

Management Report 2Q 2018

Individual and Consolidated Report

Investor Relations

Bogotá D.C. August 2018

Index

Index.....	2
1. Basics.....	3
2. Individual Figures.....	5
3. Consolidated Figures.....	14

1. Basics

Economic Environment

The international economy remains submitted to the tensions of disparate forces, between the good economic outputs of the last quarters, prolonged now by the fiscal stimulus of the US economy and the stability of the Chinese economy, and several potentially negative factors that have been generated so far this year, but at the moment they have not had direct reflection in the activity. World growth would have slowed slightly in the second quarter of the year. Although the pace of expansion remains solid, it is doing in a less synchronized way, with an acceleration of growth in the US that contrasts with certain signs of moderation in China and some emerging economies and more intensely in the Eurozone.

The biggest growth of the US economy, driven by fiscal measures and the recovery of global trade at the beginning of the year, continues to support the strength of the global recovery. However, some of the growth supports in recent years have gone away, at the same time, uncertainty has increased. A first factor comes from the disengagement of the US from the nuclear agreement with Iran, which supposed a shock in the offer in the oil market that has increased the price of oil around 20% so far this year. The fact previously mentioned will put upward pressure on inflation and impulse central banks to take another step in the normalization of monetary policy. The monetary policy rate of the FED so far this year accumulates a rise of 50 basis points up to 2%, and plans to accelerate them to 2.50% at the end of the year and to 3.25% by the end of 2019. The interest rate differential and favorable growth in the US against the rest of the geographies has resulted in a general appreciation of the dollar.

Additional factors of uncertainty are commercial tensions. It is still early to know what measures will finally prevail over those already approved by the American administration, of the preannounced and possible measures to counteract by business partners, and it is not easy to discern their impact on trade and activity. At first, the direct effect through the commercial channel of the measures announced until now would be limited. However, additional measures by the US are under discussion at this time and possible reprisals by the affected countries, with an effect that would already be significant on growth, what should be added potential indirect effects on the confidence of financial markets and economic agents depending on the magnitude of the commercial conflict.

As a consequence of these uncertainties, the perception of global risk has changed, especially in emerging countries. Financial tensions in emerging countries have increased in a generalized way, for the depreciation of currencies and the expansion of the cost of risk, although countries with greater external financing needs have differentiated negatively.

Global forecasts for the next two years remain unchanged, at 3.8%, supported by US growth. However, recently it was observed that the expected growth for 2018-19 tends to fall in the Eurozone

as South America (mainly Argentina and Brazil), while the forecasts for the next years in the USA and China will be stable, after registering a good economic performance in the first part of the year and with fundamentals that still solid for domestic demand.

Through the first quarter of 2018, the Colombian economy grew 2.8 annual (series adjusted for seasonality and business days). The boost to activity came from public expenditure, which grew 7.2%, and the adjustment of net external demand due to the continued fall in real imports. Nevertheless, private consumption was also important, especially of services, and the slow growth of investment compared to the rapid growth of construction, however construction is below the increase in total GDP. However, heavy falls in the investment of civil works and buildings are a cause for concern.

The news on inflation has been positive. Prices are growing at rates close to 3.0% (in June, inflation was 3.2%), and while low food inflation has contributed to the fall in prices, it is not the only factor that explains this result. Inflation of tradable goods (1.8% Y/Y in June), due to the stability of the exchange rate, has slowed, reaching minimum values that were not seen since 2014. Regarding the inflation of the group of nontradable goods, we see a dynamic of deceleration in the inflation of leases and of some services such as education and health. Inflation would have dropped more so far this year had it not been for an increase in some prices of the basket of regulated goods. The rise in oil prices has pushed up the price of fuel, and these increases have not been compensated by an appreciation of the exchange rate, as had happened in the past. We have also had energy rates above expectations and the delays in Hidroituango will result in a slightly more expensive energy that will be seen in the price of the contracts that the trading companies will renew in the next months. Given this, a scenario of stability in the intervention rate of the Bank of the Republic was set at 4.25% for the remainder of the year.

2. Individual Figures

Individual Results

Total assets of BBVA Colombia for the second quarter of 2018 closed with a balance of COP \$57.7 trillion. This showed an annual growth of 7.2% and a variation of COP \$3.9 trillion.

Balance Sheet

Million COP

	2Q17	2Q17 Adjustment	2Q18	TAM	
				abs	%
Cash	4.801.970	4.801.970	4.312.636	(489.334)	(10,2)
Active Positions in monetary market	707.869	707.869	633.203	(74.666)	(10,5)
Investment Securities & Derivatives	7.116.511	7.116.511	8.566.505	1.449.994	20,4
Loan Portfolio and Leasing Operations	41.079.058	41.079.058	44.854.296	3.775.238	9,2
Impairment	(1.890.617)	(1.890.617)	(2.632.548)	(741.931)	(39,2)
Other Assets	2.271.456	1.955.486	1.891.055	(64.431)	(3,3)
Total Assets	54.086.248	53.770.276	57.625.147	3.854.870	7,2
Deposits and Financial Claims	44.988.445	44.988.445	48.632.416	3.643.972	8,1
Passive Positions in monetary market	1.105.089	1.105.089	506.214	(598.875)	(54,2)
Financial Instruments at Fair Value	946.681	946.681	890.283	(56.398)	(6,0)
Banks And Other Financial Obligations	1.495.457	1.495.457	2.128.343	632.886	42,3
Accounts payable	969.137	835.312	768.298	(67.014)	(8,0)
Labor obligations	183.197	183.197	196.625	13.428	7,3
Other Liabilities	419.388	419.388	445.710	26.322	6,3
Total Liabilities	50.107.394	49.973.566	53.567.887	3.594.321	7,2
Suscribed and Paid-in-Capital	89.779	89.779	89.779	-	-
Specific Destination Reserves and Funds	2.535.777	2.535.777	2.764.479	228.702	9,0
Surplus	1.127.594	961.003	932.612	(28.391)	(3,0)
Gains or Losses	225.704	210.150	270.389	60.238	28,7
Stockholder's Equity	3.978.854	3.796.710	4.057.260	260.550	6,9
Total Liabilities and Stockholder's Equity	54.086.248	53.770.276	57.625.147	3.854.871	7,2

In relation to the liquidity resources of the Bank, cash balances decreased by COP 489.3 billion compared to 2017. This decrease was due to a variation of COP 497.9 billion reduction in cash at the Bank and other financial entities, and a variation of 19.9 billion reduction in the deposits in banks. On the other hand, the deposits of the Central Bank showed a positive variation of \$28.7 billion compared to 2017.

Asset positions in money market closed with a balance of COP 633.2 billion, as a result of the decrease of 10.5% compared to the same period in 2017. This reduction of COP 74.7 billion is primarily due to lower volume in simultaneous operations. Investments and transactions in derivatives increased by 20.4% compared to the end of June 2017, closing at COP 8.6 trillion.

The gross loan and leasing portfolio registered an annual growth of 9.2%, or COP 3.8 trillion, closing in June 2018 with a balance of COP 44.9 trillion. On its part, the impairment account, this includes specific and general provisions on the loan portfolio, increased by 39.2%. The other assets account decreased by 3.3% or COP 64.4 billion.

In relation to liabilities accounts, deposits and financial claims present an annual growth of 8.1% or by COP 3.6 trillion, closing with a balance of COP 48.6 trillion. This growth is explained mostly by the increase of COP 4.0 trillion in Term Deposits Certificates, an increase of COP 474.9 billion in checking accounts, and a decrease of COP 809 billion in saving accounts. Liability positions in the monetary market decreased by COP 598.9 billion, due to a decrease of COP 588.9 billion in simultaneous operations and a decrease of COP 10.0 billion in short positions.

Financial instruments at fair value closed with a balance of COP 890.3 billion, which represent an increase of 6.0% compared with the same period in 2017. This variation is primarily the result of a decrease in trading SWAPS (COP 119.8 billion), forwards (COP 24.8 billion) and an increase in hedging SWAPS (COP 84.8 billion) and trading options (COP 3.4 billion).

Credit lines with banks and other financial obligations registered an increase of COP 632.9 billion explained mainly by the increment of COP 271.6 billion in obligations with Findeter, of COP 56.1 billion with Bancoldex, and a decrease of COP 81.9 billion with international financial entities and COP 16.3 billion with Finagro.

Accounts payable registered a negative variation of 8.0%, while labor obligations showed an increment of 7.3%. Other liabilities increased by 6.3% or COP 26.3 billion, closing with a balance of COP 445.7 billion.

Finally, Equity increased by 6.9%, closing at COP 4.1 trillion at the end of June 2018.

Loan portfolio

In June 2018, the gross loan portfolio closed with a balance of COP 44.9 trillion and registered a variation of 9.2% compared with the same period of 2017. Similarly, the net loan portfolio increased by 7.7%, closing at COP 42.2 trillion.

The loan portfolio of BBVA Colombia keeps its attention in the particular segment, which represents 56.6% of the gross loan portfolio at the close of June 2018. This segment increased by 8.2% compared to 2017, closing at COP 25.4 trillion.

LOAN PORTFOLIO

Million COP

	2T17	2Q18	Var TAM	
Gross Loan Portfolio	41.079.058	44.854.296	3.775.238	9,2
Consumer	13.612.000	15.010.214	1.398.213	10,3
Commercial	14.219.403	15.757.082	1.537.679	10,8
Microcredit	-	-	-	N.C
Mortgage	9.836.818	10.357.972	521.154	5,3
Leasing	1.604.219	1.694.814	90.595	5,6
Overdue Loans	393.454	360.417	(33.038)	(8,4)
Non-performing loans	1.413.163	1.673.798	260.635	18,4
Loan -Loss Provision	(1.890.617)	(2.632.548)	(741.931)	(39,2)
Net Loan Portfolio	39.188.441	42.221.748	3.033.307	7,7

The consumer portfolio, which includes payroll loans, vehicle and personal loans, vehicle, free investment, revolving credit, credit cards and overdrafts increased at an annual rate of 10.3%. Payroll loans account has the biggest participation in the consumer portfolio with a 57.9%, followed by personal loans with 26.8% and vehicle with 10.9%.

Mortgage loans grew by 5.3%, which represented a positive variation of COP 521.2 billion, and at the end of the second quarter of 2018 it represents 23.1% of the gross loan portfolio

Commercial portfolio showed an annual growth of 10.8% with a variation of COP 1.5 trillion. The leasing portfolio showed a growth of 5.6% with a variation of COP 90.6 billion.

Client's Resources

At the end of the second quarter 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 8.1%, that represents a variation of COP 3.6 trillion, closing the quarter at COP 48.6 trillion. The term deposits certificates represent 45.2% of the total of the resources and registered a variation of 22.3%, achieving a balance of COP 21.9 trillion.

Transactional deposits (checking and saving accounts) decreased by 1.4%, equivalent to a reduction of COP 327.3 billion. These deposits represent 48.9% of the total of the client's resources.

CLIENT'S RESOURCES

Million COP

	2T17	2Q18	Var TAM	
Checking Accounts	5.921.061	6.395.938	474.877	8,0
Saving Accounts	18.204.649	17.402.509	(802.140)	(4,4)
Term Deposits Certificates	17.978.675	21.981.543	4.002.868	22,3
Other Deposits	436.826	611.420	174.594	40,0
Total Client's Deposits	42.541.211	46.391.410	3.850.199	9,1
Investment Securities in Circulation	2.447.233	2.241.006	(206.227)	(8,4)
Total Resources	44.988.445	48.632.416	3.643.972	8,1

Investment securities in circulation closed at COP 2.2 trillion, equivalent to a decrease of 8.4% 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 6.9% and closed in COP 4.1 trillion. This increase is primarily explained by the increase in reserves in the amount of COP 228.7 billion and of COP 60.2 billion in fiscal year earnings, and by the decrease of COP 28.4 billion in surplus.

The technical equity closed in June 2018 with a balance of COP \$5.4 billion and registered a variation of 2.1%. According to the Colombian regulation, the required equity reached in COP \$4.0 trillion, which implies an excess of equity over the required amount of COP 1.4 trillion.

Risk-weighted assets including market risk (RWA's) closed at COP 44.5 trillion, equivalent to growth of 7.1% in line with the growth in the activity. On its part, the value in market risk (VeR) increased by 22.7%.

The Bank's solvency ratio closed at 12.05 %, a 59 bps reduction compared with the same period in 2017.

ELIGIBLE CAPITAL AND SOLVENCY RATIO

Million COP

	2Q17	2Q17 Adjustment	2T18	%
Accounting Equity	3.978.854	3.796.710	4.057.260	6,9
Eligible Capital	5.361.162	5.260.627	5.368.784	2,1
Ordinary Basic Equity	3.039.675	3.046.350	3.143.155	3,2
Additional Basic Equity	2.994	2.994	2.994	-
Additional Equity (Tier II)	2.318.493	2.211.283	2.222.636	0,5
Technical Equity	5.361.162	5.260.627	5.368.784	2,1
Required Equity	3.761.419	3.744.496	4.008.494	7,1
Surplus Equity	1.599.743	1.516.131	1.360.291	(10,3)
Risk weighted assets including market risk	41.793.541	41.605.509	44.538.820	7,1
Value at Risk (VeR)	198.479	198.479	243.592	22,7
Solvency Ratio without VeR	13,54	13,35	12,83	(52)
Solvency Ratio with VeR (minimum 9%)	12,83	12,64	12,05	(59)
Tier 1 (%) ¹	7,27	7,32	7,06	(26)

¹Basic Equity against risk-weighted assets

Income Statement

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

Net interest income registered an interannual increase of 18.4%. Loan portfolio revenues increased by COP 49.1 billion, while expenses decreased by COP 165.4 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 revenues increased by COP 214.5 billion.

Net commission income closed in June 2018 with a variation of 4.4%. On its part, incomes generated for the investment portfolio decreased by COP 82.3 billion or -29.4%, explained by incomes in the exchange rate difference and for incomes obtained in securities. Dividends registered an increase of 50.1% and closed with a balance of COP 16.4 billion. On the other hand, the line of other incomes, which includes operational incomes from financial services provided and recoveries of operative risks and other, registered a 35.5% decrease.

Accumulated Income Statement

Million COP

	2Q17	2Q18	Var TAM	
Loan Portfolio	2.357.747	2.406.797	49.050	2,1
Interest Expense	(1.191.260)	(1.025.829)	165.430	(13,9)
NET INTEREST INCOME	1.166.487	1.380.968	214.480	18,4
NET COMMISSION INCOME	79.369	82.856	3.487	4,4
Investment Portfolio	279.994	197.662	(82.333)	(29,4)
Dividends	10.940	16.418	5.478	50,1
Other Incomes	67.531	43.571	(23.960)	(35,5)
OTHER OPERATING INCOME	358.465	257.650	(100.814)	(28,1)
GROSS MARGIN	1.604.321	1.721.474	117.153	7,3
Net Asset Allocation	(510.197)	(550.981)	(40.783)	8,0
Administration General Expenses	(727.266)	(749.176)	(21.910)	3,0
Personal Expenses	(286.402)	(284.668)	1.734	(0,6)
General Expenses	(162.520)	(175.785)	(13.266)	8,2
Taxes	(64.872)	(60.982)	3.890	(6,0)
Other	(211.388)	(223.858)	(12.470)	5,9
Operational Risk	(2.084)	(3.882)	(1.798)	86,3
NON-INTEREST EXPENSES	(1.237.463)	(1.300.157)	(62.694)	5,1
INCOME BEFORE TAX	366.858	421.317	54.459	14,8
Income Tax	(141.154)	(135.376)	5.778	(4,1)
NET PROFIT	225.704	285.942	60.237	26,7

Administration general expenses increased by 3.0% compared with the last year. Personal expenses decreased by 0.6% compared with 2017. On the other hand, general expenses increased by 8.2% expenses on taxes and fees decreased by 6.0%.

Finally, BBVA Colombia registered a net profit at the end of June of 2017 in the amount of COP 285.9 billion.

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

Income Statement

Million COP

	2Q17	2Q18	Var TAM	
Loan Portfolio	1.183.976	1.211.556	27.580	2,3
Interest Expense	(586.969)	(515.988)	70.981	(12,1)
NET INTEREST INCOME	597.007	695.568	98.561	16,5
NET COMMISSION INCOME	39.502	38.056	(1.445)	(3,7)
Investment Portfolio	156.552	104.107	(52.445)	(33,5)
Dividends	3.337	-	(3.337)	(100,0)
Other Incomes	49.303	20.626	(28.678)	(58,2)
OTHER OPERATING INCOME	209.193	124.733	(84.460)	(40,4)
GROSS MARGIN	845.701	858.357	12.656	1,5
Net Asset Allocation	(278.076)	(318.547)	(40.471)	14,6
Administration General Expenses	(348.030)	(371.711)	(23.681)	6,8
Personal Expenses	(135.205)	(139.298)	(4.093)	3,0
General Expenses	(79.866)	(86.215)	(6.349)	7,9
Taxes	(33.874)	(30.248)	3.626	(10,7)
Other	(98.262)	(113.845)	(15.583)	15,9
Operational Risk	(823)	(2.105)	(1.282)	155,7
NON-INTEREST EXPENSES	(626.106)	(690.258)	(64.152)	10,2
INCOME BEFORE TAX	219.595	168.099	(51.496)	(23,5)
Income Tax	(87.137)	(39.773)	47.364	(54,4)
NET PROFIT	132.458	128.326	(4.132)	(3,1)

The interest margin registered an interannual increase of 16.5%. For one side, incomes for concept of loan portfolio registered an increase of COP 27.6 billion, while expenses increased COP 70.9 billion. In that way, net interest income increased to COP 98.6 billion.

Net commission income closed in the second quarterly with a negative variation of 3.7%. As well as other operational incomes that showed a decrease of COP 84.4 billion compared with the same period of the last year. On the other hand, non-interests expenses showed a decrease of COP 64.2 compared to the second quarter of last year.

Finally, BBVA Colombia registered a net profit at the end of the second quarterly 2018 for a value of \$128.3 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

	2T17	2Q18	Var TAM
Gross Loan Portfolio	41.079.058	44.854.296	9,2
Total Overdue loans	1.806.617	2.034.214	12,6
Overdue loans	393.454	360.417	(8,4)
Non-performing loans	1.413.163	1.673.798	18,4
Non-performing loans ratios	%	%	%
Overdue Loans ratio	0,96	0,80	(0,2)
NPL ratio	3,44	3,73	0,3
Loan -Loss Provision	1.890.617	2.632.548	39,2
Coverage overdue loans	133,79	157,28	23,5

At the end of the second quarter of 2018, the NPL ratio was located at 3.73%. Also, the coverage overdue loan indicator is located at 157.28%.

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 the intermediate period ended on June 30, 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	Premium on share Placement	Net Profit For the period	Retained Earnings (NICF Application)	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	-	-	-
Dividends paid in cash, preferred and common shares	-	-	-	-	-	-	-	(228.764)	-	-	(228.764)
Appropriation for legal reserve	-	-	-	-	228.702	-	-	(228.702)	-	-	-
Release of reserves	-	-	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	-	-	-	-	-	285.943	-	-	-	285.943
Fixed asset valuation update	-	-	-	-	-	-	-	76	-	-	76
Hedging with derivatives cash flow	-	-	-	-	-	-	-	-	(3.657)	-	(3.657)
Defined Contributions Pensions	-	-	-	-	-	-	-	-	-	-	-
Investments by equity method	-	-	-	-	-	-	-	-	(120)	-	(120)
Participation in the OCI of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Participation in uncontrolled investments	-	-	-	-	-	-	-	-	-	-	-
Accumulated unrealized gains on investments - Debt securities	-	-	-	-	-	-	-	-	(28.383)	-	(28.383)
Deferred Tax	-	-	-	-	-	-	-	(44)	8.217	-	8.173
Balance of June 30 of 2018	\$ 479.760	\$ 2.994	\$ 13.907.929	\$ 86.785	\$ 2.764.479	\$ 651.950	\$ 285.943	\$ 273.684	\$ (9.081)	\$ 506	\$ 4.057.260

3. Consolidated Figures

Consolidated Results

Total assets of BBVA Colombia for the second quarter of 2018 closed with a balance of COP 58.0 trillion. This represents an annual growth rate of 6.9%, equivalent to a COP 3.7 trillion increase.

BALANCE SHEET - Consolidated

Million COP

	2Q17	2Q18	TAM	
			abs	%
Cash and cash equivalents	5.514.477	4.951.806	(562.671)	(10,2)
Investments	6.131.658	7.677.266	1.545.608	25,2
Derivative Financial Instruments and Cash Operations	966.209	758.997	(207.212)	(21,4)
Gross Loan Portafolio and Leasing	41.267.446	44.854.297	3.586.851	8,7
Provision for credit losses	(1.537.295)	(2.498.435)	(961.140)	62,5
Other	1.930.633	2.259.896	329.263	17,1
Assets	54.273.128	58.003.827	3.730.699	6,9
Deposits	42.474.305	46.333.626	3.859.321	9,1
Money Market Operations	1.105.089	506.161	(598.928)	(54,2)
Financial instruments at fair value	946.681	890.283	(56.398)	(6,0)
Banks and other financial obligations	1.495.457	2.128.343	632.886	42,3
Investment in debt securities	2.447.233	2.241.006	(206.227)	(8,4)
Liabilities by deferred tax	282.043	273.047	(8.996)	(3,2)
Estimated liabilities and provisions	211.263	297.176	85.913	40,7
Payable accounts	782.062	619.068	(162.994)	(20,8)
Labor Obligations	188.810	198.604	9.794	5,2
Other Liabilities	197.170	227.674	30.504	15,5
Liabilities	50.130.113	53.714.988	3.584.875	7,2
Paid-in Capital	89.779	89.779	(0)	(0,0)
Reserves	2.536.282	2.764.985	228.703	9,0
Surplus	1.263.378	1.061.745	(201.633)	(16,0)
Net Profit for the period	253.576	372.330	118.754	46,8
Stockholder´s Equity	4.143.016	4.288.839	145.823	3,5
Total Liabilities and Stockholder´s Equity	54.273.128	58.003.827	3.730.699	6,9

In relation to the liquidity resources, cash and cash equivalents decreased by COP 562.7 billion compared to 2017. This reduction was the result of a COP 487.9 billion decrease in cash and deposits in banks and a reduction in money market operations of COP 74.8 billion.

Financial instruments at fair value closed with a balance of COP 758.9 billion, showing a negative variation of COP 207.2 billion.

Investments presented a positive variation of COP 1.5 trillion closing with a balance of \$7.7 trillion. This variation is mainly explained by the increase in investments at fair value with a change in ORI of COP \$2.2 trillion and of investments at fair value with a change in results of COP \$667.5 billion and by the decrease in investments with change in results in the money market and in guarantee of operations of 810.9 billion decrease and COP 485.2 billion decrease respectively.

The gross loan and leasing portfolio grew at an annual rate of 8.7% or COP 3.6 trillion, closing in June 2018 with a balance of COP 44.9 trillion. On its part, the impairment account, this includes specific and general provisions on the loan portfolio, increased by 62.5%. The other assets account increased by 17.1% or COP 329.3 billion.

In relation to the liability accounts, deposits and claims showed an annual growth of 9.1% or COP 3.9 trillion, closing with a balance of COP 46.3 trillion. This growth is explained mainly by a COP 4.0 trillion increase in Term Deposits Certificates and a decrease of COP 143.5 billion in saving accounts. Liability positions in market operations increased by COP 598.9 billion, due to a decrease of COP 588.9 billion in inter-bank funds and a decrease of COP 10.0 billion in short positions.

Financial instruments at fair value closed with a balance of COP 890.3 billion, which represent a decrease of 6.0% compared with the same period in 2017. This variation is primarily the result of a decrease in trading SWAPS (COP 119.8 billion), forwards (COP 24.8 billion) and an increase in hedging SWAPS (COP 84.8 billion) and trading option (COP 3.4 billion).

Credit lines with banks and other financial obligations increased by COP 632.9 billion as a result of a COP 403 billion increases in financial obligations, COP 271.6 billion in obligations with Findeter, COP 56.1 with Bancoldex and a COP 81.9 billion decrease with other international financial entities and COP 16.3 billion decrease with Finagro.

Accounts payable decreased by 20.8%, while labor obligations showed an increase of 5.2%. Other liabilities increased by 15.5% or COP 30.5 billion, closing at COP 227.7 billion.

Lastly, Equity increased by 3.5% to COP 4.3 trillion at the end of June 2018.

Loan Portfolio

In June 2018, the gross loan portfolio closed at COP 44.9 trillion, equivalent to an 8.7% increase compared to the same period in 2017. Similarly, the net loan portfolio increased by 6.6%, closing at COP 42.4 trillion.

LOAN PORTFOLIO

Million COP

	2Q17	2Q18	Var TAM	
Gross Loan Portfolio	41.267.446	44.854.297	3.586.851	8,7
Consumer	14.535.574	15.900.194	1.364.620	9,4
Commercial	16.486.551	18.194.898	1.708.347	10,4
Microcredit	2	2	0	32,5
Mortgage	9.872.787	10.356.075	483.288	4,9
Leasing	372.532	403.128	30.596	8,2
Loan -Loss Provision	(1.537.295)	(2.498.435)	(961.140)	62,5
Net Loan Portfolio	39.730.151	42.355.862	2.625.711	6,6

The loan portfolio of BBVA Colombia keeps its attention in the particular segment, which accounts for 58.5% of its total gross loan portfolio at the end of June 2018. This segment increased by 7.6% compared to 2017, closing with a balance of COP 26.3 trillion.

The consumer portfolio, which includes payroll, vehicle, free investment, revolving credit, credit cards and overdrafts increased at an annual rate of 9.4%.

Mortgage loan portfolio grew by 4.9%, equivalent to an increase of COP 483.3 billion, and at the end of the second quarter of 2018 it accounted for 23.1% of the total gross loan portfolio.

Commercial portfolio grew at an annual rate of 10.4%, increasing by COP 1.7 trillion.

Client's Resources

At the end of the second quarter 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 grew by 7.9%, equivalent to an increase of COP 3.6 trillion, closing the quarter at COP 48.6 trillion. Term deposits certificates accounted for 45.3% of the total of the resources and showed a variation of 22.3%, closed with a balance of COP 21.9 trillion.

CLIENT'S RESOURCES

Million COP

	2Q17	2Q18	Var TAM	
Checking Accounts	24.495.630	24.352.083	(143.547)	(0,6)
Saving Accounts	17.978.675	21.981.543	4.002.868	22,3
Total Client's Deposits	42.474.305	46.333.626	3.859.321	9,1
Investment Securities in Circulation	2.447.233	2.241.006	(206.227)	(8,4)
Total Resources	44.921.538	48.574.632	3.653.094	8,1

Transactional deposits (checking and saving accounts) grew by 0.6%, equivalent to a decrease of COP 143.6 billion. Such deposits accounted for 50.1% of the client's resources.

Investment securities in circulation closed at COP 2.2 trillion, equivalent to a decrease of 8.4% 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 increased by 3.5%, closing at COP 4.3 trillion. This increase is primarily explained by the increase in reserves in the amount of COP 228.7 billion and of COP 118.8 billion in fiscal year earnings, and by the decrease of COP 202.3 billion in surplus.

Technical Equity closed in June 2018 with a balance of COP 5.3 trillion, equivalent to a decrease of 0.7%. Required equity according to Colombian regulations was COP 4.0 trillion, which implies an excess of equity over the required amount of COP 1.3 trillion.

ELIGIBLE CAPITAL AND SOLVENCY RATIO

Million COP

	2Q17	2Q18	%
Accounting Equity	4.325.161	4.288.839	(0,8)
Eligible Capital	5.360.580	5.308.082	(1,0)
Ordinary Basic Equity	3.040.643	3.145.003	3,4
Additional Basic Equity	2.994	2.994	-
Additional EquityI (Tier II)	2.316.943	2.160.085	(6,8)
Technical Equity	5.360.580	5.308.082	(1,0)
Required Equity	3.756.546	4.001.645	6,5
Surplus Equity	1.604.033	1.306.437	(18,6)
Risk weighted assets including market risk	41.739.402	44.462.725	6,5
Value at Risk (VeR)	199.237	241.648	21,3
Solvency Ratio without VeR	13,56	12,71	(6,3)
Solvency Ratio with VeR (minimum 9%)	12,84	11,94	(7,0)
Tier 1 (%) ¹	7,28	7,07	(2,9)

¹ Basic Equity against risk-weighted assets

Risk-Weighted Assets closed at COP 44.5 trillion, equivalent to growth of 7.0%, reflecting the growth of the business. On its part, the Market Value at Risk (VeR) increased by 21.3%.

The Group's solvency ratio closed at 11.94%, a 92 bps reduction compared to the same period in 2017.

Income Statement

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

Net interest income registered an interannual increase of 13.6%. Loan portfolio revenues decreased by COP 6.4 billion, while expenses decreased by COP 164.8 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 revenues increased by COP 158.5 billion.

Net commission income closed at the end of June 2018 with a variation of 46.2%. On its part, Investment portfolio revenues decreased by COP 90.2 billion or -33.0%, explained by incomes in the exchange rate difference and for incomes obtained in securities. Dividends increased by 47.9%, closing with a balance of COP 16.8 billion. On the other hand the other revenues line item, which includes operating revenues from financial services and recoveries of operating and other risks, posted a 33.4% decrease.

Accumulated Income Statement

Million COP

	2Q17	2Q18	Var TAM	
Loan Portfolio	2.357.746	2.351.376	(6.370)	(0,3)
Interest Expense	(1.189.469)	(1.024.645)	164.824	(13,9)
NET INTEREST INCOME	1.168.277	1.326.731	158.454	13,6
NET COMMISSION INCOME	120.489	176.213	55.724	46,2
Investment Portfolio	273.277	183.087	(90.190)	(33,0)
Dividends	11.363	16.807	5.444	47,9
Other Incomes	69.344	46.161	(23.183)	(33,4)
OTHER OPERATING INCOME	353.984	246.055	(107.929)	(30,5)
GROSS MARGIN	1.642.750	1.748.999	106.249	6,5
Net Asset Allocation	(510.390)	(449.782)	60.608	(11,9)
Administration General Expenses	(738.947)	(762.451)	(23.504)	3,2
Personal Expenses	(293.732)	(292.434)	1.298	(0,4)
General Expenses	(163.268)	(176.591)	(13.323)	8,2
Taxes	(65.947)	(61.911)	4.036	(6,1)
Other	(213.916)	(227.633)	(13.717)	6,4
Operational Risk	(2.084)	(3.882)	(1.798)	86,3
NON-INTEREST EXPENSES	(1.249.337)	(1.212.233)	37.104	(3,0)
Minority Interest	(557)	(927)	(370)	66,4
INCOME BEFORE TAX	392.856	535.839	142.983	36,4
Income Tax	(139.280)	(163.509)	(24.229)	17,4
NET PROFIT	253.576	372.330	118.754	46,8

Administrative expenses increased by 3.2% compared to the previous year. Payroll expenses decreased by 0.4% compared to 2017. In the other hand, general expenses grew by 8.2%. Taxes and contributions expenses decreased by 6.1%.

Lastly, BBVA Colombia posted a net profit at the end of June 2018 in the amount of COP 372.3 billion.

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

Income Statement

Million COP

	2Q17	2Q18	Var TAM	
Loan Portfolio	1.183.975	1.186.413	2.438	0,2
Interest Expense	(586.007)	(515.414)	70.593	(12,0)
NET INTEREST INCOME	597.968	670.999	73.031	12,2
NET COMMISSION INCOME	62.885	140.309	77.424	123,1
Investment Portfolio	157.112	96.706	(60.406)	(38,4)
Dividends	3.337	125	(3.212)	(96,3)
Other Incomes	50.197	22.784	(27.413)	(54,6)
OTHER OPERATING INCOME	210.646	119.615	(91.031)	(43,2)
GROSS MARGIN	871.499	930.923	59.424	6,8
Net Asset Allocation	(276.526)	(258.679)	17.847	(6,5)
Administration General Expenses	(361.436)	(379.051)	(17.615)	4,9
Personal Expenses	(146.110)	(143.192)	2.918	(2,0)
General Expenses	(80.273)	(86.678)	(6.405)	8,0
Taxes	(34.401)	(30.729)	3.672	(10,7)
Other	(99.829)	(116.347)	(16.518)	16,5
Operational Risk	(823)	(2.105)	(1.282)	155,8
NON-INTEREST EXPENSES	(637.962)	(637.730)	232	(0,0)
Minority Interest	(233)	(484)	(251)	107,7
INCOME BEFORE TAX	233.304	292.709	59.405	25,5
Income Tax	(95.137)	(81.042)	14.095	(14,8)
NET PROFIT	138.167	211.668	73.501	53,2

The interest margin registered an interannual increase of 12.2%. For one side, incomes for concept of loan portfolio registered an increase of COP 2.4 billion, while expenses increased COP 70.6 billion. In that way, net interest income increased to COP 73.0 billion.

Net commission income closed in the second quarterly with a positive variation of 123.1%. As well as other operational incomes that showed a decrease of COP 91.0 billion compared with the same period of the last year. On the other hand, non-interests expenses did not show a variation compared to the second quarter of last year and the income tax increased by 14.8%

Finally, BBVA Colombia registered a net profit at the end of the second quarterly 2018 for a value of \$211.6 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 the intermediate period ended on June 30, 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 capital	Premium on share Placement	Legal and Occasional Reserves	Net Profit For the period	Retained Earnings (NICF Application)	Other comprehensive Income (OCI)	Article 6 Law 4 of 1980	Total Shareholder Equity	Non controlled Participation	Total Equity
Balance of December 31 of 2017	\$ 14.387	\$ 89.779	\$ 651.950	\$ 2.535.777	\$ 491.167	\$ 370.256	\$ 309.672	\$ 506	\$ 4.449.107	\$ 6.231	\$ 4.455.338
New measurements of financial instruments under IFRS 9	-	-	-	-	-	(422.761)	-	-	-	-	-
Deferred taxes for new measurements under IFRS 9	-	-	-	-	-	143.711	-	-	-	-	-
Balance of January 01st of 2017	\$ 14.387	\$ 89.779	\$ 651.950	\$ 2.535.777	\$ 491.167	\$ 91.206	\$ 309.672	\$ 506	\$ 4.170.057	\$ 6.231	\$ 4.176.288
Non controlled interest (Minority Interest)	-	-	-	-	-	-	-	-	-	(478)	(478)
Transfers	-	-	-	-	(491.167)	457.466	-	-	(33.701)	-	(33.701)
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	-	-	-	-	372.330	-	-	-	372.330	-	372.330
Retained Earnings Sales Force	-	-	-	-	-	43.508	-	-	43.508	-	43.508
Other comprehensive results	-	-	-	-	-	(36.289)	(4.055)	-	(40.344)	-	(40.344)
Fixed asset valuation update	-	-	-	-	-	76	-	-	76	-	76
Hedging with derivatives cash flow	-	-	-	-	-	-	(3.657)	-	(3.657)	-	(3.657)
Defined Contributions Pensions	-	-	-	-	-	-	(38)	-	(38)	-	(38)
Investments accounted for using the equity method	-	-	-	-	-	-	(120)	-	(120)	-	(120)
Participation in other comprehensive Income of the	-	-	-	-	-	(27.214)	(10.599)	-	(37.813)	-	(37.813)
Loan portfolio measurements Incurred Loss	-	-	-	-	-	-	44.771	-	44.771	-	44.771
Accumulated unrealized gains on investments - Debt securities	-	-	-	-	-	(25.267)	(20.382)	-	(45.649)	-	(45.649)
Deferred Tax	-	-	-	-	-	16.116	(14.030)	-	2.086	-	2.086
Valuation of financial instruments measured at fair value with	-	-	-	-	-	-	-	-	-	-	-
Balance of June 30 of 2018	\$ 14.387	\$ 89.779	\$ 651.950	\$ 2.764.479	\$ 372.330	\$ 98.425	\$ 305.617	\$ 506	\$ 4.283.086	\$ 5.753	\$ 4.288.839

Investor Relations Team

Director

Carolina Ramírez López
3471600 Ext. 12842
carolina.ramirezlopez@bbva.com / bbvacolombia-ir@bbva.com

Shareholders Senior Officer

Luz Stella Landinez Calderon
3471600 Ext. 11111
luz.landinez@bbva.com / acciones@bbva.com

IR Analyst

María Camila Manosalva Rojas
3471600 Ext. 12191
mariacamila.manosalva@bbva.com / bbvacolombia-ir@bbva.com

Website: <https://www.bbva.com.co/meta/atencion-al-inversionista-english/financials/>