

# Management Report 2Q 2017

## Individual and Consolidated Report

Investor Relations

Bogotá D.C, August 2017

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# 1. Basics

## Economic environment

The prospects of global growth continue for 2017 in 3.3% and 3.4% for 2018. For EEUU, we expect lower growth due to the weak data of the first quarterly and the difficulties to apply expansive policies. On the other hand, in China economic policies have allowed to have a better growth looking our expectative rise, similar to the case in Europe.

The shock in terms of the exchange experienced in Colombia between 2015 and 2016 has few historical comparisons, for that reason it is a very particular event. In this opportunity, confidence over Colombian institutions allowed enjoying external financing and in that way softening the expenditure shock, especially in the consumer. Therefore, this shock did not turn into an economic recession. However, in difference with other cycles in the past, it is not observed exogenous factors that help with the recovery. Therefore, the cycle would have an extended L shape with a very slow economic recovery.

The slowdown of the economy has continued throughout 2017, achieving an annual growth of 1.1% in the first quarterly, with signals of similar growth or lower growth for the second quarterly. We can see limitations from fiscal and monetary policies to stimulate the economy. In the first case the reason would be the fall in income and the limitations given by fiscal rule with a deficit that should decrease from 4% in 2016 to 3.1% in 2018. In the second case is by the risk of inflationary persistence and the external balance that still high, allowing reducing the rate to 5.25% in 2017 and 4.50% in 2018, locating in expansive and neutral environment. In this context, the inflation will close 2017 in 4.3% and 2018 in 3.2% it is mostly due to the reversion in the supply and demand shocks in 2016.

## 2. Individual Figures

### Individual Results

Total Assets for the second quarterly of 2017 showed an annual growth of 6.3%, closing with a balance of \$54.1 billion and a variation of \$3.2 billion

#### Balance Sheet

Million COP

	2Q16	2Q17	TAM	
			abs	%
Cash	3,838,701	4,801,970	963,269	25.1
Active Positions in monetary market	830,650	707,869	(122,780)	(14.8)
Investment Securities & Derivatives	7,021,289	7,116,511	95,222	1.4
Loan Portfolio and Leasing Operations	38,369,789	41,079,058	2,709,269	7.1
Impairment	(1,409,510)	(1,890,617)	(481,107)	(34.1)
Other Assets	2,210,613	2,271,456	60,844	2.8
<b>Total Assets</b>	<b>50,861,532</b>	<b>54,086,248</b>	<b>3,224,716</b>	<b>6.3</b>
Deposits and Financial Claims	42,580,082	44,988,445	2,408,363	5.7
Passive Positions in monetary market	631,089	1,105,089	474,000	75.1
Financial Instruments at Fair Value	964,373	946,681	(17,692)	(1.8)
Banks And Other Financial Obligations	1,340,022	1,495,457	155,435	11.6
Other Liabilities	1,546,852	1,571,722	24,870	1.6
<b>Total Liabilities</b>	<b>47,062,418</b>	<b>50,107,394</b>	<b>3,044,976</b>	<b>6.5</b>
Suscribed and Paid-in-Capital	89,779	89,779	-	-
Specific Destination Reserves and Funds	2,279,237	2,535,777	256,539	11.3
Surplus	1,150,130	1,127,594	(22,536)	(2.0)
Gains or Losses	279,968	225,704	(54,263)	(19.4)
<b>Stockholder's Equity</b>	<b>3,799,114</b>	<b>3,978,854</b>	<b>179,740</b>	<b>4.7</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>50,861,532</b>	<b>54,086,248</b>	<b>3,224,716</b>	<b>6.3</b>

Regarding the Liquidity Resources, cash register an increase of \$1.0 Billion compared the last year, this is explained by increase in Deposits of the Central Bank of \$0.6 Billion, in the deposits in banks and other Financial Entities of \$0.3 billion and in the cash of \$0.1 billion.

On the other hand, Active Positions in market operations show a decrease of 14.8% with a balance of \$0.7 billion at the close of the second quarterly of 2017, as a result of the decrease in the simultaneous operations in 5.3%. Also, investments and operations with derivatives registered a positive interannual variation of 1.4%, explained mostly by increases in the positions of representative instruments of debt, in the reasonable value Portfolios with changes in the results and a reasonable value with changes in the OCI.

The Gross Loan and Leasing Portfolio registered an annual growth of 7.1% or \$2.7 billion, closing in the second quarterly with a balance of \$41.0 billion. On the other hand, the Loan Portfolio that corresponds to the generics provisions and specifics of portfolio presents an increasing of 34.1%. Other Assets account recorded a growth of 2.8% or \$0.1 billion, due to an increasing in the Receivable Accounts.

According to the Liabilities Account, Deposits and Financial claims present an annual growth of 5.7% or \$2.4 billion, achieving \$45.0 billion. The increment is explained mostly by current accounts that increased \$1.3 billion and CDT'S \$1.0 billion. Passive Positions in monetary market increased 75.1% explained by the increment in simultaneous operations, closing June with a Balance of \$1.1 billion.

Financial instruments at fair value closed 2Q17 in \$0.9 billion and present a decrease in 1.8% compared with the same period in 2016, principally due to a less volume of trading options and cash options.

Banks and other financial obligations increase of 11.6%, explained by increments in the lines of Bancoldex, Finagro and Findeter for \$227M. This increment was compensated for a decrease of 11.5% (\$72M) in the financing with overseas financial entities.

Finally, Equity Account showed an increase of 4.7% with a Balance closing 2Q2017 in \$4.0 Billion.

## Loan Portfolio

The Gross Loan Portfolio closed with a balance of \$41.1 billion of pesos that represents an interannual growth of 7.1%.

The Net Loan Portfolio of provisions achieved \$39.2 billion, with a growth of 6.0% or \$2.2 billion compared with the second quarterly of the last year.

The Portfolio of BBVA Colombia keep its attention in the particular segment, which represent 57.1% of the gross Portfolio at the close 2Q17, with an increment of 9.3% in relation with the last year and a balance of \$23.4 billion.

On the other hand, consumer portfolio composed by Payroll loans, vehicle portfolio, free investment, revolving credit, credit cards and overdrafts showed an increment of 9.9% compared with the same period of 2016. Payroll has the biggest participation in the consumption portfolio with a 55.7%, followed by free consumption (27.1%) and vehicle portfolio (12.6%) that keeps their positive trend of the beginning of the year. The Mortgage portfolio growth to 9.5% or \$0.9 billion compared with the second quarterly of 2016 and it amounts to \$9.8 billion. The mortgage portfolio represents 23.9% of the gross portfolio at the close 2Q17.

## LOAN PORTFOLIO

Million COP

	2Q16	2Q17	Var TAM	
<b>Gross Loan Portfolio</b>	<b>38,369,789</b>	<b>41,079,058</b>	<b>2,709,269</b>	<b>7.1</b>
Consumer	12,474,373	13,612,000	1,137,627	9.1
Commercial	14,340,067	14,219,403	(120,664)	(0.8)
Microcredit	-	-	-	N.C
Mortgage	8,982,628	9,836,818	854,190	9.5
Leasing	1,584,825	1,604,219	19,394	1.2
<b>Non-performing loans</b>	<b>271,171</b>	<b>393,454</b>	<b>122,283</b>	<b>45.1</b>
Overdue Loans	716,725	1,413,163	696,438	97.2
<b>Loan -Loss Provision</b>	<b>(1,409,510)</b>	<b>(1,890,617)</b>	<b>(481,107)</b>	<b>(34.1)</b>
<b>Net Loan Portfolio</b>	<b>36,960,279</b>	<b>39,188,441</b>	<b>2,228,162</b>	<b>6.0</b>

Commercial portfolio showed an annual decrease of 0.8% or \$0.1 billion, ending June of 2017 with a balance of \$14.2 billion. On the other hand, leasing portfolio increased 1.2%, closing with a balance of \$1.6 billion.

## Client's Resources

During the second quarterly, resources keep adjusted to the needs of liquidity of the Bank, and funding followed the line with the dynamic growth of the Portfolio. Resources of the clients increased 5.7 % or \$2.4 billion, ending the quarterly in \$45.0 billion.

## CLIENT'S RESOURCES

Million COP

	2Q16	2Q17	Var TAM	
Checking Accounts	4,587,604	5,921,061	1,333,457	29.1
Saving Accounts	18,155,225	18,204,649	49,424	0.3
Term Deposits Certificates	16,959,430	17,978,675	1,019,246	6.0
Other Deposits	427,116	436,826	9,710	2.3
<b>Total Client's Deposits</b>	<b>40,129,375</b>	<b>42,541,211</b>	<b>2,411,836</b>	<b>6.0</b>
Investment Securities in Circulation	2,450,707	2,447,233	(3,473)	(0.1)
<b>Total Resources</b>	<b>42,580,082</b>	<b>44,988,445</b>	<b>2,408,363</b>	<b>5.7</b>

Investment Securities in circulation closed the quarterly in \$2.4 billion and decreased 0.1% compared with the second quarterly of 2016.

## Eligible Capital and Solvency Ratio

For the second quarterly of 2017, the entity statement achieved to \$4.0 billion, and increased 4.7% in compare with 2016. This variation is explained by the increase in the reserves in \$257M that is partially counter with a decrease in the surplus and the utilities of the exercise. The Technical Equity closed at June 2017 in \$5.3 billion and increase 1.4% compared with the second quarterly of 2016.

Risk weighted assets closed in \$41.8 billion and growing in 5.6% or \$2.2 billion, in line with the growth in the activity. On the other hand, Value at Risk (VaR) decreased 8.9%.

The relation of solvency of the Bank close in 12.83% with a decrease in 19 basis points compared with the second quarterly of 2016 and this is 383 basis points above the minimum regulatory.

### ELIGIBLE CAPITAL AND SOLVENCY RATIO

Million COP

	2Q16	2Q17	%
<b>Accounting Equity</b>	<b>3,799,114</b>	<b>3,978,854</b>	<b>4.7</b>
Eligible Capital	5,289,208	5,361,162	1.4
Ordinary Basic Equity	2,977,970	3,039,675	2.1
Additional Basic Equity	2,994	2,994	-
Additional Equity (Tier II)	2,308,244	2,318,493	0.4
<b>Technical Equity</b>	<b>5,289,208</b>	<b>5,361,162</b>	<b>1.4</b>
Required Equity	3,656,812	3,761,419	2.9
Surplus Equity	1,632,396	1,599,743	(2.0)
<b>Risk weighted assets including market risk</b>	<b>39,574,811</b>	<b>41,793,541</b>	<b>5.6</b>
Value at Risk (VeR)	217,820	198,479	(8.9)
Solvency Ratio without VeR	13.84	13.54	(30)
Solvency Ratio with VeR (minimum 9%)	13.02	12.83	(19)
Tier 1 (%)	7.52	7.27	(25)

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

## Income Statements

Following are the BBVA Colombia Accumulated Results at the end of the second quarterly of 2016 and 2017:

Net Interest Income registered an interannual of 11.2%. On the other hand, the incomes for loan portfolio registered a growth of \$271.485M, while the interest expense increased \$ 153.810M. So at the end the Net interest incomes increased \$117.676 M.

Net commission income closed in the second quarterly with a positive variation of 43.8%. On the other hand, incomes generated for the investment portfolio showed a growth of 31.4% or \$66.913M, explained principally for bigger incomes obtained in securities. Dividends received until the second

quarterly of 2017 amount to \$10.940M, with an increment of \$1.011M, that is explained principally for major dividend income for Deceval concept, that for this year is registered accumulated until the second quarterly of \$6.323 M, with an increment of \$3.608M compared with the same period of the last year.

## Accumulated Income Statement

Million COP

	2Q16	2Q17	Var TAM	
Loan Portfolio	2,086,262	2,357,747	271,485	13.0
Interest Expense	(1,037,450)	(1,191,260)	(153,810)	14.8
<b>NET INTEREST INCOME</b>	<b>1,048,811</b>	<b>1,166,487</b>	<b>117,676</b>	<b>11.2</b>
<b>NET COMMISSION INCOME</b>	<b>55,200</b>	<b>79,369</b>	<b>24,169</b>	<b>43.8</b>
Investment Portfolio	213,081	279,994	66,913	31.4
Dividends	9,929	10,940	1,011	10.2
Other Incomes	103,961	67,531	(36,430)	(35.0)
<b>OTHER OPERATING INCOME</b>	<b>326,970</b>	<b>358,465</b>	<b>31,494</b>	<b>9.6</b>
<b>GROSS MARGIN</b>	<b>1,430,982</b>	<b>1,604,321</b>	<b>173,339</b>	<b>12.1</b>
<b>Net Asset Allocation</b>	<b>(319,768)</b>	<b>(510,197)</b>	<b>(190,429)</b>	<b>59.6</b>
<b>Administration General Expenses</b>	<b>(694,759)</b>	<b>(727,266)</b>	<b>(32,507)</b>	<b>4.7</b>
Personal Expenses	(263,436)	(286,402)	(22,966)	8.7
General Expenses	(151,872)	(162,520)	(10,648)	7.0
Taxes	(68,775)	(64,872)	3,902	(5.7)
Other	(209,860)	(211,388)	(1,528)	0.7
Operational Risk	(816)	(2,084)	(1,268)	155.4
<b>NON-INTEREST EXPENSES</b>	<b>(1,014,527)</b>	<b>(1,237,463)</b>	<b>(222,936)</b>	<b>22.0</b>
<b>INCOME BEFORE TAX</b>	<b>416,455</b>	<b>366,858</b>	<b>(49,597)</b>	<b>(11.9)</b>
Income Tax	(136,487)	(141,154)	(4,667)	3.4
<b>NET PROFIT</b>	<b>279,968</b>	<b>225,704</b>	<b>(54,263)</b>	<b>(19.4)</b>

On the other hand, the line of the other incomes include operational incomes for financial services and recoveries of operational risk and others showed a reduce of 35%, basically because during the first quarterly of 2016 registered sells of the participation of the Bank in CIFIN, that originated an extraordinary gain for \$48.392M.

In relation with the net assets provision, it was registered an interannual increase of 59.6% in line with the growth in the loan portfolio and deterioration of the indicators of portfolio quality. It is important to say that at the close of June, the Bank had an extraordinary spend for concept of provisioning of Electricaribe for a value of \$28.600M that means a hedging of 12.9% of the total of the exposure.



However, it is important to highlight that in April of 2017 BBVA keeps showing indicators of credit quality better than the average of Colombian banking sector.

Administration general expenses registered an increase of 4.7% over the previous year. Personal expenses increased 8.7% compared with 2016. General expenses growth 7.0%. Expenses for contributions and taxes show reduce of 5.7%.

Income tax increased 3.4%, and the effective tax rate increased 570 basis points, being located in 32.8% in the second quarterly of 2016 to 38.5% in 2017.

Finally, BBVA Colombia registered a net profit at the close of the second quarterly of 2017 for a value of \$225.704M

In that way, it is showed the results of BBVA Colombia at the close of the second quarterly of 2016 and 2017 not accumulated.

## Income Statement

Million COP

	2Q16	2Q17	Var TAM	
Loan Portfolio	1,076,373	1,183,976	107,603	10.0
Interest Expense	(562,121)	(586,969)	(24,848)	4.4
<b>NET INTEREST INCOME</b>	<b>514,252</b>	<b>597,007</b>	<b>82,755</b>	<b>16.1</b>
<b>NET COMMISSION INCOME</b>	<b>29,663</b>	<b>39,502</b>	<b>9,838</b>	<b>33.2</b>
Investment Portfolio	108,209	156,552	48,343	44.7
Dividends	9,883	3,337	(6,546)	(66.2)
Other Incomes	50,616	49,303	(1,313)	(2.6)
<b>OTHER OPERATING INCOME</b>	<b>168,709</b>	<b>209,193</b>	<b>40,483</b>	<b>24.0</b>
<b>GROSS MARGIN</b>	<b>712,624</b>	<b>845,701</b>	<b>133,077</b>	<b>18.7</b>
<b>Net Asset Allocation</b>	<b>(175,199)</b>	<b>(278,076)</b>	<b>(102,877)</b>	<b>58.7</b>
<b>Administration General Expenses</b>	<b>(347,318)</b>	<b>(348,030)</b>	<b>(712)</b>	<b>0.2</b>
Personal Expenses	(132,714)	(135,205)	(2,491)	1.9
General Expenses	(72,077)	(79,866)	(7,789)	10.8
Taxes	(36,044)	(33,874)	2,170	(6.0)
Other	(105,968)	(98,262)	7,705	(7.3)
Operational Risk	(516)	(823)	(307)	59.6
<b>NON-INTEREST EXPENSES</b>	<b>(522,517)</b>	<b>(626,106)</b>	<b>(103,589)</b>	<b>19.8</b>
<b>INCOME BEFORE TAX</b>	<b>190,107</b>	<b>219,595</b>	<b>29,488</b>	<b>15.5</b>
Income Tax	(58,516)	(87,137)	(28,621)	48.9
<b>NET PROFIT</b>	<b>131,591</b>	<b>132,458</b>	<b>867</b>	<b>0.7</b>

The interest margin registered an interannual increase of 16.1%. So, incomes for concept of loan portfolio registered and increase of \$107.60M, while expenses increased \$24.848M. In that way, net incomes for interest increased to \$82.755M.

Net commission income closed in the second quarterly with a positive variation of 33.2%. As well as other operational incomes that showed an increment of \$40.843M compared with the same period of the last year. On the other hand, non-interests expenses growth to 19.8%.

Income tax increased 48.9% and the effective rate of taxes increased 890 basis points, being located in 30.8% in the second quarterly of 2016 to 39.7 % for 2017.

Finally, BBVA Colombia registered a net profit at the end of the second quarterly 2017 for a value of \$132.458M.

## Performance Measures and Indicators

The accurate management of the risk that is followed in BBVA Colombia, allow the bank to develop a commercial operation keeping well quality indicators of the portfolio and a profile of risk prudent and competitive. The exhaustive processes of admission and recover have given as a result and interannual growth of the gross portfolio, accompanied with competitive indexes of non-performing portfolios.

### NON-PERFORMING LOANS AND COVERAGE

Million COP

	2Q16	2Q17	Var T AM
<b>Gross Loan Portfolio</b>	<b>38,369,789</b>	<b>41,079,058</b>	<b>7.1%</b>
Total Non-performing loans	987,896	1,806,617	82.88%
Non-performing loans	271,171	393,454	45.09%
Overdue Loans	716,725	1,413,163	97.17%
<b>Non-performing loans ratios</b>	<b>%</b>	<b>%</b>	<b>%</b>
Non-performing loans	0.71	0.96	0.25
Overdue loans quality	1.87	3.44	1.57
Loan -Loss Provision	1,409,510	1,890,617	34.13%
Coverage overdue loans	196.66	133.79	-62.87

At the close of the second quarterly of 2017, the quality indicator of the overdue portfolio was located in 3.44%, registering an increment of 157 basis points. So, the coverage indicator of the overdue portfolio is located in 133.79%.

## Statements of changes in stockholders' equity

Next, it is showed the statement of changes in stockholders' equity of BBVA Colombia for the year ended at 31 of December 2016 and an intermediate period of 30 June 2017.

**BANCO BILBAO VIZCAYA ARGENTARIA COLOMBIA S.A.**
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 FOR THE MONTHS ENDED 2016 AS OF JUNE 30, 2017**

statements of changes in stockholders' equity

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

Concept	Subscribed and paid-in capital					Retained Earnings					Total Shareholder Equity	
	Non-voting preferred shares		Ordinary shares			Legal and Occasional Reserves	Net Profit For the period	Retained Earnings (NICF Application)	Accumulated Earnings - Process Convergence to IFRS	Other comprehensive Income (OCI)		Article 6 Law 4 of 1980
	Number	Value	Number	Value	Premium on share Placement							
<b>Balance of December 31 of 2016</b>	<b>\$ 479,760</b>	<b>\$ 2,994</b>	<b>\$ 13,907,929</b>	<b>\$ 86,785</b>	<b>\$ 651,950</b>	<b>\$ 2,279,237</b>	<b>\$ 512,928</b>	<b>\$ 342,876</b>	<b>\$ 116,475</b>	<b>\$ 16,951</b>	<b>\$ 506</b>	<b>\$ 4,010,702</b>
Transfers	-	-	-	-	-	-	512,928	-	-	-	-	-
Dividends paid in cash, preferred and common shares	-	-	-	-	-	-	(512,928)	-	-	-	-	(256,389)
Appropriation for legal reserve	-	-	-	-	-	256,540	-	(256,539)	-	-	-	1
Release of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	-	-	-	-	-	225,704	-	-	-	-	225,704
Fixed asset valuation update	-	-	-	-	-	-	-	(3,510)	-	-	-	(3,510)
Hedging with derivatives cash flow	-	-	-	-	-	-	-	-	-	(157)	-	(157)
Defined Contributions Pensions	-	-	-	-	-	-	-	-	-	-	-	-
Investments by equity method	-	-	-	-	-	-	-	-	-	(235)	-	(235)
Participation in the OCI of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	1,617	-	1,617
Accumulated unrealized gains on investments - Debt securities	-	-	-	-	-	-	-	-	-	2,229	-	2,229
Deferred Tax	-	-	-	-	-	-	-	1,043	-	(2,151)	-	(1,108)
<b>Balance of June 30 of 2017</b>	<b>\$ 479,760</b>	<b>\$ 2,994</b>	<b>\$ 13,907,929</b>	<b>\$ 86,785</b>	<b>\$ 651,950</b>	<b>\$ 2,535,777</b>	<b>\$ 253,577</b>	<b>\$ 531,224</b>	<b>\$ 116,475</b>	<b>\$ 257,271</b>	<b>\$ 506</b>	<b>\$ 3,978,854</b>

## 3. Consolidated Figures

### Consolidated Results

#### BALANCE SHEET - Consolidated

Million COP

	2Q16	2Q17	TAM	
			abs	%
Cash and cash equivalents	4,674,651	5,514,477	839,827	18.0
Investments	6,042,327	6,131,658	89,331	1.5
Derivative Financial Instruments and Cash Operations	967,233	966,209	(1,023)	(0.1)
Gross Loan Portfolio and Leasing (Net)	38,527,967	41,267,446	2,739,480	7.1
Provision for credit losses	(1,089,339)	(1,537,295)	(447,956)	41.1
Other	2,188,357	2,229,223	40,867	1.9
<b>Assets</b>	<b>51,311,194</b>	<b>54,571,719</b>	<b>3,260,525</b>	<b>6.4</b>
Deposits	40,107,537	42,554,318	2,446,782	6.1
Money Market Operations	631,089	1,025,076	393,987	62.4
Financial instruments at fair value	964,373	946,681	(17,692)	(1.8)
Payable accounts	893,909	782,062	(111,848)	(12.5)
Other	4,312,052	4,540,752	228,700	5.3
Labor Obligations	167,900	188,810	20,910	12.5
Other Liabilities	137,604	208,859	71,255	51.8
<b>Liabilities</b>	<b>47,214,463</b>	<b>50,246,558</b>	<b>3,032,095</b>	<b>6.4</b>
Paid-in Capital	89,779	89,779	-	-
Reserves	2,279,228	2,535,777	256,548	11.3
Surplus	1,412,987	1,446,029	33,042	2.3
Net Profit for the period	314,737	253,576	(61,160)	(19.4)
<b>Stockholder's Equity</b>	<b>4,096,731</b>	<b>4,325,161</b>	<b>228,430</b>	<b>5.6</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>51,311,194</b>	<b>54,571,719</b>	<b>3,260,525</b>	<b>6.4</b>

In relation with the liquidity resources of the Bank, the Cash and cash equivalents registered an increase of \$0.8 billion compared with the last year, explained by an increment in cash and deposits in banks (25.0%), compensated with an annual reduction of monetary market operations and related (14.8%).

On the other hand, Derivative Financial Instruments and Cash Operations show a small decrease of 0.1% with a balance of \$1.0 billion at the close of June 2017, as a result of the decrease in the negotiation operations. Meanwhile, Investments registered a positive interannual variation of 1.5%, explained principally for increments in positions of representative instruments of debt, in the portfolios of fair value with changes in results.

The gross loan portfolio and leasing registered an annual growth of 7.1% or \$2.7 billion, closing in the second quarterly with a balance of \$41.3 billion. On the other hand, the Provision for credit losses account that corresponds to generics provisions and specifics of the portfolio had an increase of 41.1%. The account of other assets, registered a growth of 1.9%, due to the increment in payable accounts in 1.7%

In relation with the liability accounts, deposits showed an annual growth of 6.1% or \$2.4 billion, achieving 42.6 billion. The increment explained principally for the increase in deposits (6.2%) and a term (6.0%). Liabilities positions in market operations increased 62.4%, closing the second quarterly of 2017 in \$1.0 billion.

Financial instruments at fair value closed the second quarterly with a balance of \$0.9 billion and showed a decrease of 1.8% compared with the same period of 2016, principally for a less volume in trading operations (5.3%). On the other hand, in line with the credits of the banks and other financial obligations registered an increase of 11.6% or \$1.5 billion.

The payable accounts decreased 12%, while labor obligations showed an increment of 12.5%. Other liabilities increased \$0.1 billion or 51.8%, achieving a balance of \$0.2 billion. Additionally, deferred tax liabilities and estimate liabilities and provisions, showed an increase of 13.5% and 17.1% respectively.

Finally, the equity showed an increment of 5.6% reporting a balance of \$4.3 billion at the close of the second quarterly of 2017.

## Loan Portfolio

In June of 2017, Gross loan portfolio closed with a balance of \$41.2 billion that represents an interannual growth of 7.1%

The net loan portfolio achieved \$39.7 billion, with a growth of 6.1% or \$2.3 billion compared with the second quarterly of 2016.

The portfolio of BBVA Colombia keeps its attention in the particular segment that represents 59.1% of the gross portfolio at the close of June 2017, with an increment of 10% in relation with the last year, and a balance of \$24.4 billion. On the other hand, the mortgage portfolio represents 23.9% of the gross portfolio at the close of the quarterly.

**LOAN PORTFOLIO**

Million COP

	2Q16	2Q17	Var TAM	
<b>Gross Loan Portfolio</b>	<b>38,527,967</b>	<b>41,267,446</b>	<b>2,739,480</b>	<b>7.1</b>
Consumer	13,138,873	14,535,574	1,396,701	10.6
Commercial	16,182,528	16,486,551	304,023	1.9
Microcredit	2	2	-	-
Mortgage	9,060,120	9,872,787	812,667	9.0
Leasing	146,443	372,532	226,089	154.4
<b>Loan -Loss Provision</b>	<b>(1,089,339)</b>	<b>(1,537,295)</b>	<b>(447,956)</b>	<b>(41.1)</b>
<b>Net Loan Portfolio</b>	<b>37,438,627</b>	<b>39,730,151</b>	<b>2,291,524</b>	<b>6.1</b>

The commercial Portfolio showed an annual increment of 1.9% or \$0.3 billion, ending June of 2017 with a balance of \$16.4 billion. In conclusion, BBVA Colombia showed moderate growth in credit investment, driven principally for the particulars portfolio.

## Client's Resources

During the second quarterly of the year, the resources have kept adjusted to the needs of liquidity of the Bank and funding kept in line with the dynamic of growth of the Portfolio. The resources of the clients increased 5.7% or \$2.4 billion, closing the quarterly in \$45.0 billion, the deposits represent 54.6% of the total of the resources and registered an increase of 6.2% achieving \$24.5 billion.

**CLIENT'S RESOURCES**

Million COP

	2Q16	2Q17	Var TAM	
Checking Accounts	23,148,107	24,575,643	1,427,536	6.2
Saving Accounts	16,959,430	17,978,675	1,019,246	6.0
<b>Total Client's Deposits</b>	<b>40,107,537</b>	<b>42,554,318</b>	<b>2,446,782</b>	<b>6.1</b>
Investment Securities in Circulation	2,450,707	2,447,233	(3,473)	(0.1)
<b>Total Resources</b>	<b>42,558,243</b>	<b>45,001,552</b>	<b>2,443,308</b>	<b>5.7</b>

Investment securities in circulation closed the quarterly in \$2.4 billion and decrease 0.1% compared with the second quarterly of 2016

## Eligible Capital and Solvency Ratio

For the second quarterly of 2017, the equity of the entity increased to \$4.3 billion, and increased 5.6% compared with 2016. This variation is explained for the increment in reserves in \$0.3 billion that was countered with a decrease in the profit of the exercise.

Technical equity closed in June of 2017 in \$5.3 billion and increased 1.3% compared with the second quarterly of 2016.

### ELIGIBLE CAPITAL AND SOLVENCY RATIO

Million COP

	2Q16	2Q17	%
<b>Accounting Equity</b>	<b>4,096,731</b>	<b>4,325,161</b>	<b>5.6</b>
<b>Technical Equity</b>	<b>5,290,124</b>	<b>5,360,580</b>	<b>1.3</b>
Required Equity	3,655,669	3,756,546	2.8
Surplus Equity	1,634,455	1,604,033	(1.9)
<b>Risk weighted assets including market risk</b>	<b>39,553,579</b>	<b>41,739,402</b>	<b>5.5</b>
Value at Risk (VeR)	218,809	199,237	(8.9)
Solvency Ratio without VeR	13.85	13.56	(29)
Solvency Ratio with VeR (minimum 9%)	13.02	12.84	(18)
Tier 1 (%) <sup>1</sup>	7.53	7.28	(25)

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

Risk weighted assets including market risk closed in \$41.8 billion and grew 5.5% or \$2.2 billion in line with the growth of the activity. On the other hand, the value at risk (VaR) decreased 8.9%.

The relation of solvency of the Bank closed in 12.84%, with a decrease of 18 basis points in comparison with the second quarterly of 2016 and It is 384 basis points above to the regulatory minimum.

## Income Statement

Next, it is showed the results of BBVA Colombia accumulated at the end of the second quarterly of 2016 and 2017:

Net interest income registered an interannual increase of 11.3%. On one side, incomes for loan portfolio registered an increase of \$271.486M, while interest expenses increased \$153.237 M. In that way, net interest incomes increased \$118.249M.

## Accumulated Income Statement

Million COP

	2Q16	2Q17	Var TAM	
Loan Portfolio	2,086,260	2,357,746	271,486	13.0
Interest Expense	(1,036,232)	(1,189,469)	(153,237)	14.8
<b>NET INTEREST INCOME</b>	<b>1,050,028</b>	<b>1,168,277</b>	<b>118,249</b>	<b>11.3</b>
<b>NET COMMISSION INCOME</b>	<b>97,008</b>	<b>120,489</b>	<b>23,481</b>	<b>24.2</b>
Investment Portfolio	230,048	273,277	43,229	18.8
Dividends	10,328	11,363	1,035	10.0
Other Incomes	106,272	69,344	(36,928)	(34.7)
<b>OTHER OPERATING INCOME</b>	<b>346,648</b>	<b>353,984</b>	<b>7,336</b>	<b>2.1</b>
<b>GROSS MARGIN</b>	<b>1,493,684</b>	<b>1,642,750</b>	<b>149,066</b>	<b>10.0</b>
<b>Net Asset Allocation</b>	<b>(320,017)</b>	<b>(510,390)</b>	<b>(190,373)</b>	<b>59.5</b>
<b>Administration General Expenses</b>	<b>(705,757)</b>	<b>(738,947)</b>	<b>(33,190)</b>	<b>4.7</b>
Personal Expenses	(269,604)	(293,732)	(24,128)	8.9
General Expenses	(152,805)	(163,268)	(10,463)	6.8
Taxes	(70,104)	(65,947)	4,157	(5.9)
Other	(212,428)	(213,916)	(1,488)	0.7
Operational Risk	(816)	(2,084)	(1,268)	155.4
<b>NON-INTEREST EXPENSES</b>	<b>(1,025,774)</b>	<b>(1,249,337)</b>	<b>(223,563)</b>	<b>21.8</b>
Minority Interest	(534)	(557)	(23)	4.3
<b>INCOME BEFORE TAX</b>	<b>467,376</b>	<b>392,856</b>	<b>(74,520)</b>	<b>(15.9)</b>
Income Tax	(152,639)	(139,280)	13,359	(8.8)
<b>NET PROFIT</b>	<b>314,737</b>	<b>253,576</b>	<b>(61,161)</b>	<b>(19.4)</b>

Net commissions incomes closed in the second quarterly with a positive variation of 24.2%. Moreover, incomes generated for the investment portfolio show a growth of 18.8% or \$43.229M, explained principally for major incomes obtained in securities. Dividends received until the second quarterly of 2017 achieved to \$11.363M, with an increment of \$1.035M, that is explained for major income of dividends for concept of Deceval, , that for this year registered an accumulated of \$6.323M in the second quarterly, with an increment of \$3.608M compared with the same period of the last year.

On the other hand, the line of the other incomes that include operational incomes for financial services provided and recoveries of operative risk and others, registered a reduction of 34.7 % basically because during the first quarterly of 2016 it was registered the sale of the part of the Bank's in CIFIN, in consequence generating an extraordinary gain for \$48.392M.

In relation to the net assets allocation, it was registered an interannual increment of 59.5% in line with the growth of the loan portfolio and the deterioration of the quality indicators of the loan portfolio. It is important to remark that at the end of June 2017 the Bank had an extraordinary expense for concept



of provisioning of Electricaribe for a value of \$28.600M that means coverage of 12.9% of the total of the exposure.

The administration general expenses registered and increment of 4.7% compared with the last year. Personal expenses increased 8.9% compared with 2016. On the other hand, general expenses growth to 6.8%. Expenses for contributions and taxes registered a reduction of 5.9%.

The income tax decreased 8.8%, and the effective rate increased 279 basis points, being located in 23.6% in the second quarterly of 2016 to 35.5% for 2017.

Finally, BBVA Colombia registered a net profit at the end of June of 2017 for a value of \$253.576 M. Of this value, 89% corresponds to registered profit for the Bank, the 4.8% for the BBVA Asset Management and 0.8% to the lost registered for BBVA Valores. Finally, it is done an adjustment of consolidation of 4.0% (10.180M) and an adjustment for application of IFRS of 11.0% (27.872M).

In the same way, it is showed the results of BBVA Colombia at the end of the second quarterly of 2016 and 2017 not accumulated

## Income Statement

Million COP

	2Q16	2Q17	Var TAM	
Loan Portfolio	1,076,371	1,183,975	107,604	10.0
Interest Expense	(561,495)	(586,007)	(24,512)	4.4
<b>NET INTEREST INCOME</b>	<b>514,876</b>	<b>597,968</b>	<b>83,092</b>	<b>16.1</b>
<b>NET COMMISSION INCOME</b>	<b>53,961</b>	<b>62,885</b>	<b>8,924</b>	<b>16.5</b>
Investment Portfolio	129,012	157,112	28,100	21.8
Dividends	10,278	3,337	(6,941)	(67.5)
Other Incomes	51,956	50,197	(1,759)	(3.4)
<b>OTHER OPERATING INCOME</b>	<b>191,246</b>	<b>210,646</b>	<b>19,400</b>	<b>10.1</b>
<b>GROSS MARGIN</b>	<b>760,083</b>	<b>871,499</b>	<b>111,416</b>	<b>14.7</b>
<b>Net Asset Allocation</b>	<b>(175,202)</b>	<b>(276,526)</b>	<b>(101,324)</b>	<b>57.8</b>
<b>Administration General Expenses</b>	<b>(352,818)</b>	<b>(361,436)</b>	<b>(8,618)</b>	<b>2.4</b>
Personal Expenses	(135,716)	(146,110)	(10,394)	7.7
General Expenses	(72,501)	(80,273)	(7,772)	10.7
Taxes	(36,739)	(34,401)	2,338	(6.4)
Other	(107,346)	(99,829)	7,517	(7.0)
Operational Risk	(516)	(823)	(307)	59.5
<b>NON-INTEREST EXPENSES</b>	<b>(528,020)</b>	<b>(637,962)</b>	<b>(109,942)</b>	<b>20.8</b>
Minority Interest	(316)	(233)	83	(26.3)
<b>INCOME BEFORE TAX</b>	<b>231,747</b>	<b>233,304</b>	<b>1,557</b>	<b>0.7</b>
Income Tax	(68,172)	(95,137)	(26,965)	39.6
<b>NET PROFIT</b>	<b>163,575</b>	<b>138,167</b>	<b>(25,408)</b>	<b>(15.5)</b>

Net interest income registered an interannual increase of 16.1%. On the other hand, incomes for loan portfolio concept registered an increase of \$107.604M, while expenses increased \$24.512M. In that way, net incomes for interest increased \$83.092M.

Net incomes for commissions closed the second quarterly with a positive variation of 16.5%. As well as other operational incomes that showed an increment of \$19.400M compared with the same period of the last year. Income tax increased 39.6% and the effective rate of taxes increased 279 basis points, being located in 32.6% in the second quarterly of 2016 to 35.5% for 2017.

Finally, BBVA Colombia registered a net profit for the close of the second quarterly of 2017 for a value of \$138.167M.

## Consolidated Statements of changes in stockholders' equity

Next, it is showed the consolidated statement of changes in stockholders' equity of BBVA Colombia for the year ended at 31 of December 2016 and an intermediate period of 30 June 2017.

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE MONTHS ENDED 2016 AS OF June 30, 2017**  
 (Amounts stated in millions of Colombian pesos and thousands of shares)

Concept	Subscribed and paid-in capital						Retained Earnings					Total Shareholder Equity
	Non-voting preferred shares		Ordinary shares				Legal and Occasional Reserves	Net Profit For the period	Retained Earnings (NICF Application)	Other comprehensive Income (OCI)	Article 6 Law 4 of 1980	
	Number	Value	Number	Value	Non controlled Participation	Premium on share Placement						
<b>Balance of December 31 of 2016</b>	<b>\$ 479,760</b>	<b>\$ 2,994</b>	<b>\$ 13,907,929</b>	<b>\$ 86,785</b>	<b>\$ 5,838</b>	<b>\$ 651,950</b>	<b>\$ 2,279,237</b>	<b>\$ 572,567</b>	<b>\$ 489,701</b>	<b>\$ 209,538</b>	<b>\$ 506</b>	<b>\$ 4,299,116</b>
Non controlled interest (Minority Interest)	-	-	-	-	(761)	-	-	-	-	-	-	(761)
Transfers	-	-	-	-	-	-	-	(572,567)	572,567	-	-	-
Dividends paid in cash, preferred and common shares	-	-	-	-	-	-	-	-	(256,389)	-	-	(256,389)
Appropriation for legal reserve	-	-	-	-	-	-	256,540	-	(256,540)	-	-	-
Release of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	-	-	-	-	-	-	253,577	-	-	-	253,577
Retained Earnings Sales Force	-	-	-	-	-	-	-	-	(2,067)	-	-	(2,067)
Fixed asset valuation update	-	-	-	-	-	-	-	-	(3,510)	-	-	(3,510)
Hedging with derivatives cash flow	-	-	-	-	-	-	-	-	-	(157)	-	(157)
Defined Contributions Pensions	-	-	-	-	-	-	-	-	-	-	-	-
Participation in he OCI of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Participation in other comprehensive Income of the noncontrolled investments, internal model	-	-	-	-	-	-	-	-	-	28,839	-	28,839
Loan portfolio measurements Incurred Loss	-	-	-	-	-	-	-	-	-	48,353	-	48,353
Accumulated unrealized gains on investments - Debt securities	-	-	-	-	-	-	-	-	(14,284)	-	-	(14,284)
Deferred Tax	-	-	-	-	-	-	-	-	1,746	(29,302)	-	(27,556)
<b>Balance of June 30 of 2017</b>	<b>\$ 479,760</b>	<b>\$ 2,994</b>	<b>\$ 13,907,929</b>	<b>\$ 86,785</b>	<b>\$ 5,077</b>	<b>\$ 651,950</b>	<b>\$ 2,535,777</b>	<b>\$ 253,577</b>	<b>\$ 531,224</b>	<b>\$ 257,271</b>	<b>\$ 506</b>	<b>\$ 4,325,161</b>

## Subsidiaries

### BBVA Asset Management

The main objective of the society is the celebration of the trust company contracts, in terms of the title XI of the Book IV of the commerce code, the celebration of the trust businesses based in the law forty five (45) of one thousand nine hundred twenty three (1923) in the chapter IV, the state contracts celebration of Trust company based in the law eighty (80) of one thousand nine hundred and three (1993) and, in general, the celebration of all business for legal provisions.

For 2017, BBVA Asset Management S.A -Trust company, keeps their strategy of being a enhancing of the banking business of BBVA Colombia through the business line, so:

**Collective investments Funds:** The FCI's will impulse the acquisition of the resources of the competence, supporting the strategic approach in liabilities resources of the group, in the same way, it has looked to extend the catalog of products especially for the clients segment of huge value, all taking into account the different profiles of risk of our clients.

**Structured trust company:** Through different trust schemes, it is looked to make easier the banking business of credit operations in their different modalities taking into account the presence of guarantees business and the source of payment, deepen the constructor credit and in that way strengthening and improving the trust schemes , and supporting all business that involve the develop and modernization of the infrastructure of the country through schemes of administration and payments, even though it is interesting for the group.

Additionally, the company strengthens technological platforms that will support the growth and focus of the business, looking better standards in the quality of the service, the operative efficiency and transactional security, in direction of the positioning of the brand and the profit of our clients.

### Results

At the end of the second quarterly of 2017, the Trust company present a value of the asset for \$121.351M, liabilities for \$36.571M and equity for a value of \$84.834M.

On the other hand, in the statement of income is registered a net profit for a value of \$12.086M, that represent the 4.8% of the profits of consolidated Bank.

## BBVA Valores

BBVA Valores Colombia S.A is a brokerage society; whose principal shareholder is BBVA Colombia and its main objective consist in the development of the commission contracts for the sell and buy of the securities.

This count with authorization of the Superintendencia Financiera de Colombia to do its own activities of the securities market and for the advising in activities related with capital market, allowed for the law to the brokerage society. They have a huge trajectory from 1990 in the Colombian stock market, it account with a M1 qualification (superior) in the assets administration of investment given by Fitch Ratings and a qualification AAA (triple AAA) in counterparty risk given by BRC Investor Services S.A.

During 2017 the brokerage continue with its strategic plan oriented to the attention of the following segments: Clients of the premium and personal banking, institutional clients, international clients , clients for contracts with investment banking.

Apart from develop the area of business with commission agreement for the purchase and sell of securities, BBVA Valores also give advising in activities related with the capital markets, being the client its bigger priority, for that reason, products are designed for the satisfaction of the clients in general.

**Shares:** Shares are aimed at all type of natural or legal person with capacity of investment and take the risk of the shares purchased, giving an alternative of investment for a more aggressive profile, prepare to support a major volatility in its portfolio, in change of a major yield.

**Administration of Securities:** BBVA Valores is in charge of the custody of the values administered, doing a dividend payout, coupons etc. It is aimed to all type of long term investors that wish to preserve their securities and its yield is composed only by dividends and coupons paid by the issuer. These investors would not like to be exposed to marker risk.

**Investment Banking:** It is a product that offer different solutions to companies in accordance with their needs, BBVA Valores is in charge of structuring of issuances of fixed and variable rent, also ensuring the operability in the placement of the issuances and valuation of companies in an objective way and under acceptable standards, this valuation can be used with the objective of structure an issuance, or with the objective of optimize the administration of itself. It is aimed to institutional clients, real and financial sector companies.

**Fixed Income:** It is an option of investment that can be adjusted in accordance with the risk profile, the maturity and cash flow of each client. Some securities such as TES IPC allow keeping the purchasing power of investment. Securities of fixed rent are aimed to companies and natural people, with the possibility of attending particular needs of each client.

## Results

At the end of the second quarterly of 2016, BBVA Valores showed a value of the asset for \$12.048M, liabilities for \$1.482M and equity for a value of \$10.565M.

On the other hand, in the statement of results is registered a lost for a value of \$1.906M, than decrease the profits of the Bank in 0.8%.

## Investor Relations Team

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