Management report presented to the General Assembly of Shareholders

CEO's Speech

The CEO provided the context in which BBVA Colombia performed in 2013 setting forth important economic facts of the Colombian financial industry and highlighting the Bank's main achievements, as well as an outlook in such aspects for 2014.

The speech of the CEO is transcribed as follows:

Greetings to all shareholders and thank you for being at today's Assembly.

On behalf of the Board of Directors and of BBVA Colombia, I will present the results obtained by the Bank in 2013.

Without a doubt 2013 was the best year in BBVA Colombia's history. The market conditions were appropriate and well capitalized in order to achieve outstanding results in our entire operation, surpassing our established goals.

In addition 2013 marked the beginning of our "Más BBVA" ("More BBVA") strategic plan, based on four pillars: Focus on the client based on segmentation and collectivity; an ambitious multilateral expansion plan; simplicity through transformation plans; and finally teamwork within the organization and with the Colombian society.

In its first year, this plan has given notorious growth results, great investment and a solid transformation.

To start, I will summarize last year's economic situation and the upcoming year's perspectives, as well as show the main figures for the Colombian banking industry. Afterwards, I will explain the main 2013 facts and results for BBVA Colombia.

In 2013 we saw a reduction of the financial tensions seen in the Developed countries through previous years, finally perceiving signs of economic recovery coming from the Euro Zone and forecasts of superior growth coming from the United States of America. The Central Banks of the Developed countries succeeded in jumpstarting their economies through expansive monetary policy plans.

As a result US economic activity showed recurrent and favorable data which led the Federal Reserve to start reducing the stimulus packages (tapering) in December, 2013.

This statement has created some turbulence in the Emerging markets, with a capital withdrawal from most countries, an increase in long term interest rate, and depreciation in all currencies. Colombia also suffered from these consequences, but continues to be attractive for foreign investors unlike other similar economies.

In such context of recovery of the Developed economies and of the conditions of international liquidity, we hope that global growth will increase from 2.9% in 2013 to 3.6% in 2014 and to 3.9% in 2015. In the upcoming two years, the expected global growth coming from the Developed economies will increase. However the emerging markets will continue to be the main characters in world economic growth.

Latin American growth in 2013 was affected by its two main economies: Brazil and Mexico. These changes are explained by Brazil´s economic indebtedness and by Mexico´s close economic relation to the US. However, the recent signs of US economic acceleration show a more promising future for the Mexican economy in 2014 and in the upcoming years. The Brazilian recovery will be slower because of the recent economic turbulence of the Emerging markets.

The estimated growth for the region will be around 2.2% in 2013. Poor performance observed since 2009 can be explained by the limited growth coming from the Brazilian economy and the other members of the MERCOSUR during the year. For 2014 we expect a slight increase of up to 2.5%, which will continue in 2015 reaching up to 2.6%. The members of the Pacific Alliance (Chile, Colombia, Mexico and Peru) will be the most important economies for the region's growth, with an expected increase of 3.8% in 2014.

Colombia´s GDP entered in a recovery phase in 2013, especially in the second quarter of the year. Such behavior is explained by the response of private demand to the reduction in March of the interest rates from the Banco de la Republica (Colombian Central Bank). The recovery seen in private consumption during the second quarter of the year and the increase in public and residential investment compensated the poor performance of the first quarter of the year. In the end, the country's economy expanded to 4.1% in 2013.

In 2014 the Colombian economy will grow by 4.7% followed by a 5.1% increase in 2015 as a result of an ambitious infrastructure investment plan. The civil engineering works will be a determining factor in growth and will expand approximately by 8.1% annually in the 2014-2015 periods. This growth expansion exceeds Latin America´s average of 2.5% and 2.6% respectively. In fact, the Colombian acceleration in 2014 will locate Colombia in the second place in the region's growth right after Peru.

The main catalyst for economic activity will continue to be private household consumption, an industry which will benefit by a reduced interest rate through an increased expenditure in durable goods in the second quarter of 2013 and 2014.

The consumers and merchants confidence rates show a robust expectancy for private consumption for the next two years. Households maintained an optimistic point of view for the future during 2013 which extends to 2014. The merchants also perceive an increased demand.

This positive outlook is reinforced by total investment. The economy will maintain an increased investment rate during the next two years, after reaching more than 28% of the country´s GDP in 2013. This result will be possible due to results in infrastructure, which demand a great deal of public and private *investment resources as well as for the industrial recovery during the year. The infrastructure industry will lever their investment growth in 2014 by an investment in goods and equipment.*

The improvements in economic performance have resulted in a better work market behavior. BBVA Research predicts that almost 400,000 formal jobs were created in 2013 and 400,000 more will be created during 2014.

During the last couple of months of 2013, the lower inflation surprised the markets as a consequence of favorable shocks in food supply and lower pressure in regulated goods. The first consequence can be explained as a result of an increased perishable food supply during a remarkable harvest season. On the other hand, the second consequence can be explained by a downfall in oil and energy prices during the last months of the year, which pushed inflation to a historical minimum and ended the year at 1.9%. However, the increased aggregate demand during the second quarter of the year reflected a gradual increase of basic inflation, which discounts the most volatile components of the impact of food and regulated goods.

We expect that by 2014 the inflation stabilizes in the Central Bank´s lower expected range, increasing in the last quarter of the year, due to the low figures from October and November of last year.

The current activity has been completely affected by the cuts in interest rate levels. The sum of the active interest rates of the financial system decreased and has stayed under their historical average.

We anticipate that Colombian Central Bank will maintain an expansive posture during 2014, despite a gradual increase of 100bp during the second half of the year. It will start to stabilize its monetary posture to the extent that the economy shows evidence of approaching its potential and that the global economy continues on its path of consolidation.

In Conclusion

The world economic environment is improving thanks to a faster than expected US economic recovery and lower European financial tensions after their economic plunge. The primary emerging markets have resisted the extraordinary liquidity turmoil until now. We should expect that in 2014, there will be better differentiation between countries, depending on their macroeconomics fundamentals.

The Colombian economy will increase its growth rate to a 4.7% in 2014 and 5.1% in 2015, alongside global economic recovery. Private consumption will be a key ingredient in this expansion, as well as the positive prospects regarding infrastructure works during the next two years.

Inflation will stay within its average objective range in 2014 and will turn to a 3.0% in 2015. The Central Bank will keep its expansive posture in 2014, notwithstanding a gradual increase in the second half of 2014.

The Colombian banking industry had a great performance as a result of increased economic activity and low interest rates.

Credit activity expanded in 2013 and showed good quality results, although it registered a slowdown compared to past years. The efforts for an increased banking industry have shown good results with important growth rates.

There were also factors affecting the industry, such as price correction towards better stability levels in the debt markets seen in the second quarter to levels and changes seen in Capital and Solvency Regulation.

In terms of lending activity, the financial sector showed an increase in the net account balance growing to COP $ 263 billion, with a lower rate compared to previous years.

Regarding activity by type of loan, mortgage portfolio showed the best performance as a result of government incentives and improved confidence. The commercial portfolio grew to similar levels as in previous year, while a healthy slowdown in the consumer portfolio is highlighted.

Meanwhile, indicators of Portfolio Quality still show a healthy risk profile, maintaining the quality indicator similar to 2012 levels.

Deposits responded according to the dynamics of the portfolio, increasing by 15% compared to 2012 and rising to COP $ 258 billion.

During 2013 all liability lines showed significant growth, highlighting the preference for Demand and Savings deposits. This growth confirms the confidence in the system, essential for growth expectations, and a fundamental factor in the coming years.

In terms of financial deepening, we perceive good results again through an increase in newly banked adults and an improvement in portfolio indicators by product. The challenge will be to continue to deepen banking in a highly competitive environment.

In short, it was a good year for the industry, highlighting the significant increase in balances and maintaining good risk indicators. The industry continues to present good opportunities for expansion, a context in which BBVA Colombia seeks to excel once again.

Now, we go on to share the highlights of 2013 for BBVA Colombia.

As I previously mentioned, 2013 was the best year for BBVA Colombia. This was the result of the implementation of the strategic plan called “Más BBVA”, which built the path for activity, results and share market increases.

2013 began with good news. The public announcement of the ambitious expansion plan, which includes an investment of US$445 million for the next 5 years, shows the BBVA group commitment with the country.

Currently we can see the results of the expansion with the opening of 47 new branches, the increased networks of ATMs reaching 1.125 machines and 969 new international branches followed by the creation of 551 new jobs.

This resulted in an interannual increase of 19% in business volume and an increase of 18% in the generation of profit.

The activity maintained excellent dynamics reflected in the growth of Gross Portfolio amounting to COP $26 billion, an increase by 22%, much higher than that reflected by the rest of the industry. Customer Deposits recorded COP $28 billion, reflecting a comfortable liquidity position.

The accurate strategies set forth by Segments and Collectives created a selection of products suited to the customer's needs, accompanied by specified risk profiles for each client.

Private Portfolio, which includes holdings of Consumer, Credit Card and Mortgage Credit, introduced a significant growth of 19% a year, gaining a 59pb market share.

All products contributed to this result, emphasizing that Consumer credit balances increased 20%, which reported a profit share of 86pb. Credit Cards also performed well with a growth of 13% and a gain of 18 bp. In the mortgage business, BBVA Colombia increased its balance to 19% compared to 2012, managing to maintain its participation.

The business portfolio presented a notable rise in 2013, increasing by 25% and gaining 71 bp of market share. This result was due to the focus in small and medium businesses, the transformation of both structure and processes of business equipment for businesses and CIB and work in synergy between the various businesses of the Bank.

As for resources, deposits in savings and current account balances broke records. Liquid deposits increased by 30% and Savings deposits by 12% (reducing treasury accounts for institutional investors), while term deposits increased to 18%. These results confirm once again the high degree of confidence that BBVA Colombia receives from its customers.

To finish the year, the quality indicators of credit kept beating records. Both the debt ratio and the risk prime figures show significant distance from those in the rest of the industry, which consolidate the healthy profile risk that is already a tradition in BBVA Colombia.

All this dynamic activity has moved to the income statement, with prominent recurring revenues, capitalizing on market opportunities and expanding efficiently.

It is an opportunity to highlight the successful strategy that allowed Treasury to overcome market adjustments of public debt in the second quarter and strengthened us over other market players.

All that was mentioned results in a generation of profit amounting to COP $526 billion, and an increase of 18% over the previous year and a growth of 134pb in market share.

Equity increased by 13% compared to 2012. Regarding Solvency, adequate levels remained, standing at 11.37% at the end of the year and easily adapting to the new legal requirements.

In conclusion, it was a very good year in income, transformation and leadership that are just a first step in an ambitious plan we have set forth for the coming years.

Dear shareholders, you have a team of top professionals, highly committed to our strategic plan which undoubtedly will cause the BBVA franchise again great successes during 2014.

The best is yet to come, so keep on going!

Oscar Cabrera Izquierdo.
February 27, 2014.

The Shareholders present at the General Assembly unanimously approved the management report, as stated in Act No. 093 of February 27, 2014.

Management Report

The Management Report is submitted for approval to the General Assembly of Shareholders, previously approved by the Board of Directors as recorded in Act No. 1579 of January 27, 2014, contains the economic and financial analysis of the balance sheet and then income statement of the Banco Bilbao Vizcaya Argentaria Colombia S.A. “BBVA Colombia”, a banking institution constituted as a corporation by public deed 1160 on April 17, 1956 and that expires on December 31, 2099.

According to the rules of the Superintendencia Financiera de Colombia (Colombian Banking Authority – Hereafter referred to as The Superintendencia) and the Code of Commerce, the audited financial statements of BBVA Colombia are annexed to this document.

In accordance with article 57 of Decree 2649/1993, information and claims related to the financial statements have been properly verified and obtained from the Bank’s accounting records, and prepared in agreement with the rules and accounting principles in Colombia.

The financial statements include descriptive notes on rules and accounts required for its production. Specifically, note number 32 reveals balances and transactions with related economic parties (subsidiaries, partners and administrators) to December 31, 2013.

Taking into account that BBVA Colombia consolidates its financial statements with its parent BBVA Spain, the income statement figures included in this Management Report, taken from the audited financial statements, are classified and grouped according to the corporate methodology defined worldwide for all BBVA subsidiaries.

As a complement to this analysis, the annual report contains a description of the economic environment, main areas and business of the Bank and of the major activities carried out during 2013.

Evolution of the macro-economic and financial industry

The fiscal tensions in developed countries diminished in 2013 causing a reduction in the international finance struggles. The consolidation of the U.S. economic recovery and the improvement in the outlook for Europe decreased the attractiveness of emerging economies and generated uncertainty about the impact of an eventual normalization of financial conditions. In this context, the risk premiums in developing countries increased and their currencies depreciated, with some countries facing a significant reduction in capital flows. However, the action policies of the central banks in developed countries managed to contain the global financial risks as they confirmed its commitment to the gradual withdrawal of monetary stimulus, with the help of a robust recovery in the global economy.

The Colombian economy faced a year of slow external recovery and an anticipated normalization of international financial markets conditions. Colombia faced the vulnerabilities of emerging markets with a significant participation in monetary policy, exchange rate flexibility, and low inflation. As a result, Colombia continued its optimism in a medium term growth path. The country emerged strong after the external rearrangement by developed countries, demonstrating its ability to deal with prolonged economic shocks.

The internal behavior was supported by household consumption. Colombian exports were affected by the global settings, which however represented a geographical diversification opportunity for the exporting private sector. Some economic sectors such as mining were impacted during the year by social protests and worker strikes, which declined the previous year´s total exports. However, these situational factors seem to be resolved and should not be repeated in 2014. The remaining sectors improved their performance as a result of the anticipated acceleration in aggregate demand. Inflation ended the year slightly below the Central Bank's target range and below the last year´s expected levels. The low food inflation countervail the growth in prices which was linked to the consolidation of economic activity, and the Central bank low interest rates allowed the support of household consumption and private investment.

Credit granted by the banking industry continued a moderate and sufficient pace which enabled a healthy banking growth in the medium term. Portfolio quality indicators had minor decreases, yet are still below historical averages. The levels of provisioning and solvency were placed comfortably above the regulatory minimum, reflecting the strength of the financial system to face a challenging year for emerging economies.
On regulatory matters, Decree 1771/2012 amended the general provisions for Solvency management: Eligible Capital, Core Capital - Tier1, Tier2 Capital, as well as the classified capital regulatory instruments and deductions.

The banking structure became invigorated with the entry of new foreign and local players, while stockbrokers had some turbulence which reassembled the securities markets operators’ outlook.

To summarize, 2013 was a year of well-capitalized opportunities represented by a satisfactory behavior of macroeconomic indicators, a robust growth of the banking industry and its positive transformation.

Financial Behavior

Balance Sheet

BBVA Colombia closed 2013 with an outstanding performance in its balance sheet accounts, as a result of a sustained effort in credit and capturing activities growth, as well as strengthening the Bank's equity.

BBVA Colombia total assets recorded a 14.2% growth over the previous year, reaching COP $34.9 billion with a COP $4.3 billion range.

BALANCE SHEET

(Individual Items – Million COP)

	2011	2012	2013	(%)
Cash, Bco. República and Other Banks	2.163.155	3.356.468	2.420.985	(27,9)
Financial Intermediaries	464.011	649.599	99.500	(84,7)
Securities Portfolio	3.568.865	4.194.977	5.372.509	28,1
Gross Loan Portfolio	18.008.744	20.361.307	24.998.685	22,8
Properties and Equipment,Net	251.258	267.347	308.571	15,4
Other Active Accounts	1.646.620	1.711.188	1.683.034	(1,6)
Total Assets	26.102.653	30.540.886	34.883.283	14,2
Financial Intermediaries	2.198.927	921.973	1.156.002	25,4
Clients Resources	18.652.442	24.281.660	28.196.892	16,1
Trading Investment Securities	1.496.060	1.262.890	1.094.760	(13,3)
Others	1.191.213	1.217.123	1.195.138	(1,8)
Equity	2.564.011	2.857.240	3.240.493	13,4
Paid-In Capital	89.779	89.779	89.779	-
Reserves	1.659.252	1.901.166	2.123.293	11,7
Surplus	331.064	422.023	501.585	18,9
Profit for the last Period	-	-	-	NC
Profit for the Period	483.915	444.272	525.837	18,4
Total Liabilities + Equity	26.102.653	30.540.886	34.883.284	14,2
Memo Item				
Assets m/e	3.873.576	(2.444.918)	(649.713)	73,4
Liabilities m/e	4.118.422	(2.429.701)	(92.777)	96,2

In relation to the Bank´s liquidity dynamics, by the end of the period the account "Caja, Banco Central y Otros bancos" (Fund, Central Bank and other banks) decreased 27.9% y/y as a result of lower deposits in the Central Bank and other financial institutions (COP $1.2 billion).

Meanwhile, active financial agents decreased by 84.7% y/y as a result of the long term treasury positions taking. Consequently, the securities portfolio exceeded previous year levels growing by 28.1% y/y and recording a balance of COP $5.4 billion.

The growth in the portfolio was outstanding during 2013, leveraged by the strong placement dynamics of the business areas, which is reflected in an ending net portfolio balance of COP $25.0 billion, COP $4.6 billion (22.8% y/y) more than in 2012.

The “Propiedades and Equipo Neto” (Properties and Net Equipment) Account increased by 15.4%, reflecting the effort in expanding the commercial network and technologic matters.

Customer resources grew 16.1% y/y reaching up to COP $28.2 billion, as a result of the largest deposits in transactional products (checking and savings accounts) which recorded a 15.5% growth, surpassing the COP $20,2 billion with a Customer Deposits’ share of 72%.

The circulating investment securities line of business, with balance of COP $1.1 billion showed a decrease of 13.3% compared to 2012. In February, 2013 a successful Subordinated Bonds issuance of COP $365 mM was made to up to 10 and 15 years, indexed to the IPC (consumer prices index). Between August and September expirations of Ordinary Bonds worth COP $533 mM took place.

The Bank’s Equity increased by 13.4% reporting a balance of COP $3.2 billion at the end of the fiscal year, continuing to strengthen BBVA Colombia’s solvency.

Loan Portfolio

Regarding loan matters 2013 reported excellent results, exceeding BBVA Colombia expectations and successfully implementing the strategic plans set for the period. The year closed with a balance of COP $25.9 billion in gross loan portfolio and COP $25.0 billion in Net Portfolio Provisions, with growth of 22.2% and 22.8% respectively compared to the previous year.

Loan Portfolio

(Individual Items – Million COP)

	2011	2012	2013	(%)
Gross loan portfolio	**18,748,451**	**21,165,647**	**25,856,524**	**22.2**
Consumption	5,512,617	7,118,886	8,485,158	19.2
Commercial	6,660,870	6,570,855	8,381,798	27.6
Micro-credits	144	44	34	(23.9)
Mortgage	4,185,000	4,788,041	5,685,456	18.7
Leasing	739,957	1,116,131	1,513,833	35.6
Loan Portfolio expressed in foreign currency	1,319,906	1,174,080	1,299,942	10.7
Non-performing loans	112,057	150,896	165,667	9.8
Overdue loans	217,900	246,716	324,637	31.6
Loan - Loss Provisions	(739,707)	(804,340)	(857,839)	(6.7)
Net loan portfolio	**18,008,744**	**20,361,307**	**24,998,685**	**22.8**

BBVA Colombia maintains its strong activity in Personal Portfolio, involved in 55.9% of the total loan portfolio, increasing up to 19.0% y/y.

Consumer business line, composed by “Libranza” (Payroll loan), Vehicle and free investment loans, individual Credit Cards and overdraft, presented a growth of 19.2% as a result of the segments oriented strategy. The “Libranzas” remain the leader product in this business line, accompanied by the significant rise in Vehicles portfolio which also presented a significant growth during this period.

BBVA Colombia remains a benchmark of mortage credit allocation, with an ascending amount of COP $5.7 billion with a variation of 18.7%, which means an annual increase of COP $897 mM.

For Companies’ business line (Commercial Leasing, Microcredit and Foreign Currency Portfolio) 2013 was of singular importance, growing a 26.3% which means an increase of COP $2.3 billion that allowed a closing balance of COP $11.2 billion. Leasing portfolio remains the most prominent with a growth of 35.6%, followed by the Commercial portfolio with a 27.6% y/y.

In conclusion, regarding both Personal and Companies business lines BBVA Colombia grew strongly in 2013, once again demonstrating its important role in product placement.

Quality of the Portfolio

BBVA Colombia’s risk management policy maintains as a strategic pillar, guaranteeing the success of Credit Quality indicators and allowing a healthy risk profile activity expansion, accompanied by a meticulous process of admission and recovery.

Non - Performing Loans and Coverage
(Million COP)

	2011	2012	2013
Gross loan Portfolio	**18,748,451**	**21,165,647**	**25,856,524**
Total Non - performing loans	329,957	397,611	490,304
Non performing Loans	112,057	150,896	165,667
Overdue loans	217,900	246,716	324,637
Non performing loans ratios	**%**	**%**	**%**
Non performing loans	0.60	0.71	0.64
Overdue loans	1.16	1.17	1.26
Coverage Ratio	**%**	**%**	**%**
Non performing loans	660.12	533.04	517.81
Overdue loans	339.47	326.02	264.25

The non-performing loans portfolio developed in order with the growth in loan activity, maintaining its good quality. As for the indicators, the non-performing loan portfolio ended the year in 0.64% and the default portfolio in 1.26%. The past due portfolio coverage indicator closed at 517.81% and the default one at 264.25%, continuing at high levels.

Clients´ Resources

Once again, fundraising has been in line with the Bank's growth dynamics and the liquidity requirements. As a result, the Total Customer Funds (including issued bonds) registered a balance of COP $29.3 billion, growing by 14.7%.

CLIENT´S DEPOSITS

(Millions of pesos)

	2011	2012	2013	(%)
Checking accounts	3,297,164	3,614,875	4,687,283	29.7
Savings deposit	11,130,863	13,876,027	15,513,882	11.8
Term Deposits	3,929,432	6,470,785	7,629,691	17.9
CDAT´s	-	-	-	NC
Other Deposits	294,984	319,973	366,036	14.4
Total client´s deposits	18,652,442	24,281,660	28,196,892	16.1
Senior and Subordinated debt	1,496,060	1,262,890	1,094,760	(13.3)
Total client´s deposits	20,148,502	25,544,550	29,291,652	14.7

Customers' Deposits closed the year with a balance of COP $28.2 billion. During 2013, growth between transactional and term deposits leveled. Transactional deposits (Demand and Savings deposits) increased 15.5%, ascending to COP $20.2 billion, and term deposits increased at 17.9% recording a COP $7.6 billion closing balance.

Eligible Capital and Solvency Ratio

In 2013 BBVA Colombia's Equity was strengthen, increasing by 13.4% y/y and reaching to COP $3.2 billion. This variation is mainly explained by the 2012 Profits' capitalization (COP $222 billion) and the 2013 Benefits collection.

In August 2013, Decree 1771/2012 entered into force modifying regulations regarding Solvency, Technical, Basic and Additional Equity. Therefore the 2013 data cannot be compared with the one reported at the closing of 2012.

The Technical Equity reflected comfortable levels amounting up to COP $3.1 billion with a Required Adequate Equity of COP $2.4 billion (growing a 15.4%) and an Equity Surplus of COP $643 m.M. (growing a 20.8%).

BBVA Colombia´s solvency is appropriate and exceeds 237 bp, which is required by the Colombian Banking Authority.

Eligible Capital and Solvency Ratio
(Millions of pesos)

	2011	2012	2013*	%
Shareholder´s Equity	**2,564,011**	**2,857,240**	**3,240,493**	**13.4**
Eligible Capital	**2,544,821**	**2,646,265**	**3,081,638**	**16.5**
Requiered Eligible Capital	1,857,401	2,114,059	2,438,904	15.4
Eligible Capital in excess	687,420	532,206	642,734	20.8
Risk weighted assets	19,917,733	23,489,541	27,098,933	15.4
Value at Risk (VaR)	64,805	158,757	63,408	(60.1)
Solvency ratio without VaR	12.78	12.18	11.68	(51)
Solvency ratio with VaR (minimum 9%)	12.33	11.27	11.37	10
Tier 1 (%)[1]	9.85	8.48	6.37	(211)

* 2013 Data not comparable, because methology changes - Decree 1771 of 2012

[1] Capital tier 1 against risk-weighted assets

Risk level weighted assets show an activity growth and increased a 21.5%, reaching COP $26.4 billion. Meanwhile, the Market´s Risk Value (VeR) decreased due to the modification of compensation for market risk in the derivatives portfolio, especially swaps, and to a lesser extent by the Treasury's strategic rearrangement focused on reducing the portfolio and fixed income deadlines.

Income Statement

BBVA Colombia closes 2013 with an outstanding growth throughout its margins, generating profits. The robust increase in Gross Margin led an expansion through efficient spending and impacts absorption generated by the increased activity via higher level of loan loss provisions.

The Net Interest Income (Interest Margin) grew 16.4% y/y as a result of the dynamics between revenues and expenditure that optimized the margin. The net fees (commissions) increased a 9.2%, displaying a good performance during the year.

On the other hand, the net financial operations reflected the impact of the market conditions during the second and third quarters of the 2013, decreasing a 16.4% y/y. As a consequence, the Gross Margin grew a 13.6% y/y with COP $2.1 billion.

See figure on next page

INCOME STATEMENT
(Million COP)

	2011	2012	2013	(%)
Financial Income	1,979,131	2,440,514	2,762,938	13.2
Financial costs	(649,896)	(952,811)	(1,031,793)	8.3
Net interest Income	**1,329,235**	**1,487,703**	**1,731,145**	**16.4**
Net fees and commissions	264,861	266,902	291,534	9.2
Trading Income	72,121	155,007	129,554	(16.4)
Other operating income and expenses	(58,333)	(61,593)	(52,912)	(14.1)
Gross Income	**1,607,884**	**1,848,019**	**2,099,321**	**13.6**
Operating costs	**(669,520)**	**(751,515)**	**(834,829)**	**11.1**
Employees expenses	(339,476)	(377,941)	(424,280)	12.3
General expenses	(271,901)	(306,920)	(335,627)	9.4
Contributions and taxes	(58,143)	(66,653)	(74,922)	12.4
Amortization	(61,995)	(62,452)	(64,730)	3.6
Net Margin	**876,369**	**1,034,052**	**1,199,762**	**16.0**
Impairment on financial assets (net)	(212,961)	(269,570)	(325,948)	20.9
Provisions credit losses of other assets	(212,177)	(264,818)	(323,180)	22.0
Provisions	(784)	(4,752)	(2,768)	(41.7)
Operating Income	1,248	(124)	2,202	NC
Other gains (losses)	**664,656**	**764,358**	**876,016**	**14.6**
Income before taxes	(17,383)	(119,276)	(118,589)	(0.6)
Income Tax	647,273	645,082	757,427	17.4
Net Profit	(163,358)	(200,809)	(231,591)	15.3
Bº NET	483,915	444,272	525,837	18.4

This Income Statement responds to the corporate structure of BBVA Group, The Income Tax include equity tax.

Administrative expenses increased by 11.1% y/y, working with the ambitious expansion plan that is now in operation and seeks to expand the brand´s presence throughout the Country. The expansion continues to focus on expanding the distribution network through branches, atms, and in-houses and banking correspondent, as well as important technology investments. Staff expenses also increased by 12.3%, in order to create the best team to accomplish strategic goals and comply with Global requirements, accompanied by the strategic approach of efficiency that always has characterized BBVA Colombia. The Bank’s net margin closed at COP $1.2 billion, increasing by 16.0% y/y.

Loss on Impairment of Assets increased by 20.9% y/y, due to the performance of the bank’s portfolios during the year. However, the risk premium of BBVA Colombia maintains as one of the lowest of the industry, and the balance growth is lower than the one of the period 2012-2011 (26.6%).

The outstanding margins growth permitted the absorption of the expansion’s cost and the impacts of higher provisions, allowing the Profit Before Tax to increase to COP $757 mM,,which corresponding to a growth of 17.4% y/y. The corporate tax segment increased by 15.3%, resulting in an outstanding profit after tax of COP $526 mM, and an increase of 18.4% over the same period 2012.

In conclusion, 2013 was a successful year for BBVA Colombia because it’s dynamic growth activity and ability to focus on profitability and increasingly results, from the margins to the profits.