 16,3% during the year, The COLIR, that groups the institutions with best practices in their relations with investors, within which there is BBVA Colombia S,A,, increased by 17,6%, Finally, the COLSC, that includes the 15 shares of the companies with the smallest market capitalization in the Colombia Stock Market, increased by 14,7%,

Evolution of the BBVA Colombia share price,

Common share price closed at \$270 in 2016, representing an increase of 12,5% versus the closing in 2015 at \$240,

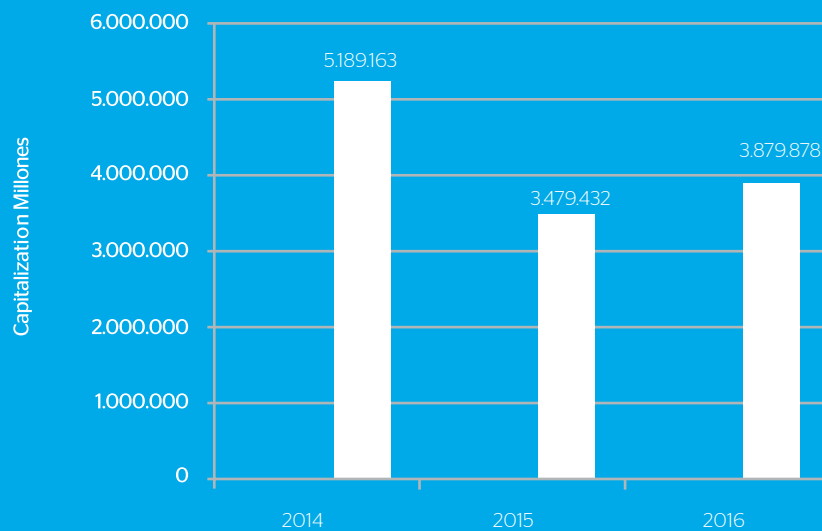
The share of BBVA Colombia is characterized by low liquidity in the Colombian Securities Exchange and, therefore, few transactions may move its value,

This same dynamic is present for the price of the non-voting preferred dividend share which is low liquidity in the market and which value closed the year 2016 at \$260, Said share fell by 11,86% versus year 2015 when closed at \$295,

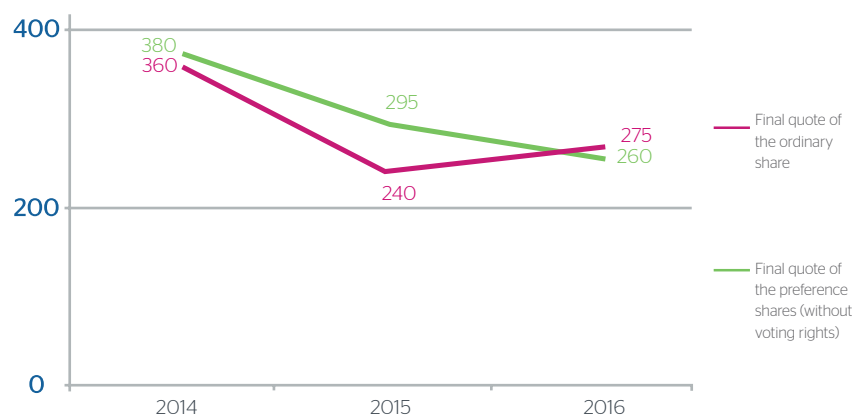
The floating capital of the Bank is 4,57% and is detailed below:

Type of share	Amount
Common	630,705,101
Non-voting preferred dividend	26,752,348

Market capitalization of BBVA Colombia (in million pesos)



Evolution of the Market Capitalization of BBVA Colombia



BBVA Colombia share and share performance ratios,

Item	2016	2015
Number of shareholders	65,318	65,396
Number of outstanding shares	14,387,689,071,00	14,387,689,071,00
Maximum price (Common share)	300	360
Closing price (Common share)	270	240
Minimum price (Common share)	240	212
Maximum price (Non-voting preferred share)	295	380
Closing price (Non-voting preferred share)	260	295
Minimum price (Non-voting preferred share)	260	280
Book value per share	278,75	265,44
Market capitalization (million pesos)	3,879,878,45	3,479,432,18
Price / Book value -- Common share	0,97	0,90
Price / Book value -- Preferred dividend share	0,93	1,11
Per (Price/benefit) -- Common share	12,87	14,22
Per (Price/benefit) -- Preferred dividend share	12,39	17,48
Dividend yield (Dividend/ Price) Common share	0,0777	0,0703
Dividend yield (Dividend/ Price) Preferred dividend share	0,0807	0,0572
Declared dividends	20,98	16,88

Since year 2007 and consecutively, the Shareholders' General Meeting has approved the payment of dividends in cash for the two types of shares, both common and non-voting preferred shares and the payout has been 50%,

The declared dividends during 2016 were \$20,98 COP per share payable in two installments, June 8 and October 12, 2016, The value increased by 24,28% versus year 2015 for \$16,88 COP per share,

Shareholding structure at December 31, 2016:

Equity tranches	Shareholders		Shareholders	
	Number	%	Number	%
Up to 1,000	28,195	43.17	9,379,538	0.07
From 1,001 to 10,000	27,279	41.76	98,726,467	0.69
From 10,001 to 50,000	8,249	12.63	176,573,671	1.23
From 50,001 to 100,000	1,053	1.61	71,834,108	0.50
From 100,001 to 1,000,000	496	0.76	97,382,055	0.68
More than 1,000,000	46	0.07	13,933,793,232	96.85

BBVA Colombia share is listed in the Colombian Securities Exchange with the mnemonic

BBVACOL for the common share and PFBBVACOL for the non-voting preferred dividend share, specifying that they are low liquidity shares,

BBVA Colombia share is included in the COLEQTY index that includes the 40 largest and performing shares traded in the Colombian Securities Exchange where the weight of each share is determined by the floating weight (adjusted cap) of each of the constituents,

In this basket released by the Colombian Securities Exchange, that contains the 40 largest shares listed on the Stock Exchange, BBVA Colombia appears with 0,07% interest,

Furthermore, it is part of COLIR, an index that includes the shares of the companies with the IR Issuer designation which in turn, forms part of COLEQTY, where the weight of each share is determined by the floating weight of each of the constituents, This basket includes the 30 companies with IR recognition, BBVA Colombia among them,

Society

Our reason for being is to *"Make the opportunities of this new era available to all"* and this because BBVA is more than a bank; BBVA is a drive of opportunities that seeks for having a positive impact on people's life to construct confident relations,

BBVA Colombia is aware that the higher impact generated is the one that comes from its main activity, As a financial intermediary, BBVA Colombia attracts resources from families, companies and other agents and channels this saving efficiently through the credit to personal, business and public projects that may improve the present and future of people and society, The difference between what the Bank pays for deposits and the interest that obtains from loans, the interest margin, is its main income source,

Investment in social programs

In 2016 the Bank has committed more than 7,128 million pesos to social initiatives, This figure represents 1% of the profit attributed from BBVA Colombia in this year,

Strategic priorities	Investment	%
Education		
Financial literacy "Adelante con tu futuro"	\$ 810	61
Financial literacy "Escuela para el emprendimiento BBVA"	1,300	
Business education and training	545	
Society education	1,672	
High social impact products		
Support to SMEs for growth	150	2
Other strategic lines		
Culture	220	37
Support to social entities	1,012	
Other	\$ 1,418	

Economic value and tax contribution

BBVA undertakes the commitment to maximize the creation of sustainable and shared value for its shareholders and for any other stakeholders and the society where it operates with its Corporate Social Responsibility policy,

A sustainable and shared value that, together and pursuant to the methodology provided by GRI for EC1 indicator is capable to measure and detail as economic value generated, distributed and withheld by the Group,

Economic Value Generated and Distributed (Million pesos)

Value Indicator	2016	2015	%
Economic Value Generated (EVG)	\$ 2,683,746	\$ 2,874,231	7,1
Net interest income	2,181,542	2,082,320	(4,5)
Net income for bank fees	135,963	125,091	(8,0)
Result valuation investment portfolio	256,433	399,170	55,7
Other Operating Income (1)	109,808	267,651	143,7
Economic Value Distributed (EVD)	1,827,021	1,895,288	3,7
Indicator sent to Dividends	288,184	244,744	(15,1)
Results attributed to minority	13,799	11,720	(15,1)
Suppliers and other administration expenses (excluded wages and salaries)	606,752	701,532	15,6
Taxes (2)	452,548	412,988	(8,7)
Staff Costs	465,738	524,304	12,6
Economic Value Retained (EVR=EVG-EVD)	856,724	978,943	14,3
Reserves	301,983	256,464	(15,1)
Net provision of assets and amortizations	554,741	722,479	30,2
Contributions, taxes on benefits and others	\$ 452,548	\$ 412,988	(8,7)

1 It includes Disposals, Leases, Company's dividends and Operative risk

2 It includes Income tax and Other taxes

Note: Data from the Bank Statement of Income pursuant IFRS and SFC methodology

Creation of Direct Tangible Value: Detail for Stakeholders (Million pesos)

Value Indicator	2016	2015	%
Economic Value Generated (EVG) (1)	\$ 2,516,287	\$ 2,635,284	7,1
Interest Margin	2,090,540	2,045,992	(4,5)
Net Bank Fees	295,399	311,173	(8,0)
ROF	213,059	381,443	55,7
Other net gains or losses 1	(82,711)	(103,324)	143,7
Economic Value Distributed (EVD)	1,827,020	1,895,288	3,7
Dividends	288,184	244,744	(15,1)
Results attributed to minority	13,799	11,720	(15,1)
Suppliers and other administration expenses (Excluded salaries and wages)	606,751	701,532	15,6
Taxes	452,548	412,988	(8,7)
Staff Costs	465,737	524,304	12,6
Economic Value Retained (EVR=VEG-VED)	346,591	739,996	14,3
Reserves	301,983	256,464	(15,1)
Provisions and Amortizations (2)	\$ (591,416)	\$ (763,429)	30,2

1 Includes Other Net Ordinary and Non-Ordinary Income

2 Includes Amortizations + Loss for impairment of assets + Provisions

Note: P&L Bank data per BBVA methodology

Creation of Direct Tangible Value: Detail per Stakeholders (Million pesos)

Group	Value Indicator	2016	2015	Var. %
Shareholders	Dividends (1)	\$ 256,464	\$ 301,983	(15,1)
Employees	Staff Costs	524,304	465,737	12,6
Customers	Interests and Assimilated Burdens	2,279,666	1,285,650	77,3
Suppliers	Other Administration costs (2)	701,532	606,751	15,6
Societies	Contributions, Taxes on Benefits and other Taxes	\$ 412,988	\$ 452,548	(8,7)

Financial Literacy

Financial Literacy (FL) is one of the Strategic Priorities of the responsible banking model and is articulated through the Financial Literacy Global Plan, The Bank purpose in this regard is to favor the development of finance skills that enable the society making informed decisions to improve their financial wellbeing and become more aware of the existing risks and opportunities,

Together with the TCR Communication, BBVA works for Financial Literacy to be present in products and services and the day-to-day relation with customers in order to facilitate their better explanation and comprehension,

BBVA fosters own programs to encourage the Financial Literacy, adapted to the environment and economic reality, addressed to a diverse public, including children, young people and adults,

Also, given the growing importance of the businesses and SMEs which play an essential role in the development of the economic business fabric, the Bank leads initiatives intended for this segment which purpose is to reinforce the capacities of people working for them and boost the growth of the small company providing financial, entrepreneurial and management training to entrepreneurs whose projects generate social impact while being sustainable,

Financial Literacy “Adelante con tu futuro” (Forward with your future)

In 2016 the Financial Literacy programa “Adelante con tu futuro” celebrated its first five years of implementation through a mobile classroom equipped with state-of-the-art technology that provides the possibility to run workshops simultaneously to 25 people. Besides, through the “Maleta Viajera” (Travelling Suitcase) (which stores 30 tablets) people may develop their experiences toward personal finance and with the advisory of a trainer the workshop may be given in a place other than the mobile classroom,

The program is made up by five workshops that provide a global vision of Financial Literacy

Savings: enables the preparation of a savings plan and the recognition of the main bank instruments to implement it which helps trained people to be able to discover the investor within them,

Credit card: this workshop helps to understand how the credit, besides of being a fundamental ally in our personal finance, being capable to be a relevant lever to reach our goals and objectives, The workshop also teaches to identify, among others, the parts and elements of a credit card and interpret adequately the statement of account, to be efficient managing the economic obligations and plan the future,

Credit health: the workshop teaches the good practices to use the credit and better organizing the debts, to detect financial issues through the adequate interpretation of the credit record and the identification of their most important elements. It teaches which are the credit habits and provides guidance to use the credit health calculator that allows knowing the status of people with regard to debts and credits,

Transactional Channels and Banking Security: In this workshop, people learn how to manage the basic standards of security to be taken into account when using the means through which they have access to their accounts and financial products, which might be face-to-face or virtually,

Mortgage Credit: The real estate sector in Colombia has shown an increasing growth over last years, This is the reason why since we committed with the financial culture, we decided to open a space for more Colombians to be able to have access to the information needed for being granted a credit and become owners of a house, The workshop takes a journey through several types of mortgage credit, the variables to keep in mind to obtain a credit and makes recommendations based on real life cases and experiences,

This is an interactive module; it allows performing arithmetical exercises, making a real calculation of the financial statements and forecasting the course of the process of the mortgage credit, We are aware of what means for each

person to constitute his estate, which is why this workshop facilitates gathering the information and making conscious and responsible decisions,

The main purpose of the module is that the interested parties may have access to their own house on the basis of their personal reflection, the analysis of their financial statements and the definition of clear goals and real purposes,

Upon the incorporation of this new workshop, our Financial Literacy program, “Adelante con tu futuro”, BBVA expects to cover the growing demand in the market of tools that facilitate users of mortgage credit to gain clarity on how, what and when to access to their own housing,

Advances in 2016:

- 36,544 benefited people for Financial Literacy,
- 82,269 young people benefited with “ BBVA Escuela para el Emprendimiento”
- 60 women trained in entrepreneurship

Besides of the Financial Literacy workshops, an intense spread of close training contents and in clear language is carried out through mass channels, in particular in social networks and radio and through the local web,

“Escuela para el Emprendimiento BBVA” (Training for entrepreneurship)

“Escuela para el emprendimiento BBVA” is a classroom project aimed at training students capable to formulate viable and sustainable alternatives that generate economic growth in the region and in turn, that leads to the possibility to train citizens with entrepreneurial, finance competencies and other series of skills that allow the construction of a better society,

In 2016 the two first class of students graduated in the departments of Cundinamarca and Santander with nearly 83,000 students and 1,200 teachers benefited from the program and where more than 23,000 business ideas were born,

Besides of the aforementioned departments, “Escuela para el Emprendimiento” is also present in: Caldas, Risaralda, Quindio and Atlantico in which framework projects focused toward social, environmental and technological fields are being developed,

“Escuela para el emprendimiento BBVA” is a training center in personal finance and entrepreneurship for young people in school age and for their teachers who have the opportunity to receive a diploma in finance and which primary purpose is to educate them to have a proper management of money, thus, impacting their life project and encouraging them to create productive businesses in the school, generating innovative ideas and allowing that at the

completion of high school they have an option to find a self-sustainable project,

Women Entrepreneurship

Together with Fundación MET (Women, Entrepreneurship and Technology) BBVA has trained a group of women in Bogota and Medellin in subjects such as finance, entrepreneurship, networking, marketing and also has carried out several forums on the matter with the attendance of more than 2,500 business women who have had the opportunity to listening to economic and social leaders of the country,

Furthermore, in those cities BBVA and MET Community joined efforts to train women entrepreneurs of Colombia through the “Liderazgo y finanzas para emprender” program (Entrepreneurial leadership and finance), a program that seeks the development and training to innovative women entrepreneurs with growth potential who are capable to learn, transmit and promote a different way which makes in turn their business sustainable, It lasted 45 sessions distributed in three months and a half and included the following modules, among others:

Entrepreneurial qualities: Talent, Commitment and Passion, Entrepreneurial Leadership Skills; Finance and Management Knowledge and Mentoring and Coaching,

Such forums were supplemented by two business fairs where a group of those trained business women presented their projects, previously 20 of them had been selected and were able to show their goods and services portfolio,

Avances 2016

- Forums developed: one in Medellin and one in Bogota
- Attendants: 600 business women
- Women trained: 60

Education for society

For BBVA education is the most important development lever that exists and this is the reason why their Corporate Responsibility policies are aimed at the support of the education for girls, boys and young people,

“Niños Adelante” Scholarship Program (Kids Forward)

This scholarship program favored in 2016 more than 8,000 girls and boys from vulnerable populations with allowances for school fees, uniforms and shoes and it also delivered more than 40,000 back-packs with school supplies,

Educational enhancement

In alliance with Corporación Manos Visibles, the Bank developed “Educapazcífico” a project that pursues the academic enhancement of students of 10th and 11th grades who live in the Colombian Pacific region (Buenaventura, Tumaco and Quibdó) with the purpose to improve their basic competencies and in such a way, giving the chance to more students of the region to be able to access to programs such as “Ser pilo Paga” or any other from the country universities directed to vulnerable populations,

At the closing of the program 840 students and 140 teachers from 14 Education Institutions had benefited by improving their competencies in mathematics and language areas under the active learning approach and more than 300 students of 11th grade who prepared their life project,

National Teacher Award BBVA 2016

An initiative that rewards the daily effort of thousands of teachers all over the country to encourage the reading and writing skills in their students, In this year, it celebrated the third version with the participation of more than 3,400 proposals from teachers,

The winning project was from a teacher from a rural area of the department of Cundinamarca whose project consisted on the use of the movies to encourage the love for reading among their students, The second place was for a teacher from Giron, Santander, and the third one for two teachers in Bogota and the fourth for a teacher in Bucaramanga with a deaf children project,

BBVA Research

BBVA Group operates in different geographies; therefore, its analysis is both local and global, The BBVA Research prepares in-depth studies, macroeconomic forecasts, research works, economic analysis (macroeconomics, regional, about Central Banks, digital economics, geo-strategy, migration, financial inclusion, risk -country and from different sectors, many of them quite related to the financial and consumption fields), analysis about regulation and financial systems and finally, opinions,

In 2016, BBVA Research Colombia prepared more than 2,000 publications that are on the BBVA Research web (www.bbvarresearch.com) and available to the public in general, This information is permanently updated on the web page and social networks in which BBVA Research has an active involvement, Also, given the global character of the Group, a large part of the documents are available both in Spanish and English,

Environment

BBVA keeps on strengthening its mission to become an environment responsible company reducing the consumption of resources on their daily operations,

For such purpose, the works is focused on three strategic action lines intended to the environmental preservation and sustainable use of renewable natural resources, as well as the continuous improvement of the society wellbeing and that in turn, with the actions to be developed from its operations could minimize its exposure to different types of risks, improve its efficiency reducing its ecologic fingerprint and support sustainable environmental projects,

- 1, Make available to customers the guidelines and products to grant the credits and/or investment in sustainable and environment responsible projects, investment in social programs that promote the care of the natural resources thus contributing to the improvement of the life quality of the population,
- 2, Inside the organization develop initiatives that promote the reduction in the consumption of paper, energy, water and toner in the processes necessary to perform the daily working actions,
- 3, During the credit process study and investment in projects to be financed it is taken into account the environment and social fingerprint resulting, all this together with the environmental standards and laws in force in the country,

Eco efficiency

During 2016 several initiatives have taken place inside the organization which has allowed reducing the consumption of resources per employee and CO2 emissions,

Relevant Figures			
	2016	2015	Reduction %
Paper consumption per person (Kg.)	40	41	0,97
Electricity consumption per person (MWh)	3,849	3,885	0,9
Emissions scope 2	5,852	5,939	1,5
Emissions scope 3	690	700	1,4

Environmental Management System (EMS)

Renewal process for ISO 14001 certification

BBVA Colombia commitment in environmental matters is maintained as part of the Eco efficiency Plan defined by Corporate policies; BBVA Colombia has maintained during 2016 the ISO 14001 certification awarded by Bureau Veritas in year 2015 for General Management, Media, Mortgage Center and Teusaquillo buildings; i.e., 33% of the BBVA officials in Colombia work in certified buildings under ISO 14001,

The Auditors' recommendations about the certification process were implemented and additional challenges were assumed as installing 125 ecologic points in the four buildings in order to ensure the adequate management of waste from source (people) as well as training and awareness of the Bank staff and the population of the certified buildings on the Environmental Management System,

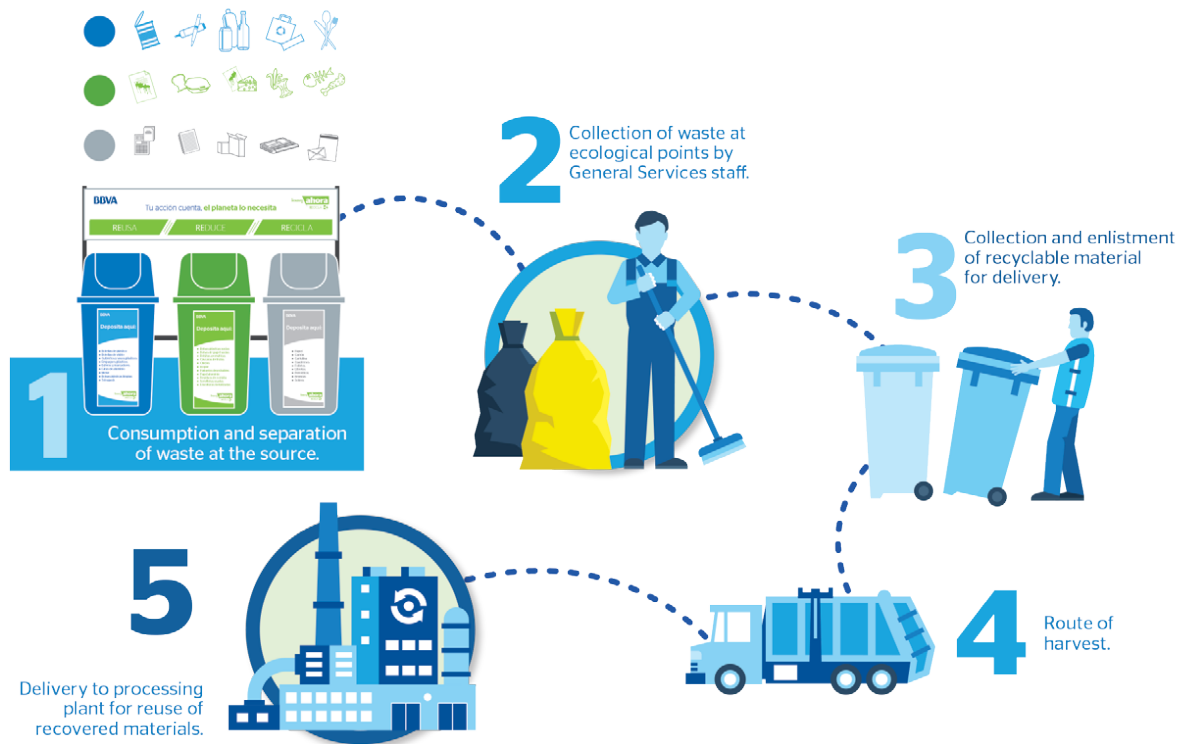
Environmental awareness training and initiatives

Processes to improve the skills of the headcount when implementing the policies and social and environmental procedures applicable to business lines,

- Allocation of workforce (in-house staff): a full-time person at the facilities of the General Management, This person is responsible for reviewing the material submitted at the collection center of the building in order to separate recyclable waste, putting them in bags according to the type of waste,
- Recollection of recyclable waste: each week the recyclable waste recollection route passes by all the Bank administrative premises,
- Management of inactive records by the Update Documentation Center (CAD per its acronym in Spanish): boxes with returned statements were collected and because of the confidentiality nature of the documents they were destroyed in the paper shredder to prepare new products,
- Reports management: the Management Report is sent monthly, it summarizes the results in terms of recyclable waste of the Bank,
- During 2016 different awareness activities were conducted with the staff of Bogota buildings in order to improve the separation of recyclable waste in the source; also, training was given about sustainable use of resources and services required for daily activities at home and office,

Recycling process

As part of their environment commitment and as response to ISO 14001 certification, BBVA Colombia invites you to make conscious and rational use of each of the ecologic points available to everyone in the BBVA buildings, depositing the materials only as indicated therein.



FIVE REASONS FOR RECYCLE



Recycling is one of the easiest ways to combat global warming as it avoids generating more pollution.



4 recycled glass bottles save the electricity needed to keep a refrigerator on for 4 hours.



Recycle lets you generate less waste.



1 ton of recycled paper represents an energy saving of 4,100 kWh.



Recycle helps reduce air pollution and water.

BBVA forward with the care of the environment.

- The internal communication mail was used to send to the Bank staff diverse graphics on environment training focused toward the smart use of water, paper, energy and toner,
- For 2017 the staff could have available through the BBVA Campus Training platform the course on Green Protocol from which the Bank is the main signatory since five years ago, This didactic course covers the four major points of the agreement: Green products and services, environmental and social analysis risks, Eco efficiency and Dissemination,

Material	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total K,
Aluminum	8	-	-	5	-	-	-	-	46	-	-	-	59
Records	1,495	2,011	1,407	2,187	984	2,150	1,029	1,423	1,519	2,437	2,020	1,069	19,731
Cardboard	957	356	648	784	374	422	393	636	232	302	507	251	5,862
Junk	169	-	102	96	30	53	42	114	56	-	-	15	677
Newspaper	405	465	137	385	211	440	233	353	69	168	66	52	2,984
Pet	-	-	-	-	-	-	-	-	143	232	160	153	688
Plastic	339	158	259	282	187	162	163	293	80	61	53	36	2,073
Folding	73	60	31	61	34	199	28	178	22	135	180	136	1,137
Glass	907	431	755	962	547	552	642	865	454	463	506	396	7,480
Technology	-	-	-	-	-	-	-	-	-	-	-	12,570	12,570
Total general	4,353	3,481	3,339	4,762	2,367	3,978	2,530	3,862	2,621	3,798	3,492	14,678	53,261

This process was carried out since January to August by the company Consult Green and since September to December 2016 by Cartones, Papeles y Metales de Colombia S,A,S,

Obsolete electronic equipment

As new provider of the recyclable waste management program, Cartones, Papeles y Metales de Colombia S,A,S, made the logistic process for the usage of the 12,570 kgs recovered,

Personal carbon footprint calculator

The carbon footprint measures the totality of contaminant gases issued directly or indirectly by our daily actions which contribute to global warming and are measured in tons of carbon dioxide equivalent (ton of CO2 eq) since this is the most common contaminant gas in environment,

Those directly contaminating actions are related to the mobility using fossil fuels and the indirectly impacting are related to the consumption of water, energy, food, waste generated by us, among others,

Based on the above we would like to invite our staff and customers to make this exercise in a calculator that makes

simple questions about their daily transportation, food, waste management and financial operations habits; with such results they could calculate their fingerprint, know how sustainable they are and what can they do to reduce it,

Main Indicators

Main consumption indicators in BBVA	2016	2015
Paper consumption - Kg		
Total paper consumption	285,714	294,442
Consumption per employee	40	41
Diesel consumption - Lets		
Total diesel consumption	13,623	29,439
Consumption per employee	2	1
Energy consumption - kWh		
Total energy consumption	27,822,065	28,238,295
Consumption per employee	3,849	3,885
Water consumption - m3		
Total water consumption	165,946	161,891
Consumption per employee	23	22
Waste handled - Kg		
Paper waste	19,731	25,595
Toner waste	1,120	2,489
Other waste	33,530	39,804
Emissions Scope 1 - Tons		
Emissions for diesel consumption	10	21
Emissions for Km in own vehicles	23,355	22,549
Total	23,365	22,570
Emissions Scope 2 - Tons		
Emissions for electric energy consumption	5,852	5,939
Emissions Scope 3- Tons		
Emissions for flights	690	700

Regulators

Banking is one of the key sectors of a country economy due to the fact that a large part of the savings, investment and finance is channeled through it. For such reason, the banks are subject to a special oversight being said supervising authorities a major stakeholder of the financial industry in general and of corporate and local BBVA.

The permanent dialogue with supervising authorities is a fundamental task to get adapted to new regulations; below there is the compliance report about legal requirements by BBVA Colombia

During 2016, BBVA Colombia fulfilled the legal requirements that rule the banking activity, and it also performed its operations in accordance with the instructions that for such purpose have been provided by the authorities, always within the frame and adjustments to the new legal guidelines.

Additionally, all relevant matters were duly and timely reported to shareholders, investors and public in general through the tool that the Financial Superintendence (Relevant Information) has provided on its web page.

In turn, the legal processes resulting in contingencies have been disclosed in the appropriate note to the financial statements.

With regard to the actions from the Financial Superintendence of Colombia, during year 2016, and within the Integral Oversight Framework - IOF, the Bank attended to the meetings scheduled by the control entity which addressed the review of the Banking - SMEs, activities of the exchange market and control function of the Board of Directors.

Disclosure and control of the financial information (Art.47 Law 964 of 2005):

BBVA Colombia Management maintained adequate disclosure, monitoring and control systems of the financial information, supporting on the control and monitoring systems and processes implemented by the Bank and specialized areas in risk management, all which is oriented to ensure that the financial and accounting information is presented adequately and in conformity with the legal requirements.

Specifically, the financial information prepared by BBVA Colombia is subject to an Internal Control System (ICS) with the purpose to provide a reasonable assurance of its reliability and integrity, as well as that the operations are carried out and processed in accordance with the criteria provided by local regulation applicable, by the corporate policies and by BBVA Colombia Management. The ICS was developed by the Group Management in conformity with the international standards of the "Committee of Sponsoring Organizations of the Treadway Commission" ("COSO") that sets forth five components on which the efficacy and efficiency of the Internal Control systems should be supported:

1. Establish an adequate control environment to monitor all such activities.
2. Assess all risks in which the Entity could incur when preparing its financial information.
3. Design the controls required to mitigate the most critical risks.
4. Establish the proper information circuits to detect and communicate the system weaknesses or inefficiencies.
5. Monitor said controls to ensure their functionality and the validity of their efficacy over time.

In compliance with the aforementioned policies, the analysis and control mechanisms of the accounting information systems were defined, among which it is worth highlighting the following:

- The Accounting Events Committee purpose is to review, analyze and evaluate the impacts on the accounting circuits derived from failures in computer processes and identify solutions that mitigate the operational and legal risks.
- The Strategy, Governance and Culture Area functions consists of, among others, controlling, monitoring and alerting on subjects related to the management of accounting and financial information on which there is also an exclusive charge for the inspection of information reports to control entities in order to improve the interface mechanisms and extraction of accounting information in a more agile and speed way.
- Internal Audit evaluates constantly the effectiveness of the procedures and controls provided for the operation of the information systems of BBVA Colombia, concluding that the information system is adequate and safe, and that the plans to implement the improvement recommendations identified have been performed without evidencing a relevant risk to the entity.

Finally, bearing in mind the evaluations and controls conducted on the accounting and financial information systems, the Board of Directors and Management of BBVA Colombia have verified that the disclosure and information control systems fulfill

reasonably the quality, sufficiency and timeliness of the financial information of BBVA Colombia Group.

Operations with related parties, partners and administrators

The operations of BBVA Colombia with its related parties, partners and administrators comply with the legal standards in force and the general policies of the Bank. The detail is disclosed in the Note to the Financial Statements of year 2016.

Intellectual property and copyrights

In conformity with the provisions in Article 47 of Law 222 of 1995, amended by Law 603 of 2000, BBVA Colombia informs that it complied strictly with the legal provisions related to the intellectual property and copyrights for different services, products and operations. With regard to the brands used, the Entity has stated that it has the ownership or the licenses and authorization for exploitation. In connection to the software installed, in use or in possession of BBVA Colombia, it has the appropriate licenses and controls have been implemented for the purchase, development, installation, fitting and maintenance processes thereof to be in compliance with the legal requirements about copyrights, privacy and e-commerce.

Finally, it is informed that at December 31, 2016 and subsequently, there is no knowledge of any outstanding claim by authorities or third parties in regard to intellectual property or copyrights.

In turn, during year 2016, the Internal Control and Operational Risk as well as Engineering, Business and Audit Areas, have evaluated and monitored the status of compliance with the standards about intellectual property and copyrights in accordance with the methodology established for such purpose to favor the mitigation of the materialization of the respective risks.

In turn, in compliance with the provisions in Circular Letter 016 of 2011 of the Financial Superintendence, it is stated for the record that the evidence of such evaluations is left in the tools and work sheets used by the unit of the Internal Control and Operational Risk for developing its function, activity reported regularly to the Board of Directors.

Evaluation from other reports:

BBVA Colombia declares that in conformity with the provisions in Article 57 of Decree 2649 of 1993, the information and statements contained in the financial statements, both individual and consolidated, have been duly verified and obtained from the accounting records of the Bank, are free from material defects or misstatements and have been prepared in conformity with the accounting standards and principles applicable.

Likewise, it states that any other reports required by virtue of article 446 of the Code of Commerce have been disclosed in the financial statements and their notes

Suppliers

During year 2016, BBVA Colombia continued strengthening the relation with its suppliers in order to ensure an adequate procurement circuit. For such purpose, the bids are based on the homologation process in which eleven aspects are evaluated on the productive, technical, finance, legal and commercial capacity, thus guaranteeing the compliance with the commitments contracted, as well as validating that the suppliers share the same values of BBVA in terms of Corporate Responsibility.

In this process, suppliers are required to adhere to the Global Compact of the United Nations, Corporate Responsibility Policies, and Environmental Management System (EMS), among others.

Simultaneously, the supplier portals were launched to allow BBVA to establish relations electronically with its suppliers made up of following collaborative surroundings:

- a) **Public surrounding:** This is a web through which the BBVA facilitates general information about the Procurement Process and other relevant aspects of its Procurement Model, thus enabling the companies and self-employed willing to offer their products and services to be auto-registered and updated.
- b) **Private surrounding:** It allows those suppliers registered in Adquira to operate electronically with the Bank to have a comprehensive management of the procurement cycle, covering the negotiation, release, issuance, reception of orders and issuance of electronic pre-invoices processes

Benefits:

- Control, traceability and visibility of the status of the pre-homologation and negotiation processes.
- Automatic update of the companies' information.
- Online management of the orders and acceptance of delivered goods and/or services.
- Reduction of mistakes as a result of the integration and automation of the processes.
- Generation and issuance of electronic invoices.
- Training and integral support to operation in the portal.

In addition to the foregoing, the GPS platform has been supplemented with the Relation Center with Latam Suppliers: peripheral global service to attract and support level 1 to Latin America suppliers incorporated to the Suppliers Portal Adquira Marketplace (it enables the online interaction between companies of the Group and its suppliers through a collaborative climate; it covers the main scenarios of the Procurement Process from the issuance of orders to the registry of invoices, and allows the electronic exchange of documents, eliminating the documents in hard form).

As a supplement, we have an Invoice Reception Center for the supplier of goods and supplies servicing in working days from 9 a.m. to 1 p.m.

BBVA meets the commitments of payment set forth contractually with the suppliers of goods and services, as well as with the obligations with Public Treasury and Withholding Agents pursuant to the tax quality of each supplier and the time of the settlement for payment.

On the other hand, we attended to the course on Sustainable Purchases by the Superfinance with the purpose to incorporate shared responsibility to the area processes and in this way, to guarantee a sustainable circuit from beginning to end.

Information about suppliers	2016	2015
Number of on-line negotiations ADQUIRA	575	524
Number of requests recorded in Neon	430	380
Number of requests recorded through GPS	1.105	1.060
Suppliers homologated at the year end	669	506
Increase of suppliers %	6	7

Bearing in mind the information of suppliers of year 2016, below is the distribution per country of origin:

Country of origin	Cantidad
Chile	2
Colombia	488
Spain	2
Mexico	1
United States	5
Germany	1
Panama	1
Venezuela	1

The most common activities among suppliers are those related to advertising, hotel services and catering, consultancy, real estate, architecture, engineering, and maintenance services, supply of software services, among others.

Supplementary Information

Annual Report of Corporate Governance

The Corporate Governance System of BBVA Colombia is aligned with the recommendations and international, corporate and local trends. Its principles, elements and practices are set out in different instruments that guide the structure and functions of the corporate bodies, such as the Articles of Association, the Corporate Governance Code, the Rules of the Shareholders' General Meeting, the Rules of the Board of Directors and the Rules of the Board Supporting Committees. The System is also made up by the standards of internal conduct contained in the Code of Conduct of BBVA, the Code of Conduct in the Securities Market and Code of Conduct for the prevention of money laundering and terrorist financing set out in the postulates that govern the actions of their senior management, administrators and employees.

Additionally, the Corporate Governance System of BBVA Colombia is conceived as a dynamic process in permanent review, with a focus toward improvement and adaptability to the new realities of the Bank and its affiliates, taking as reference the regulations and recommendations produced with regard to the best practices of Corporate Governance.

Novelties from the Corporate Governance for year 2016

During year 2016 and in order to continue with the implementation of the New Country Code (C.E.028/2014 of the Financial Superintendence of Colombia), the Bank updated the documents that make up the Corporate Governance System aligning with the high standards in good governance issues.

Below we outline the novelties of Corporate Governance during the year:

Period of notice for the General Meeting: 30 days for ordinary and 15 days for extraordinary meetings.

- Minority shareholders that represent at least 4% of subscribed shares may: i)

Request that a supplement to the notice is published; ii) Present proposals in the General Meeting, and iii) Request the inclusion of subjects in the agenda of the General Meeting.

- New channel to make known the proposals with at least 15 days in advance pursuant to each of the points of the agenda of the Shareholders' General Meeting.
- It includes the procedure to give answer to the shareholders with regard to their proposals or include the matters of the agenda.
- Inclusion of exclusive and non-delegable functions of the Shareholders' General Meeting and the Board of Directors.
- Strengthening the position of the Chairman of the Board of Directors as leader of said body, defining its main functions.
- Establishing rules to appoint the Secretary of the Board of Directors to safeguard its independence.
- Annual evaluation of the Board of Directors as college body, its Committees and of the members considered individually both in the Bank and in its affiliates.
- Expansion of the supporting functions of the Committees to the Board (Audit, Good Governance, Appointments and Remunerations) to align them with the measures of the New Country Code.
- Composition of Committees exclusively by non-executive source members.
- Creation of the Risk Committee as study body and support to the Board to comply with its oversight and control functions of the Bank risks management..

Implementation to report New Country Code year 2015

BBVA Colombia completed and transmitted to the Financial Superintendence of Colombia (SFC) the Implementation Report of Corporate Best Practices-New Country Code that corresponds to year 2015, available in the Bank web page <https://www.bbva.com.co/meta/atencion-al-inversionista/encuesta-codigo-pais/> (create hyperlink)

The Report shows the same structure of the New Country Code; i.e., divided in five areas: 1) Rights and equality treatment of shareholders; 2) General Meeting of Shareholders; 3) Board of Directors; 4) Architecture of Control; 5) Transparency and Financial and Non-financial Information. It has 33 measures performed in 148 recommendations.

The methodology to complete the report is based on the principle "fulfilled or explain"; pursuant to this principle,

the Bank answered “Yes” when the recommendation was adopted and indicating the supports where the respective recommendation was stated; the answer “No” was given in those cases in which for the period 2015 the recommendation was not implemented; however it was explained, when appropriate, that the Shareholders’ General Meeting and the Board of Directors had approved its implementation in year 2016.

Finally, as result of the validation made by the SFC to the answers of the Report, it was determined that in year 2015 BBVA Colombia the implementation level was 64% of the total of the New Country Code, above the overall average to adopt the recommendations that reached 58.9%.

The Financial Superintendence of Colombia (SFC) presented a report analyzing the implementation of the New Country Code by the 135 issuers of securities that transmitted their report in January 2016 about year 2015 that may be consulted in following link:

<https://www.superfinanciera.gov.co/jsp/loader.jsf?lServicio=Publicaciones&lTipo=publicaciones&lFuncion=loadContenidoPublicacion&id=10782> (crear link)

Recognition to IR Issuers (Investor Relations):



For the fourth consecutive time BBVA Colombia has received the Issuers Recognition IR (Investor Relations) granted by the Colombia Stock Exchange to the issuers that certify the compliance with the best practices in terms of: i) Relation with investors, ii) Disclosure of information to investors and to the market in general, and iii) Corporate Governance.

This recognition indicates that BBVA Colombia has the direct communication channel with the investors as stakeholders that positions the Bank as the major foreign bank of the country and reiterates its commitment with the implementation of good practices with regard to the disclosure of information and Corporate Governance, strengthening the security, confidence and credibility among the national and international investor community.

The Issuers Recognition - IR granted by Bolsa de Valores de Colombia S.A., is not a certification on the investment quality of the securities registered or the solvency of the issuer.

Structure of the ownership of BBVA Colombia

Capital and structure of the ownership of BBVA Colombia

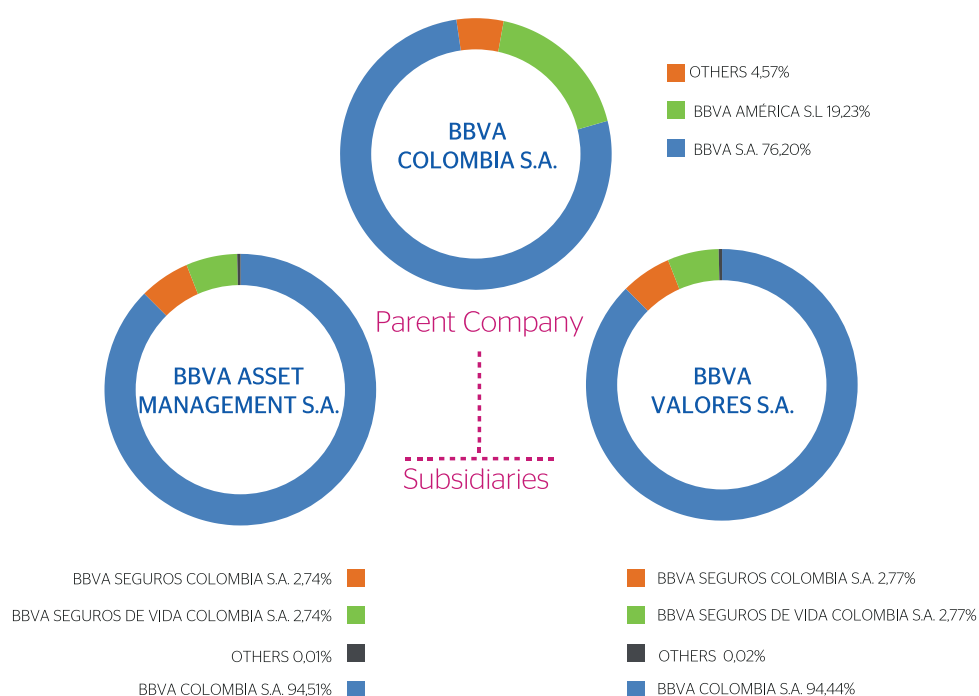
BBVA Colombia has an authorized capital of COP \$645,000'000,000.00 divided into 103,365,384,615 shares, from which 88,977,695,544 are in reserve and 14,387,689,071 outstanding.

From those outstanding shares, 13,907,929,071 are common shares and 479,760,000 are preferred dividend shares.

At the cut-off date December 31, 2016 BBVA Colombia registered 65,318 shareholders.

First five shareholders of BBVA Colombia			
Name	No. common shares	No. preferred shares	% Interest
Banco Bilbao Vizcaya Argentaria, S.A	10,766,099,008	196,857,652	76.2
BBV America, SL	2,511,124,962	256,150,000	19.23
Martdos s.a.s.	25,033,506	6,187,811	0.21
Fondo de Pensiones Obligatorias Porvenir	22,907,070	-	0.15
Inversiones y Turismo Los Delfines	10,173,177	174,756	0.07
Other	572,591,348	20,389,781	4.13
TOTAL SHARES	13,907,929,071	479,760,000	100

BBVA Colombia has registered a control and group situation with regard to its affiliates BBVA Asset Management S.A. Sociedad Fiduciaria and BBVA Valores Colombia S.A. Comisionista de Bolsa, with following structure:



Information of shares from shareholders members of the Board of Directors.

The members of the Board of Directors are not shareholders of BBVA Colombia.

Family, commercial, contractual or corporate relations between the holders of major interests and BBVA Colombia.

The main shareholders of BBVA Colombia are Banco Bilbao Vizcaya Argentaria, S.A. and BBV América, SL. The detail of the commercial and/or contractual relations of said shareholders with the Bank is in Note 42 of the Financial Statements denominated “Transactions with related parties”.

Negotiation of shares property of the members of the Board of Directors and Senior Management

In year 2016 there were no negotiations of shares issued by the Senior management of BBVA Colombia. With regard to the members of the Board of Directors of the Bank, it is indicated that they are not holders of shares of BBVA Colombia.

Own shares in possession of BBVA Colombia:

BBVA Colombia does not have own shares.

Structure of the administration of BBVA

Composition of the Board of Directors (Directory)

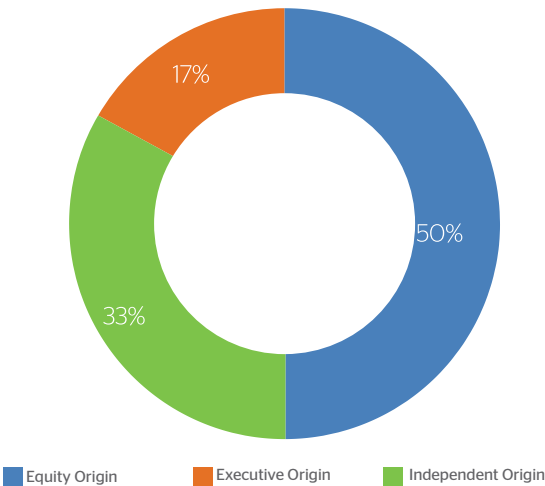
The composition of the Board of Directors of BBVA Colombia is one of the key elements of their Corporate Governance system. In accordance with the Recruiting, Appointment and Succession of the Board of Directors it is sought that there is an adequate balance in its composition among the different origins of the members of the Board of Directors (hereinafter “members of the Board of Directors” or “Directors”), being majority those executives with equity and independent origin. Additionally, in compliance with Law 964 of 2005, minimum 25% of the Directors should have independent origin, meaning the people defined in paragraph 2, article 44 of the aforementioned law.

Similarly, the Board of Directors and its Supporting Committees should have an adequate and diverse composition, including people with experience and knowledge of BBVA Group, its businesses and the financial sector in general, training, competencies, knowledge and experience in fields and sectors that allow the adequate balance in the composition for the best performance of their functions.

Additionally, the convenience to perform an ordered renewal of the Board of Directors

about the basis of the adequate rotation of their members will be considered in order to achieve the objectives provided in the mentioned Policy and supplement and increase the gender diversity, knowledge and experiences, all which may contribute to the best exercise of their functions.

In year 2016 the Board of Directors was made up by 6 Directors, 2 independent, 3 equity and 1 executive, namely:



Carlos Eduardo Caballero Argaez
Chairman of the Board of Directors
Independent
Member of the Board of Directors since March 17, 2005

Civil Engineer from Universidad de los Andes, Master in Science from California University in Berkeley, in Public Affairs from Princeton University and in History from Universidad de los Andes.

More than 40 years' experience working in the public sector, he has served as Ministry of Mines and Energy, Executive Director of Fedesarrollo, Technical Executive Director and Chairman of the Asociación Bancaria de Colombia, Chairman and Member of the Board of Directors of Banco de la República, Director of the Fund for the Export Promotion (Proexpo), CEO of Bancoldex and President of Bolsa de Valores de Bogotá. In June, 2006 he was appointed first Director of Escuela de Gobierno Alberto Lleras Camargo from Universidad de los Andes, position that holds currently.

Mr. Caballero is also member of the Boards of Directors of Promigas S.A., Pedro Gómez y Cía, Centro Colombo Americano, Mineros S.A., and Interconexión Eléctrica S.A. E.S.P. - ISA.

Felipe Cifuentes Muñoz

Executive Director of the Board of Directors

Independent

Member of the Board of Directors since July 18, 2013

Industrial Engineer from Universidad de los Andes, postgraduate in Corporate Law from the same university, courses in Pittsburgh University, IESE, Euromoney Finance and in Bank Administration Institute.

He acted as President of Fiduciaria Ganadera S.A. and of Corporación Financiera Corfigan, President of AFP Colpatria, Director of Corporate Finance and Capitals Market of Banco Granahorrar and later its CEO; Executive Director of Global Wholesale Banking of BBVA Colombia and Financial and Planning Deputy Director in Caja de Compensación Familiar CAFAM.

Additionally, he has been Director of several Board of Directors in financial entities such as BBVA Seguros Colombia and BBVA Seguros de Vida Colombia, Corfigan, BBVA Fiduciaria, Finamerica S.A. and Simple S.A. He is currently an Independent Advisor.

José Domingo Omaetxebarria Gainza

Executive Director of the Board of Directors

Equity

Member of the Board of Directors since March 26, 2009 until September 21, 2016

Graduate in Business Administration from Universidad de Deusto and General Management Program from Universidad de Navarra.

He began his professional career in year 1969 in Banco Vizcaya as Official and Attorney in diverse units of the Basque country. In year 1985 he was appointed to the Direction of the Northern Management Unit. For year 1990 in BBV he was appointed Director of the Management Unit in Vizcaya. Later in 1994 he performed as Corporate Director of the Northern Region. After the merging of BBV and Argentaria he was confirmed as Regional Director of Corporate Banking of the Basque Country. In January 2003 he was appointed Business Risk Director for Spain, position that held until year 2006.

Juan Rafael Escudero Gómez

Director

Equity

Member of the Board of Directors since March 27, 2012

Graduate in Law, specialized in Corporate Law from Universidad de Sevilla.

He began his professional career in BBVA Group as Office Director in Torre del Mar, Linares and Sevilla, Spain; additionally, he was Corporate Development Director in Individual Segments in the Regional Direction of Eastern Andalusia in Malaga and led the Management Unit of Cadiz and Commercial Banking of BBVA Portugal.

In year 1994 he was Director of the Management Units of BBVA in Sevilla, later he joined the Direction of BBVA Banca America where he acted as responsible for Business Development of BBVA Chile and BBVA Brazil. He was Director of Commercial Banking in BBVA Chile, Responsible for the Business Development Unit in Individual Segments of Commercial Banking and the Recoveries Unit in the Risks Division of BBVA Spain and Portugal.

Juan Eugenio Rogero González

Director

Equity

Member of the Board of Directors since March 17, 2016

Graduate in Business Administration from Universidad del País Vasco, Bilbao, IT Engineer from Universidad de Deusto Bilbao.

He performed as Executive Director of Corporate Banking and Risk Officer in BBVA Puerto Rico, Corporate Director of Wholesale Risks for Mexico and South America, Corporate Director of Wholesale Policies and Portfolios, Commercial Director for America of Bancaseguros, Risks Director and member of the Direction Committee of BBVA France.

ÓSCAR Cabrera Izquierdo

Director

Executive

Member of the Board of Directors since March 26, 2008

Graduate in Economics and Business Administration from Universidad Complutense de Madrid.

The current Executive Chairman of BBVA Colombia began his career in 1989 in the firm Arthur Andersen as Financial Auditor and subsequently acted as General Controller in Caja Postal S.A. He was General Deputy Director of Accounting and Consolidation in Argentaria until 1998 when he joined the BBVA Group as Corporate Director of Strategic Planning. In 2003 he was appointed Chief Financial Officer in BBVA Bancomer (Mexico D.F.) acting as member of the Boards of Directors of Afore Bancomer and Seguros Bancomer.

Composition of Supporting Committees of the Board of Directors:

Directors Committees	Oscar Cabrera Izquierdo Executive	Carlos Caballero Argaéz Independent	Felipe Cifuentes Muñoz Independent	José Domingo Omaetxebarria Gáinza (*) Equity	Juan Rafael Escudero Gómez Equity	Juan Eugenio Rogerio González Equity
AUDIT		✓ PTE	✓			✓
RISKS		✓ PTE			✓	✓
CORPORATE GOVERNANCE		✓ PTE	✓	✓		
APPOINTMENTS REMUNERATIONS			✓ PTE	✓	✓	

(*) Resigned on 21/09/2016

Changes in the Board of Directors during year 2016

In year 2016 the composition of the Board of Directors went from 5 to 6 Directors; Shareholders' General Meeting elected Mr. Juan Eugenio Rogerio González for the sixth position.

On the other hand, the Executive Director José Domingo Omaetxebarria resigned on September 21, 2016.

Members of the Board of Directors of BBVA Colombia who are members of the Boards of Directors of the affiliates or who hold Executive posts therein

The Executive Directors of BBVA Colombia do not form part of the Boards of Directors or hold Executive Posts in the affiliates.

Policies approved by the Board of Directors during the year

With regard to Corporate Governance, the Board of Directors prepared the Remuneration Policy of the Board of Directors, as well as the Recruiting, Appointment and Succession Policy of the Board of Directors. Both policies had the approval of the Shareholders' General Meeting held on March 17, 2016.

Appointment process of the Directors

BBVA Colombia has a Recruiting, Appointment and Succession Policy of the Board of Directors, approved by the Shareholders' General Meeting held on March 17, 2016.

Said Policy provides that the Board of Directors is formed by a number of Directors that, within the framework set by Law and the Articles of Association, is determined by the Shareholders' General Meeting. The appointment will correspond to the top body of administration and the persons proposed should meet the suitability requirements necessary to perform the position, have the adequate knowledge and experience to carry out their functions, prevent any situation of conflict of interest and comply with the regime of incompatibilities and limitations.

BBVA Colombia seeks for the participation of the shareholders in the proposal of the lists presented for the consideration of the General Meeting of Shareholders and ensures that the process for the selection of the members of the Board of Directors is adjusted to the law, the policies and strategies of BBVA Colombia.

The proposals for appointment or reelection of Directors and the nominations to fill the vacancies are presented for the consideration of the Good Governance Committee that supports the Board of Directors to perform their decision-making functions associated to the appointment of the members of the Board of Directors.

This Committee evaluates the balance of knowledge, competencies and experience in the Board of Directors, as well as the conditions that the candidates to the vacancies should meet, evaluating the time devoted deemed necessary for the adequate performance of their function as member of Board of Directors.

To perform its functions, the aforementioned Committee may refer to contracting outsourcing services for recruiting potential candidates whenever deemed convenient.

Similarly, the Good Governance Committee may take into consideration the requests formulated by the members of the Board of Directors about the potential candidates to fill the vacancies that could have arisen.

The information related to the candidates, as well as the report that for such purpose is made by the Good Governance Committee, which will include the evaluation of legal incompatibilities and incapacities and the compliance with the requirements to become a member of the Board should be available to the shareholders previous to holding the Shareholders' General Assembly together with all material necessary to facilitate an informed decision making process at the time of voting.

Finally, for the election of Directors the electoral quotient will be applied in conformity with law and Articles of Association and will be made by the Shareholders' General Meeting in a single voting round provided that the lists presented have the minimum number of independent Directors required by law. Otherwise, there should be two voting rounds, one of them for independent Directors required legally and the other for the remaining Directors.

Remuneration policy of the Board of Directors

BBVA Colombia has a Remuneration Policy for the Board of Directors approved by the Shareholders' General Meeting on March 17, 2016.

This Policy differentiates between the remuneration system of the executive and non-executive Directors, as follows:

The remuneration of an Executive Director, i.e. the legal representative involved in the ordinary course of the Bank businesses and in turn, member of the Board of Directors,

is ruled by the same principles applicable to the collective of employees of senior management which professional activities have a significant impact on the risk profile of the Group or exercise control functions, as explained below:

For the remuneration of senior management, BBVA follows these criteria: i) the level of responsibility of their functions, and ii) that the remuneration is competitive with regard to the functions equivalent to peer financial institutions in the local market; therefore, the executive origin Director is not recognized with an additional remuneration to their income as employee of BBVA Colombia for their performance as member of the Board of Directors.

With regard to non-Executive Directors (independent and equity) the remuneration system is based upon the responsibility, dedication, and incapacities and incompatibilities criteria inherent to their position. This system comprises: i) Fixed monthly remuneration in cash for membership and attendance to the Board of Directors and the different supporting committees to the Board; ii) Remuneration in kind which is made up by the life and accident insurance policies for directors and administrators.

In addition to the foregoing, the equity Directors domiciled abroad receive a remuneration in kind as allowances and emoluments necessary for the attendance to the meetings that require being present.

As to the remuneration of the Chairman of the Board of Directors, based upon the scope of their specific functions and the greater time devoted, could have a higher fixed remuneration within the margins managed by peer financial institutions of the local market.

Finally, in conformity with the Articles of Association, the Shareholders' General Meeting is in charge to set the annual remuneration for the Bank Directors.

Remuneration of the Board of Directors and Senior Management

The Shareholders' General Meeting held on March 17, 2016, approved fees for non-Executive Directors for the amount of eight million Colombian pesos (\$8,000,000) monthly for membership and attendance to the meetings of the Board of Directors and Committees, and to the Chairman of the Board of Directors, Carlos Eduardo Caballero Arguez, approved the amount of ten million pesos (\$10,000,000) monthly.

Consequently, the General Meeting of Shareholders agreed to set for the payment of fees approved as well as for any other expenses required by it for its operation the annual allocation of six hundred and fifty million Colombian pesos (\$650,000,000).

Based upon the aforementioned, the Good Governance Committee verified the compliance with the Remuneration Policy of the Board of Directors as well as with the allocations approved for the year, determining that the Bank paid five hundred fifty two million five hundred thousand Colombian pesos (\$552,500,000) for year 2016 for remuneration of the Board of Directors.

The detail of the remuneration of Directors, as well as for the Senior Management has been disclosed in the Note denominated “Related Parties” to the Financial Statements.

Attendance and quorum of the Board of Directors

During year 2016 the Board of Directors held meetings once a month, fulfilling the timetable set, and notified previously with the appropriate agenda.

The meetings of the Board of Directors and Committees had 100% attendance.

In turn, in conformity with its Regulation, the Board of Directors deliberates and makes valid decisions with the presence and votes of the majority of their members.

During year 2016 all meetings had quorum enabled to deliberate and make decisions.

Chairman of the Board of Directors (functions and key issues)

At the meeting held on April 21, 2016 the Board of Directors performed the installation of the Directory and the election of dignitaries, appointing Mr. Carlos Caballero Argáez as Chairman.

The functions of the Chairman of the Board of Directors and their responsibilities are incorporated into the Articles of Association and the Internal Rules of the Board of Directors, documents that can be consulted on the Bank web page at:

<https://www.bbva.com.co/meta/atencion-al-inversionista/estatutos-sociales/>

https://www.bbva.com.co/fbin/mult/REGLAMENTO_JUNTA_DIRECTIVA_tcm1304-577300.pdf

Secretary of the Board of Directors (functions and key issues)

In conformity with the Articles of Association, the Bank has an official acting as Legal Services Executive Director-General Secretary, appointed by the Board of Directors and who is also its Secretary.

In this regard, the Board of Directors at the meeting held on April 21, 2016 re-elected Mr. Ulises Canosa Suárez, Legal Services Executive Director-General Secretary, as the General Secretary of the Board of Directors of BBVA Colombia.

Their functions are incorporated into the Internal Rules of the Board of Directors, document that can be consulted on the Bank web page at:

Relations of the Board of Directors with the Statutory Auditor

During year 2016 the Board of Directors and the Audit Committee provided an interaction space with the Statutory Audit, Deloitte & Touche Ltda., which has delivered direct information to them at the meetings held.

The Audit Committee has known and given conformity with the Work Plan 2016 of the Statutory Audit, has followed the evolution of the works in course, the recommendations formulated and the plans adopted by the Entity for its implementation.

Additionally, the Committee has supervised the Statutory Audit services throughout the year, verifying that they have been delivered with quality, independence and effectiveness. Such verification was materialized by the completion of the evaluation by the members of the Audit Committee, which result was unanimously the highest score of satisfaction, highlighting the professionalism of the teams and being a great ally for the governance and direction bodies with regard to the oversight function of the efficacy of the internal control and the risk management and compliance systems.

Management of information of the Board of Directors

For the proper exercise of their functions, the members of the Board of Directors have access to the information related to the meetings with a minimum of five (5) calendar days in advance to the respective meeting.

The information is available to the Directors through a restricted access net resource hosted in the Bank servers for a safe and adequate management of the confidential information and to which the Directors have access from any place and device by using the assigned user and password. The foregoing allows the Directors to make informed decisions by having safe, permanent and timely accessibility to the reports.

Activities of the Committees of the Board of Directors

For the best performance of their management and control functions and to have a proper decision making process, the Board of Directors has made up four Committees with functions assigned in their Regulation and that provide assistance to the Board as appropriate.

The four Committees (Audit, Risks, Good Governance and Appointments and Remunerations)

are headed by independent Directors, made up exclusively by non-executive Directors. The Audit Committee and Good Governance Committee are made up mostly by independent Directors.

The Committees have wide powers and full autonomy in their management, being able to call the meetings as required, participate to prepare the agenda and have the attendance of external experts when deemed appropriate, and in addition, the direct access to the Bank Executives who report on a recurring basis both to the Committees and the Board of Directors.

In this way, the Corporate Governance System of BBVA Colombia allows the Directors to control the proposals, implement and develop those issues approved by the Board, supporting for such purpose fundamentally on the work done in the Committees.

In compliance with their respective Rules, the Committees prepare their annual Management Report which includes the activities made during the period. These reports are available on the web page at:

<https://www.bbva.com.co/meta/atencion-al-inversionista/asamblea-accionistas/>

Information about the evaluation processes by the Board of Directors and Senior Management, and summary of results

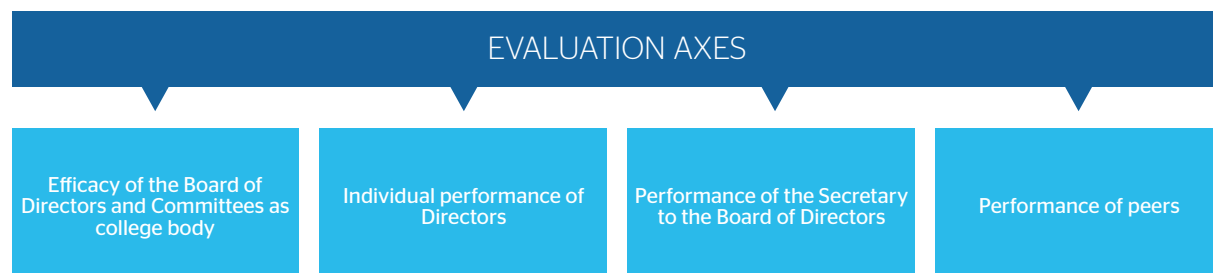
Evaluation by the Board of Directors

In conformity with article 38 numeral 7 of the Articles of Association of BBVA Colombia, the Board of Directors is responsible for the organization of the annual evaluation process of the Directory pursuant to the methodologies generally accepted about self-evaluation or evaluation that may consider the involvement of independent advisors.

For year 2016 the Board of Directors approved to implement the self-evaluation methodology that consists of a questionnaire to know the Directors' perception about the operation of the Board of Directors and of the Supporting Committees as a college and the Directors individually considered, among others.

The self-evaluations were completed by each Director and based upon them the Good Governance Committee, within the framework of their functions, prepared the respective report to review the results of the process and formulate suggestions to improve the operation of the Board of Directors.

The questionnaire was structured with a five-point scale, where “5” means fully agree and “1” fully disagree. Four axes were evaluated, namely:



The result of the evaluation was positive and evidenced that the Board of Directors has fulfilled satisfactorily with their functions. It is worth mentioning that the Committees supported the decision making process by the Board of Directors and that the meetings addressed all matters as appropriate, devoting the time necessary for discussion of the agenda of each session or of those that were presented out of the agenda.

Senior Management Evaluation

The Appointment and Remuneration Committee is in charge to making the periodic tracking to the competencies, knowledge and experiences required for the positions of the Senior Management. For such purpose, this Committee is supported on the corporate model of Valuation and Development of the Senior Management named “Skills” that consists of implementing a 360° evaluation; i.e., the Senior Management is evaluated by their respective superiors, peers and collaborators.

The Skills evaluation reviews:

1. *Seven skills:* i) Customer Service; ii) Team working; iii) Digital attitude; iv) Result-orientation; v) Entrepreneurship; vi) Leadership; vii) Analysis and synthesis. The valuation of such skills is made on a 1 to 5 scale in such a way that the score up to “3” inclusive reflects improvement opportunities, and above “3” reflects a positive evaluation.
2. *Leadership styles:* Six leadership styles valued: i) Trainer; ii) Orientative; iii) Coercive; iv) Participative; v) Affiliative; vi) Imitative. The results indicate the positioning of the evaluated comparing against the data base of results of more than 60,000 professionals around the world.

The evaluation is conducted on a two-year frequency and the last one was made in year 2015.

Operations with related parties

With regard to the operations with related parties, the Board of Directors made a monthly follow up directly and also with the support of the Audit Committee, determining that in all cases and for all effects and in any type of operations, whether derivatives or any other active operation with the Parent company, affiliates or related parties, the compliance with the standards about the limits to the delivery of the credit or the maximum debt limit or risk concentration, in force on the date of approval of the operations would have been verified.

Additionally, it was confirmed that the operations would have been made in general market conditions in force for similar transactions with third parties, except for those cases of loans for education, housing, transportation and health to Bank officials, which were made in accordance to the entity policies in conformity with the permitted expressly by the legal provisions that govern the matter.

The detail of operations with related parties is in Note “Transactions with related parties” to the Financial Statements.

On the other hand, the Compliance area performed the tracking through direct verification and taking into consideration the information received from the members of the Board of Directors about the actions and operations that on one's account were made in the Securities Market by the members of the Board of Directors and similar, without events as to privileged information or other aspects. Furthermore, the Compliance Area was attentive on any situation of the conflict of interest in which could be eventually immersed members of the Board of Directors and legal representatives.

Risk Management System

The general model of risk management and control that includes the risk policy, their application and materialization of risk, as well as the response and oversight plans of the main risks are detailed in this Management Report, subheading Risk Report. With regard to the Internal Control System, their model and any other aspects related are detailed also in this Management Report, subheading Internal Control Model which have been adopted by the Board of Directors.

Shareholders' General Meeting

Differences of the operation of the General Meeting between the minimum regime of current regulations and the definitions in the Articles of Association and in the Rules of the Shareholders' General Meeting - Measures adopted throughout the year to encourage the participation of shareholders

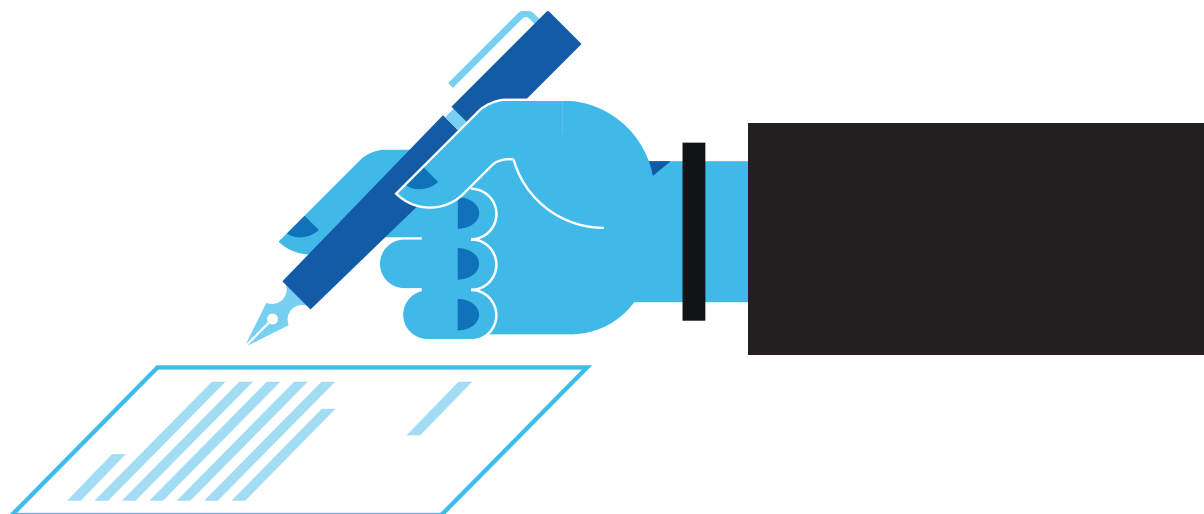
- Period of notice for the General Meeting: 30 days for ordinary and 15 days for extraordinary.
- Post the notice, agenda and any information related to the proposals on the web page.
- The agenda has the matters to be addressed, avoiding the joint voting of matters or proposals that should be

resolved individually.

- The Articles of Association recognize the right of the shareholders to request information or clarifications of the agenda and their procedure is governed by the Rules of the Shareholders' General Meeting.
- New channel to disclose with at least 15 days in advance the information related to the proposals of each of the items of the Agenda of the Shareholders' General Meeting.
- The minority shareholders that represent at least 4% of subscribed shares may: i) Request the publication of a supplement to the notice; ii) Present proposals in the General Meeting, and iii) Request the inclusion of issues in the agenda of the Meeting.
- In order to minimize the use of delegations without vote, the use of proxy models available in the web page is encouraged; the agenda is also posted on the web page as well as the appropriate proposals that will be submitted for consideration of the shareholders with the purpose that the shareholder, if deemed convenient, indicates the sense of the vote to their proxy.
- All supporting Committees of the Board of Directors prepare the Annual Management Report which is presented to the shareholders whenever the Chairman of the Shareholders' General Meeting requires it.
- The Executive Chairman and all the members of the Board of Directors attend to the meetings of the General Meeting in order to resolve the shareholders' inquiries.

Furthermore, BBVA Colombia has adopted the following practices besides the recommendations indicated in the New Country Code:

- Transmission of the Shareholders' General Meeting via streaming which allows the shareholders to monitor the event on line and in real time. BBVA Colombia, through its web page, calls its shareholders to attend virtually.
- The Bank posts in English and Spanish the Articles of Association, the Corporate Governance Code, the Rules of the Shareholders' General Meeting, of the Board of Directors and Supporting Committees. Additional, it publishes permanently and historically the Management Reports, Financial Statements and the Statutory Audit Report.
- In compliance with the guidelines set forth in Resolution 116 of 2002 of the SFC, BBVA Colombia informs the legal representatives, administrators and any other officials about the obligation to act with neutrality with regard to different shareholders in order to ensure an equitable treatment and guarantee their effective participation and full exercise of their rights at the General Meeting.



Information and communication to shareholders

The Bank has an exclusive office to its shareholders that is in turn, the link with the governance bodies and which purpose is to supply clear and objective information related to the Bank and other issues for informed decision making.

Additionally, in Compliance with Annex 49 of the Sole Circular Letter of the Colombian Securities Exchange, denominated “Accreditation of the adoption of best practices of the issuers recognition IR”, an agenda is prepared to schedule the delivery of quarterly and annual results and show the business performance.

Also, the shareholders and investors have a space with thorough and sufficient information on the Bank web page through the link “Atención al inversionista”. In this same section the shareholders receive all the information related to: i) Novelties of Corporate Governance; ii) Relevant information reported to SFC; iii) Information about programs to issue bonds in force; iv) Financial information; v) Information on shares; vi) Agenda of corporate events and related documents; vii) FAQs; viii) Ratings.

Number of requests and subjects about which the shareholders have required information

In year 2016 the Shareholders Office serviced an approximate of 4,900 inquiries and requests related to matters about competitiveness, financial statements, shares, certificates and payment of dividends

Attendance to the Shareholders’ General Meeting 2016:

On March 17, 2016 the Shareholders’ General Meeting was held in conformity with the provisions of the current standards, the Bylaws and the Rules of the Shareholders’ General Meeting of BBVA Colombia.

Date	17 de marzo 2016
Post of the notice:	February 25, 2016 on La República newspaper and web page.
Right of inspection:	As from February 25, 2016
Post of information related to the General Meeting agenda:	Web page with 15 days in advance of the meeting.
Number of attendants:	20 shareholders
Quorum to deliberate and make decisions:	95.70%
Post of the General Meeting:	Live transmission via streaming and post of decisions on web page and in RNVE
Sending copy of the Minutes to SFC:	April 13, 2016
Sending the Minutes to the SFC by the Statutory Auditor:	Within 15 business days after the General Meeting of Shareholders.
Post of Financial Statements:	Within following month to the General Meeting of Shareholders the general purpose financial statements, compared versus previous year, their notes and the Statutory Audit report were posted on the web page.

Main agreements from the Shareholders' General Meeting 2016:

The following documents and proposals were presented and approved at the Meeting:

- Annual report of the Executive Chairman and Board of Directors
- Individual and consolidated financial statements and unqualified Statutory Auditor report
- Distribution of Earnings Project of 2015 that amounted to \$603,697,215,671.90 as follows: 50.02% to increase the Legal Reserve and 49.98% in cash dividends. Also, it was approved the compromise to allocate 47.5% of earnings of the year in course to increase the legal reserve at the year-end in order to strengthen the solvency since in this way they are added in the additional equity.
- Allocation of 1% of the earnings of year 2015 for Corporate Responsibility activities.
- Election of the Board of Directors, Statutory Audit and Ombudsman of the Financial Consumer and approve their respective remuneration.
- Partial reform of the Bank bylaws to improve the Corporate Governance standards and adopt the New Country Code recommendations.
- Reform to the Rules of the Shareholders' General Meeting and the Board of Directors, the Corporate Governance Code and the Policies of Remunerations and Recruiting, Appointment and Succession of the Board of Directors following the corporate models.

Guidelines for reporting

Information criteria and standards

- Profile, Scope, Relevance, Materiality and Coverage of the report
- Basic references and international standards
- Rigor and verification
- Independent Review Criteria
- GRI Indicators

Profile, Scope, Relevance, Materiality and Coverage of the report

As from year 2016, the Bank uses GRI-G4 methodologies (essential modality) and the Integrated Reporting Framework <IR> to prepare the annual report to be presented to the Shareholders' General Meeting.

The use of such methodologies allows the Bank to consolidate in a single document the Management Report and the Corporate Responsibility, improve the quality of information, promote a more coherent and efficient approach to communicate the factors that affect the creation of value of the Bank, improve accountability and inform stakeholders about the effect of the Bank activity in environment, social and economic fields, among others.

This information corresponds to Banco BBVA Colombia as defined in the Annual Report 2016 that contains comparison data with regard to 2015 stating their perimeter. To facilitate the comparability of the information, if said data have undergone any modification with regard to previous year it is due to an improvement in quantification and measurement methods of those affected variables or used criteria.

For determining the relevance and materiality of the contents to include, special attention has been given to the major stakeholders with continuity in the consultation processes pursuant to the recommendations established in the guideline to prepare the sustainability reports and in Global Reporting Initiative (GRI4).

In this connection, a specific analysis has been conducted with the public and available information in BBVA Colombia to assess the validity and relevance of such matters within the current context. This report is completed with the Annual Report 2016 and other information available on the web page (www.bbva.com.co).

Basic references and international standards

As indicated, this report has been prepared in accordance with the best practices and most recognized international standards and complies with the GRI G4 methodology with the essential option “in conformity” and with the Integrated Reporting <IR>.

Similarly, it reports about those actions related to the United Nations Millennium Development Goals and responds to the Progress Report with regard to the compliance with the principles of the UN Global Compact following the GRI and Global Compact guideline Making the Connection.

Rigor and verification

BBVA Colombia has several instruments to ensure quality. During such process several areas are involved that supply information and that are subject also to the oversight, verification and audit methods in the Bank. In the second term, the reports about Corporate Responsibility are sent to the Group through the information management system that assures their quality and scope. The responsibility to collect the information falls in the Communication and Image Division of the Bank. The verification of this report is performed by Deloitte & Touche Ltda.

GRI Indicators

Basic general contents

Indicator	Response	Page	Independent Audit
Strategy and analysis			
G41 Statement of the leading manager of the decision making process about the relevance of sustainability for the organization.	Letter from the President	5-7	
G4.2 Description of the major impacts, risks and opportunities.	Strategy	16-41	
Perfil de la Organización			
G4.3 Report the name of the organization.	Profile of BBVA Colombia	8	
G4.4 Report the main trademarks, products and services.	Profile of BBVA Colombia		
G4.5 Report the location of the parent company.	Cra. 9 No. 72 - 21 Bogota, Colombia		
G4.6 Report the number of countries where the company operates and the name of the countries where the company has major operations or that are relevant to the issues of sustainability addressed in the report.	BBVA Group operates currently in 32 countries, Colombia included		
G4.7 Nature of the legal property and form.	Profile of BBVA Colombia	8	
G4.8 Markets serviced (Including the geographical breakdown, the sectors supplied and types of customers).	Organizational chart and business structure	40-41	
G4.9 Report the scale of the organization, including: - Headcount. - Total number of operations. - Net sales or income.	Profile of BBVA Colombia	8	

Indicator	Response	Page	Independent Audit
G4.10 Report following labor information: - Report the total number of employees per contract and gender. - Report the total number of employees per region and gender.	Team	156-157	✓
G4.11 Report the percentage of employees covered by the collective agreement.	Team	156-157	✓
G4.12 Describe the supply chain of the organization.	Suppliers	178-180	✓
G4.13 Major changes during the period covered by the report in the size, structure, property or supply chain of the organization.	Suppliers		
G4.14 Description of how the organization has adopted the planning or principle of caution.	Governance systems	42-61	
G4.15 Principles or social, environmental and economic programs developed externally, as well as any other initiative subscribed or supported by the organization.	Governance systems - International commitments subscribed		
G4.16 Main associations (such as sectorial associations) and/or national and international entities supported by the organization.	Asobancaria Asobolsa Asofiduciaria		
Identification of aspects and limitations			
G4.17 List the entities included in the consolidated financial statements and report if any of such entities that has not been included in the sustainability report.	Profile of BBVA The consolidated information is: * Social Investment *Headcount (key indicators of responsible banking) *Income statement BBVA Group Colombia	8-180	✓
G4.18 Explain the process to define the contents of the report and aspects to report.	Materiality and dialogue with stakeholders	134-140	✓
G4.19 List all material aspects identified in the process to define the contents of the report.	Materiality and dialogue with stakeholders - Major matters in 2016		
G4.20 For each material issue report if applies to the entire organization. Otherwise, indicate which aspect is not material to any of the entities that belong to the organization.	Materiality and dialogue with stakeholders - Major matters in 2016		
G4.21 For each material issue, report if applies outside the organization.	Materiality and dialogue with stakeholders - Major matters in 2016		
G4.22 Description of the effect that may have the restatement of information of previous reports together with the reasons for such restatement.	Society - Environment (emissions)		
G4.23 Major changes related to previous periods in the scope, the coverage or valuation methods applied of the report.	During 2016 changes were made in the valuation methods applied to the CO2 emissions reported by the Bank. The method used was the one sent by Corporate BBVA		

Indicator	Response	Page	Independent Audit
Stakeholders			
G4.24 List the stakeholders with whom the organization has relations.	Materiality and dialogue with stakeholders	135-140	√
G4.25 Report the basis for identification and selection of stakeholders with whom the organization has relations.	Materiality and dialogue with stakeholders		
G4.26 Approaches adopted for the dialogue with stakeholders, included the frequency of participation per type of stakeholders, indicate if any of the dialogues was made as part of the process for the preparation of the report.	Materiality and dialogue with stakeholders		
G4.27 Main concerns and interest issues arisen through the dialogues with stakeholders and how the organization has replied to such matters when preparing the report. Reporting to stakeholders and other matters identified as relevant.	Materiality and dialogue with stakeholders		
Profile of the report			
G4.28 Period covered by the information included in the report.	2016		√
G4.29 Latest date of the previous report.	2015		
G4.30 Cycle of report (Annual-Biannual).	Annual		
G4.31 Contact point for matters related to the report or its contents.	Cra. 9 No. 72 - 21, Floor 10th Bogota, Colombia		
G4.32 Report the option in accordance to the GRI methodology selected by the organization (Core-Comprehensive). Report the GRI table of contents.		201-202	
G4.33 Report the policy or approach of the company to seek for the report independent audit.			
Governance			
G4.34 The governance structure of the organization, including the committees of the top body of governance. Identify the existence of any committee responsible for the oversight of economic, social and environmental matters.	Governance systems	42-61 181-200	√
Ética e integridad			
G4.56 Describe the values, principles, standards and behavior rules as of the organization as codes of conduct and codes of ethics.	Model of differential banking	23-39	√

Specific basic contents

Interest Group	Relevant Issue	Related GRI aspect	Management approach	Indicator	Page Response indicator	Omission	External verification
CUSTOMERS	Communication and marketing practices	No related GRI aspect	TCR Communication	G4-PR7. Total number of incidents resulting from non-compliance with marketing communications regulations, including advertising, promotion and sponsorship, distributed according to the type of outcome of such incidents.	During 2016 the Bank did not present incidents due to non-compliance with regulations relating to marketing communications, including advertising, promotion and sponsorship		✓
	Quality of service and customer service	No related GRI aspect	Management of complaints and claims	Own BBVA6. Net Recommendation Index (IReNe).	145-149	N/A	✓
				Own BBVA7. Time to resolve claims.			
				Own BBVA8. Percentage of claims resolved on time.			
	Digitization	No related GRI aspect	Omnicanality	Own BBVA9. Percentage of Complaints and Claims managed by the SPC.			
	Products with good value for money	Labeling of products and services		Own BBVA10. Operations by channels.			
	Compliance system / Security and privacy and customer protection	Customer Health and Safety / Customer Privacy	Customer protection	G4-PR1. Life-cycle stages of products and services in which the impacts of the same on the health and safety of customers, and the percentage of categories of significant products and services subject to them, are evaluated, Evaluation procedures.			✓
				G4-PR3. Types of information about products and services that are required by current procedures and regulations, and percentage of products and services subject to such requirements.	The Bank is governed by the legal basic circular of the SFC, as well as by the TCR advertising code. (Page 141 - 143). The only products subject to approval by the SFC are housing products.		✓
				G4-PR8. Total number of complaints regarding respect for privacy and the leakage of personal data of clients.	During the year 2016 there were no significant fines		✓
				G4-PR9. Cost of those significant fines resulting from non-compliance with the regulations regarding the supply and use of products and services of the organization.	During the year 2016 there was no significant fine for non-compliance with the regulations		✓

Interest Group	Relevant Issue	Related GRI aspect	Management approach	Indicator	Page Response indicator	Omission	External verification
CUSTOMERS	Assistance to clients in difficult situations / Contribution to the development of local societies / Financial inclusion	Products and services	People-centric solutions	FS1.Policies with specific social and environmental components applied to business lines.	BBVA has a specialized financing policy, which has specific components in social and environmental issues. These policies are corporate guidelines, so this policy allows us to know how to evaluate projects that can finance the bank and how to mitigate social and environmental risks. Equally, the Ecuador Principles procedure, whose objective is for the Bank to commit itself to implementing them in its internal environmental and social policies for the financing of projects.		✓
		Products and services		FS2. Procedures to evaluate and protect business lines regarding environmental and social risks.	The bank has three documents that establish procedures to identify environmental and social risks in its projects in any area of business of the BBVA Group		✓
		Product portfolio		FS4. Processes to improve the competence of the staff in the implementation of the social and environmental policies and procedures applicable to the lines of business.	In 2016 there were 35 employees who had training in TCR.		✓
		Product portfolio		FS7. Monetary value of products and services designed to provide a specific social benefit for each line of business broken down according to purpose.		The reported information does not mention the monetary value of the products that provide a social benefit.	✓
		Portafolio de productos		FS8. Monetary value of the Products and Services designed to provide a specific environmental benefit, by product line and disaggregated by purpose.	149-155	FS8. Currently unavailable the reported amount is not broken down by product line nor by purpose. It is expected to report this breakdown in later years.	✓
		Local Communities		FS13. Accessibility in areas of low population density or disadvantaged places.			✓
		Local Communities		FS14. Initiatives to improve access to financial services for disadvantaged people.			✓
		No related GRI aspect		Own BBVA2. Number of SME customers	135-136	N/A	✓
		No related GRI aspect		Own BBVA3. Number of SME client financing			✓
				Own BBVA 4. Value corresponding to the disbursements of 2016 to finance sustainable development and infrastructure projects and energy efficiency.	149 -155		✓
		No related GRI aspect		BBVA 5. Value of credits granted for financing agroindustrial projects			✓

Interest Group	Relevant Issue	Related GRI aspect	Management approach	Indicator	Page Response indicator	Omission	External verification
TEAM	Respect for Human Rights / Remuneration policy for senior managers and board of directors / Quality of employment / Diversity and reconciliation / Training and talent development	Diversity and equal opportunities	The team	LA2. Social benefits for full-time employees, not offered to temporary or part-time employees, broken down by significant locations of activity.	156-57		✓
				LA12. Composition of governing bodies and breakdown of staff by professional category and sex, age, minority membership and other indicators of diversity			✓
				EC5. Range of gender relations between the standard starting salary and the local minimum wage in places where significant operations are carried out.			✓
		SO5. Incidents of corruption confirmed and action taken.		El año 2016, no se presentaron casos de corrupción en el Banco.		✓	
		Own BBVA14. Percentage of employees in buildings certified according to ISO 14001 and LEED		171		✓	
		Training and education		LA9. Average hours of training per year per employee, by gender and broken down by category of employee.	9-10		✓
		Presence in the market / Employment / Equal pay for women and men		LA13. Relationship between male and female wages, broken down by professional category.	157		✓
		Human rights		HR3. Total number of incidents of discrimination and measures taken	No existieron en el año 2016 quejas al interior del Banco por temas de discriminación.		✓
				HR12 Number of complaints related to human rights filed, filed and resolved through formal complaints mechanisms.	No existieron en el año 2016 quejas al interior del Banco por derechos humanos archivadas, ni presentadas ni resueltas a través de nuestros mecanismos de atención de quejas.		✓
				SO8. Monetary value of significant penalties and fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Durante el 2016 el BBVA no pago ninguna multa significativa		✓
No related GRI aspect	Own BBVA11. Number of volunteers BBVA	159-160		✓			

Interest Group	Relevant Issue	Related GRI aspect	Management approach	Indicator	Page Response indicator	Omission	External verification
SOCIETY	Financial Education	Labeling of products and services	Financial Education	Own BBVA1. Number of beneficiaries of the Financial Education program "Adelante con tu Futuro"	163-169		√
	Social action	No related GRI aspect	Education for society	Own BBVA12. Number of scholarships delivered			√
				Own BBVA13. Number of people benefiting from education support programs (school bag with scholarships and educational grants).			√
	Eco-efficiency and environment	Material (Energy, Water, Waste, Emissions)	Environment	EN1 Measuring Paper and Toner Consumption	170 - 174		√
				EN3. Internal power consumption		Reported information is not in joules or multiple	√
				EN8. Measurement of water consumption		The total amount of water consumed comes from a surface source (aqueduct)	√
				EN15. Direct emissions of greenhouse gases (Scope 1)			√
				EN16. Direct emissions of greenhouse gases (Scope 2)			√
				EN17. Direct emissions of greenhouse gases (Scope 3)		The information reported does not detail the methodology for calculating the emissions, it is expected to report in later years	√
				EN23. Total weight of waste managed, according to type and method of treatment		The information reported does not detail the treatment method for the waste generated	√
				EN29. Cost of significant fines and number of non-monetary sanctions for non-compliance with environmental regulations.	During 2016, BBVA Colombia did not have significant fines for non-compliance with environmental regulations.		√
	Ethical behavior / Compliance with tax regulations / Response to society's demand for credit	Product portfolio asset involvement	Social, environmental and reputational risk management	FS 10. Percentage and number of companies in the portfolio with which they have interacted in social or environmental matters	107-109		√
				FS 11. Percentage of assets subject to positive or negative social or environmental analysis	During 2016 BBVA Colombia did not carry out a positive or negative analysis of social or environmental aspects		√



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Independent Review Report

Independent Review of the Annual Report of BBVA Colombia

Scope of our work

We conducted our review of the adaptation of the contents of Annual Report 2016 for BBVA to the Guide for the preparation of Sustainability Reports of Global Reporting Initiative (GRI) version 4.0 (G4).

Standards and verification processes

We conducted our work in accordance with *ISAE 3000 - International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accounts (IFAC)*.

Our review work consisted in formulating questions to the Directors and the various areas of BBVA Colombia who participated in the development of it Annual Report 2016 and the application of certain analytical procedures and review testing sample described below:

- Interviews with staff members of BBVA Colombia to know the principles, systems and management approaches used to develop the report and calculate the indicators.
- Analysis of how the process of definition of the content, structure and indicators was defined, based on the materiality exercise according to the GRI G4 methodology.
- Evaluation of the process to collect and validate the data presented in the report.
- Checking, by testing based on sample selection and review of evidence of quantitative and qualitative information corresponding to the GRI and BBVA Colombia's internal indicators included in the Annual Report 2016 and proper compilation from the data supplied by the sources of information of BBVA Colombia.

Responsibilities of the Management of BBVA Colombia and Deloitte.

The preparation of the Annual Report 2016 and its contents are the responsibility of the organization which is also responsible for defining, adapting and maintaining management systems and internal control, which information is obtained.

Our responsibility is to issue an independent report based on our review procedures applied.

This report has been prepared exclusively in the interests of the organization in accordance with the terms of our proposed services. We do not assume any liability to third parties other than the company Direction.

- We have performed our work in accordance with the Independence regulations required by the etic code of the International Federation of Accountants (IFAC).

- The Scope of a limited Review is substantially less than an audit. Therefore we don't provide an audit opinion about the sustainability report.

Confirmation that the Annual Report 2016 is prepared in accordance with GRI methodology G4 in its "Essential" or "Core" version.

General aspects

It was confirmed that the report meets the requirements of Essential option of the general aspects of the GRI G4 version; indicators G4-1, G4-3 to G4-34 and G4-56 were reported. In addition, BBVA Colombia reported voluntarily additional KPIs to which the essential option requires.

Specific aspects

DELOITTE & TOUCHE LTDA.
Jorge Enrique Múnera D.
Socio

Bogotá, February 2017

We reviewed the management approach and GRI and internal indicators of the next material issues identified by the company:

Material Issues	GRI or Internal Indicators of BBVA Colombia
Eco-efficiency and environment	G4-EN1. Materials used by weight or volume
	G4-EN3. Energy consumption within the organization
	G4-EN8. Total water withdrawal by source
	G4-EN17. Other indirect greenhouse gas (GHG) emissions (Scope 3)
	G4-EN23. Total weight of waste by type and disposal method
	G4-EN29. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
	Environmental management. Percentage of employees in buildings certified according to ISO 14001 and LEED
Respect for human rights	G4-LA9. Average hours of training per year per employee by gender, and by employee category.
Remuneration policy for senior management and board of directors	G4-LA13. Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.
Quality of employment	G4-HR3. Total number of incidents of discrimination and corrective actions taken
	G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms
Diversity and reconciliation	G4-SO5. Confirmed incidents of corruption and actions taken
Training and development of talent	G4-SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
Compensation and compensation	BBVA11. Number of volunteers BBVA
Financial Education	BBVA1. Number of beneficiaries of the Financial Education program " Adelante con tu Futuro"
Products with good value for money	G4-PR1. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement
Compliance system / Security and privacy and customer protection	G4-PR3. Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements
	G4-PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses

	of customer data
	G4-PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services
Attention to clients in difficult situation	FS1. Policies with specific environmental and social components applied to business lines.
Contribution to the development of local societies	FS2. Procedures for assessing and screening environmental and social risks in business lines
Financial Inclusion	FS4. Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines
Product portfolio	FS13. Access points in low-populated or economically disadvantaged areas by type
	FS14. Initiatives to improve access to financial services for disadvantaged people
Ethical behavior	FS 10. Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues
Compliance with tax regulations	
Responding to society's demand for credit	FS 11. Percentage of assets subject to positive and negative environmental or social screening
Other relevant issues	
-	G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation
-	LA2. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

Conclusions

As a result of our review, there was nothing that make us believe that the Annual Report 2016 contains significant errors or has not been prepared in accordance with the Guide for the preparation of Sustainability Reports of Global Reporting Initiative (G4) in its Essential version.

Findings and recommendations against the Annual Report 2016 of BBVA Colombia according to the GRI and WBCSD Principles

Findings and recommendations against the Annual Report 2016 of BBVA Colombia according to the GRI and WBCSD Principles

In addition, we have presented to BBVA Colombia our recommendations regarding areas for improvement to consolidate the processes, programs and systems related to sustainability management. The most relevant recommendations are:

GRI and WBCSD Principles

Engagements and targets

Observations

It is highlighted that an exercise was carried out integrating the challenges of the company for the year 2016 both for the management of its material matters and for issues related to its stakeholders.

Recommendations

Maintain this good practice in future reports and include the targets established in the short, medium and long term, both qualitative and quantitative, to measure the performance and progress of the organization regarding to sustainability management and to make an annual balance on exceeded or unreachd targets and define related action plans.

ANNEX 2 Declaration of Independence

Deloitte is one of the largest companies in the provision of professional services in auditing, taxes, consulting and financial and sustainability advice to public and private organizations in various industries. With a global network of member firms in more than 185 countries, Deloitte delivers world-class capabilities and high-quality service to its customers. Approximately 250,000 professionals are committed to being a standard of excellence.

We confirm our independence from BBVA Colombia. All our employees make annual updates to the Ethics Policy where we declare that we have no conflicts of interest with BBVA Colombia, its subsidiaries and its stakeholders.

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