

# Management Report 4Q18

**Individual and Consolidated Report**

Investor Relations

Bogotá D.C. February 2019

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# 1. Basics

## Economic Environment

The global economic growth of 2018 remained at 3.7%, a figure that represented an acceleration from the 3.4% that the world had grown in 2017. This is the highest rate of the globe since 2011, when it grew 3.9%. The result in 2018 was led by the emerging economies and China, which grew 5.3% and 6.5%, respectively. In the case of China, a soft landing continues, and it remains solid at growth rates above 6.0%, thanks to fiscal incentives and the positive effect of some structural reforms that were made in the past.

The United States also had an outstanding performance in 2018. Its GDP grew by 2.8%, above the 2.2% it had in 2017. The tax reform promoted by the Trump government, which reduced the rate of corporate taxation and the fiscal benefits to the investment, and, mainly, the robust and sustained recovery of the household consumption gave rise to this better behavior of the economy.

On the contrary, the growth of the Eurozone was lower than registered in 2017, as it slowed down from 2.5% to 2.0% in 2018, as a result of the lower expansion rates in Germany, France, Italy and Spain. Among these economies, only the Iberian country had a rate higher than 2.0%, and grew around 2.6%.

In addition, the European automotive industry, with a high presence in the first economies, was affected by the escalation of greater protectionism to global trade. For its part, Latin America was the world's region with the least expansion during 2018. Its growth rate fell from 1.2% to 0.9% between 2017 and 2018. Mexico and Brazil, the two largest economies in the region, they maintained low growth rates and prevented the best results in Colombia, Peru and Chile from moving to the average growth of the region.

Finally, protectionism and interest rate increases by the Federal Reserve of the United States (Fed), with their effects on capital markets in emerging countries, remain the most significant risks on the horizon, making the global scenario is subject to mostly negative risks.

In Colombia, throughout 2018 there were several trends. First, the recovery of final consumption materialized. High growth in public spending was maintained and household spending rebounded, mainly in services and durable goods. Second, real exports returned to positive territory, and will grow in their accumulated 2018, something that did not happen for a full year since 2015. This was not only due to the better price of commodities, but also to a rebound in non-traditional exports, although from quite low levels. Third, investment maintained a heterogeneous dynamic: positive in machinery and equipment and negative in the construction sector, although with a gradual recovery process in this last sector in the last part of the year. Finally, there was an increase in imports that is related to the greater traction of the consumption of goods and part of the investment. In total, the Colombian economy grew 2.6% in 2018.

Furthermore, since May, the expectation of an accelerated adjustment of global liquidity, the higher oil prices that occurred up to October, and pressured inflation in developed countries, and robust activity in the United States led to an increase in the volatility of the markets, especially in emerging economies. In this area, it was those economies that faced the most demanding short-term financing conditions that received most of the negative adjustment of capital flows, showing an accelerated and significant depreciation of their exchange rates, a precipitous fall in their stock assets and a significant penalty in cost of risk and interest rates.

In the case of Colombia, country risk remained relatively stable, allowing the impact to be low and especially contained in the foreign exchange market. However, since October, when oil prices began to fall and global volatility increased further, the effects on Colombia have been stronger. In part, because the closing of the current account deficit was halted, portfolio capital flows slowly flowed into the country and, at the same time, a tax reform was discussed internally.

In this context, the exchange rate remained above 3,000 pesos during a good part of the second half of 2018, in line with the higher global volatility, lower capital flows and the subsequent drop in the price of oil. From now on, it is very likely that the levels for the type remain high, between 3,100 and 3,300, being close to the upper part of this range during the first semester and gradually approaching the lower part of the interval towards the end of the year. The support to the price of the dollar, that is, the factors that will keep it high, is the price of oil that will be ten dollars below the average observed in 2018, the Fed that could increase its rate twice in 2019, the global volatility will be maintained above its historical averages and a greater deficit in the current account that will not be completely financed with foreign direct investment, but will have to be additionally covered with portfolio flows and/or external debt.

Furthermore, inflation in 2018 was 3.2%, lower than the rate of 4.1% that we saw at the end of 2017. During this year, a large part of the components of inflation have slowed down: inflation of non-tradable goods went from 5.5% to around 4.0% and tradable inflation went from 3.8% to close to 1.4%. For its part, food inflation has grown at low rates, around 2.0%, throughout the year. The only group that has not contributed to the decline in inflation has been the regulated ones, mainly due to the acceleration of energy inflation from 2.1% to almost 8% and the rise in the price of fuel.

At the beginning of 2019 inflation is having an upward trend because the drought restricted the harvests of some foods and raised their prices, in addition to the transfer of the devaluation of the exchange rate to the prices of imported goods. The inertia to the downside that some components bring, such as the inflation of leases and the educational and health services, will be key to offset these upward impulses in prices.

With a controlled inflation scenario, around the midpoint of the target range, and an activity that, although it is beginning its recovery trend, is doing so at a slow pace, the Issuer would maintain its reference rate stable until mid-2019 in the 4.25%. This is largely due to the current balance between internal forces: in favor of monetary support to consolidate the recovery, and external ones: in favor of not altering the balance of current capital flows.

The current monetary policy stance has allowed a process of credit profiling that has improved the dynamics of the past-due portfolio, slowing down its deterioration and favoring portfolio quality

metrics, preventing them from continuing to worsen. A precipitous adjustment of rates, such as could be derived from scenarios of external volatility, could end up creating a negative environment for the recovery of the portfolio. This phenomenon would take a special dimension in the commercial portfolio, which despite having very favorable interest rates for a long time, has reacted little, and contracts in real terms.

## 2. Individual Figures

### Individual Results

Total assets of BBVA Colombia closed the year 2018 with a balance of COP 62,4 trillion. This showed an annual growth of 8.7% and a variation of COP 5,0 trillion.

#### Balance Sheet

Million COP

	4Q17	4Q18	TAM	
			abs	%
Cash	4,735,857	7,908,659	3,172,803	67.0
Active Positions in monetary market	1,032,004	514,422	(517,582)	(50.2)
Investment Securities & Derivatives	8,409,898	9,591,623	1,181,724	14.1
Loan Portfolio and Leasing Operations	43,649,649	45,573,222	1,923,573	4.4
Impairment	(2,290,570)	(2,944,928)	(654,358)	28.6
Other Assets	1,890,374	1,758,909	(131,466)	(7.0)
<b>Total Assets</b>	<b>57,427,212</b>	<b>62,401,906</b>	<b>4,974,694</b>	<b>8.7</b>
Deposits and Financial Claims	46,866,106	49,559,346	2,693,240	5.7
Passive Positions in monetary market	2,635,115	3,345,050	709,935	26.9
Financial Instruments at Fair Value	840,020	1,307,567	467,547	55.7
Banks And Other Financial Obligations	1,842,312	2,519,646	677,334	36.8
Accounts payable	581,558	625,419	43,861	7.5
Labor obligations	212,217	218,954	6,738	3.2
Other Liabilities	425,892	479,168	53,276	12.5
<b>Total Liabilities</b>	<b>53,403,220</b>	<b>58,055,151</b>	<b>4,651,931</b>	<b>8.7</b>
Suscribed and Paid-in-Capital	89,779	89,779	-	-
Specific Destination Reserves and Funds	2,535,777	2,764,479	228,702	9.0
Surplus	956,523	958,739	2,216	0.2
Gains or Losses	441,913	533,758	91,845	20.8
<b>Stockholder's Equity</b>	<b>4,023,992</b>	<b>4,346,755</b>	<b>322,763</b>	<b>8.0</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>57,427,212</b>	<b>62,401,906</b>	<b>4,974,694</b>	<b>8.7</b>

In relation to the liquidity resources of the Bank, cash balances increased by COP 3,2 trillion compared to 2017. This increase was due to a variation of COP 2,0 trillion in cash at the Banco de la República, and a variation of 1,2 trillion in cash at the Bank and other financial entities. Furthermore, the deposit of the Bank showed a negative variation of COP 55,4 billion compared to 2017.

The active positions in money market closed with a balance of COP 514,4 billion and presented a decrease of 50.2% with respect to the same period of 2017. This decrease of COP 517,6 billion was due to a lower volume in simultaneous operations, which showed a negative variation of COP 447,9 billion and a lower volume in securities temporary transfer operations (TTV's) which presented a negative variation of COP 89,7 billion. Also, interbank transactions showed a positive variation of COP \$20,0 billion.

For its part, Investments and Operations with derivatives presented a positive variation of 14.1% compared to the end of December 2017, closing with a balance of COP 9,6 trillion.

The gross loan and leasing portfolio registered an annual growth of 4.4% or COP 1,9 trillion, closing in December 2018 with a balance of COP 45,6 trillion. On its part, the Impairment account, this includes specific and general provisions on the loan portfolio increased by 28.6%. The other assets account decreased by 7.0% or COP 131,5 billion.

In relation to liabilities accounts, deposits and financial claims showed an annual growth of 5.7% or by COP 2,7 trillion, closing with a balance of COP 49,6 trillion. This growth is explained mostly by the increase of COP 1,5 trillion in saving accounts, an increase of COP 997,8 billion in special deposits and an increase of COP 826,1 billion in checking accounts and an increase of COP 48,4 billion in service charges. Furthermore, term deposits certificates presented a negative variation of COP 712,1 billion.

Liability positions in the monetary market increased by COP 709,9 billion, due to an increase of COP 1,9 trillion in repo operations, a decrease of COP 568,9 billion in short positions, COP 522,0 billion in simultaneous operations and COP 150,1 billion in interbank funds.

Financial instruments at fair value closed with a balance of COP 1,3 trillion, which represent an increase of 55.7% compared with the same period in 2017. This variation is primarily the result of an increase in trading forwards (COP 261,5 billion); an increase in hedging SWAPS (COP 273,7 billion) and trading options (COP 10,8 billion). Furthermore, trading swaps decreased by COP 78,9 billion.

Credit lines with banks and other financial obligations registered an increase of COP 677,3 billion explained by the increase of COP 403,5 billion of other financial obligations, of COP 329,3 billion in obligations with Findeter, of COP 44,0 billion with Bancoldex, while foreign entities and Finagro obligations showed a negative variation of COP 72,7 billion and COP 26,7 billion respectively. Accounts payable registered a positive variation of 7.5%, while labor obligations showed an increase of 3.2%. Other liabilities increased by 12.5% or COP 53,3 billion, closing with a balance of COP 479,2 billion.

Finally, Equity increased by 8.0%, closing at COP 4,3 trillion at the end of December 2018.

## Loan portfolio

In December 2018, the gross loan portfolio closed with a balance of COP 45,6 trillion and registered a variation of 4.4% compared with the same period of 2017. Similarly, the net loan portfolio increased by 3.1%, closing at COP 42,6 trillion.

The loan portfolio of BBVA Colombia keeps its attention in the particular segment, which represents 57.9% of the gross loan portfolio at the close of December 2018. This segment increased by 8.2% compared to 2017, closing at COP 26,4 trillion.

### LOAN PORTFOLIO

Million COP

	4Q17	4Q18	Var TAM	
<b>Gross Loan Portfolio</b>	<b>43,649,649</b>	<b>45,573,222</b>	<b>1,923,573</b>	<b>4.4</b>
Consumer	14,311,984	15,434,702	1,122,717	7.8
Commercial	15,802,077	15,384,065	(418,012)	(2.6)
Microcredit	-	-	-	N.C
Mortgage	10,075,289	10,944,898	869,609	8.6
Leasing	1,661,208	1,698,190	36,982	2.2
<b>Overdue Loans</b>	<b>286,059</b>	<b>305,645</b>	<b>19,586</b>	<b>6.8</b>
Non-performing loans	1,513,031	1,805,722	292,691	19.3
<b>Loan - Loss Provision</b>	<b>(2,290,570)</b>	<b>(2,944,928)</b>	<b>(654,358)</b>	<b>(28.6)</b>
<b>Net Loan Portfolio</b>	<b>41,359,078</b>	<b>42,628,293</b>	<b>1,269,215</b>	<b>3.1</b>

The consumer portfolio, which includes payroll loans, vehicle, hedge funds, revolving credit, credit cards and overdrafts increased at an annual rate of 7.8%. Payroll loans account has the biggest participation in the consumer portfolio with a 58.4%, followed by free consumption with 26.5% and vehicle with 11.0%.

Mortgage loans grew by 8.6%, which represented a variation of COP 869,6 billion. At the end of the 2018, it represents 24.0% of the gross loan portfolio.

Commercial portfolio showed an annual decrease of 2.6% with a negative variation of COP 418 billion. For its part, the leasing portfolio showed a growth of 2.2% with a variation of COP 37,0 billion.



## Client's Resources

At the end of 2018, client's resources keep adjusted to the needs of liquidity of the Bank and funding grew in line with the dynamic growth of the loan portfolio. Resources of the clients increased by 5.7%, that represents a variation of COP 2,7 trillion, closing the year at COP 49,6 trillion. The term deposits certificates represent 39.1% of the total of the resources and registered a negative variation of 3.5%, achieving a balance of COP 19,4 trillion.

Transactional deposits (checking and saving accounts) increased by 9.9%, which represents a positive variation of COP 2,4 trillion. These deposits represent 53.0% of the total of the client's resources.

### CLIENT'S RESOURCES

Million COP

	4Q17	4Q18	Var TAM	
Checking Accounts	6,430,323	7,256,409	826,086	12.8
Saving Accounts	17,463,534	18,991,932	1,528,397	8.8
Term Deposits Certificates	20,085,801	19,373,593	(712,208)	(3.5)
Other Deposits	608,484	1,654,559	1,046,075	171.9
<b>Total Client's Deposits</b>	<b>44,588,143</b>	<b>47,276,492</b>	<b>2,688,350</b>	<b>6.0</b>
Investment Securities in Circulation	2,277,963	2,282,854	4,890	0.2
<b>Total Resources</b>	<b>46,866,106</b>	<b>49,559,346</b>	<b>2,693,240</b>	<b>5.7</b>

Investment securities in circulation closed at COP 2,3 trillion, equivalent to an increase of 0.2% compared to 2017. It should be noted that ordinary bonds issued in 2010 came due in September 2017 in the amount of COP 134 billion.

## Eligible Capital and Solvency Ratio

The accounting equity registered a positive variation of 8.0% and closed in COP 4,3 trillion. This increase is primarily explained by the increase in reserves of COP 228,7 billion, due to the increase of COP 91,8 billion in fiscal year earnings, and by the increase of COP 2,2 billion in Surplus.

The technical equity closed in December 2018 with a balance of COP 5,6 trillion and registered a variation of 4.6%. According to the Colombian regulation, the required equity reached in COP 4,1 trillion, which implies an excess of equity over the required amount of COP 1,5 trillion.

Risk-weighted assets including market risk (RWA's) closed at COP 45,2 trillion, equivalent to growth of 3.9% in line with the growth in the activity. On its part, the value in market risk (VeR) decreased by 3.3%.

The Bank's solvency ratio closed at 12.35%, with an increase of 9 bps compared with the same period in 2017.

## ELIGIBLE CAPITAL AND SOLVENCY RATIO

Million COP

	4Q17	4Q18	%
<b>Accounting Equity</b>	<b>4,023,992</b>	<b>4,346,755</b>	<b>8.0</b>
Eligible Capital	5,339,204	5,586,189	4.6
Ordinary Basic Equity	2,964,083	3,113,678	5.0
Additional Basic Equity	2,994	2,994	-
Additional Equity (Tier II)	2,372,127	2,469,517	4.1
<b>Technical Equity</b>	<b>5,339,204</b>	<b>5,586,189</b>	<b>4.6</b>
Required Equity	3,918,100	4,071,722	3.9
Surplus Equity	1,421,103	1,514,467	6.6
<b>Risk weighted assets including market risk</b>	<b>43,534,449</b>	<b>45,241,351</b>	<b>3.9</b>
Value at Risk (VeR)	242,911	234,923	(3.3)
Solvency Ratio without VeR	13.07	13.10	3 pbs
Solvency Ratio with VeR (minimum 9%)	12.26	12.35	9 pbs
Tier 1 (%) <sup>1</sup>	6.81	6.88	7 pbs

<sup>1</sup>Basic Equity against risk-weighted assets

## Income Statement

Net interest income registered an interannual increase of 11.9%. Loan portfolio revenues increased by COP 117,2 billion, while expenses decreased by COP 177,3 billion. The above was driven by the scenario of lower interest rates, which leads to deposits being re-priced more quickly than portfolio. For this reason, net interest income increased by COP 294,5 billion.

Net commission income closed in December 2018 with a positive variation of 2.2%. On its part, incomes generated for the investment portfolio decreased by COP 55,1 billion or 11.3%, explained by a decrease in incomes in derivatives and for a decrease in incomes obtained in securities. Dividends registered an increase of 59.7% and closed with a balance of COP 17,5 billion. Furthermore, the line of other incomes, which includes operational incomes from financial services provided and recoveries of operative risks and other, registered a 45.7% decrease.

Next, it is showing the results of BBVA Colombia accumulated at the close of 2017 and 2018:

## Accumulated Income Statement

Million COP

	4Q17	4Q18	Var TAM	
Loan Portfolio	4,712,894	4,830,056	117,161	2.5
Interest Expense	(2,237,399)	(2,060,057)	177,342	(7.9)
<b>NET INTEREST INCOME</b>	<b>2,475,496</b>	<b>2,769,998</b>	<b>294,503</b>	<b>11.9</b>
<b>NET COMMISSION INCOME</b>	<b>154,743</b>	<b>158,175</b>	<b>3,432</b>	<b>2.2</b>
Investment Portfolio	488,268	433,213	(55,055)	(11.3)
Dividends	10,940	17,471	6,532	59.7
Other Incomes	157,423	85,525	(71,898)	(45.7)
<b>OTHER OPERATING INCOME</b>	<b>656,630</b>	<b>536,209</b>	<b>(120,421)</b>	<b>(18.3)</b>
<b>GROSS MARGIN</b>	<b>3,286,869</b>	<b>3,464,383</b>	<b>177,513</b>	<b>5.4</b>
<b>Net Asset Allocation</b>	<b>(1,186,035)</b>	<b>(1,107,289)</b>	<b>78,745</b>	<b>(6.6)</b>
<b>Administration General Expenses</b>	<b>(1,530,871)</b>	<b>(1,530,220)</b>	<b>651</b>	<b>(0.0)</b>
Personal Expenses	(569,009)	(560,693)	8,316	(1.5)
General Expenses	(362,100)	(379,450)	(17,349)	4.8
Taxes	(133,868)	(120,222)	13,646	(10.2)
Other	(460,929)	(460,403)	526	(0.1)
Operational Risk	(4,965)	(9,452)	(4,487)	90.4
<b>NON-INTEREST EXPENSES</b>	<b>(2,716,906)</b>	<b>(2,637,510)</b>	<b>79,396</b>	<b>(2.9)</b>
<b>INCOME BEFORE TAX</b>	<b>569,963</b>	<b>826,873</b>	<b>256,910</b>	<b>45.1</b>
Income Tax	(112,497)	(277,562)	(165,065)	146.7
<b>NET PROFIT</b>	<b>457,466</b>	<b>549,312</b>	<b>91,845</b>	<b>20.1</b>

Administration general expenses registered a decreased of COP 651 billion compared with the last year. Personal expenses decreased by 1.5% compared with 2017. On the other hand, general expenses increased by 4.8% and expenses on taxes and fees decreased by 10.2%.

Finally, BBVA Colombia registered a net profit at the end of December of 2018 in the amount of COP 549,3 billion.

In that way, it is showed the results of BBVA Colombia at the close of the fourth quarterly of 2017 and 2018 not accumulated.

## Income Statement

Million COP

	4Q17	4Q18	Var TAM	
Loan Portfolio	1,182,697	1,221,510	38,813	3.3
Interest Expense	(522,888)	(517,314)	5,575	(1.1)
<b>NET INTEREST INCOME</b>	<b>659,809</b>	<b>704,196</b>	<b>44,387</b>	<b>6.7</b>
<b>NET COMMISSION INCOME</b>	<b>36,295</b>	<b>41,582</b>	<b>5,287</b>	<b>14.6</b>
Investment Portfolio	100,473	130,670	30,196	30.1
Dividends	0	789	789	N.C.
Other Incomes	75,339	20,060	(55,279)	(73.4)
<b>OTHER OPERATING INCOME</b>	<b>175,812</b>	<b>151,518</b>	<b>(24,294)</b>	<b>(13.8)</b>
<b>GROSS MARGIN</b>	<b>871,916</b>	<b>897,297</b>	<b>25,381</b>	<b>2.9</b>
<b>Net Asset Allocation</b>	<b>(302,564)</b>	<b>(309,433)</b>	<b>(6,869)</b>	<b>2.3</b>
<b>Administration General Expenses</b>	<b>(408,394)</b>	<b>(401,055)</b>	<b>7,340</b>	<b>(1.8)</b>
Personal Expenses	(144,946)	(139,420)	5,526	(3.8)
General Expenses	(109,806)	(109,896)	(90)	0.1
Taxes	(35,933)	(28,482)	7,451	(20.7)
Other	(116,141)	(120,410)	(4,269)	3.7
Operational Risk	(1,568)	(2,847)	(1,279)	81.6
<b>NON-INTEREST EXPENSES</b>	<b>(710,958)</b>	<b>(710,488)</b>	<b>470</b>	<b>(0.1)</b>
<b>INCOME BEFORE TAX</b>	<b>160,958</b>	<b>186,809</b>	<b>25,851</b>	<b>16.1</b>
Income Tax	(57)	(61,405)	(61,348)	N.C.
<b>NET PROFIT</b>	<b>160,901</b>	<b>125,404</b>	<b>(35,497)</b>	<b>(22.1)</b>

The interest margin registered an interannual increase of 6.7%. For one side, incomes for concept of loan portfolio registered an increase of COP 38,8 billion, while expenses increased COP 5,6 billion. In that way, net interest income increased by COP 44,4 billion.

Net commission income closed in the fourth quarterly with a positive variation of 14.6%. As well as other operational incomes that showed an increase of COP 24,3 billion compared with the same period of the last year. On the other hand, non-interests expenses showed an increase of COP 470 million compared to the fourth quarter of last year.

Finally, BBVA Colombia registered a net profit at the end of the fourth quarterly 2018 for a value of COP 125,4 billion.

## Performance Measures and Indicators

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

### NON-PERFORMING LOANS AND COVERAGE

Million COP

	4Q17	4Q18	Var TAM
<b>Gross Loan Portfolio</b>	<b>43,649,649</b>	<b>45,573,222</b>	<b>4.41</b>
Total Overdue loans	1,799,090	2,111,367	17.36
Overdue loans	286,059	305,645	6.85
Non-performing loans	1,513,031	1,805,722	19.34
<b>Non-performing loans ratios</b>	<b>%</b>	<b>%</b>	<b>%</b>
Overdue Loans ratio	0.66	0.67	0.02
NPL ratio	3.47	3.96	0.50
Loan -Loss Provision	2,290,570	2,944,928	28.57
Coverage overdue loans	151.39	163.09	11.70

At the end of December 2018, the NPL ratio was located at 3.96%. Also, the coverage overdue loan indicator is located at 163.09%.

## Individual Statement of Changes in Equity

Below is the statement of changes in shareholders' equity of BBVA Colombia for the year ended on December 31, 2017 and 2018.

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

Concept	Suscribed and paid-in capital				Retained Earnings							Total Shareholder Equity
	Non-voting preferred shares		Ordinary shares		Legal and occasional reserves	Additional- paid in capital	Net profit For the period	Retained earnings	Adjustments in the adoption for the first time NICF	Other comprehensive Income (OCI)	Article 6 Law 4 of 1980	
	Number	Value	Number	Value								
Balance of December 31 of 2017	\$ 479,760	\$ 2,994	\$ 13,907,929	\$ 86,785	\$ 2,535,777	\$ 651,950	\$ 457,466	\$ -	\$ 273,652	\$ 14,862	\$ 506	\$ 4,023,992
Transfers	-	-	-	-	-	-	(457,466)	457,466	-	-	-	-
Cash Dividends paid in preferred and common shares	-	-	-	-	-	-	-	(228,764)	-	-	-	(228,764)
Appropriation for legal reserve	-	-	-	-	228,702	-	-	(228,702)	-	-	-	-
Release of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	549,312	-	-	-	-	549,312
Fixed asset valuation update	-	-	-	-	-	-	-	-	591	-	-	591
Net Deferred tax	-	-	-	-	-	-	-	-	(567)	-	-	(567)
Hedging with cash flow derivatives	-	-	-	-	-	-	-	-	-	32,086	-	32,086
Actuarial gains and losses on defined contributions pensions	-	-	-	-	-	-	-	-	-	-	-	-
Investments by equity method	-	-	-	-	-	-	-	-	-	(130)	-	(130)
Deferred tax on defined contributions pensions	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax on equity investment management	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax on equity instruments	-	-	-	-	-	-	-	-	-	(327)	-	(327)
Deferred tax on investments available for sale	-	-	-	-	-	-	-	-	-	734	-	734
Deferred tax on cash flow hedge	-	-	-	-	-	-	-	-	-	(747)	-	(747)
Unrealised retained earnings in equity instruments	-	-	-	-	-	-	-	-	-	(27,440)	-	(27,440)
Unrealised retained earnings on investments available for sale - Debt securities	-	-	-	-	-	-	-	-	-	(1,985)	-	(1,985)
Balance of December 31 of 2018	\$ 479,760	\$ 2,994	\$ 13,907,929	\$ 86,785	\$ 2,764,479	\$ 651,950	\$ 549,312	\$ -	\$ 273,676	\$ 17,054	\$ 506	\$ 4,346,756

## 3. Consolidated Figures

### Consolidated Results

Total assets of BBVA Colombia closed the year with a balance of COP 62,9 trillion. This represents an annual growth rate of 8.3%, equivalent to a COP 4,8 trillion increase.

#### BALANCE SHEET - Consolidated Million COP

	4Q17	4Q18	TAM	
			abs	%
Cash and cash equivalents	5,777,721	8,461,493	2,683,772	46.5
Investments	7,611,552	8,148,586	537,034	7.1
Derivative Financial Instruments and Cash Operations	688,630	1,292,073	603,443	87.6
Gross Loan Portfolio and Leasing	43,649,649	45,573,222	1,923,573	4.4
Provision for credit losses	(1,836,638)	(2,776,476)	(939,838)	51.2
Other	2,176,446	2,167,829	(8,617)	(0.4)
<b>Assets</b>	<b>58,067,360</b>	<b>62,866,727</b>	<b>4,799,367</b>	<b>8.3</b>
Deposits	44,530,966	47,246,048	2,715,082	6.1
Money Market Operations	2,635,115	3,343,616	708,501	26.9
Financial instruments at fair value	840,021	1,307,567	467,546	55.7
Banks and other financial obligations	1,842,312	2,519,646	677,334	36.8
Investment in debt securities	2,277,963	2,282,854	4,891	0.2
Liabilities by deferred tax	394,314	263,317	(130,997)	(33.2)
Estimated liabilities and provisions	224,100	255,735	31,635	14.1
Payable accounts	449,048	528,195	79,147	17.6
Labor Obligations	215,054	222,361	7,307	3.4
Other Liabilities	203,129	264,215	61,086	30.1
<b>Liabilities</b>	<b>53,612,022</b>	<b>58,233,554</b>	<b>4,621,532</b>	<b>8.6</b>
Paid-in Capital	89,779	89,779	-	-
Additional-paid in capital	651,950	651,950	-	-
Noncontrolling interests	6,231	6,972	741	11.9
Reserves	2,536,283	2,764,985	228,702	9.0
Surplus	679,928	555,834	(124,094)	(18.3)
Net income	491,167	563,653	72,486	14.8
<b>Stockholder´s Equity</b>	<b>4,455,338</b>	<b>4,633,173</b>	<b>177,835</b>	<b>4.0</b>
<b>Total Liabilities and Stockholder´s Equity</b>	<b>58,067,360</b>	<b>62,866,727</b>	<b>4,799,367</b>	<b>8.3</b>

In relation to the Bank's liquidity resources, cash and cash equivalents presented an increase of COP 2,7 trillion compare to 2017. This increase was the result of a COP 3,2 trillion in cash and deposits in banks and a negative variation of COP 517,8 in money market operations.

Derivative financial instruments and cash operations closed with a balance of COP 1,3 trillion, presented a positive variation of COP 603,4 billion.

Investments presented a positive variation of COP 537,0 billion closing with a balance of COP 8,1 trillion. This variation is mainly explained by the increase in investments at fair value with a change in other comprehensive income of COP \$2,4 trillion and of investments at fair value with a change in results in the money market operations of COP \$179,3 billion and by the increase in investments at depreciated cost. Furthermore, investment at fair value with change in results showed a decrease of COP 1,7 trillion and in guarantee of operations with a negative variation of 369,3 billion.

The gross loan and leasing portfolio grew at an annual rate of 4.4% or COP 1,9 trillion closing in December 2018 with a balance of COP 45,6 trillion. On its part, the impairment account, this includes specific and general provisions on the loan portfolio, increased by 51.2%. The other assets account decreased by 0.4% or COP 8,6 billion.

In relation to the liability accounts, deposits and claims showed an annual growth of 6.1% or COP 2,7 trillion, closing with a balance of COP 47,2 trillion. This growth is explained mainly by a COP 3,4 trillion increase in checking accounts and a decrease of COP 712,2 billion in term deposits. Liability positions in market operations increased by COP 708,5 billion, due to an increase of COP 2,0 trillion in repo operations, a decrease of COP 568,9 billion in short positions, a decrease of 522,0 billion in simultaneous operations and a decrease of COP 150,1 billion in interbank funds.

Financial instruments at fair value closed with a balance of COP 1,3 trillion, which represent an increase of 55.7% compared with the same period in 2017. This variation is primarily the result of an increase in trading SWAPS (COP 273,7 billion), forwards (COP 261,5 billion) and hedging SWAPS (COP 10,8 billion) and by the decrease in hedging SWAPS (COP 78,9 billion).

Credit lines with banks and other financial obligations increased by COP 677,3 billion as a result of a COP 403,5 billion increases in other financial obligations, COP 329,3 billion in obligations with Findeter, COP 44,0 billion with Bancoldex and a COP 72,7 billion decrease with other international financial entities and COP 26,7 billion decrease with Finagro.

Accounts payable showed a positive variation of 17.6%, while labor obligations showed an increase of 3.4%. Other liabilities increased by 30.1% or COP 61,1 billion, closing at COP 264,2 billion.

Finally, Equity increased by 4.0% to COP 4,6 trillion at the end of December 2018.



## Loan Portfolio

In December 2018, the gross loan portfolio closed at COP 45,6 trillion, equivalent to a 4.4% increase compared to the same period in 2017. Similarly, the net loan portfolio increased by 2.4%, closing at COP 42,8 trillion.

### LOAN PORTFOLIO

Million COP

	4Q17	4Q18	Var TAM	
<b>Gross Loan Portfolio</b>	<b>43,649,649</b>	<b>45,573,222</b>	<b>1,923,573</b>	<b>4.4</b>
Consumer	15,056,250	16,361,690	1,305,440	8.7
Commercial	18,104,215	17,834,846	(269,369)	(1.5)
Microcredit	2	2	-	-
Mortgage	10,097,641	10,958,949	861,308	8.5
Leasing	391,541	417,735	26,194	6.7
<b>Loan -Loss Provision</b>	<b>(1,836,638)</b>	<b>(2,776,476)</b>	<b>(939,838)</b>	<b>51.2</b>
<b>Net Loan Portfolio</b>	<b>41,813,011</b>	<b>42,796,746</b>	<b>983,735</b>	<b>2.4</b>

The loan portfolio of BBVA Colombia keeps its attention in the particular segment, which accounts for 59.9% of its total gross loan portfolio at the end of December 2018. This segment increased by 8.6% compared to 2017, closing with a balance of COP 27,3 trillion.

The consumer portfolio, which includes payroll loan, vehicle, free investment, revolving credit, credit cards and overdrafts increased at an annual rate of 8.7%.

Mortgage loan portfolio grew by 8.5%, equivalent to an increase of COP 861,3 billion, and at the end of 2018 it accounted for 24.0% of the total gross loan portfolio.

Commercial portfolio showed an annual rate of 1.5% decrease with a negative variation of COP 269,4 billion.

## Client's Resources

At the end of 2018, client's resources keep adjusted to the liquidity needs of the Bank and funding grew in line with the dynamic growth of the loan portfolio. Resources of the clients grew by 5.8%, equivalent to an increase of COP 2,7 trillion, closing the quarter at COP 49,5 trillion. Term deposits certificates accounted for 39.1% of the total of the resources and showed a negative variation of 3.5%, closed with a balance of COP 19,4 trillion.

**CLIENT'S RESOURCES**

Million COP

	4Q17	4Q18	Var TAM	
Checking Accounts	24,445,165	27,872,455	3,427,290	14.0
Saving Accounts	20,085,801	19,373,593	(712,208)	(3.5)
<b>Total Client's Deposits</b>	<b>44,530,966</b>	<b>47,246,048</b>	<b>2,715,082</b>	<b>6.1</b>
Investment Securities in Circulation	2,277,963	2,282,854	4,891	0.2
<b>Total Resources</b>	<b>46,808,929</b>	<b>49,528,902</b>	<b>2,719,973</b>	<b>5.8</b>

Checking account increased 14.0%, which represented a positive variation of COP 3,4 trillion. These deposits represented 56.3% of total client's resources.

Investment securities in circulation closed at COP 2,3 trillion, equivalent to an increase of 0.2% compared to 2017. It should be noted that ordinary bonds issued in 2010 came due in December 2017 in the amount of COP 134 billion.

## Eligible Capital and Solvency Ratio

The accounting equity increased by 4.0%, closing at COP 4,6 trillion. This increase is primarily explained by the increase in reserves in the amount of COP 228,7 billion and of COP 72,5 billion in fiscal year earnings, COP 741 million in non-controlled investments and by the decrease of COP 124,1 billion in surplus.

Technical Equity closed in December 2018 with a balance of COP 5,6 trillion, equivalent to an increase of 4.0%. Required equity according to the Colombian regulations was COP 4,1 trillion, which implies an excess of equity over the required amount of COP 1,5 trillion.

## ELIGIBLE CAPITAL AND SOLVENCY RATIO

Million COP

	4Q17	4Q18	%
<b>Accounting Equity</b>	<b>4,455,338</b>	<b>4,633,173</b>	<b>4.0</b>
Eligible Capital	5,370,564	5,586,499	4.0
Ordinary Basic Equity	2,996,956	3,115,683	4.0
Additional Basic Equity	2,994	2,994	-
Additional Equity <sup>1</sup> (Tier II)	2,370,614	2,467,823	4.1
<b>Technical Equity</b>	<b>5,370,564</b>	<b>5,586,499</b>	<b>4.0</b>
Required Equity	3,914,835	4,071,511	4.0
Surplus Equity	1,455,729	1,514,988	4.1
<b>Risk weighted assets including market risk</b>	<b>43,498,167</b>	<b>45,239,014</b>	<b>4.0</b>
Value at Risk (VeR)	243,802	236,201	(3.1)
Solvency Ratio without VeR	13.17	13.11	(5.7)
Solvency Ratio with VeR (minimum 9%)	12.35	12.35	0.0
Tier 1 (%) <sup>1</sup>	6.89	6.89	(0.0)

<sup>1</sup> Basic Equity against risk-weighted assets

Risk-Weighted Assets closed at COP 45,2 trillion, equivalent to growth of 4.0%, reflecting the growth of the business. On its part, the Market Value at Risk (VeR) decreased by 3.1%.

The Group's solvency ratio closed at 12.35%, without variation compared to the same period of 2017.

## Income Statement

Net interest income registered an interannual increase of 10.8%. Loan portfolio revenue increased by COP 82,4 billion, while expenses decreased by COP 176,0 billion. The above was driven by the scenario of lower interest rates, which leads to deposits being re-priced more quickly than loans. For this reason, net interest income increased by COP 258,5 billion.

Net commission income closed at the end of December 2018 with a variation of 11.4%. On its part, Investment portfolio revenues decreased by COP 83,9 billion or 17.3%, explained by the decrease in income from derivatives and securities. Dividends increased by 56.3%, closing with a balance of COP 17,9 billion. On the other hand, the other revenues line, which includes operating revenues from financial services and recoveries of operating and other risks, posted a 34.7% decrease.

Next, it is showing the results of BBVA Colombia accumulated at the end of 2017 and 2018:

## Accumulated Income Statement

Million COP

	4Q17	4Q18	Var TAM	
Loan Portfolio	4,637,679	4,720,124	82,445	1.8
Interest Expense	(2,233,769)	(2,057,754)	176,015	(7.9)
<b>NET INTEREST INCOME</b>	<b>2,403,910</b>	<b>2,662,370</b>	<b>258,460</b>	<b>10.8</b>
<b>NET COMMISSION INCOME</b>	<b>329,514</b>	<b>367,098</b>	<b>37,584</b>	<b>11.4</b>
Investment Portfolio	484,658	400,760	(83,898)	(17.3)
Dividends	11,430	17,860	6,430	56.3
Other Incomes	136,913	89,351	(47,562)	(34.7)
<b>OTHER OPERATING INCOME</b>	<b>633,001</b>	<b>507,971</b>	<b>(125,030)</b>	<b>(19.8)</b>
<b>GROSS MARGIN</b>	<b>3,366,425</b>	<b>3,537,439</b>	<b>171,014</b>	<b>5.1</b>
<b>Net Asset Allocation</b>	<b>(1,186,080)</b>	<b>(1,107,670)</b>	<b>78,410</b>	<b>(6.6)</b>
<b>Administration General Expenses</b>	<b>(1,557,648)</b>	<b>(1,557,341)</b>	<b>307</b>	<b>(0.0)</b>
Personal Expenses	(583,457)	(576,115)	7,342	(1.3)
General Expenses	(364,133)	(381,681)	(17,548)	4.8
Taxes	(136,156)	(122,405)	13,751	(10.1)
Other	(468,937)	(467,688)	1,249	(0.3)
Operational Risk	(4,965)	(9,452)	(4,487)	90.4
<b>NON-INTEREST EXPENSES</b>	<b>(2,743,728)</b>	<b>(2,665,011)</b>	<b>78,717</b>	<b>(2.9)</b>
Minority Interest	(1,356)	(2,148)	(792)	58.4
<b>INCOME BEFORE TAX</b>	<b>621,341</b>	<b>870,280</b>	<b>248,939</b>	<b>40.1</b>
Income Tax	(130,174)	(306,627)	(176,453)	135.6
<b>NET PROFIT</b>	<b>491,167</b>	<b>563,653</b>	<b>72,486</b>	<b>14.8</b>

Administrative expenses registered a decrease of COP 307 million compared to the previous year. Payroll expenses decreased by 1.3% compared to 2017. On the other hand, general expenses grew by 4.8%. Taxes and contributions expenses registered a reduction of 10.1%.

Lastly, BBVA Colombia posted a net profit at the end of December 2018 in the amount of COP 563,7 billion.

In that way, it is showed the results of BBVA Colombia at the close of the fourth quarterly of 2017 and 2018 not accumulated.

## Income Statement

Million COP

	4Q17	4Q18	Var TAM	
Loan Portfolio	1,186,482	1,195,529	9,047	0.8
Interest Expense	(522,056)	(516,870)	5,186	(1.0)
<b>NET INTEREST INCOME</b>	<b>664,425</b>	<b>678,659</b>	<b>14,234</b>	<b>2.1</b>
<b>NET COMMISSION INCOME</b>	<b>71,935</b>	<b>105,480</b>	<b>33,545</b>	<b>46.6</b>
Investment Portfolio	105,329	119,449	14,120	13.4
Dividends	(14)	790	804	(5,833.4)
Other Incomes	51,659	20,485	(31,174)	(60.3)
<b>OTHER OPERATING INCOME</b>	<b>156,974</b>	<b>140,724</b>	<b>(16,250)</b>	<b>(10.4)</b>
<b>GROSS MARGIN</b>	<b>893,334</b>	<b>924,863</b>	<b>31,529</b>	<b>3.5</b>
<b>Net Asset Allocation</b>	<b>(302,598)</b>	<b>(466,202)</b>	<b>(163,604)</b>	<b>54.1</b>
<b>Administration General Expenses</b>	<b>(420,039)</b>	<b>(408,208)</b>	<b>11,831</b>	<b>(2.8)</b>
Personal Expenses	(152,092)	(143,223)	8,869	(5.8)
General Expenses	(110,653)	(110,673)	(20)	0.0
Taxes	(36,512)	(29,220)	7,292	(20.0)
Other	(119,214)	(122,245)	(3,031)	2.5
Operational Risk	(1,568)	(2,847)	(1,279)	81.6
<b>NON-INTEREST EXPENSES</b>	<b>(722,637)</b>	<b>(874,410)</b>	<b>(151,773)</b>	<b>21.0</b>
Minority Interest	(464)	(800)	(336)	72.3
<b>INCOME BEFORE TAX</b>	<b>170,233</b>	<b>49,653</b>	<b>(120,580)</b>	<b>(70.8)</b>
Income Tax	(8,194)	(17,053)	(8,859)	108.1
<b>NET PROFIT</b>	<b>162,039</b>	<b>32,601</b>	<b>(129,438)</b>	<b>(79.9)</b>

The interest margin registered an interannual increase of 2.1%. For one side, incomes for concept of loan portfolio registered an increase of COP 9,0 billion, while expenses increased by COP 5,2 billion. In that way, net interest income increased to COP 14,2 billion.

Net commission income closed in the fourth quarterly with a positive variation of 46.6%. For its part, other operational income showed a decrease of 10.4% compared with the same period of the last year. On the other hand, operating expenses showed a positive variation of 21.0% compared to the fourth quarter of 2017.

Finally, BBVA Colombia registered a net profit at the end of the fourth quarter 2018 for a value of \$32,601 billion.

## Consolidated Statement of Changes in Equity

Below is the statement of changes in shareholders' equity of BBVA Colombia for the year ended on December 31, 2017 and 2018.

### BANCO BILBAO VIZCAYA ARGENTARIA COLOMBIA S.A.

#### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts stated in million of Colombian pesos and thousands of shares)

Concept	Number of shares	Subscribed and paid-in capital	Additional- paid in capital	Legal and occasional reserves	Net profit for the period	Retained earnings (NICF Implementation)	Adjustments in the adoption for the first time NICF	Other comprehensive income (OCI)	Article 6 Law 4 of 1980	Total shareholders' equity	Non-controlling interest	Total Equity
<b>Balance of December 31 of 2017</b>	<b>\$ 479,760</b>	<b>\$ 86,785</b>	<b>\$ 651,950</b>	<b>\$ 2,535,777</b>	<b>\$ 491,167</b>	<b>\$ 96,761</b>	<b>\$ 273,495</b>	<b>\$ 309,672</b>	<b>\$ 506</b>	<b>\$ 4,449,107</b>	<b>\$ 6,231</b>	<b>\$ 4,455,338</b>
New measurements of financial instruments under IFRS 9	-	-	-	-	-	-	(422,761)	-	-	(422,761)	-	(422,761)
Deferred taxes for new measurements under IFRS 9	-	-	-	-	-	-	143,711	-	-	143,711	-	143,711
<b>Balance of January 01st of 2017</b>	<b>\$ 479,760</b>	<b>\$ 86,785</b>	<b>\$ 651,950</b>	<b>\$ 2,535,777</b>	<b>\$ 491,167</b>	<b>\$ 96,761</b>	<b>\$ (5,555)</b>	<b>\$ 309,672</b>	<b>\$ 506</b>	<b>\$ 4,170,057</b>	<b>\$ 6,231</b>	<b>\$ 4,176,288</b>
Non controlled interest (minority interest)	-	-	-	-	-	-	-	-	-	-	741	741
Transfers	-	-	-	-	(491,167)	491,167	-	-	-	-	-	-
Dividends paid in cash, preferred and common shares	-	-	-	-	-	(228,764)	-	-	-	(228,764)	-	(228,764)
Appropriation for legal reserve	-	-	-	228,702	-	(228,702)	-	-	-	-	-	-
Release of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	563,653	-	-	-	-	563,653	-	563,653
Retained earnings sales force	-	-	-	-	-	-	35,137	-	-	35,137	-	35,137
Deferred tax	-	-	-	-	-	-	(2,315)	(61,075)	-	(63,390)	-	(63,390)
Other comprehensive income	-	-	-	-	-	-	(27,214)	-	-	(27,214)	-	(27,214)
Fixed asset valuation update	-	-	-	-	-	-	591	-	-	591	-	591
Hedging with derivatives cash flow	-	-	-	-	-	-	-	2,019	-	2,019	-	2,019
Actuarial losses	-	-	-	-	-	-	-	-	-	-	-	-
Defined contributions pension	-	-	-	-	-	-	-	-	-	-	-	-
Investments accounted for using the equity method	-	-	-	-	-	-	-	(158)	-	(158)	-	(158)
Participation in other comprehensive income of the noncontrolled investments - internal model	-	-	-	-	-	-	-	3,306	-	3,306	-	3,306
Loan portfolio measurements Incurred Loss	-	-	-	-	-	-	-	157,098	-	157,098	-	157,098
Unrealised retained earnings in new measurements of financial instruments	-	-	-	-	-	-	(25,226)	-	-	(25,226)	-	(25,226)
Net deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Unrealised retained earnings in new measurements of financial instruments- Net of taxes	-	-	-	-	-	-	-	39,092	-	39,092	-	39,092
<b>Balance of December 31 of 2018</b>	<b>\$ 479,760</b>	<b>\$ 86,785</b>	<b>\$ 651,950</b>	<b>\$ 2,764,479</b>	<b>\$ 563,653</b>	<b>\$ 130,462</b>	<b>\$ (24,582)</b>	<b>\$ 449,954</b>	<b>\$ 506</b>	<b>\$ 4,626,201</b>	<b>\$ 6,972</b>	<b>\$ 4,633,173</b>

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