# Management Report 1Q19

## Individual and Consolidated Report

### Investor Relations

Bogotá D.C. May 2019

# Index

# 1.Basics

## Economic Environment

Global growth has slowed in recent months more than expected, reinforcing fears about a sharp slowdown in economic activity. In this environment, the Fed and the ECB have changed their road map and announced new monetary stimulus measures. Similarly, additional expansive policies, both fiscal and monetary, have been adopted in China. This reaction of the economic authorities in the main economies favors a smoother moderation of the world's growth forward. However, an unexpected loss of the dynamism of the Chinese economy, a new wave of protectionist measures or a disorderly departure of the United Kingdom from the European Union, among other risks, could trigger more negative scenarios.

A series of factors contributed to the slowdown in global activity, especially: i) the structural slowdown in the Chinese economy; ii) commercial protectionism; iii) in Europe, the high uncertainty, as well as some specific, and probably temporary, events, such as the effects of the new European regulation on emissions in the automotive sector; and iv) the cyclical moderation of the US, in a context in which the effects of the fiscal stimulus lose force. The factors behind the global slowdown have affected activity, mainly through exports and the manufacturing sector. Even so, private consumption remains relatively robust, supported by the dynamism of labor markets and limited inflation.

The more negative tone of the world economy has generated some concern, as well as an increase in financial volatility. In this context, and given that the inflationary pressures are still quite limited, the Fed and the ECB have reacted, carrying out an unexpected turn of their policies. The US monetary authority it has significantly adjusted its tone and strategy towards a more accommodative monetary policy. Given the caution of the North American central bank, the rates could remain stable, or even be trimmed, if the activity data reveal a growing weakening of the economy. In any case, there would still be room for a final increase of 25 bps, up to 2.75% at the end of 2019, if the moderation of growth turns out to be mild and limited (previously, two rises were expected in 2019 bearing the reference rates) up to 3%).

In the case of the ECB, the shift towards a more expansive policy has manifested itself through a delay in the expectation of interest rate hikes and the announcement of a new round of liquidity auctions. With regard to the former, the ECB has delayed its expectations of rate hikes from the summer of 2019 until at least the end of the year. On the other hand, the monetary authority announced a new series of quarterly financing operations (TLTRO-III, for its acronym in English), which will be carried out between September 2019 and March 2021. In this context, the forecasts of types and, now, a first rise of the type of deposit is expected in June of 2020 and of the official type of reference in December of 2020.
China has also reacted to the growing concern over the weakening of economic activity. In particular, the local authorities have confirmed a tax cut, centered on VAT, of 2 percentage points of GDP, as

well as an increase in the public deficit, from 2.6% of GDP in 2018 to 2.8% of GDP in 2019. They have also shown signs of further monetary relaxation forward. In this sense, two additional cuts of 25 bps are foreseen for the reference rates, as well as two reductions in bank reserve requirements throughout the second and third quarters.

The deterioration in the outlook for global activity and the associated reduction in inflation expectations, together with the more cautious tone of the central banks, have led to a sharp drop in the yield on US 10-year bonds and Germany.

The new economic stimuli favor an orderly moderation of global growth. The global GDP, which advanced by 3.8% in 2018, would grow to 3.4% in 2019 and 3.4% in 2020.

This environment of lower interest rates will not necessarily lead to greater capital flows to emerging economies. In fact, investors in the world will be more selective in terms of the levels of risk they want to assume in the emerging world, in which the fiscal and external performance of the countries will be very important. Towards Colombia, for this year, we estimate that there will be net inflows of portfolio capital, but could be located slightly below the level reported in 2018. For this reason, the exchange rate could be maintained this year between 3,130 and 3,170, ending the year in 3,150, that is, at levels very similar to the current ones.

There are two opposing forces that will determine the horizontal behavior of the exchange rate. On the one hand, low interest rates in the developed world will support a currency appreciation, not only because of its direct effect, but also because of the reduction in long-term bond yields in developed countries. On the other hand, the more demanding capital flows towards emerging markets and the global volatility contained in levels similar to the current ones, but with an increasing tendency at the end of the year due to the materialization of the lower global growth, will not allow such appreciation.

There is also an idiosyncratic factor in the country that will also push up the exchange rate and partially offset the effect of lower interest rates in the world. This factor is the high deficit in the current account, which could be located at 4.3% of GDP in 2019 and would be reduced to 4.0% of GDP in 2020. Although, the upward pressure on the exchange rate for this channel will be contained by the ability of the Colombian economy to finance the external deficit, by 80% through Direct Foreign Investment and the remaining percentage through public and private debt, and portfolio flows.

The current account deficit will expand during 2019, compared to 3.8% of GDP that marked 2018, mainly due to the fall in exports this year. External shipments will be lower due to lower oil prices and the inability of non-traditional shipments to offset them. Also, imports will remain strong given that the Colombian economy will base its growth on domestic demand, with an important imported component of investment, consumption and commodities from industrial sectors.
Monetary policy, within its response function that defines the decisions of the interest rate, has several points of analysis. The first of these is inflation, which shows good performance and stands at around 3.0%, a figure that is the central goal of the Banco de la República. In addition, expectations for the end of the year are also around this goal, among other things, because exchange volatility is

expected to be within a narrow range of the exchange rate, which will keep the price level of the goods under control. In this way, tradable inflation is expected to decrease throughout the year.

As a compensation to this downward pressure of inflation, food will accelerate the price variation due to the low statistical base of 2018, when prices were located in a very low range and it is difficult to repeat this behavior during this year. In addition, during the first quarter there was a slight rainfall deficit in Colombia, which, together with the announcements of an El Niño Phenomenon and the restriction of plantings that could imply, will determine a reduction in harvests. However, this impact has reduced its probability and intensity due to the appearance of rains and the lower strength of the Phenomenon at the beginning of the year. Finally, it is possible that some food prices in the south of the country rise in the short term due to bottlenecks in transportation due to national strike in Cauca.

In total, basic inflation will have a decreasing rate throughout the year, while food will increase, leaving total inflation very stable around 3.0%. The second point of analysis of the Central Bank is growth, which, as we saw above, will continue to accelerate very gradually, more based on investment than consumption. This composition of GDP reduces the inflation pressures implied by the acceleration of domestic demand. Nonetheless, the Bank will analyze the performance of public consumption and the fiscal balance, since recent decisions of the fiscal rule have made public spending more flexible and will cause this item to slow down less quickly, as we discussed earlier.

In particular, the fiscal deficit allowed by the fiscal rule now stands at 2.7% of GDP for 2019 (before 2.4%) and 2.3% of GDP for 2020 (before 2.2%). With this greater deficit, the government intends to meet the basic expenses demanded by Venezuelan immigrants, without reducing at the same time the current public expenditure aimed at attending to the normal functioning of social security and education services, mainly. The government will cover the largest deficit through indebtedness, without this greater debt means modifying the declining rate of public debt that will remain in the coming years. However, additional financing needs still persist after 2020, when the reduction required in the deficit and the reduction in taxation, due to the benefits to companies approved in the Financing Law of 2018, demand the attainment of new resources. This revenue will possibly come from the privatization of public assets, because the government has said it will not submit new tax reforms in its four-year period, although it is clear that these asset sales would be financed by current expenditure.

The third topic of analysis is the external context. In this matter, the interest rates of the world will be more lax, although the capital flows can remain demanding in their arrival in the emerging countries. Colombia requires these flows to finance the deficit in the current account.

As things stand, the playing field seems to be set so the Central Bank maintains its interest rate, without increases, for longer. The next upward movement would not occur before the fourth quarter of 2019. And it would be 25 basis points, to close this year at 4.50%. In addition, the long-term interest rate is now closer to 4.75%, not 5.00% as we estimated before, thanks to the lower upward pressure exerted by the lower long-term rates in developed countries. In this way, the Central Bank will only raise another 25 basis points in the first quarter of 2020.

# 2. Individual Figures

## Individual Results

Total assets of BBVA Colombia closed the first quarter of 2019 with a balance of COP 63,2 trillion. This showed an annual growth of 11.5% and a variation of COP 6,5 trillion.

### Balance Sheet

Million COP

| | | | TAM | |
|---|---|---|---|---|
| | 1Q18 | 1Q19 | abs | % |
| Cash | 4,146,975 | 6,586,117 | 2,439,143 | 58.8 |
| Assets positions in money market operations | 1,244,892 | 448,949 | (795,943) | (63.9) |
| Investment and derivatives transactions | 7,835,074 | 11,014,974 | 3,179,900 | 40.6 |
| Loan portfolio and leasing operations | 43,861,900 | 45,939,501 | 2,077,601 | 4.7 |
| Impairment | (2,444,328) | (2,797,383) | (353,055) | 14.4 |
| Other Assets | 2,061,451 | 2,051,306 | (10,145) | (0.5) |
| **Total Assets** | **56,705,963** | **63,243,464** | **6,537,501** | **11.5** |
| Deposits and financial claims | 47,580,724 | 47,697,915 | 117,191 | 0.2 |
| Liabilities positions in money market operations | 522,292 | 6,550,491 | 6,028,199 | 1,154.2 |
| Financial instruments at fair value | 1,083,246 | 1,318,714 | 235,467 | 21.7 |
| Banks and other financial obligations | 2,005,774 | 1,708,962 | (296,812) | (14.8) |
| Accounts payable | 923,697 | 868,695 | (55,002) | (6.0) |
| Labor obligations | 193,656 | 200,353 | 6,698 | 3.5 |
| Other Liabilities | 457,055 | 642,188 | 185,133 | 40.5 |
| **Total Liabilities** | **52,766,444** | **58,987,318** | **6,220,874** | **11.8** |
| Suscribed and paid-in-capital | 89,779 | 89,779 | - | - |
| Specific destination reserves and funds | 2,764,479 | 3,039,130 | 274,651 | 9.9 |
| Surplus | 943,198 | 946,038 | 2,839 | 0.3 |
| Gains or losses | 142,063 | 181,199 | 39,136 | 27.5 |
| **Stockholder's Equity** | **3,939,519** | **4,256,146** | **316,626** | **8.0** |
| **Total Liabilities and Stockholder´s Equity** | **56,705,963** | **63,243,464** | **6,537,501** | **11.5** |

In relation to the liquidity resources of the Bank, cash balances increased by COP 2,4 trillion compared to 2018. This increase was due to a variation of COP 2,2 trillion in cash at the Bank and other financial entities, a variation of COP 164,1 billion in cash and a variation of COP 103,9 billion in Banco de la República.

The active positions in money market closed with a balance of COP 448,9 billion and showed a decrease of 63.9% with respect to the same period of 2018. This decrease of COP 795,9 billion was due to a lower volume in simultaneous operations, which showed a negative variation of COP 785,9 billion and a lower volume in inter-bank transactions which showed a negative variation of COP 10,0 billion.

For its part, Investments and Operations with derivatives showed a positive variation of 40.6% compared to March of 2018, closing with a balance of COP 11,0 trillion.

The gross loan and leasing portfolio registered an annual growth of 4.7% or COP 2,1 trillion, closing in March 2019 with a balance of COP 45,9 trillion. On its part, the Impairment account, this includes specific and general provisions of the loan portfolio increased by 14.4%. The other assets account decreased by 0.5% or COP 10,2 billion.

In relation to liabilities accounts, deposits and financial claims showed an annual growth of 0.2% or by COP 117,2 billion, closing with a balance of COP 47,7 trillion. This growth is explained mostly by the increase of COP 2,1 trillion in saving accounts, an increase of COP 386,7 billion in checking accounts, an increase of COP 92 billion on investment securities and an increase of COP 44 billion in service charges. Furthermore, term deposits and special deposits showed a negative variation of COP 2,5 trillion and 58,9 billion respectively.

Liability positions in the monetary market increased by COP 6,0 trillion, due to an increase of COP 5,0 trillion in repo operations, an increase of COP 1,4 trillion in simultaneous operations and a decrease of 359,1 billion in short positions.

Financial instruments at fair value closed with a balance of COP 1,3 trillion, which represent an increase of 21.7% compared with the same period in 2018. This variation is primarily the result of an increase in trading swaps (COP 480,0 billion) and trading options (COP 5,0 billion). Furthermore, hedging swaps and trading forwards showed a decreased of COP 168,9 billion and COP 80,5 billion respectively.

Credit lines with banks and other financial obligations registered a decreased of COP 296,8 billion explained by the decrease of COP 758,6 billion in foreign entities, of COP 15,5 billion in Finagro obligations and an increase of COP 73,2 billion with Findeter. Furthermore, other financial obligations increased COP 411,3 billion and Findeter showed a positive variation of COP 73,2 billion.

Accounts payable registered a negative variation of 6.0%, while labor obligations showed an increase of 3.5%. Other liabilities increased by 40.5% or COP 185,1 billion, closing with a balance of COP 642,2 billion.

Finally, Equity increased by 8.0%, closing at COP 4,3 trillion at the end of March 2019.

# Loan portfolio

In March of 2019, the gross loan portfolio closed with a balance of COP 45,9 trillion and registered a variation of 4.7% compared with the same period of 2018. Similarly, the net loan portfolio increased by 4.2%, closing with a balance of COP 43,1 trillion.

The loan portfolio of BBVA Colombia keeps its attention in the particular segment, which represents 57.9% of the gross loan portfolio at the close of March 2019. This segment increased by 7.0% compared to 2018, closing at COP 26,5 trillion.

### LOAN PORTFOLIO
Million COP

| | 1Q18 | 1Q19 | Var TAM | |
|---|---|---|---|---|
| **Gross loans** | **43,861,900** | **45,939,501** | **2,077,601** | **4.7** |
| Consumer | 14,659,290 | 15,491,951 | 832,661 | 5.7 |
| Commercial | 15,472,766 | 15,587,651 | 114,886 | 0.7 |
| Microcredit | - | - | - | N.C |
| Mortgage | 10,124,140 | 11,037,792 | 913,652 | 9.0 |
| Leasing | 1,657,314 | 1,701,886 | 44,572 | 2.7 |
| **Non-performing loan portfolio** | **375,219** | **417,771** | **42,552** | **11.3** |
| Non-performing loans | 1,573,172 | 1,702,451 | 129,279 | 8.2 |
| **Provisions** | **(2,444,328)** | **(2,797,383)** | **(353,055)** | **(14.4)** |
| **Total loans, net** | **41,417,572** | **43,142,118** | **1,724,546** | **4.2** |

The consumer portfolio, which includes payroll loans, vehicle, hedge funds, revolving credit, credit cards and overdrafts increased at an annual rate of 5.7%. Payroll loans account has the biggest participation in the consumer portfolio with a 58.5%, followed by free consumption with 26.9% and vehicle with 10.5%.

Mortgage loans grew by 9.0%, which represented a variation of COP 913,7 billion. At the end of the first quarter of 2019, it represents 24.0% of the gross loan portfolio.

Commercial portfolio showed an annual increase of 0.7% with a positive variation of COP 114,9 billion. For its part, the leasing portfolio showed a growth of 2.7% with a variation of COP 44,6 billion.

# Client's Resources

At the end of the first quarter of 2019, 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 0.2%, that represents a variation of COP 117,2 billion, closing the quarter at COP 47,7 trillion. Term deposits represented 39.3% of total resources and registered a negative variation of 11.6%, achieving a balance of COP 18,7 trillion.

Transactional deposits (checking and saving accounts) increased by 10.6%, which represents a positive variation of COP 2,5 trillion. These deposits represented 54.8% of the total of the client's resources.

**CLIENT'S RESOURCES**
Million COP

| | 1Q18 | 1Q19 | Var TAM | |
|---|---|---|---|---|
| Checking Accounts | 6,315,459 | 6,702,157 | 386,697 | 6.1 |
| Saving Accounts | 17,306,881 | 19,413,385 | 2,106,504 | 12.2 |
| Term Deposits | 21,189,176 | 18,738,927 | (2,450,249) | (11.6) |
| Other Deposits | 579,172 | 561,373 | (17,799) | (3.1) |
| **Total Client's Deposits** | **45,390,688** | **45,415,841** | **25,153** | **0.1** |
| Investment Securities in Circulation | 2,190,036 | 2,282,073 | 92,037 | 4.2 |
| **Total Resources** | **47,580,724** | **47,697,914** | **117,190** | **0.2** |

Investment securities in circulation closed at COP 2,3 trillion, equivalent to an increase of 4.2% compared to 2018.

# Eligible Capital and Solvency Ratio

The accounting equity registered a positive variation of 8.0% and closed in COP 4,3 trillion. This increase is primarily explained by the increase in reserves of COP 274,7 billion, due to the increase of COP 39,1 billion in fiscal year earnings, and by the increase of COP 2,8 billion in Surplus.

The technical equity closed in the first quarter of 2019 with a balance of COP 5,6 trillion and registered a variation of 6.7%. According to the Colombian regulation, the required equity reached in COP 4,2 trillion, which implies an excess of equity over the required amount of COP 1,4 trillion.

### ELIGIBLE CAPITAL AND SOLVENCY RATIO
Million COP

| | 1Q18 | 1Q19 | % |
|---|---|---|---|
| **Accounting Equity** | **3,939,519** | **4,256,146** | **8.0** |
| Eligible Capital | 5,261,271 | 5,616,229 | 6.7 |
| Ordinary Basic Equity | 3,150,875 | 3,393,132 | 7.7 |
| Additional Basic Equity | 2,994 | 2,994 | - |
| Additional Equity (Tier II) | 2,107,401 | 2,220,104 | 5.3 |
| **Technical Equity** | **5,261,271** | **5,616,229** | **6.7** |
| Required Equity | 3,868,176 | 4,222,746 | 9.2 |
| Surplus Equity | 1,393,094 | 1,393,483 | 0.0 |
| **Risk weighted assets including market risk** | **42,979,736** | **46,919,401** | **9.2** |
| Value at Risk (VeR) | 194,045 | 338,088 | 74.2 |
| Solvency Ratio without VeR | 12.89 | 13.01 | 12 pbs |
| Solvency Ratio with VeR (minimum 9%) | 12.24 | 11.97 | -27 pbs |
| Tier 1 (%)[1] | 7.33 | 7.23 | -10 pbs |

[1]Basic Equity against risk-weighted assets

Risk-weighted assets including market risk (RWA's) closed at COP 46,9 trillion, equivalent to growth of 9.2% in line with the growth in the activity. On its part, the value in market risk (VeR) increased by 74.2%.

The Bank's solvency ratio closed at 11.97%, with a decrease of 27 bps compared with the same period in 2018.

# Income Statement

Net interest income registered an interannual increase of 4.8%. Loan portfolio revenues increased by COP 15,7 billion, while expenses decreased by COP 17,1 billion. The above was driven by the scenario of lower interest rates, which leads to deposits being re-priced more quickly than portfolio. For this reason, net interest income increased by COP 32,8 billion.

Net fee income closed with a negative variation of 7.8%. On its part, incomes generated for the investment portfolio increased by COP 19,3 billion or 20.6%, explained by an increase in incomes in derivatives and incomes obtained in securities. Dividends registered an increase of 10.5% and closed with a balance of COP 18,1 billion. Furthermore, the line of other incomes, which includes operational incomes from financial services provided and recoveries of operative risks and other, registered a 69.8% increase.

Next, it is showing the results of BBVA Colombia accumulated at the close of the first quarter of 2018 and 2019:

## Accumulated Income Statement

Million COP

| | 1Q18 | 1Q19 | Var TAM | |
|---|---|---|---|---|
| Interest Income | 1,195,242 | 1,210,982 | 15,740 | 1.3 |
| Interest Expense | (509,842) | (492,751) | 17,091 | (3.4) |
| **NET INTEREST INCOME** | **685,400** | **718,231** | **32,831** | **4.8** |
| **NET FEE INCOME** | **44,801** | **41,288** | **(3,512)** | **(7.8)** |
| Investment Portfolio | 93,555 | 112,853 | 19,299 | 20.6 |
| Dividends | 16,418 | 18,145 | 1,727 | 10.5 |
| Other incomes | 23,216 | 39,414 | 16,197 | 69.8 |
| **OTHER OPERATING INCOME** | **133,189** | **170,412** | **37,223** | **27.9** |
| **GROSS MARGIN** | **863,390** | **929,931** | **66,541** | **7.7** |
| **Net Provisions** | **(232,434)** | **(250,338)** | **(17,904)** | **7.7** |
| **Operational Costs** | **(377,737)** | **(393,328)** | **(15,592)** | **4.1** |
| Personal Expenses | (145,370) | (150,840) | (5,471) | 3.8 |
| General Expenses | (89,571) | (95,740) | (6,170) | 6.9 |
| Taxes | (30,735) | (32,463) | (1,728) | 5.6 |
| Other | (110,285) | (112,664) | (2,380) | 2.2 |
| Operational Risk | (1,777) | (1,621) | 156 | (8.8) |
| **OPERATING EXPENSES** | **(610,171)** | **(643,666)** | **(33,496)** | **5.5** |
| **PROFIT BEFORE TAX** | **253,219** | **286,264** | **33,045** | **13.1** |
| Income Tax | (95,603) | (89,512) | 6,091 | (6.4) |
| **NET INCOME** | **157,617** | **196,753** | **39,136** | **24.8** |

Operational cost registered an increase of COP 15,6 billion compared with the last year. Personal expenses increased by 3.8% compared with 2018. Furthermore, general expenses increased by 6.9% and expenses on taxes and fees increased by 5.6%.

Finally, BBVA Colombia registered a net income at the end of the first quarter of 2019 of COP 196,8 billion which was 24.8% higher than the profit of the previous year.

# 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

| | 1Q18 | 1Q19 | Var TAM |
|---|---|---|---|
| **Gross Loan Portfolio** | **43,861,900** | **45,939,501** | **4.74** |
| Total Overdue loans | 1,948,391 | 2,120,222 | 8.82 |
| Overdue loans | 375,219 | 417,771 | 11.34 |
| Non-performing loans | 1,573,172 | 1,702,451 | 8.22 |
| **Non-performing loans ratios** | **%** | **%** | **%** |
| Overdue Loans ratio | 0.86 | 0.91 | 0.05 |
| NPL ratio | 3.59 | 3.71 | 0.12 |
| Loan -Loss Provision | 2,444,328 | 2,797,383 | 14.44 |
| Coverage overdue loans | 155.38 | 164.32 | 8.94 |

At the end of March 2019, the NPL ratio was located at 3.71%. Also, the coverage overdue loan indicator is located at 164.32%.

# Individual Statement of Changes in Equity

Below is the statement of changes in shareholders' equity of BBVA Colombia for the year ended on December 31th, 2018 and March 31th 2019.

**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 | | | | | | | | | |
| | Number | Value | Number | Value | Legal and occasional reserves | Additional- paid in capital | Net profit For the period | Retained earnings | Adjustments in the adoption for the first time NICF | Other comprehensive Income (OCI) | Article 6 Law 4 of 1980 | |
| **Balance of December 31 of 2018** | $ 479,760 | $ 2,994 | $ 13,907,929 | $ 86,785 | $ 2,764,479 | $ 651,950 | $ 549,312 | $ - | $ 273,676 | $ 17,054 | $ 506 | $ 4,346,756 |
| Transfers | - | - | - | - | - | - | (549,312) | 549,312 | - | - | - | - |
| Cash Dividends paid in preferred and common shares | - | - | - | - | - | - | - | (274,661) | - | - | - | (274,661) |
| Appropiation for legal reserve | - | - | - | - | 274,651 | - | - | (274,651) | - | - | - | - |
| Release of reserves | - | - | - | - | - | - | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | - | - | 196,753 | - | - | - | - | 196,753 |
| Fixed asset valuation update | - | - | - | - | - | - | - | - | (1,711) | - | - | (1,711) |
| Net Deferred tax | - | - | - | - | - | - | - | - | (5,805) | - | - | (5,805) |
| Hedging with cash flow derivatives | - | - | - | - | - | - | - | - | - | 7,243 | - | 7,243 |
| Actuarial gains and losses on defined contributions pensions | - | - | - | - | - | - | - | - | - | - | - | - |
| Investments by equity method | - | - | - | - | - | - | - | - | - | 767 | - | 767 |
| Deferred tax on defined contributions pensions | - | - | - | - | - | - | - | - | - | 198 | - | 198 |
| Deferred tax on equity investment management | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred tax on equity instruments | - | - | - | - | - | - | - | - | - | (1,010) | - | (1,010) |
| Deferred tax on investments available for sale | - | - | - | - | - | - | - | - | - | 9,922 | - | 9,922 |
| Deferred tax on cash flow hedge | - | - | - | - | - | - | - | - | - | (2,680) | - | (2,680) |
| Unrealised retained earnings in equity instruments | - | - | - | - | - | - | - | - | - | 7,190 | - | 7,190 |
| Unrealised retained earnings on investments available for sale - Debt securities | - | - | - | - | - | - | - | - | - | (26,817) | - | (26,817) |
| **Balance of March 31 of 2019** | $ 479,760 | $ 2,994 | $ 13,907,929 | $ 86,785 | $ 3,039,130 | $ 651,950 | $ 196,753 | $ - | $ 266,160 | $ 11,868 | $ 506 | $ 4,346,756 |

# 3. Consolidated Figures

## Consolidated Results

Total assets of BBVA Colombia closed the first quarter of 2019 with a balance of COP 63,8 trillion. This showed an annual growth rate of 12.1%, which represented a variation of COP 6,9 trillion.

### BALANCE SHEET - Consolidated
Million COP

| | | | TAM | |
|---|---|---|---|---|
| | 1Q18 | 1Q19 | abs | % |
| Cash and cash equivalents | 5,398,209 | 7,040,388 | 1,642,179 | 30.4 |
| Investments | 961,317 | 1,284,502 | 323,185 | 33.6 |
| Derivative Financial Instruments and Cash Operations | 6,474,430 | 9,600,658 | 3,126,228 | 48.3 |
| Gross Loan Portafolio and Leasing | 43,861,900 | 45,939,502 | 2,077,602 | 4.7 |
| Provision for credit losses | (2,400,339) | (2,627,115) | (226,776) | 9.4 |
| Other | 2,598,793 | 2,517,761 | (81,032) | (3.1) |
| **Assets** | **56,894,310** | **63,755,697** | **6,861,387** | **12.1** |
| Deposits | 45,336,187 | 45,351,879 | 15,692 | 0.0 |
| Money Market Operations | 522,279 | 6,548,329 | 6,026,050 | 1,153.8 |
| Financial instruments at fair value | 1,083,246 | 1,318,714 | 235,468 | 21.7 |
| Banks and other financial obligations | 2,005,774 | 1,708,962 | (296,812) | (14.8) |
| Investment in debt securities | 2,190,036 | 2,282,073 | 92,037 | 4.2 |
| Liabilities by deferred tax | 202,922 | 305,116 | 102,194 | 50.4 |
| Estimated liabilities and provisions | 270,271 | 323,342 | 53,071 | 19.6 |
| Payable accounts | 704,039 | 787,718 | 83,679 | 11.9 |
| Labor Obligations | 195,086 | 202,604 | 7,518 | 3.9 |
| Other Liabilities | 295,774 | 384,800 | 89,026 | 30.1 |
| **Liabilities** | **52,805,614** | **59,213,537** | **6,407,923** | **12.1** |
| Paid-in Capital | 89,779 | 89,779 | - | - |
| Additional-paid in capital | 651,950 | 651,950 | - | - |
| Noncontrolling interests | 5,275 | 5,728 | 453 | 8.6 |
| Reserves | 2,764,985 | 3,039,636 | 274,651 | 9.9 |
| Surplus | 416,045 | 551,039 | 134,994 | 32.4 |
| Net income | 160,662 | 204,028 | 43,366 | 27.0 |
| **Stockholder´s Equity** | **4,088,696** | **4,542,160** | **453,464** | **11.1** |
| **Total Liabilities and Stockholder´s Equity** | **56,894,310** | **63,755,697** | **6,861,387** | **12.1** |

In relation to the Bank's liquidity resources, cash and cash equivalents showed an increase of COP 1,6 trillion compare to 2018. This increase was the result of a COP 2,4 trillion in cash and deposits in banks and a negative variation of COP 795,9 billion in money market operations.

Derivative financial instruments and cash operations closed with a balance of COP 1,3 trillion, showed a positive variation of COP 323,2 billion.

Investments presented a positive variation of COP 3,1 trillion closing with a balance of COP 9,6 trillion. This variation is mainly explained by the increase in investments at fair value with a change in results in the money market operations of COP 3,8 trillion, of 1,0 trillion in investments with change in other comprehensive income, of COP 137,0 billion in investments delivered in guarantee of operations and COP 84,4 billion in investments at amortized cost. Furthermore, investments at fair value with a change in results presented a decrease of COP 1,9 trillion.

The gross loan and leasing portfolio grew at an annual rate of 4.7% or COP 2,1 trillion closing in March 2019 with a balance of COP 45,9 trillion. On its part, the impairment account, this includes specific and general provisions on the loan portfolio, increased by 9.4%. The other assets account decreased by 3.1% or COP 81,0 billion.

In relation to the liability accounts, deposits and claims showed an annual growth of COP 15,7 billion, closing with a balance of COP 45,4 trillion. This growth is explained mainly by a COP 2,5 trillion increase in checking accounts and a decrease of COP 2,4 trillion in term deposits. Liability positions in market operations increased by COP 6,0 trillion, due to an increase of COP 5,0 trillion in repo operations and an increase of COP 1,4 trillion in simultaneous operations. Furthermore, there was a decrease of COP 359,1 billion in short positions.

Financial instruments at fair value closed with a balance of COP 1,3 trillion, which represented an increase of 21.7% compared with the same period in 2018. This variation is primarily the result of an increase of COP 404,4 billion in trading swaps and by the decrease of COP 168,9 billion in hedging instrument.

Credit lines with banks and other financial obligations decreased by COP 296,8 billion as a result of an increase of COP 411,3 billion in other financial obligations, an increase of COP 73,2 billion in obligations with Findeter and a decrease of COP 758,6 billion with international financial entities, a decrease of COP 15,5 billion with Finagro and a decrease of 7,3 billion with Bancoldex.

Accounts payable showed a positive variation of 11.9%, while labor obligations showed an increase of 3.9%. Other liabilities increased by 30.1% or COP 89,0 billion, closing at COP 384,8 billion.
Finally, Equity increased by 11.1%, closing with a balance of COP 4,5 trillion in March 2019.

# Loan Portfolio

In March 2019, the gross loan portfolio closed at COP 45,9 trillion, equivalent to a 4.7% increase compared to the same period in 2018. Similarly, the net loan portfolio increased by 4.5%, closing at COP 43,3 trillion.

**LOAN PORTFOLIO**
Million COP

| | 1Q18 | 1Q19 | Var TAM | |
|---|---|---|---|---|
| **Gross Loan Portfolio** | **43,861,900** | **45,939,502** | **2,077,602** | **4.7** |
| Consumer | 15,469,119 | 16,531,685 | 1,062,566 | 6.9 |
| Commercial | 17,864,021 | 17,908,182 | 44,161 | 0.2 |
| Microcredit | 2 | 2 | - | - |
| Mortgage | 10,133,384 | 11,078,914 | 945,530 | 9.3 |
| Leasing | 395,374 | 420,719 | 25,345 | 6.4 |
| **Loan -Loss Provision** | **(2,400,339)** | **(2,627,115)** | **(226,776)** | **9.4** |
| **Net Loan Portfolio** | **41,461,561** | **43,312,387** | **1,850,826** | **4.5** |

The loan portfolio of BBVA Colombia keeps its attention in the particular segment, which accounts for 60.1% of its total gross loan portfolio at the end of March 2019. This segment increased by 7.8% compared to 2018, closing with a balance of COP 27,6 trillion.

The consumer portfolio, which includes payroll loan, vehicle, free investment, revolving credit, credit cards and overdrafts increased at an annual rate of 6.9%.

Mortgage loan portfolio grew by 9.3%, equivalent to an increase of COP 945,5 billion, and at the end of March 2019 it accounted for 24.1% of the total gross loan portfolio.

Commercial portfolio showed an annual rate of 0.2% increase with a negative variation of COP 44,2 billion.

# Client's Resources

At the end of the first quarter of 2019, client's resources keep adjusted to the liquidity needs of the Bank and funding grew in line with the dynamic growth of the loan portfolio. Resources of the clients increased COP 107,7 billion, closing the quarter at COP 47,6 trillion. Term deposits represented 39.3% of total of the resources and showed a negative variation of 11.6%, closed with a balance of COP 18,7 trillion.

**CLIENT'S RESOURCES**
**Million COP**

| | 1Q18 | 1Q19 | Var TAM | |
|---|---|---|---|---|
| Checking Accounts | 24,147,011 | 26,612,952 | 2,465,941 | 10.2 |
| Saving Accounts | 21,189,176 | 18,738,927 | (2,450,249) | (11.6) |
| **Total Client's Deposits** | **45,336,187** | **45,351,879** | **15,692** | **0.0** |
| Investment Securities in Circulation | 2,190,036 | 2,282,073 | 92,037 | 4.2 |
| **Total Resources** | **47,526,223** | **47,633,952** | **107,729** | **0.2** |

Checking account increased 10.2%, which represented a positive variation of COP 2,5 trillion. These deposits represented 55.9% of total client's resources.

Investment securities in circulation closed at COP 2,3 trillion, equivalent to an increase of 4.2% compared to 2018.

# Eligible Capital and Solvency Ratio

The accounting equity increased by 11.1%, closing at COP 4,5 trillion. This increase is primarily explained by the increase in reserves in the amount of COP 274,7 billion, by the increase of COP 43,4 billion in fiscal year earnings, of COP 135,0 billion in surplus and by the increase of COP 453 million in non-controlled investments.

Technical Equity closed in March 2019 with a balance of COP 5,6 trillion, equivalent to an increase of 6.7%. Required equity according to the Colombian regulations was COP 4,2 trillion, which implies an excess of equity over the required amount of COP 1,4 trillion.

**ELIGIBLE CAPITAL AND SOLVENCY RATIO**
Million COP

| | 1Q18 | 1Q19 | % |
|---|---|---|---|
| **Accounting Equity** | **4,088,696** | **4,542,160** | **11.1** |
| Eligible Capital | 5,260,994 | 5,616,076 | 6.7 |
| Ordinary Basic Equity | 3,152,221 | 3,394,684 | 7.7 |
| Additional Basic Equity | 2,994 | 2,994 | - |
| Additional Equityl (Tier II) | 2,105,779 | 2,218,397 | 5.3 |
| **Technical Equity** | **5,260,994** | **5,616,076** | **6.7** |
| Required Equity | 3,874,896 | 4,219,032 | 8.9 |
| Surplus Equity | 1,386,097 | 1,397,043 | 0.8 |
| **Risk weighted assets including market risk** | **43,054,405** | **46,878,136** | **8.9** |
| Value at Risk (VeR) | 204,629 | 339,030 | 65.7 |
| Solvency Ratio without VeR | 12.90 | 13.03 | 12.6 |
| Solvency Ratio with VeR (minimum 9%) | 12.22 | 11.98 | (23.9) |
| Tier 1 (%)[1] | 7.32 | 7.24 | (8.0) |

[1] Basic Equity against risk-weighted assets

Risk-Weighted Assets closed at COP 46,9 trillion, equivalent to growth of 8.9%, reflecting the growth of the business. On its part, the Market Value at Risk (VeR) increased by 65.7%.

The Group's solvency ratio closet at 11.98% with a negative variation of 24 bps compared to the same period of 2018.

# Income Statement

Net interest income registered an interannual decrease of 11.6%. Loan portfolio revenue showed a decrease of COP 92,7 billion as well as expenses, which registered a decrease of COP 16,9 billion. Loan portfolio showed a decrease driven mostly by consumer (COP 50,1 billion); mortgages (COP 26,5 billion) and commercial (COP 24,4 billion). For this reason, the net interest income showed a decrease of COP 171,8 billion.

Net fee income closed in March 2019 with a positive variation of COP 171,8 billion. On its part, Investment portfolio revenues increased by COP 21,6 billion or 25.0%, explained by the increase in incomes from derivatives (COP 5,3 billion) and securities (COP 30,4 billion) and by the decrease in difference of net change (COP 14,0 billion). Dividends increased by 11.3%, closing with a balance of COP 18,6 billion. Furthermore, the other revenues line, which includes operating revenues from financial services and recoveries of operating and other risks, posted a 70.9% increase.

Next, it is showing the results of BBVA Colombia accumulated at the end of March 2018 and 2019:

## Accumulated Income Statement

Million COP

| | 1Q18 | 1Q19 | Var TAM | |
|---|---|---|---|---|
| Interest Income | 1,164,963 | 1,072,258 | (92,705) | (8.0) |
| Interest Expense | (509,231) | (492,348) | 16,883 | (3.3) |
| **NET INTEREST INCOME** | **655,732** | **579,910** | **(75,822)** | **(11.6)** |
| **NET FEE INCOME** | **35,904** | **207,695** | **171,791** | **478.5** |
| Investment Portfolio | 86,381 | 107,986 | 21,605 | 25.0 |
| Dividends | 16,682 | 18,572 | 1,890 | 11.3 |
| Other Incomes | 23,377 | 39,962 | 16,585 | 70.9 |
| **OTHER OPERATING INCOME** | **126,440** | **166,520** | **40,080** | **31.7** |
| **GROSS MARGIN** | **818,076** | **954,125** | **136,049** | **16.6** |
| **Net Provisions** | **(191,103)** | **(250,459)** | **(59,356)** | **31.1** |
| **Operational Costs** | **(383,400)** | **(399,438)** | **(16,038)** | **4.2** |
| Personal Expenses | (149,242) | (154,745) | (5,503) | 3.7 |
| General Expenses | (89,913) | (96,237) | (6,324) | 7.0 |
| Taxes | (31,182) | (32,934) | (1,752) | 5.6 |
| Other | (111,286) | (113,901) | (2,615) | 2.3 |
| Operational Risk | (1,777) | (1,621) | 156 | (8.8) |
| **OPERATING EXPENSES** | **(574,503)** | **(649,897)** | **(75,394)** | **13.1** |
| Minority Interest | (443) | (453) | (10) | 2.3 |
| **PROFIT BEFORE TAX** | **243,130** | **303,775** | **60,645** | **24.9** |
| Income Tax | (82,467) | (99,746) | (17,279) | 21.0 |
| **NET PROFIT** | **160,662** | **204,028** | **43,366** | **27.0** |

Operational costs registered an increase of COP 16,0 billion compared to the previous year. Personal expenses increased by 3.7% compared to 2018. Furthermore, general expenses grew by 7.0%. Taxes and contributions expenses registered an increase 5.6%. The net provisions showed an increase of 31.1% and closed with a balance of $ 250,5 billion. This variation is explained by the greater activity of the Banking Group, by the deterioration of the macroeconomic environment and by higher write-offs in commercial loans made in the first quarter of this year.

Lastly, BBVA Colombia posted a net profit at the end of March 2019 in the amount of COP 204,0 billion. This profit is 27.0% higher than that registered in the first quarter of 2018.

# Consolidated Statement of Changes in Equity

Below is the statement of changes in shareholders' equity of BBVA Colombia for the year ended on December 31th, 2018 and March 31th 2019.

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

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

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

| Concept | Number of shares | Subscribed and paid-in capital | Additional- paid in capital | Legal and occasional reserves | Net profit for the period | Retained earnings (NICF Implementation) | Adjustments in the adoption for the first time NICF | Other comprehensive income (OCI) | Article 6 Law 4 of 1980 | Total shareholders' equity | Non-controlling interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance of December 31th of 2018** | **$ 479,760** | **$ 86,785** | **$ 651,950** | **$ 2,764,479** | **$ 563,653** | **$ 130,462** | **$ (24,582)** | **$ 449,954** | **$ 506** | **$ 4,626,201** | **$ 6,972** | **$ 4,633,173** |
| Non controlled interest (minority interest) | - | - | - | - | - | - | - | - | - | - | (1,697) | (1,697) |
| Transfers | - | - | - | - | (563,653) | 563,653 | - | | - | | - | - |
| Dividends paid in cash, preferred and common shares | - | - | - | - | - | (274,661) | - | | - | (274,661) | - | (274,661) |
| Appropiation for legal reserve | - | - | - | 274,651 | - | (274,651) | - | | - | - | - | - |
| Release of reserves | - | - | - | - | - | - | - | | - | - | - | - |
| Net profit for the period | - | - | - | - | 204,028 | - | - | | - | 204,028 | 453 | 204,481 |
| Retained earnings sales force | - | - | - | - | - | - | - | | - | - | - | - |
| Deferred tax | - | - | - | - | - | - | (5,805) | | - | (5,805) | - | (5,805) |
| Unrealised retained earnings in new measurements of financial | | | | | | | | | | (14,341) | | (14,341) |
| Other comprehensive income | - | - | - | - | - | - | | | - | | - | - |
| Fixed asset valuation update | - | - | - | - | - | - | (1,710) | | - | (1,710) | - | (1,710) |
| Hedging with derivatives cash flow | - | - | - | - | - | - | - | 7,243 | - | 7,243 | - | 7,243 |
| Actuarial losses | - | - | - | - | - | - | - | | - | | - | - |
| Defined contributions pension | - | - | - | - | - | - | - | | - | | - | - |
| Investments accounted for using the equity method | - | - | - | - | - | - | - | | - | | - | - |
| Participation in other comprehensive income of the noncontrolled investments - internal model | - | - | - | - | - | - | - | 28,760 | - | 28,760 | - | 28,760 |
| Loan portafolio measurements Incurred Loss | - | - | - | - | - | - | - | (3,770) | - | (3,770) | - | (3,770) |
| Unrealised retained earnings in new measurements of financial instruments | - | - | - | - | - | (14,341) | - | (26,817) | - | (26,817) | - | (26,817) |
| Net deferred tax | - | - | - | - | - | - | - | (3,492) | - | (3,492) | - | (3,492) |
| Profits (losses) other patrimonial items of subordinates | - | - | - | - | - | - | - | 796 | - | 796 | - | 796 |
| **Balance of March 31th of 2019** | **$ 479,760** | **$ 86,785** | **$ 651,950** | **$ 3,039,130** | **$ 204,028** | **$ 130,462** | **$ (32,097)** | **$ 452,674** | **$ 506** | **$ 4,536,432** | **$ 5,728** | **$ 4,542,160** |

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