BBVA Creando Oportunidades

Consolidated Report
Colombia 2017

Index

1. Reports and Certifications

Statutory Auditor's Report

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STATUTORY AUDITOR'S REPORT

Dear Shareholders

Banco Bilbao Vizcaya Argentaria Colombia, S.A.,

I have audited the consolidated financial statements of Banco Bilbao Vizcaya Argentaria Colombia, S. A. and its Subsidiaries "BBVA Asset Management S.A. Sociedad Fiduciaria" and "BBVA Valores Colombia S.A. Comisionista de Bolsa" (The Group), which include the Consolidated Statement of Financial Position at December 31, 2017 and the Consolidated Statement of Income and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year ended on that date, along with their respective notes, which include the significant accounting policies and other explanatory information.

Management's Responsibility Regarding the Consolidated Financial Statementss

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes designing, implementing and maintaining a relevant system of internal controls for the preparation and presentation of consolidated financial statements that are free of material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable under the circumstances.

Statutory Auditor's Responsibility

My responsibility consists of expressing an opinion on the consolidated financial statements based on my audit. I obtained the necessary information to perform my duties and my audit according to International Auditing Standards accepted in Colombia. Such standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements.

An audit includes performing procedures to obtain evidence on the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the discretion of the statutory auditor, including the assessment of the risk of material misstatements in the consolidated financial statements. In said risk assessment, the statutory auditor considers the internal controls that are relevant for the preparation and presentation of the consolidated financial statements in order to design audit procedures that are appropriate given the circumstances. An audit also includes assessing the use of appropriate accounting principles and the reasonableness of the accounting estimates made by Management, as well as assessing the general presentation of the consolidated financial statements.

I believe that the audit evidence gathered provides a reasonable basis for my opinion expressed below.

Opinion

In my opinion, the aforementioned consolidated financial statements attached hereto reasonably present, in all material aspects, the Group's consolidated financial position at December 31, 2017, the consolidated income of its operations and the consolidated cash flows for the year ended on that date, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, applied consistently with the previous year.

Emphasis of Matter

Without qualifying my opinion, I would like to draw attention to Note 6 to the Consolidated Financial Statements, which indicates that the information presented in the Consolidated Statement of Financial Position and the Consolidated Statement of Changes in Equity at and for the year ended December 31, 2016 has been restated in relation to the elimination of Goodwill and the corresponding fiscal impact and the adjustments in deferred taxes of fixed assets.

Other Issues

The consolidated financial statements at and for the year ended December 31, 2016 and January 1, 2016 are presented solely for comparative purposes, excluding the adjustments described in Note 6 to the Consolidated Financial Statements. They were audited by another public accountant, in accordance with the International Auditing Standards accepted in Colombia and in his/her report dated February 9, 2017, he/she expressed an unqualified opinion on said statements.

As part of my Audit of the consolidated financial statements at and for the year ended December 31, 2017, I have audited the adjustments described in Note 6, which were applied to restate the comparative information presented at and for the year ended December 31, 2016 and the Statement of Financial Position at January 1, 2016. I was not hired to audit, review or apply any procedure to the consolidated financial statements at and for the year ended December 31, 2016 and the Statement of Financial Position at January 1, 2016 other than those related to the adjustments described in Note 6 to the Consolidated Financial Statements. Consequently, I am not expressing an opinion or providing any kind of assurance regarding these financial statements as a whole. However, in my opinion, the adjustments described in said note are appropriate and have been correctly applied.

JORGE ENRIQUE PEÑALOZA PORRAS
Statutory Auditor of Banco Bilbao Vizcaya Argentaria Colombia S.A.
Prof. License No. 43402-T
Member of KPMG S.A.S.

January 29, 2018

Certification of the Legal Representative and General Accountant

Banco Bilbao Vizcaya
Argentaria Colombia S.A.
Calle 72 No. 9-21
Bogotá D.C. - Colombia
www.bbva.com.co

The undersigned Registered Agent and General Accountant of BBVA Colombia, hereby certify that the Bank's financial statements at December 31, 2017 have been faithfully taken from the books and prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF, for the Spanish original), and before being made available to you and to third parties, we have verified that the valuation and presentation procedures have been applied consistently with those of the preceding year and fairly reflect the financial position at December 31, 2017.

In addition, the following statements are contained therein:

1. All the assets and liabilities listed in the Bank's financial statements at December 31, 2017 exist and all the transactions listed in said statements have been carried out during the year ended on that date.

2. All the economic events carried out by the Bank during the year ended December 31, 2017 have been recorded in the financial statements.

3. The assets account for probable future economic benefits (rights) and the liabilities account for probable future economic sacrifices (obligations) assumed by the Bank at December 31, 2017.

4. All the items have been recorded at their proper values in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF).

5. All the economic events that affect the Bank have been correctly classified, described and disclosed in the financial statements.

In compliance with Article 46 of Law 964 / 2005, we hereby certify that: the financial statements and other relevant reports for the public contain no defects, inaccuracies or errors that would prevent knowing the entity's true financial circumstances and operations.

FÉLIX PÉREZ PARRA
Legal Representative

OSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant
Prof. License No. 179552-T

2. Consolidated Financial Statements

Banco Bilbao Vizcaya Argentaria Colombia S.A. and Subordinates

At December 31, 2017
(With comparative figures at December 31, 2016)
(Expressed in millions of COP, except for the exchange rate and net earnings per share)

Consolidated Statement of Financial Position

(Millions of COP)

Item	Note	At December 31,		January 1, 2016 (1)
		2017	2016 (1)	
Assets				
Cash and cash equivalents	(9)	**$ 5,777,721**	**$ 4,904,170**	**$ 6,345,308**
• Cash and bank deposits		4,745,717	4,455,210	5,436,131
• Money market transactions		1,032,004	448,960	909,177
Financial investment assets	(10)	**7,330,899**	**5,301,213**	**4,893,148**
• Investments at fair value through profit or loss		6,496,533	4,636,276	2,899,306
• Investments at amortized cost		838,278	688,444	1,997,349
• Impairment of investments at amortized cost		(3,912)	(23,507)	(3,507)
Derivative financial instruments and cash operations		**688,630**	**807,758**	**1,247,814**
• Trading	(15)	688,630	807,758	1,231,087
• Hedging	(16)	-	-	16,727
Loan portfolio and financial lease transactions (net)	(11- 12)	**42,371,306**	**38,885,453**	**36,346,291**
• Commercial		18,296,709	16,218,962	16,455,018
• Consumer		15,388,206	14,053,541	12,155,139
• Mortgage (housing)		10,221,331	9,568,272	8,609,764
• Micro-credit		2	2	7
• Employees (mortgage and consumer)		392,405	354,934	138,463
• Other portfolio interest		4,247	8,605	9,308
• Credit impairment		(1,931,594)	(1,318,863)	(1,021,408)
Investments in non-controlling interests and joint arrangements	(21)	**349,969**	**259,066**	**113,743**
Advances to contracts and suppliers		**183,033**	**140,775**	**194,931**
Accounts receivable (net)	(17)	**$ 418,873**	**$ 594,876**	**$ 264,775**
Non-current assets held for sale	(18)	**$ 11,780**	**$ 10,135**	**$ 15,020**

Item	Note	At December 31,		January 1, 2016 (1)
		2017	2016 (1)	
Property and equipment	(19)	**704,370**	**719,154**	**753,130**
Properties taken on operating leases		**7,493**	**14,229**	**18,201**
Intangible assets	(20)	**66,566**	**56,672**	**46,903**
Deferred tax assets	(33)	**385**	**272**	**1,099**
Current tax assets	(33)	**138,324**	**809**	**-**
Other tax assets		**401**	**25**	**7**
Prepaid expenses	(23)	**11,711**	**70,996**	**9,363**
Other assets (net)	(22)	**5,899**	**15,235**	**4,692**
Total assets		**58,067,360**	**51,780,838**	**50,254,425**
Liabilities				
Deposits and current liabilities	(24)	**44,530,966**	**40,806,777**	**35,916,109**
• Demand		24,445,165	22,681,214	24,857,722
• Term		20,085,801	18,125,563	11,058,387
Money market and simultaneous transactions	(25)	**2,635,115**	**533,645**	**3,877,977**
Derivative financial instruments and cash operations		**840,021**	**950,927**	**1,186,938**
• Trading	(26)	719,158	850,534	1,174,812
• Hedging	(16)	120,863	100,393	12,126
Bank credits and other financial obligations	(27)	**1,842,312**	**1,552,578**	**1,598,178**
Taxes		**394,314**	**364,643**	**377,094**
• Deferred taxes	(33)	307,806	209,574	212,722
• Current taxes	(33)	9,036	66,781	90,261
• Other taxes		77,472	88,288	74,111
Estimated liabilities and provisions	(31)	**224,100**	**187,858**	**150,969**
Accounts payable	(28)	**449,048**	**454,100**	**437,571**
Labor liabilities	(32)	**215,054**	**192,641**	**174,308**
Other liabilities	(30)	**203,129**	**204,566**	**146,664**
Outstanding investment securities	(29)	**2,277,963**	**2,416,132**	**2,488,551**
Total liabilities		**$ 53,612,022**	**$ 47,663,867**	**$ 46,354,359**

Item	Note	At December 31,		January 1, 2016 (1)
		2017	2016 (1)	
Equity				
Attributable to shareholders		**$ 4,449,107**	**$ 4,111,133**	**$ 3,894,131**
• Subscribed and paid-in capital	(34)	89,779	89,779	89,779
• Reserves	(35)	2,535,777	2,279,237	1,977,124
• Premium on share placement		651,950	651,950	651,950
• Statement of Income		491,167	572,567	615,346
• Retained earnings		370,256	307,556	325,491
• Other comprehensive income (OCI)		309,672	209,538	233,935
• Article 6 Law 4/80		506	506	506
Non-controlling interest		**6,231**	**5,838**	**5,935**
• Minority interest		6,231	5,838	5,935
Total equity		**4,455,338**	**4,116,971**	**3,900,066**
Total liabilities and equity		**$ 58,067,360**	**$ 51,780,838**	**$ 50,254,425**

See the notes attached hereto, which are an integral part of the Consolidated Financial Statements

FÉLIX PÉREZ PARRA
Legal Representative (2)

OSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant (2)
Prof. License No. 179552-T

JORGE ENRIQUE PEÑALOZA PORRAS
Statutory Auditor
Prof. License No. 43402-T
Member of KPMG S.A.S.
See my report of January 29, 2018

(1) Restated figures, see Note 6

(2) The undersigned Legal Representative and Public Accountant hereby certified that we have previously verified the statements contained in these Consolidated Financial Statements and that they have been faithfully taken from the Company's ledgers.

Consolidated Statement of Income

(Millions of COP)

Item	Note	For the years ended December 31,	
		2017	2016
Interest income	(39)		
Loan portfolio		**$ 4,637,679**	**$ 4,361,985**
Commercial		1,219,611	1,236,163
Consumer		1,763,450	1,590,949
Credit card		390,582	343,882
Mortgage		866,218	843,810
Factoring		20,054	17,988
Operating Leasing		7,427	5,445
Financial leasing		185,247	182,061
Residential leasing		185,090	141,687
Interest expenses		**(2,233,769)**	**(2,277,295)**
Savings accounts		(705,198)	(881,185)
Term deposit Certificates		(1,455,440)	(1,339,626)
Banks and financial obligations		(73,125)	(56,460)
Other		(6)	(24)
Total interest income (net)		**2,403,910**	**2,084,690**
Commission Fee income	(40)		
Commission Income revenues		530,809	478,084
Commission Expenses expenses		(201,295)	(270,502)
Total Commission Income (net)		**329,514**	**207,582**
Other operating income	(40)		
Securities		**723,241**	**912,468**
Money market transactions		150,506	181,289
Investments at fair value		357,354	412,118
Investments at amortized cost		$ 215,381	$ 319,061
Derivatives		**$ 4,735,106**	**$ 5,561,262**

Item	Note	For the years ended December 31, 2017	2016
Equity derivatives		4,735,106	5,561,262
Disposals		**68,307**	**175,356**
Sale of non-current assets held for sale		1,069	1,397
Sale of Property and equipment		1,640	1,012
Investment sales		65,598	172,947
Dividends		**11,430**	**10,345**
Leases		**2,398**	**2,164**
Other		**125,278**	**178,372**
Recovery of operational risk		**6,294**	**7,678**
Total other operating income		**5,672,054**	**6,847,645**
Exchange difference (net)	(40)	**144,083**	**36,997**
Activities in joint ventures	(40)	**1,492**	**2,361**
Impairment of assets			
Impairment of loan portfolio (net)		**(1,177,251)**	**(613,988)**
Reimbursement of loan portfolio provision		759,861	631,291
Impairment of loan portfolio		(1,937,112)	(1,245,279)
Impairment of non-current assets held for sale		**(6,979)**	**(9,244)**
Impairment of investments		**(405)**	**(20,000)**
Impairment of property and equipment		**(103)**	**(2,969)**
Impairment of other assets		**(1,342)**	**(1,612)**
Total impairment of assets (net)		**(1,186,080)**	**(647,813)**
Operating expenses	(41)		
Securities		**(408,754)**	**(626,448)**
Money market transactions		(253,369)	(367,986)
Investments at fair value		(137,507)	(209,554)
Investments at amortized cost		(17,620)	(45,596)
Investments in non-controlling interests and joint arrangements		(258)	(3,312)
Derivatives		**(4,709,018)**	**(5,447,196)**
Equity derivatives		(4,653,369)	(5,393,983)
Hedging Derivatives		(55,649)	(53,213)
Disposals		**(67,647)**	**(104,231)**
Sale of non-current assets held for sale		(2,661)	(810)
Investment sales		(60,214)	(98,743)
Loan Portfolio sales		$ (4,772)	$ (4,678)
Employee salaries and benefits		**$ (583,457)**	**$ (530,050)**
Fees		**(29,472)**	**(22,490)**

Item	Note	For the years ended December 31,	
		2017	2016
Legal expenses		(30)	(76)
Depreciation and amortization		(93,281)	(74,960)
Current tax		(125,268)	(140,311)
Leases		(43,914)	(39,745)
Insurance		(139,075)	(126,350)
Contributions and memberships		(10,888)	(9,926)
Management and brokerage services and systems		(1,035)	(1,221)
Maintenance, improvements and repairs		(58,391)	(45,094)
Other		(465,134)	(454,396)
Operational risk expense		(4,965)	(8,655)
Activities in joint ventures		(1,947)	(1,874)
Minority interest		(1,356)	(1,023)
Total operating expenses		(6,743,632)	(7,634,046)
Pretax earnings		**621,341**	**897,416**
Income tax		(96,774)	(315,043)
Deferred tax		(33,400)	(9,806)
Statement of Income		**491,167**	**572,567**
Statement of Income attributable to:			
Owners of the controlling company		468,723	546,403
Non-controlling interest		22,444	26,164
Total year's profit attributable		**$ 491,167**	**$ 572,567**
Earnings per ordinary share (in COP)			
Basic and diluted	(36)	34	40

Consolidated Statement of Other Comprehensive Income

(Millions of COP)

Item	Note	For the years ended December 31,	
		2017	2016
Statement of Income		$ 491,167	$ 572,567
Other Comprehensive Income			
Items that are not reclassified to the Statement of Income for the period:			
Gains (losses) of other equity items of subsidiaries		613	(1,164)
Gains (losses) due to new measurements of defined benefit plans		9,075	(15,070)
Gains (losses) of non-controlling interests		16,122	(10,527)
Total items that are not reclassified to the Statement of Income for the period		**25,810**	**(26,761)**
Items that can be reclassified following the Statement of Income for the period:			
Gains due to recovery of loan portfolio impairment on account of losses incurred		147,430	34,162
Cash flow hedge losses		(18,219)	(48,542)
Total items that can be reclassified following the Statement of Income for the period		**129,211**	**(14,380)**
Total Other Comprehensive Income		**155,021**	**(41,141)**
Deferred tax			
On investments in equity instruments of other comprehensive income		(3,608)	2,250
On defined benefit plans		(4,529)	6,028
On new measurements of financial assets (incurred loss)		(52,285)	(10,951)
On cash flow hedges		5,536	19,417
Total deferred tax		**(54,886)**	**16,744**
Total other comprehensive income, net from taxes	(37)	**100,135**	**(24,397)**
Total statement of comprehensive income for the period		**$ 591,302**	**$ 548,170**

See the notes attached hereto, which are an integral part of the Consolidated Financial Statements

FÉLIX PÉREZ PARRA
Legal Representative (2)

OSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant (2)
Prof. License No. 179552-T

JORGE ENRIQUE PEÑALOZA PORRAS
Statutory Auditor
Prof. License No. 43402-T
Member of KPMG S.A.S.
See my report of January 29, 2018

Consolidated Statement of Changes in Equity

(Millions of COP and thousands of shares)

Item	Subscribed and paid-in capital			
	Shares with non-voting preferred dividend		Ordinary shares	
	Number	Value	Number	Value
Balances at January 01, 2016 (restated)	**479,760**	**$ 2,994**	**13,907,929**	**$ 86,785**
Non-controlling interest (minority interest)	-	-	-	-
Transfers	-	-	-	-
Dividends paid in cash on preferred and common shares	-	-	-	-
Appropriation for legal reserve	-	-	-	-
Release of occasional reserves	-	-	-	-
Net income for the period	-	-	-	-
Updated appraisal of fixed assets	-	-	-	-
Deferred taxes (net)	-	-	-	-
Adjustment of amortized cost Term Deposits gift	-	-	-	-
Adjustment by sales force of retained earnings	-	-	-	-
Hedge with cash flow derivatives	-	-	-	-
Defined pension contributions	-	-	-	-
Share in the OCI of investments with the equity method	-	-	-	-
Share in the OCI of investments in non-controlling interests - internal model	-	-	-	-
Loan portfolio measurements - incurred loss	-	-	-	-
Adjustment for consolidation	-	-	-	-
Balances at December 31, 2016 (restated)	**479,760**	**$ 2,994**	**13,907,929**	**$ 86,785**

Reserves	Premium on share placement	Statement of Income	Retained earnings	Other comprehensive income (OCI)	Article 6 Law 4 / 1980	Total shareholders' equity	Non-controlling interest	Total equity
$ 1,977,124	$ 651,950	$ 615,346	$ 325,491	$ 233,935	$ 506	$ 3,894,131	$ 5,935	$3,900,066
-	-	-	-	-	-	-	(97)	(97)
-	-	(615,346)	615,346	-	-	-	-	-
-	-	-	(301,854)	-	-	(301,854)	-	(301,854)
306,105	-	-	(306,105)	-	-	-	-	-
(3,992)	-	-	3,992	-	-	-	-	-
-	-	572,567	-	-	-	572,567	-	572,567
-	-	-	(18,050)	-	-	(18,050)	-	(18,050)
-	-	-	(4,316)	16,744	-	12,428	-	12,428
-	-	-	72	-	-	72	-	72
-	-	-	(8,692)	-	-	(8,692)	-	(8,692)
-	-	-	-	(48,542)	-	(48,542)	-	(48,542)
-	-	-	-	(15,070)	-	(15,070)	-	(15,070)
-	-	-	-	(1,164)	-	(1,164)	-	(1,164)
-	-	-	-	(10,527)	-	(10,527)	-	(10,527)
-	-	-	-	34,162	-	34,162	-	34,162
-	-	-	1,672	-	-	1,672	-	1,672
$ 2,279,237	$ 651,950	$ 572,567	$ 307,556	$ 209,538	$ 506	$ 4,111,133	$ 5,838	$ 4,116,971

Item	Subscribed and paid-in capital				
	Shares with non-voting preferred dividend		Ordinary shares		
	Number	Value	Number	Value	
Balances at December 31, 2016 (restated)	**479.760**	**$ 2.994**	**13.907.929**	**$ 86.785**	
Non-controlling interest (minority interest)	-	-	-	-	
Transfers	-	-	-	-	
Dividends paid in cash on preferred and common shares	-	-	-	-	
Appropriation for legal reserve	-	-	-	-	
Net income for the period	-	-	-	-	
Updated appraisal of fixed assets	-	-	-	-	
Deferred taxes (net)	-	-	-	-	
Adjustment by sales force of retained earnings	-	-	-	-	
Hedge with cash flow derivatives	-	-	-	-	
Defined pension contributions	-	-	-	-	
Share in the OCI of investments with the equity method	-	-	-	-	
Share in the OCI of investments in non-controlling interests - internal model	-	-	-	-	
Loan portfolio measurements - incurred loss	-	-	-	-	
Balances at December 31, 2017	**479,760**	**$ 2,994**	**13,907,929**	**$ 86,785**	

Reserves	Premium on share placement	Statement of Income	Retained earnings	Other comprehensive income (OCI)	Article 6 Law 4 / 1980	Total shareholders' equity	Non-controlling interest	Total equity
$ 2.279.237	$ 651.950	$ 572.567	$ 307.556	$ 209.538	$ 506	$ 4.111.133	$ 5.838	$ 4.116.971
-	-	-	-	-	-	-	393	393
-	-	(572,567)	572,567	-	-	-	-	-
-	-	-	(256,389)	-	-	(256,389)	-	(256,389)
256,540	-	-	(256,540)	-	-	-	-	-
-	-	491,167	-	-	-	491,167	-	491,167
-	-	-	(3,832)	-	-	(3,832)	-	(3,832)
-	-	-	(10,134)	(54,886)	-	(65,020)	-	(65,020)
-	-	-	(3,403)	-	-	(3,403)	-	(3,403)
-	-	-	-	(18,219)	-	(18,219)	-	(18,219)
-	-	-	(6,783)	9,074	-	2,291	-	2,291
-	-	-	-	614	-	614	-	614
-	-	-	27,214	16,121	-	43,335	-	43,335
-	-	-	-	147,430	-	147,430	-	147,430
$ 2,535,777	$ 651,950	$ 491,167	$ 370,256	$ 309,672	$ 506	$ 4,449,107	$ 6,231	$4,455,338

See the notes attached hereto, which are an integral part of the Consolidated Financial Statements

FÉLIX PÉREZ PARRA
Legal Representative (2)

OSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant (2)
Prof. License No. 179552-T

JORGE ENRIQUE PEÑALOZA PORRAS
Statutory Auditor
Prof. License No. 43402-T
Member of KPMG S.A.S.
See my report of January 29, 2018

Consolidated Statement of Cash Flow

(Millions of COP)

Item	Note	For the years ended December 31,	
		2017	2016
Balance at the beginning of period		$ 4,904,170	$ 6,345,308
Cash flows from operating activities:			
Received from customers		6,746,038	5,511,519
Interest paid		(2,164,204)	(2,222,553)
Payments to suppliers and employees		(2,324,905)	(1,920,425)
Income tax paid		(420,925)	(377,643)
Cash advances and loans granted to third parties		(707,091)	(804,524)
Collections on the reimbursement of advances and loans granted to third parties		664,833	858,680
Net cash flow provided by operating activities		**1,793,745**	**1,045,054**
Cash flows from investment activities:			
Payments and other revenue from financial instruments		(1,130,429)	(2,369,346)
Other dividends received		23,150	20,556
Other dividends paid	(34)	(22,409)	-
Payments and other revenue to acquire joint ventures		(14,549)	-
Acquisition of property and equipment	(19)	(44,929)	(43,976)
Sale of property and equipment		5,637	-
Net cash flow on the acquisition of investments in non-controlling interests		-	482
Net cash flow used in investment activities		**$ (1,183,528)**	**$ (2,392,284)**

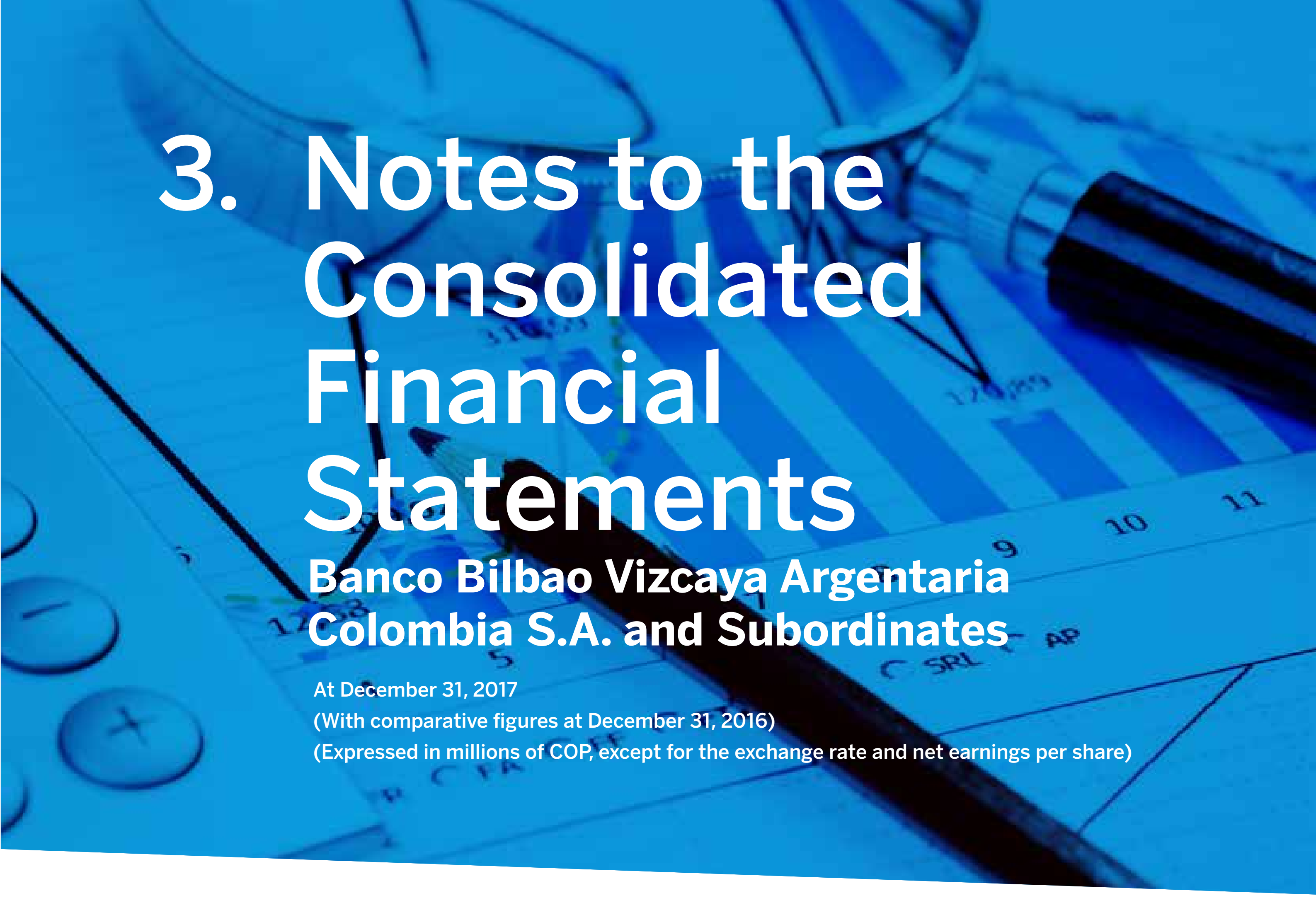
Item	Note	For the years ended December 31,	
		2017	2016
Cash flow in financing activities:			
Payments for share issuance		$ 3,118	$ -
Loans and other financial liabilities		351,059	257,022
Dividends paid to owners		(251,615)	(310,851)
Net cash flow used in (provided by) financing activities		**102,562**	**(53,829)**
Cash and cash equivalents:			
Effect of changes in the exchange rate on cash held in foreign currency		160,771	(40,079)
Balances at the end of period		**$ 5,777,721**	**$ 4,904,170**

See the notes attached hereto, which are an integral part of the Consolidated Financial Statements

FÉLIX PÉREZ PARRA
Legal Representative (2)

OSCAR ENRIQUE RODRÍGUEZ ACOSTA
General Accountant (2)
Prof. License No. 179552-T

JORGE ENRIQUE PEÑALOZA PORRAS
Statutory Auditor
Prof. License No. 43402-T
Member of KPMG S.A.S.
See my report of January 29, 2018



3. Notes to the Consolidated Financial Statements

Banco Bilbao Vizcaya Argentaria Colombia S.A. and Subordinates

At December 31, 2017
(With comparative figures at December 31, 2016)
(Expressed in millions of COP, except for the exchange rate and net earnings per share)

1. Reporting entity

Banco Bilbao Vizcaya Argentaria Colombia S.A. BBVA Colombia (hereinafter, "the Bank" or "BBVA Colombia S.A."), acting as the Parent Company of Grupo Empresarial BBVA Colombia, registered in the commercial register, hereinafter "the Group," formed by the subsidiaries of the Bank BBVA Asset Management S.A. Sociedad Fiduciaria with a 94.51% share and BBVA Valores Colombia S.A. Comisionista de Bolsa with the Parent Company's 94.44% share, reports consolidated financial statements for the following companies:

BBVA Colombia S.A. is a private banking institution incorporated under Colombian laws on April 17, 1956 through Public Instrument No. 1160 issued by the Third Notary of Bogotá. Its term of duration ends on December 31, 2099; this term may be extended according to the law. The Financial Superintendence of Colombia (hereinafter, "the Superintendence" or "SFC") through Resolution No. 3140 / September 24, 1993, renewed the operating permit definitively. The main activity of the Bank includes providing loans to public and private sector companies and individual loans. It also carries out international banking activities, privatizations, financial projects and other banking activities in general, and provides leasing services.

The Bank carries out its activities at its registered office in the city of Bogotá located at Carrera 9 No. 72- 21 through 510 and 527 offices for the years ended December 31, 2017 and 2016, respectively, including branch offices, in house services at customer facilities, service centers, agencies, cash extensions and mini-banks located in 123 cities in Colombia, distributed as follows:

2017

Type of office	Number
Branch offices	384
In house	58
Service centers	13
Agencies	38
Cash extensions	13
Mini-banks	4
Total offices	**510**

2016

Type of office	Number
Branch offices	421
In house	52
Service centers	14
Agencies	25
Cash extensions	6
Mini-banks	9
Total offices	**527**

Additionally, it has 39 financial services contracts through Non-Banking Correspondents (NBC) amounting to 5,878 points of service at December 31, 2017 (5,826 points of service at December 31, 2016).

The Bank is a subsidiary of Banco Bilbao Vizcaya Argentaria S.A. España (76% share), which is part of the BBVA Group.

BBVA Asset Management S.A. Sociedad Fiduciaria, hereinafter, “the Trust Company”, is a private commercial entity of financial services, legally incorporated by Public Instrument 679 issued by the 13th Notary of Bogotá / April 5, 1976.

Through Public Instrument 3742 dated April 29, 2010 issued by the 72nd Notary of Bogotá, the name change to BBVA Asset Management S.A. Sociedad Fiduciaria was made official, and for all legal purposes it may use the name BBVA Asset Management or BBVA Fiduciaria.

The Trust Company is a subordinate of Banco Bilbao Vizcaya Argentaria Colombia S.A.; it has its registered office in the city of Bogotá. At December 31, 2017 and 2016, it had 117 employees for both years, with a duration up to May 27, 2098 and it has a permanent operating license from the Financial Superintendence of Colombia (hereinafter “the Superintendence”), according to Resolution 223 / January 12, 1979.

The main objective of the Trust Company consists of entering into commercial trust agreements, entering into state trust agreements as provided by Law 80 / 1993 and, in general, doing any business that implies a trust management and all the business that trust companies are legally authorized to do. In fulfilling its purpose, the Trust Company essentially may acquire, dispose of, tax, manage real estate and personal property, legally represent bondholders, intervene as a debtor or creditor in all types of credit transactions, and issue. Accept, endorse, collect and trade, in general, all types of securities.

BBVA Valores Colombia S.A. Comisionista de Bolsa (hereinafter "the Brokerage Firm") was incorporated on April 11, 1990 following authorization by the Financial Superintendence of Colombia. Its corporate purpose is the development of the commission contract for the purchase and sale of securities listed in the National Securities Registry, the development of security funds management contracts for its domestic and foreign customers, and the performance of transactions on its own behalf. Furthermore, it is authorized by the Superintendence to carry out the activities related to the securities market and give advice in capital-market related activities.

The Brokerage Firm is a subsidiary of Banco Bilbao Vizcaya Argentaria Colombia S.A.; its registered office is the city of Bogotá D.C., where its conducts its commercial activity, and its term of duration expires on April 11, 2091.

The Bank and its subsidiaries have a national work force that, at the end of December 2017 and 2016 amounted to 5,362 and 5,724 employees, respectively.

At December 31, 2017 and 2016, the breakdown of the balance sheet for the consolidable entities was as follows:

2017

Entity	Assets	Liabilities	Equity	Income
BBVA Colombia S.A.	$ 57,427,212	$ 53,403,220	$ 4,023,992	$ 457,466
BBVA Asset Management S.A.	118,243	18,522	99,721	27,250
BBVA Valores S.A.	15,112	1,460	13,652	(2,511)

2016

Entity	Assets	Liabilities	Equity	Income
BBVA Colombia S.A. (1)	$ 51,331,157	$ 47,502,600	$ 3,828,557	$ 512,928
BBVA Asset Management S.A.	105,315	8,795	96,520	18,764
BBVA Valores S.A.	14,491	2,434	12,057	(123)

(1) The Separate Financial Statements of 2016 of BBVA Colombia were restated. See Note 6.

Eliminations in consolidation:

2017

Descripción	BBVA	BBVA Fiduciaria	BBVA Valores
Eliminaciones consolidado	$ 53,890	$ (52,857)	$ (1,033)
Eliminación patrimonial	(113,373)	99,721	13,652
Interés minoritario (patrimonio)	-	(5,472)	(759)
Interés minoritario (resultados)	-	1,495	(140)

2016

Descripción	BBVA	BBVA Fiduciaria	BBVA Valores
Eliminaciones consolidado	$ 35,327	$ (35,271)	$ (56)
Eliminación patrimonial	(109,146)	96,966	12,180
Interés minoritario (patrimonio)	-	(5,168)	(670)
Interés minoritario (resultados)	-	1,030	(7)

Approval of financial statements - The Group's consolidated financial statements for the year ended December 31, 2017, prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF, for the Spanish original), have been approved by the Bank's Board of Directors for issuance on January 29, 2018. These statements will be subject to approval by the General Meeting of Shareholders to be held within the terms established by Law. The Consolidated Financial Statements for the year ended December 31, 2016 were approved by the General Meeting of Shareholders held on February 28, 2017.

2. Bases for the preparation and presentation of the Consolidated Financial Statements

2.1. Statement of Compliance

The Group applies the following accounting criteria that differ from the IFRS issued by the IASB in compliance with the Laws, Decrees and other current standards:

In accordance with the current provisions issued by Law 1314 / 2009, regulated by Decree 2420 / 2015 amended by Decrees 2496 / 2015, 2131 / 2016 and 2170 / 2017, the Group has prepared its consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (hereinafter NCIF, for the Spanish original), which are based on the International Financial Reporting Standards (hereinafter IFRS), along with their interpretations issued by the International Accounting Standards Board (IASB); the base standards are those officially translated into Spanish and issued by the IASB on December 31, 2015; it has also taken into account the technical regulations issued by the Financial Superintendence of Colombia and the Central Bank of Colombia.

In addition, the Bank applies the following accounting criteria that differ from the IFRS issued by the IASB in compliance with the Laws, Decrees and other current standards:

Public Notice No. 037 / 2015 of the Financial Superintendence of Colombia – The parent company must adjust the consolidated financial statements, prepared using the NCIF, to include the difference between the value of provisions for the loan portfolio recognized in such consolidated financial statements by the methodology of loss incurred and generated in the Group's individual and/or separate financial statements based on expected loss, under the same terms as the instructions established in Section 1.5 of Public Notice 036 / 2014.

The above adjustment to the consolidated loan portfolio and its impact on the OCI of the consolidated financial statements must be made and recorded on a permanent basis.

The financial statements of the Bank and its domestic subsidiaries have been amended with respect to the separate and/or individual financial statements of said entities, in order to include the accounting policies applicable to the Group under the technical regulatory framework in force in Colombia for the preparation of consolidated financial statements.

Public Notice No. 36 / 2014 of the Financial Superintendence of Colombia – Establishes how to apply IFRS 1 First-time Adoption of the International Financial Reporting Standards, and includes the following, among others:

Applicable to entities subject to monitoring or securities issuers subject to control. The accounting treatment of net positive differences generated by applying the NCIF for the first time cannot be distributed to cover losses, to carry out capitalization processes, to distribute profits and/or dividends, or to be recognized as reserves and may only use the standards when they have effectively been carried out with third parties, other than related parties. The net positive differences will not be calculated in compliance with the requirements of technical equity, minimum operating capital and other legal controls applicable to the Entities.

In addition, section 5 of said Notice establishes that adjustments to the first-time application of IFRS in the consolidated financial statements of the parent company, related to the value of the loan portfolio allowance recognized in the individual or separate financial statements of domestic and foreign subsidiaries, shall be recognized in the "Other Comprehensive Income" of the consolidated financial statements, under code 381560, "Differences between Consolidated and Separate Financial Statements" of the Exclusive Financial Reporting Catalog for Monitoring Purposes.

Decree 2496 / December 23, 2015 – Through this Decree, it is determined that the parameters to establish post-employment benefits for the treatment of IAS 19 must correspond to Decree 2783 / 2001, as the best market estimate. This decree establishes the actuarial assumptions for calculating future increases of salaries and pensions, establishes the actual technical interest rate applicable and the form of considering the expected increase in income for active and retired personnel.

Decree 2131 / 2016 – Whereby the disclosure the calculation of pension liabilities is defined in accordance with the parameters established in Decree 1625 / 2016 and, in the case of partial pension switching pursuant to Decree 1833 / 2016, informing the variables used and the differences with the calculation in accordance with IAS 19 - Employee Benefits, which represents a change in the accounting estimate.

Law 1739 / December 23, 2014 – Whereby the National Government establishes the wealth tax. This tax is generated by the possession of wealth (gross equity less current debts) equal to or greater than COP 1,000 million between January 1, 2015 and 2017. The Group recognized this tax in expenses

Regulatory Notice DODM 139 / May 25, 2015 and its amendments on May 3, September 1 and 30, 2016. This notice establishes the calculation of proprietary position, spot market proprietary position, gross leverage position and indicators of exposure based on currency of foreign exchange market brokers and with which the period's exchange differences in the Group are recorded. (See Note 8).

2.2. Consolidation Criteria

For consolidation purposes, and following the criteria established by the NCIF, the consolidation parameter is defined using the guidelines established by IFRS 10, which basically concern control (power/returns) as a guide to determine the companies susceptible to consolidation and the information to be disclosed regarding shares in other entities. The consolidation method to be applied is a result of total control and/or significant influence over the controlled entity. The Group applies the global integration method, recognizing shares in non-controlled entities as equity and income.

The Group is made up, in addition to the Bank of two subsidiary entities controlled by the Group, a control obtained when the Bank is exposed to, or entitled to, variable returns based on its involvement in the controlled entity and it has the ability to influence these returns through its power over the controlled entity.

In all cases, the consolidation of income generated by the companies that make up the Group in any given fiscal year is carried out considering only the income corresponding to the period between the date of acquisition and the close of that fiscal year. Similarly, the consolidation of income generated by companies disposed of in any given fiscal year is carried out considering only the income for the period between the beginning of the fiscal year and the date of disposal.

In the consolidation process, the Group combines the assets, liabilities and income of the entities over which it has control, after standardizing their accounting policies. During this process, it eliminates reciprocal transactions and unrealized earnings between them. The share of non-controlling interests in the controlled entities is presented in equity, separate from shareholders equity of the Group's controlling company.

To prepare the consolidated financial statements, the financial statements of subsidiaries and associates are included at the dates of their presentation.

Intereses minoritarios:

Entity	2.017	2.016
BBVA Asset Management S.A.	$ (5,472)	$ (5,168)
BBVA Valores S.A.	(759)	(670)
Total	**$ (6,231)**	**$ (5,838)**

The Bank consolidated the subsidiaries in which it had the following holding, at December 31, 2017 and 2016:

Location	Subsidiary	Share percentage
Colombia	BBVA Valores Colombia S.A. Comisionista de Bolsa	94.44%
Colombia	BBVA Asset Management S.A. Sociedad Fiduciaria	94.51%

2.3. Measurement Basis

The Consolidated Financial Statements have been prepared based on historical cost, except for certain properties and financial instruments that are measured using an alternative basis at each reporting period, such as:

- Trading and hedging financial derivatives (Notes 15, 16 and 26).
- Non-current assets held for sale (Note 18).
- Employee benefits, except for short-term benefits (Note 32).
- Deferred tax (Note 33).
- Financial instruments stated at fair value (Note 14).

The historical cost is generally based on the fair value of the consideration provided in the exchange of goods and services.

The Group has applied the significant accounting policies, judgments, estimations and assumptions described in Note 3.

2.4. Functional and Reporting Currency

The BBVA Group prepares and presents its Consolidated Financial Statements in Colombian pesos, which is its functional currency and the presentation or reporting currency for all purposes. The functional currency is the currency of the main economic environment in which an entity operates, which influences the transactions it carries out and the services it provides, among other factors.

The figures of the Financial Statements and the disclosures detailed in the notes are expressed in COP millions and have been rounded to the nearest full figure, unless otherwise specified.

2.5. Judgments and Estimations

The information contained in these Consolidated Financial Statements is the responsibility of the Group's Management. In their preparation, certain estimates are used to quantify some of the assets, liabilities, income, expenses and commitments that are recorded therein, based on experience and other relevant factors. The final results may vary from said estimates.

These estimates are continually reviewed. Modifications to the accounting estimates are recognized prospectively, accounting for the effects of changes made to corresponding accounts of the Consolidated Statement of income for the fiscal year, as applicable, starting from the fiscal year in which such reviews are made.

The estimates and their most important sources of uncertainty for preparing the consolidated financial statements refer to:

- Fair value of investment assets (Note 10).
- Provision for credit loss, interest and other items (Note 11).
- Other contingent assets and credits (Note 22).
- Provisions for accounts receivable impairment (Note 17).
- Provisions for employee benefits (Note 32).
- Useful life assigned to property, plant and equipment (Note 19).
- Provisions, contingent liabilities and contingent assets (Note 31).
- Deferred income tax (Note 33).
- Financial derivatives (Notes 15 and 26).

3. Main Policies and Practices

The significant accounting policies used by the Group to prepare and present its consolidated financial statements are detailed below.

These policies have been consistently applied in all periods presented, unless otherwise indicated.

3.1. Cash and Cash Equivalents

The entity classifies cash, deposits in Banks (including the Central Bank), exchange checks and remittances in transit as cash, regarding which the following criteria were validated:

- They must meet the definition of assets
- It must be likely that any economic benefit associated with the item will be received by the entity
- The amount can be reliably measured.

The Group classifies investments of money market transactions (interbank funds, swap transactions and overnight investments) as cash equivalents, validating the following criteria:

- Short-term high liquidity investments (less than 90 days)
- Easily convertible into determined amounts of cash
- They are subject to insignificant risk of changes in value

3.2. Transactions in Foreign Currency

Transactions in foreign currency are recorded, at the time of initial recognition, using the functional currency, which is also the presentation currency. To this effect, the amounts in foreign currency are converted to functional currency applying the exchange rate on the date of the transaction, which is the date on which said transaction meets the conditions for recognition.

The resulting negative and positive exchange difference is carried to the exchange difference item, in the Consolidated Statement of Income. The exchange rate used for adjusting the resulting balance in US Dollars at December 31, 2017 and 2016 was COP 2,984.00 and COP 3,000.71 per USD 1, respectively.

The guidelines below are followed at the close of each reporting period:

(a) Monetary assets and liabilities are converted using the accounting exchange rate at the closing date of the reporting period.

(b) Non-monetary assets and liabilities, not valued at fair value, are converted at the exchange rate on the date of the transaction.

(c) Non-monetary assets and liabilities valued at fair value are converted at the exchange rate on the date on which fair value was determined.

3.3. Financial Collateral

The financial collateral provided is recognized initially by recording a liability at fair value, which is usually the current value of the fees and returns to be received for said contracts throughout their useful life, with the amount of assimilated fees and returns collected at the beginning of the operations and the accounts receivable for the current value of the future cash flows pending receipt as an offsetting entry in assets.

This collateral is initially recognized at cost on the date of the transaction; the effect on income or expense is given by the contractual terms established to hedge the transaction.

The financial collateral, regardless of the holder, instrumentation or other circumstances, are later analyzed on a periodic basis (semi-annually) to determine the credit risk to which they are exposed and, if necessary, to estimate the need to create a provision (contingent liability).

The value of the collateral will subsequently be valued in accordance with the contractual terms for this transaction. Depending on the variation of the threshold, the income or expense is adjusted in the statement of income.

If customers default on obligations with third parties derived from an Endorsement or Bank Guarantee issued by the Bank, an asset valued by credit risk is recognized, along with a provision based on the parameters established by IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, by applying the decision tree.

3.4. Financial Instruments

Financial instruments are classified as assets, liabilities or capital, based on the text of the contractual agreement that gave rise thereto. Interests, dividends, gains and losses generated by a financial instrument classified as an asset or liability are recorded as income or expenses in the Consolidated Statement of Income.

Financial instruments are offset when the Group has the legal right to offset them, and Management has the intention of paying them on a net basis, or of realizing the asset and paying the liability simultaneously.

Classification of financial instruments – The Group records its financial instruments on the trade date and they are classified in accordance with the business model and the contractual cash flow characteristics of the financial assets as follows: i) Credits and accounts receivable at amortized cost, ii) Investments at fair value through profit or loss, iii) Investments at fair value through OCI, iv) Investments at amortized cost, and v) Liabilities at amortized cost and at fair value (derivatives).

Effective interest rate method - The effective interest rate method is a method used to calculate the amortized cost of a financial instrument and the allocation of financial income throughout the relevant period. The effective interest rate is the discount rate that correctly balances estimated receivable or payable cash flows (including commission, basic interest points paid or received, transaction costs and other premiums or discounts included when calculating the effective interest rate) throughout the expected life of the financial instrument or, when applicable, over a shorter period, with net carrying amount at the time of initial recognition.

Income is recognized based on the effective interest rate for debt instruments other than the financial assets classified at fair value through profit or loss.

Offsetting financial instruments - Financial assets and liabilities are subject to offsetting, i.e., presentation in the Consolidated Statement of Financial Position by net amount, only when controlled entities have both the right, which is legally enforceable, to offset the amounts recognized in said instruments, as well as the intention to liquidate the net amount, or realize the asset and pay the liability simultaneously.

Other financial assets and financial liabilities at fair value through profit or loss - Recorded assets and liabilities are valued at fair value and variations in their value are recorded at their amount in income or expense depending on their nature. However, variations originating from exchange rate differences are recorded in the (net) exchange rate difference income account.

Impairment of financial assets – According to IAS 39 “Financial Instruments - Recognition and Measurement”, at the end of each period, the Group assesses whether there is objective evidence that a financial asset or a group thereof, measured at amortized cost, is impaired. Impairment indicators include significant economic difficulties of the debtor, the probability of bankruptcy of the debtor, financial restructuring and default on payments.

In order to determine the amount of the impairment, the Group individually assesses the financial assets of investments, as well as the loan portfolio it deems significant, analyzing the profile of each debtor, the collateral provided and information from the credit risk assessment agencies.

Writing off financial instruments - The write-off of financial assets, in the Consolidated Statement of Financial Position, takes place when the contractual rights to the cash flows of the financial asset have expired or when the implicit risks and rewards of the asset are transferred to third parties and the transfer meets the requirements for write-off.

In the latter case, the transferred financial asset is written off the Consolidated Statement of Financial Position, simultaneously recognizing any right or obligation retained or created as a result of the transfer. It is considered that the Group substantially transfers the risks and rewards, if the risks and rewards that are transferred represent the majority of the total risks and rewards of the transferred assets.

When the risks and/or rewards associated with the transferred financial asset are substantially retained:

- The transferred financial asset is not written off in the Statement of Financial Position and it continues to be valued with the same criteria as those used before the transfer.

- An associated financial liability is recorded for an amount equal to the consideration received, which is later valued at amortized cost.

- Both the income associated with the transferred financial asset (not written off) and the expenses associated with the new financial liability continue to be recorded.

In the cases where the write-offs of assets refer to reporting criteria within the Conceptual Framework, they will be removed only following authorization by the Board of Directors and/or in accordance with the levels of authorization established in the Internal Standardization Process (PNI, for its Spanish original).

Asset write-offs applied based on forgiveness shall be made following the due approval process stipulated in the Internal Standardization Process (PNI).

Financial liabilities are only written off of balance sheet accounts when their obligations to the Group have been fulfilled.

Financial Assets in Investment Debt Securities

For the Consolidated Financial Statements, the classification and measurement criteria for investments in debt securities established in IFRS 9 - Financial Instruments are applied, taking into account their business model to manage assets and the contractual cash flow characteristics of the financial asset in two groups:

- Investments at fair value through profit or loss: refer to the portfolio for managing fixed-income and variable-income investments, other than shares, with the main purpose of earning profits, as a result of variations in the market value of different instruments and in activities involving securities trading. This portfolio is represented by debt securities, which the Bank and subsidiaries value at a price determined by the valuation price vendor. In the exceptional cases where a determined fair value does not exist on the day of valuation, such securities are exponentially valued on a daily basis based on the internal rate of return.

- Investments at amortized cost: • these are securities for which the Group has the intent and legal, contractual, financial and operating capacity of holding until the date of their maturity or redemption, considering that the structure of financial instruments eligible for these portfolio only results in payments of principal and interest. They are valued on a daily basis, exponentially, based on the internal rate of return calculated at the time of purchase.

The Global Markets department is an internal department of the Bank that manages, classifies and defines the business model for marketable investments. In turn, ALCO Financial Management is an internal department of the Bank that manages, classifies and defines the business model for investments classified at amortized cost.

No monetary market transactions can be

conducted with securities classified at amortized cost, except in the case of forced or compulsory investments subscribed in the primary market and provided that the counterparty of the transaction is the Central Bank of Colombia, the General Office of Public Credit, the National Treasury or the entities supervised by the Superintendence.

Notwithstanding the aforementioned, securities classified as investments at amortized cost may be provided as collateral in a counterparty clearing house with the purpose of backing the fulfillment of the transactions accepted by the latter for offsetting and settlement.

Investments classified in this category are measured at amortized cost using the effective interest rate method, and the interest and calculated impairment are recognized in the Consolidated Statement of Income.

Impairment of investments at amortized cost: At the end of each period, the Group assesses whether there are signs of impairment of the investments at amortized cost. The amount of the loss is determined by calculating the difference between the carrying value of the investment and the present value of the estimated future cash flows, deducted with the effective interest rate on the initial recognition date of the investment. The carrying amount of the investment is reduced through an allowance account against the Statement of Income. Then, if there is evidence of recovery, the impairment loss recognized in the Statement of Income is adjusted.

Initial recognition of investments in debt securities: Investments in debt securities at the time of initial recognition are measured at fair value.

Subsequent measurement: Subsequent measurement of investments in debt securities is defined in accordance with the classification assigned in two categories: Fair value and amortized cost, based on the definition of the Group's business model (According to IFRS 9).

Investment valuation – The main objective of valuating investments is determining (measuring), recording and disclosing to the market the fair value at which a security can be traded on a certain date, according to its particular characteristics and within market conditions prevalent on that date.

Debt securities are valued based on the classification prescribed and the criteria established in IFRS 9, at fair value, taking the prices published by suppliers according to the fair value hierarchy and at amortized cost.

Investment valuation criteria - Determining the fair value of a security considers all criteria necessary to ensure compliance with the objective of the investment valuation established in IFRS 9, and in all cases: objectivity, transparency and representativeness, permanent assessment and analysis, and professionalism.

Frequency of valuation and recording Thereof - The valuation of investments in debt securities must be carried out on a daily basis, unless other standards indicate a different frequency. Likewise, the accounting records necessary for the recognition of the investment valuation must be made with the same frequency used for the valuation.

The valuation of equity instruments and their corresponding entries are carried out on a monthly basis.

Investments in equity instruments at fair value through OCI:

For equity instruments, the measurement techniques established in IFRS 9 are applied, using the fair value hierarchy criteria, based on the internal model of discounted revenue streams, since these shares are not listed on any secondary market and there is no market price available.

The Group estimates the Statement of Financial Position, Statement of Income and the Statement of Changes in Equity of each entity in order to obtain a flow of future dividends.

This flow of dividends is discounted at present value, as is perpetuity, assuming an indefinite interest in the entity, in order to estimate the fair value thereof.

As for all the figures of the Financial Statements under analysis, the real closing data for three years prior to the analysis date are taken, and based on the current year; the figures are estimated with a limit of another five years, in accordance with the criteria presented below.

This valuation is adjusted on a quarterly basis, in accordance with the periodic Financial Statements published by the entity, to compare the estimate made for the following year with the amount executed on each line of the Balance Sheet and Statement of Income, in order to ensure the accuracy of the valuation. The results of the valuation of these investments are recorded in the other comprehensive income account.

At the end of each period, the Group evaluates whether there is objective evidence of impairment from investments in non-controlled entities, by applying the internal model described above.

Investments in Joint Arrangements:

A joint arrangement is that in which two or more parties have joint control over the arrangement, i.e. when decisions regarding relevant activities require the unanimous consent of the parties that share control. Joint arrangements, in turn, are divided into joint operation, in which the parties have joint control and have rights to the assets and obligations regarding related liabilities; and in joint venture, in which the parties that have control are entitled to the net assets and liabilities.

Investments in joint arrangements are measured using the equity method in accordance with the criteria of IAS 28. The investment is initially recognized at cost and is later valued by the changes in the part of the Group of the net asset (equity) of the controlled entity.

The Group has a joint operation with the RCI Colombia Commercial Financing Company that belongs to the Renault Group, with a 49% share, where the adjustments for the entity's income for the fiscal year are recorded in the Statement of Income and the adjustments of all other net asset items using the equity method are recorded in Other Comprehensive Income (OCI).

Derivative Financial Instruments

The Group subscribes a variety of financial instruments to manage its exposure to interest rate and foreign currency exchange rate risks, including exchange risk hedging, interest rate and currency swap contracts. Note 15 include a more detailed explanation of derivatives.

Derivatives are initially recognized at fair value on the date that the derivative contract is signed, and subsequent changes are adjusted through debits or credits in the Statement of Income, as applicable. The resulting profit or loss is recognized in the Consolidated Statement of Income immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profits or losses will depend on the nature of the hedging relationship and on its effectiveness.

Financial derivative contracts are reported as assets when their fair value is positive and as liabilities when it is negative.

For valuation purposes, presentation in the Financial Statements, and disclosure and reporting information, the Group must include the credit risk adjustment on a daily basis with the respective counterparty or CVA (Credit Valuation Adjustment) or the own credit risk adjustment or DVA (Debit Valuation Adjustment) in the fair value calculation ("free of risk") of transactions with OTC or unstandardized derivatives in their portfolios.

CVA and DVA adjustments do not apply when a counterparty clearing house is involved as a counterparty for monitored entities in transactions with derivatives.

The methodologies used to measure a CVA and DVA adjustment for transactions with OTC derivatives or unstandardized derivatives should at least consider the following seven (7) criteria:

- Deadline for compliance with and settlement of the transaction;
- Financial strength: of the counterparty for the CVA, as well as the DVA;
- Netting or compensation agreements with counterparties for transactions with derivatives. In this case, a CVA and DVA adjustment should be calculated for the entire portfolio of transactions with derivatives that are open with the respective counterparty and not individually by transaction;
- Guarantees associated with the transaction:
- Risk rating, if any, granted by at least one internationally-recognized or authorized risk rating company in Colombia, as applicable;
- Exogenous circumstances or events that may affect payment capacity and fulfillment of obligations: of the counterparty for the CVA and its own for DVA; and
- Any others that the Bank deems relevant.

Implicit Derivatives

Implicit derivatives in main contracts are treated as separate derivatives when they meet the definition of a derivative and when their risks and characteristics are not closely related to said main contracts and the contracts are not measured at fair value through profit or loss.

Hedge Accounting

A derivative intended to achieve the financial hedging of a certain risk is treated, for accounting purposes, as having the purpose of hedging if, when trading, changes in its fair value or cash flows are expected to be highly effective in offsetting changes in the fair value or cash flows of the hedged item, directly attributable to the hedged risk from the start, which should be documented in the trading of the derivative and during the hedging period.

The Group designates certain hedging instruments, which include derivatives, implicit derivatives and non-derivatives with respect to foreign currency risk, as fair value hedging or cash flow hedging. Foreign currency risk hedging of a firm commitment may be posted as cash flow hedging. At the start of the hedge, the entity documents the relationship between the hedging instrument and the hedge item, along with its risk management objectives and its strategy for undertaking several hedging transactions.

At the start of the hedge and on a continuous basis, said documentation shall include the manner in which the entity will measure the effectiveness of the hedging instrument to offset exposure to changes in fair value of the hedged item or to changes in cash flow attributable to the hedged risk.

Note 15 includes details on the fair value of derivatives used for hedging purposes.

Fair value hedging - Changes in the fair value of derivatives that are designated and rated as fair value hedging are recognized from the time the effective hedge is designated, in profit or loss, along with any other change in the fair value of the hedged asset or liability attributed to the hedged risk. Variations in the fair value of a hedged risk of the hedged item are recognized in the Consolidated Statement of Financial Position in the item related to the hedged item against other comprehensive income.

Hedge accounting is suspended when the Bank revokes the hedging relationship, the hedging instrument matures, or is sold, terminated or completed, or it no longer meets the criteria for hedge accounting.

Cash flow hedging - The portion of changes in fair value of derivatives determined as an effective cash flow hedge will be recognized in other comprehensive income and accumulated under the item "cash flow hedging reserve". The ineffective part will be immediately recognized as income for the period, on the line item “other operating profits and losses”.

- The amounts previously recognized as other comprehensive income and accumulated in equity, are reclassified in income in the periods when the hedge item affects income, on the same line item as the recognized hedge item. However, if hedging a planned transaction later results in recognizing a non-financial asset or non-financial liability, the profits or losses previously recognized in other comprehensive income and accumulated in equity are transferred and included in the initial measurement of cost of the non-financial asset or liability.

- Hedge accounting will be suspended when the Group revokes the hedging relationship, the hedging instrument expires, or is sold, resolved or completed, or it no longer meets the criteria for hedge accounting. The profit or loss that has been recognized as other comprehensive income and accumulated as equity will continue as equity and be recognized when the planned transaction is recognized in the statement of income. When the planned transaction is no longer expected to occur, any profit or loss accumulated in equity is recognized immediately in the profit and loss statement.

Loan portfolio:

Considering that the Group's main objective is customer portfolio collection and placement, in accordance with the contractual terms, it has decided to classify the loan portfolio "at amortized cost", since the contractual conditions are met that give rise, on specified dates, to cash flows that are only payments of the principal and interest of the balance due.

Loans are non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Loans are initially recognized at fair value (value of the transaction), plus the transaction costs that are directly attributable.

Costs directly attributable to the credit investment portfolio are made up of the Group's sales force item. The contract on which the amount is paid for this item is specifically identified, and is deferred over the average life of each line of business (mortgage, commercial, and consumer).

There is the option to pay all or part of a loan at any time in advance without any penalty. In the case of partial payments in advance, the debtor has the right to choose whether the amount paid will reduce the value of the installment or the term of the obligation.

Types of Loan Portfolio:

Mortgage portfolio - It records, regardless of the amount, the credits granted to natural persons (individuals) for the acquisition of new or used housing, or for the construction of individual housing.

Consumer loan portfolio - Records all credits granted to natural persons (individuals) whose purpose is to finance the acquisition of consumer goods or the payment of services for non-commercial or non-entrepreneurial purposes, regardless of their amount and other than those classified as micro-credits (see reference model on credit risk rating).

Commercial loan portfolio - Credits granted to natural or legal persons to carry out organized economic activities, other than those granted under the type of micro-credit.

Impairment of the loan portfolio:

Impairment of financial assets under international Financial Reporting Standards is based on a model of incurred loss, in which financial assets are analyzed to estimate their impairment if, and only if, there is objective evidence of impairment (EOD, for the Spanish original) as a result of one or more events causing the loss that have occurred after the initial recognition of the asset but by the date of the analysis or earlier and that have an impact on future estimated cash flows for the financial assets.

IAS 39 requires the impairment analysis to be carried out on individual financial instruments. However, this analysis may be conducted on a collection of financial instruments that share common risk characteristics. Therefore, the model for calculating provisions for impairment has two types of differentiated analysis: individual and collective analysis.

The Group has taken the following accounting aspects into account to apply them practically in the model:

- The definition of "individually significant" corresponds to customers with drawn risk greater than 40% of the local non-performing and the consolidated commercial loan portfolio.

- On the other hand, the financial assets are analyzed collectively when they can be grouped together based on their credit risk (indicative of the debtor's payment capacity), among others. Based on the model, this grouping is carried out based on a series of determined core concepts.

IAS 39 establishes that objective evidence of impairment (EOD) is any event or credit action that has occurred by the date of presentation of the financial information (or earlier) that negatively affects expected cash flows of a financial instrument. The EOD of an asset includes observable data regarding the following aspects:

- Significant financial difficulties of the issuer or counterparty.

- Non-compliance with contractual clauses, such as default (according to the Bank's definition) or continued delays in the payment of interest or principal.

- Refinancing due to poor credit conditions of the counterparty.

- Methodology: For purposes of the model, the criteria for classifying the portfolio with EOD are defined in the model to calculate impairment hedges adopted by the Bank, which has two analysis methodologies: individual and collective analysis.

- Individual Analysis: Under this analysis, impairment is calculated based on the present value of future recovery flows [Current Carrying Value - Discounted Cash Flows] of the following items:

  - individually significant customers with EOD, and

  - customers classified as Financial Institutions for which the Bank performs an individual analysis:

Individually significant customers with EOD are:

- Customers with at least one transaction in default (90 days or more overdue).

- Customers that show signs of impairment, even though they are not in a situation of default, specifically:

  - Those with at least one transaction classified as doubtful.

  - Those that belong to wholesale segments (any segment other than Individuals, Others and Autonomous entities and

Businesses) classified on the Watchlist, which is in line with policies to monitor Watchlist risks and the different levels defined.

- Those belonging to retail segments (Individuals, Others and Autonomous entities and Businesses) that have at least one refinanced transaction.

Based on previous verification, an overall parameter is assigned to the portfolio of individually significant customers that have EOD.

- Collective analysis: Based on this analysis, impairment is calculated using historical data, adjusted to reflect current economic conditions, for customers who are not individually significant, or if they are individually significant, do not have EOD.

The assets analyzed individually or collectively for which EOD has not been identified are grouped with other assets that have similar risk characteristics and analyzed under an IBNR (Incurred But Not Reported) Model.

The process used to calculate provisions collectively for groups or portfolios of financial assets is applied when the following conditions are met:

- Their impairment has not been estimated individually
- They share common risk characteristics, according to the segmentation made and
- EOD has been identified in them.

For the model developed by the Bank, the following considerations have been made to refine the perimeter of collective calculation:

- The groups of assets or transactions that meet the conditions indicated in the methodology for the impairment model described above are considered to have EOD.

Two differentiated populations are established, on which provision is calculated under IFRS:

- Population with current default: This includes the population that has been analyzed collectively and reflects EOD for being in a state of default for 90 days or more. For this population, the hedge needed to recover the impairment of the instrument's value will be determined based on estimated severity (or loss given default) on a case-by-case basis, since the probability of defaulting in these cases is 100%.

Therefore, the necessary hedge will be obtained using the following formula:

Hedge for impairment=EXP x LGD

With EXP = Balance Drawn + Balance Available * CCF

Where:

EXP is the current risk or exposure of the operation (including potential contingent risks)

LGD is the severity of the current default, which reflects the part of the exposure that makes up the expected loss and is determined based on the flows that are expected to be recovered in a transaction with those characteristics.

CCF is the credit conversion factor that adjusts exposure for a possible increase thereof between the present time and the time of default.

- Population with signs of impairment, without being in a current state of default: It includes financial instruments (or transactions) that, although they are not in a state of default greater than 90 days, are considered to have EOD.

In these cases, to calculate impairment, the flows expected to be recovered should be considered, just like they would with customers already in a state of default.

Therefore, the severity estimate (LGD) is adjusted using a parameter that will reflect the probability of entering default in the period in which said item is expected to be produced (PD).

The Model considers that this term is 12 months (one year) for all portfolios.

- IBNR model: The financial assets that the Group has determined do not have EOD, whether they are individually significant or not. They are included in groups with similar credit risk characteristics and are evaluated collectively to determine the impairment of value under the IBNR (Incurred But Not Reported) Model.

Based on this Model, impairment is recognized as an unidentified incurred loss on the date of the balance sheet, in each portfolio (statistically a risk percentage thereof will have incurred a loss without having been identified). While the Bank does not have a record of this loss, based on its experience, it assumes that the event that caused the loss has taken place.

This Model therefore has a fundamental component:

Con EXP = Saldo Dispuesto + Saldo Disponible * CCF

The calculation of the impairment amount that should be established for each portfolio, which is made using the probability parameters for entering default (PD), severity (LGD) and Credit Conversion Factor (CCF) that the Bank has calculated.

- Parameters estimated by the Group: To collectively calculate impairment of a credit investment that has been identified as having EOD, three parameters estimated internally by the Bank have been used. They are the probability that the instrument will enter real default, known as PD in the Model, the severity or likely loss on the exposure, known as LGD in the Model, and the correction factor, known as CCF, which are applied on contingent risks in the calculation of the operation's current risk or exposure.

Said parameters have also been used in the IBNR model, developed to determine hedges due to impairment of the portfolio for which no EOD has been identified.

Other accounts receivable s – Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

These assets are initially recognized at fair value plus the transaction costs directly attributable to their acquisition or issuance.

In subsequent recognitions, the fair value of the accounts receivable is deemed to be equal to their carrying value, where this is the best estimate.

Restructured financial assets with collection issues - Restructured financial assets are those that have collection issues and whose debtor has been granted a concession by the Group, which would not have been considered in a different situation. These concessions are usually reductions in the interest rate, extension of terms for payment or reductions in the balances due. Restructured financial assets are recorded at the present value of expected future cash flows, deducted at the original rate of the asset before restructuring.

Agreements with creditors – Loans to customers that are admitted to a bankruptcy proceeding are immediately rated "E" (Uncollectible) and are subject to the provisions defined for this category. Once the payment agreement is made within the process, loans may be reclassified as "D" (Significant). Subsequently, reclassifications to lower-risk categories can be made provided that all requirements established by the Superintendence in that respect are met.

Loan portfolio and accounts receivable write-offs - A loan or account receivable is subject to write-off by debiting impairment for loan portfolio or accounts receivable, respectively, when all possible collection mechanisms have been exhausted and it is deemed uncollectible. Write-offs are approved by the Board of Directors.

Financial assets are derecognized from the balance sheet by debiting the impairment provision when they are deemed uncollectible. The recoveries of previously written off financial assets are recorded as recovery income.

3.5. Non-current assets held for sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying value is recoverable through a sales transaction and not through continuous use. This condition is considered to be met only when the sale is highly probable and the asset (or disposal groups) is immediately available for sale in its current state, subject only to the terms that are usual and adapted to the sale of these assets (or disposal groups). Management must commit to the sale, which must be recognized as a final sale within one year of the date of classification.

Non-current assets (and disposal groups) classified as held for sale are calculated at the lowest value between the carrying value and the fair value of assets less estimated costs of sale. The difference between both amounts is recognized in the Statement of Income.

If the assets are not sold within the term, they are reclassified to the categories where they were originated.

The Group does not depreciate (or amortize) the asset while it is classified as held for sale.

Derecognition due to sale of the asset - A sale is considered complete when the significant risks and rewards derived from ownership of the assets have been transferred to the buyer, there are no implications in the management associated with the ownership for the selling party, nor is effective control retained. The amount of revenue from ordinary activities can be measured reliably, and it is likely that economic rewards associated with the transaction are received and the costs incurred, or to be incurred, related to the sale can be measured reliably.

The Group records profits or losses not previously recognized at the date of sale for a non-current asset, on the date that the write-off is produced.

3.6. Leased assets

Given under leases - Assets given under lease by the Group are classified when the contract is signed as finance or operating leases.

A lease is classified as a finance lease when all the risks and rewards inherent to ownership are substantially transferred; otherwise, it is classified as an operating lease.

Leases classified as finance leases are included in the balance sheet in the "loan portfolio and finance lease transactions" line item and recorded in accordance with the regulatory criteria issued for Loan Portfolio.

Leases classified as operating leases are included in the property and equipment account and recorded and depreciated in the same way as this type of assets.

Received under lease - The assets received under finance leases that substantially transfer the risks and rewards inherent to the ownership of the leased asset are recognized at the beginning of the lease and included in the Consolidated Statement of Financial Position as property and equipment or its own use and initially recorded in assets and liabilities simultaneously for a value equal to the fair value of the asset received under lease or the present value of the minimum lease payments, whichever is lower.

The present value of the minimum lease payments is determined by using the implicit interest rate in the lease agreement or, if it is not available, an average interest rate for the bonds placed on the market by the Bank.

Any initial direct cost of the lessee is added to the amount recognized as an asset. The value recorded as a liability is included in the financial liabilities account and recorded in the same way as these operating leases recorded in fees paid in the Consolidated Statement of Income on an accrual basis.

3.7. Property and equipment

Property and equipment are tangible assets held by an entity for its use in the production or supply of goods and services, for lease to third parties or for administrative purposes, and they are expected to be used for more than one term.

Initial recognition – Property and equipment are initially recognized at cost, which includes the purchase price (import duties and indirect, non-recoverable taxes that make up part of the acquisition, after deducting any commercial discount or price reduction), the costs directly attributable to the startup of the asset in situ and in the conditions necessary for it to function in the manner expected by the Group and the initial estimated disassembly costs, notwithstanding the amount.

For new acquisitions, their recording in the financial statements will be compared to the International Financial Reporting Standards (IFRS) applicable in Colombia.

Initially attributable costs – The cost of property and equipment items includes:

a) Their acquisition price, including import duties and indirect, non-recoverable taxes accrued by the acquisition, after deducting any discount or price reduction.

b) All costs directly attributable to the placement of the asset at the location and in the conditions necessary for it to operate in the manner expected by management.

c) The initial estimate of disassembly and disposal costs of the element, as well as the restoration of the space where it is located.

Useful life – The Group determines the useful life of an asset in terms of the profit it is expected to provide to the entity. IAS 16 establishes that the useful life of an asset is a matter of judgment, based on the entity's experience with similar assets, and consequently the Group, based on the historical behavior of the assets, has established the use of its assets as follows:

Assets	Useful life
Buildings	Economic life established by the appraiser
Computers	3 years except for ATMs, whose useful life is 5 years
Furniture and fixtures	10 years
Machinery and equipment	10 years
Vehicles	5 years

Subsequent recognition - Subsequent measurement of property and equipment is valued using the cost model, which equals the cost of acquisition less accumulated depreciation and, if applicable, the accumulated amount of losses due to value impairment.

Interest costs that are directly attributed to the acquisition, construction or production of a qualified asset will form part of the asset's cost under the terms of IAS 23.

Costs following initial recognition - Costs following initial recognition, such as additions and improvements that increase efficiency, will be capitalized and included as a greater cost of the asset only if it is likely that such costs will result in future economic rewards in addition to those originally assessed and can be reliably measured; regarding certain maintenance costs in which the elements significantly affect the proper operation of the asset, this amount will be included in the value of the asset. Capitalization as a greater value of the asset for refurbishment must be supported by the preparation of a technical document (business case) proving the importance and relevance of said refurbishment for the asset.

Preservation and maintenance expenses of material assets for the entity's own use are recognized as an expense during the fiscal year in which they are incurred.

The Group will not recognize the daily maintenance costs of the elements that are considered necessary for repair and preservation as a greater value of the property and equipment, unless they significantly influence the asset's operation. Daily maintenance costs are mainly labor and consumables, which may include the costs of small parts.

Replacements of parts or repairs that extend future economic rewards are capitalized and the existing cost is retired in turn.

Depreciation - The Group uses the straight line method to depreciate its property and equipment. In addition, the depreciable amount is determined after deducting its residual value. An impairment test will be performed on an annual basis for long-lived assets in order to indicate possible evidence of impairment, in which case the Property and Equipment (PE) will be appraised, which will include the new useful life and the residual value.

Residual value - This is the estimated amount that an entity may obtain at present for the disposal of an asset, after deducting the estimated disposal costs, if the asset has already aged and the other conditions expected at the end of its useful life have been met.

The factors listed below, among others, may indicate that the residual value or useful life of an asset has changed from the most recent annual reporting date, namely:

- A change in the use of the asset,
- Unexpected, significant wear and tear,
- Changes in market prices.

If these indicators are present, the Group reviews its previous estimates and, if the current expectations are different, it modifies the residual value and records the change in residual value, the impairment method or the useful life as a change in the accounting estimate.

Impairment - At the close of each reporting period, the Group analyzes whether a there are internal or external signs that a material asset can be impaired. If there is evidence of impairment, the Group requests an update of the appraisal so the asset can generate the respective alert, if necessary. Based on the result of the appraisal, the Group compares said amount with the net carrying value of the asset and when the carrying value exceeds the appraised value, the carrying value is adjusted, modifying future amortization charges, based on the remaining useful life.

Similarly, when there are signs that the value of a material asset has been recovered, the Group estimates the recoverable value of the asset and it is recognized in the statement of income, recording the reversal of the impairment loss recognized in previous periods. In no case can the reversal of the impairment loss of an asset imply an increased carrying value over the value if the impairment losses had not been recorded in previous years.

The Group determines the recoverable value of its buildings by taking the greater value between the sale price less sales costs and the value in use. The sale price is established through independent appraisals by authorized suppliers and, particularly, in the case of the buildings for its own use, based on independent appraisals, in such a way that they are no more than 3-5 years old, except when there are signs of impairment.

The revaluation surplus recognized in first-time adoption adjustments in the process of transition to IFRS, due to the application of the attributed cost exemption included in equity will be affected by the recognition of the impairment of these assets as a result of the update of their respective commercial appraisals until depleted and then debited to income.

Improvements to third-party properties – The Group records improvements to properties under lease in this category, as well as the estimated disassembly costs, amortizing the amounts in the lesser period between the useful life and the term of the lease contract for the property.

3.8. Prepaid expenses

Transactions are recognized in prepaid expenses provided that they meet the criteria for recognizing assets, such as the software and hardware maintenance policies that represent an enforceable right due to non-compliance of the supplier for the Group, and contributions.

Contributions that are recognized in this category include payments made for contributions or memberships with entities as long as their amortization does not exceed the fiscal period. Therefore, they are amortized during the accounting period, and they must have a balance of zero at the end of the period.

Prepaid expenses on account of policies are amortized during the term of such expenses.

3.9. Intangible assets

These are non-monetary identifiable assets without physical substance, which are held to be used for the production or supply of goods and services.

Initial recognition – Intangible assets are recognized, if and only if, it is likely that the expected future economic rewards attributable to the asset will flow to the entity and their cost can be reliably measured.

Probability criteria are applied to intangible assets that are acquired independently or in a business combination.

In addition, their fair value can be measured with sufficient reliability to be recognized separately from capital gains.

Subsequent disbursements – Subsequent disbursements are recognized as an expense when they are incurred, on account of research disbursements, or when they are development disbursements that do not meet the requirements for being recognized as an intangible asset.

Subsequent disbursements are recognized as intangible assets in the case of a development disbursement that meets the requirements for being recorded as an intangible asset.

All IT software that is strategic for the Group is classified under this category, in addition to projects that have a long estimated useful life. These projects generally maintain a significant amount, and the Group will include software licenses in this category.

Robust local IT developments are also included.

Useful life- An intangible asset is considered to have an indefinite useful life when, based on the analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash inflows for the Group.

The Group, in line with the policies adopted by its parent company, has established a period of five (5) years for amortization of intangible assets (software, licenses and substantial applications), except when, after an analysis of the expected future economic rewards, this term could be extended.

Subsequent measurement – The Group measures its intangible assets using the cost model. Based on the criteria established in IAS 38 for its own software, useful life is defined as finite and the amortization period is dependent upon the time during which the future economic rewards are expected to be obtained, which is five years according to the Group's accounting policies (see above paragraph).

The subsequent valuation of intangible assets is measured at cost less, when applicable, the accumulated amortization and any impairment loss.

Intangible assets with a defined useful life are amortized based on the benefit generation scheme during their useful life. When this pattern cannot be reliably determined, the asset is amortized using the straight line method.

Amortization begins when the asset is in the conditions expected for its use and ends when the asset is classified as a non-current asset for sale or when it is written off on the balance sheet.

Subsequent disbursements of an intangible item are recorded as an expense unless they are part of the intangible asset meeting the recording criteria for this category.

Intangible assets generated in business combinations – The purpose of a business combination is to take control of one or more businesses, and their accounting record is made by applying the purchase method.

The Group applied the exception included in IFRS 1 "First Time Adoption of International Financial Reporting Standards", so only the business combinations carried out as of January 1, 2014, the date of transition to the IFRS, have been recorded using the acquisition method. Acquisitions of entities carried out prior to say date were recorded in accordance with the previous GAAP, once the corrections and adjustments necessary on the transition date were taken into consideration.

The Bank does not expect to restate the business combinations in accordance with IFRS 1, given that an entity adopting the IFRS for the first time may decide against the retroactive application of IFRS 3 on the business combinations carried out in the past (i.e., the business combinations that occurred prior to the date of transition to the IFRS).

Impairment of intangible assets - At the end of each period, the Group evaluates the end date of the amortization to validate whether there is any sign of impairment in value of the intangible assets, by analyzing variables such as the right to use, term of use of the asset, condition of the asset and time of amortization.

3.10. Impairment of non-financial assets

Non-financial assets are recorded as property and equipment, and intangible assets are recorded in cost.

The Group has a periodic revision scheme that includes a means of optimal recovery in order to detect and alert of asset impairment, through impairment testing based on internal and external sources. If, as a result of applying the test, signs or evidence of impairment are obtained for a type of asset, its recoverable amount will be calculated, i.e., the greater between the fair value and its value in use.

The value of an asset is impaired when its carrying value exceeds its recoverable value. This, in turn, is the greater between its fair value less the costs of disposal and its value in use, and the value in use is the current value of future cash flows estimated to be obtained from an asset or cash-generating unit.

The recoverable value of an intangible asset is the greater between the value in use and its fair value less costs of disposal. The fair value of this type of asset will be calculated by the entity whenever there is evidence of impairment.

After recognizing a loss for value impairment, the charges for the asset's depreciation will be adjusted in future periods, in order to distribute the revised carrying amount of the asset, less its potential residual value systematically over the remaining useful life.

3.11. Deposits and current liabilities

Deposits and other demand liabilities: This category includes all demand liabilities, except for deposit accounts, which are not considered to be demand liabilities because of their special features. Demand liabilities are those whose payment could have been required in the period, i.e., those transactions that become payable on the day following the end of the period are not considered to be demand liabilities. Demand deposits are initially recognized at the amount of the transaction less the inherent costs thereof.

Term deposits and other funding: This category presents the balances for funding transactions, in which there has been a period established with the customer through a security, at the end of which they are considered payable. Term deposits are initially recognized at the amount of the transaction less the inherent costs thereof.

Term deposits and other fundings are financial liabilities measured at amortized cost, which is determined using the effective interest rate method, given that the entity's intention is to hold these instruments until maturity.

For term liability transactions, the Bank offers the Term deposits Gift product, in which it provides a gift according to the amount and term of the security; the cost of this item is linked to the Term deposits and is amortized during the period thereof, simulating amortized cost for accounting purposes.

Attributable costs - Transaction costs are treated as a lesser amount of the liability measured at amortized cost.

3.12. Liabilities with banks

It includes liabilities with other banks in the country and banks abroad, measured at amortized cost using the effective interest method.

Banker's acceptances, which are bills accepted by financial entities to be paid to the beneficiaries within a term not to exceed six (6) months, are included in financial obligations. They may only be originated in goods import and export transactions or transactions for the purchase-sale of personal property in the country. When said bills are accepted, the net value of the right and the obligation of the banker's acceptance are recognized in liabilities. After that, the value of the rights is evaluated by credit risk.

3.13. Debt instruments issued

These instruments include liabilities with subordinated bonds or ordinary bonds placed on the local market or abroad.

Regarding bonds issued in foreign currency, the Group, for initial recognition, records them at the price of the transaction, including the costs of the transaction, deferred over the life of the security and its subsequent measurement of the initially recorded amount, less principal reimbursements, plus or less the accumulated amortization of any difference between the initial amount and reimbursement value upon maturity. The effective interest rate in the amortized cost method is IRR (Internal Rate of Return).

3.14. Labor liabilities

Labor liabilities are recorded on a monthly basis and adjusted at the end of each year based on legal standards and labor agreements currently in force. The payroll liquidation system calculates the liability amount for each active employee.

Benefits are recorded when the Group has consumed the economic rewards derived from the provision of service by employees. In order to recognize it as a personnel or general expense, the entity differentiates the rewards of work tools.

Cumulative short-term benefits – Short-term employee benefits are those that the Bank expects to liquidate completely before 12 months at the end of the annual reporting period, such as wages and salaries, vacation and severance pay, among others. These benefits are accrued as they are incurred by debiting income.

Long-term benefits – The Group has chosen to apply financial discount techniques (accounting method and actuarial discount techniques) where it is required to use the actuarial hypotheses, directly affecting actuarial gains and losses in the income statement for benefits given to employees per five years of employment (seniority bonus).

Post-retirement and termination benefits - Post-retirement and termination benefits other than defined social security contributions are recorded based on the report generated by the independent actuary by applying the Projected Credit Unit method and affecting the other comprehensive income account.

Retirement pensions – Current values for these commitments are calculated on an individual basis, having applied, in the case of active employees, the valuation method of the "projected credit unit"; this includes each year of service as generating an additional unit of entitlement to benefits, and values each of these units separately.

In order to determine the calculation of post-employment liabilities, the criteria of IAS 19 - Employee Benefits of Annex 1.1 of the Technical Regulatory Framework (Decree 2420/2015 and its amendments) are applied, and the calculation of pension liabilities to be paid by the Bank are disclosed in the notes to the financial statements in accordance with the parameters established in

Decree 1625/2016 (Articles 1.2.1.18.46 and following), reporting the variables used and the difference with the calculation made under IAS 19.

Actuarial methods - Liabilities and the cost of services for the current period are calculated using the Projected Credit Unit method. This method quantifies the benefits of each participant in the plan as long as they are entitled to them, taking into account future salary increases and the formula for the plan to assign benefits. Therefore, the total estimated benefit that each participant is expected to be entitled to after departure from the entity is divided into units, each associated with one year of proven service, whether it is in the past or future.

The valuation will be carried out individually for each employee. By applying actuarial hypotheses, the amount of the projected benefit that depends on the estimated date of termination, the proven service and the salary at the time of the act is calculated.

The estimated benefit, to which an individual is entitled, for purposes of a valuation associated with a termination date, corresponds to the benefit described in the plan calculated with the projected salary for the benefit at the expected date of termination.

The benefit attributed to service provided during a period is the difference between the liability of the valuation at the end of the period less the liability at the start of the period, in other words at the valuation date.

Therefore, the liability for defined benefits at the end of the period is calculated by applying the proportion between proven service at the date of measurement and the total service that each participant will provide until the expected date of termination to the total amount of estimated benefits.

The liability for benefits defined under the plan is the sum of the liability for each individual at the date of measurement, and the cost of services for the current plan period is calculated as the sum of costs of individual services for the current period.

The Group establishes its pension liability based upon the actuarial valuation that covers all personnel, who according to legal standards are entitled to, or have the expectation of, a retirement pension at the expense of the company, and covers the benefits established in the current pension system.

For commitments for post-employment compensation, the Group applies the defined contribution plan and the defined benefits plan.

Defined contribution plans - In these plans, the Group's liability is limited to the contribution that it has agreed to deliver to a pension fund or insurance company. As a result, the actuarial risk and investment risk are assumed by the employee.

Defined benefits plans - The Group's liability consists of providing the agreed benefits to current and former employees. The actuarial risk (in the event that people have a greater cost than expected) and the investment risk are assumed by the Group.

Currently, Colpensiones (formerly, Instituto de Seguros Sociales "ISS") and other entities authorized by law (private AFPs since 1994), receive contributions from the Group and its employees to the General Pension System, so those entities are responsible for covering the disability, old age and death risks defined by the System in favor of the employees. The pension liability directly under the Group's responsibility essentially corresponds to personnel hired in or before 1960, and/or with subsequent enrollments up to 1984 and those who worked in certain regions of the country where the Group had offices but did not cover disability, old age and death risks on account of the ISS. The liability amount is determined based on actuarial studies adjusted to the current regulations and standards on the matter.

The total amount of the reserve, as well as the actuarial gains or losses generated were assumed by the Group and were accounted for based on the IAS 19 guideline, where the present cost of the service and the net interest of the liability, are recorded in the statement of income for the period, while new measurements of the liability for defined benefits (actuarial gains and losses) will be accounted for in Other Comprehensive Income.

3.15. Allowances, contingent assets and liabilities

Includes the amounts recorded to cover the Group's current liabilities derived from past events that are clearly identified according to their nature, but have an undetermined amount or payment date; after which, and for the payment thereof, the Group expects to dispose of resources that include economic rewards.

These liabilities may arise from legal or contractual provisions, valid expectations created by the Group regarding third parties in regards to the assumption of certain types of liabilities or through the expected development of the regulatory standards of the entities' operations, and specifically, draft regulations from which the Group cannot be released.

The allowances are liabilities in which there is uncertainty as to their amount or due date. These allowances are recorded in the balance sheet when there is a current liability (legal or implicit) as a result of past actions or events and the Group will likely have to dispose of resources to pay the liability and the amount of these resources can be reliably measured.

When the effect on the value of currency over time is significant, the amount of the allowance is the present value of expenses expected to be incurred for payment thereof.

Among other things, these allowances include commitments made with employees, as well as allowances for tax and legal disputes.

Allowances are recalculated at the close of each accounting period and are used to offset the specific liabilities for which they were originally recognized; they are then reversed, in full or in part, when such liabilities cease to exist or decrease.

Allowances are classified based on the liabilities covered, as follows:

- Allowance for employee benefits (calculations of assistance for children's education, optical health and funeral expenses established in the collective agreement in force).

- Allowances for tax and legal disputes.
- Allowances for contingent credit risk.
- Allowances for other contingencies.

Contingent assets are possible assets arising as a result of past events whose existence is conditional and must be confirmed on the occurrence or non-occurrence of future events that are beyond the Group's control.

Contingent assets are not recognized in the balance sheet, nor are they recognized in the profit and loss account, but are reported in the financial statements provided the increase in resources that include economic rewards for this reason is likely.

Contingent liabilities are the Group's possible liabilities, arising as a result of past events, whose existence is conditional on the occurrence or non-occurrence of future events that are beyond the entity's control.

They also include the entity's current liabilities, whose payment is not likely to decrease resources including economic rewards or whose amount, in extremely rare cases, cannot be quantified with sufficient reliability.

3.16. Income tax

The income tax expense represents the amount of the current income tax payable and the deferred income tax.

- **Current income tax** - The current tax payable is based on the taxable income recorded during the year. Taxable income is different from the income recorded in the profit and loss statement and other comprehensive income, due to the taxable or deductible income or expense items in other years and items that are never taxable or deductible. The Group's liabilities for current income tax are calculated using the tax rates mandated or substantially approved at the end of the reporting period. The Group determines the provision for income tax based on the taxable profit or presumptive income, whichever is higher, estimated at the rates specified by the tax law.

- **Deferred income tax** - The deferred income tax is recognized on temporary differences between the carrying value of the assets and liabilities included in the financial statements and the corresponding tax bases used to determine taxable income. The deferred income tax liability is generally recognized for all temporary tax differences.

  A deferred income tax asset will be recognized for all the deductible temporary differences, to the extent that the entity is likely to have future taxable income against which it can debit the deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than the business combination) of other assets and liabilities in a transaction that does not affect taxable income or accounting gain.

  The deferred tax from taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures must be recognized, except for those in which the Group can control the underlying temporary difference and when there is the possibility that it may not be reversed in the near future.

The carrying value of a deferred income tax asset must be subject to review at the end of each reporting period and it must be reduced, inasmuch as there will not be sufficient taxable income in the future to recover all or part of the asset.

The deferred income tax assets and liabilities must be measured using the tax rates expected to be applicable in the period in which the assets are realized or the liabilities are canceled, based on the rates (and tax laws) approved or practically approved at the end of the reporting period following the approval process.

- **Accounting record -** Current and deferred income taxes shall be recognized in the profit and loss statement, except when they are related to items recorded in other comprehensive income or directly in equity, in which case the current or deferred income tax is also recognized in other comprehensive income or directly in equity, respectively; in the case of a business combination when the current or deferred income tax arises from the opening entry of the business combination, the tax effect is considered in the entry of the business combination.

Wealth tax

Law 739/2014 created an extraordinary tax known as the Wealth Tax for the years 2015, 2016, 2017 and 2018, which will be payable by individuals, illiquid successions, legal entities and de facto corporations, income taxpayers, national or foreign individuals on their wealth held directly or indirectly in the country.

This tax is generated by the ownership of wealth at January 1, 2015, whose value is greater than or equal to COP 1,000 million. For the effects of this levy, wealth is the gross equity held on the same date less the debts payable by the taxpayer in effect on that date and the taxable base is gross equity less debts payable at January 1, 2015, 2016 and 2017.

If the base of the wealth tax for the years 2016, 2017 and 2018 is greater than that determined for 2015, the taxable base for any of those years will be either the taxable base determined for the 2015 tax year increased by 25% of the inflation certified by the DANE for the preceding year or the base determined in the year of the return, whichever is lower.

If the base of the wealth tax determined for 2016, 2017 or 2018 is less than that determined for 2015, the taxable base for each of those years will be either the taxable base determined for the 2015 tax year decreased by 25% of inflation certified by the DANE for the preceding year or the taxable base determined in the year of the return, whichever is greater.

The Group opted to incur the amount of each year for the wealth tax and the corresponding surcharge, which will be amortized against income on a monthly basis during the current year; it will do the same at the beginning of each year in accordance with the tax year.

3.17. Real value unit – UVR

The real value unit (UVR, for the Spanish original) is certified by the Central Bank and reflects the purchasing power based upon the variation of the consumer price index (CPI) during the calendar month immediately prior to the month when the calculation period starts.

The UVR is a count unit used for calculating the cost of housing (mortgage) credits that allows financial entities to keep the purchasing power of the money lent. The methodology used for calculating such indicator was established by the Board of Directors of the Central Bank, in strict compliance with the order given by the Constitutional Court in Ruling C-955/2000.

The Group carries out transactions to obtain savings deposits, and grant short- and long-term loans and investments in reduced real value units (UVR) at legal tender in accordance with the provisions of Law 546/December 23, 1999, which created the legal framework to finance housing.

This law established the general objectives and criteria the national government should be subject to in order to regulate the system, further creating savings instruments devoted to such financing; the financing system is stated in Real Value Units (UVR) and shall reflect the purchasing power of money, which implies it is linked to the consumer price index.

At December 31, 2017 and 2016 the quotation rate of the real value unit (UVR) was COP 252.3767 and COP 242.4513, respectively.

3.18. Adequate equity

According to the provisions of Section 2.1 of Chapter XIII-13 of the Basic Accounting and Financial Circular Letter (External Circular Letter 100 /1995 of the Colombian Financial Superintendence - SFC, for the Spanish original), the adequate equity of the Bank must meet the following two conditions:

- **Basic solvency ratio:** It is defined as the Ordinary Basic Equity value divided by the value of assets weighted by credit and market risk levels. This ratio may not be lower than four point five percent (4.5%).

$$\textit{Basic Solvency} = \frac{\textit{Ordinary Basic Equity}}{RWA + \frac{100}{9} VeR_{RM}} \geq 4.5\%$$

- **Total solvency ratio:** It is defined as the Technical Equity value divided by the value of assets weighted by credit and market risk levels. This ratio may not be lower than nine percent (9%).

$$\textit{Basic Solvency} = \frac{PT}{RWA + \frac{100}{9} VeR_{RM}} \geq 9\%$$

Where:

PT= Technical Equity calculated as per the instructions given by the SFC in Chapter XIII-13 of the Basic Accounting and Financial Notice (CBCF, for the Spanish original). (Public Notice No. 100/1995)

RWA= Risk-weighted assets calculated as per the instructions given by the SFC in Chapter XIII-13 of the CBCF. (Public Notice No. 100/1995)

VeR_{RM}= Value of market risk exposure calculated as per the instructions given in Chapter XXI "Rules concerning the market risk management system" of CBCF. (Public Notice No. 100/1995)

Each of the items that make up the minimum solvency ratios must be calculated considering the Exclusive Financial Reporting Catalog (CUIF, for the Spanish original), Form 110 (Proforma F.1000-48 "Solvency information for the calculation of adequate equity") and Form 301 (Proforma F.0000-97 "Solvency Margin Control Statement"), as indicated in each of the components of the solvency ratios.

The considerations set forth in PN 036 / 2014 and details of Note 2.1 are taken into account in determining and calculating this control.

3.19. Premium on share placement

The premium on share placement is the additional value to the nominal value of the shares that is charged when transferring them and arises when the shares are placed in the market for a price higher than nominal value.

It is originated in a share subscription agreement and is a legally valid option; however, while the shares obtained as a result of the aforementioned contract are part of the share capital, the premium, as an additional value to the nominal value of the share, constitutes an equity item crediting the legal reserve.

3.20. Recognition of income and expenses

Interest income and expenses and service fees are recorded in the statement of income for the fiscal year as they are earned, based on the time of the transactions that give rise thereto. Incomes are measured at the fair value of the consideration received or to be received, and represent amounts receivable for the services provided, net of discounts and value added tax. The Group recognizes incomes when their amount can be reliably measured; it is likely that the future economic rewards will flow to the entity and when specific criteria have been met for each of the Group's activities.

In the case of impact on general revenue and expenses, the Group uses the general principles of the conceptual framework, such as: Accrual Basis, Recording, Certainty, Reliable Measurement, Correlation of Incomes and Expenses, Cost-Benefit Consideration, Valuation and Materiality or Relative Importance.

The Group recognizes incomes on the sale of property when the risks and rewards of ownership are transferred to the buyer, it does not retain ownership or control of the properties sold, the amount of revenue can be reliably measured, it is likely to receive the economic rewards associated with the transaction and the costs incurred by the transaction can be reliably measured.

Revenue and expenses originated by transactions or services that extend over time are recognized during the life of said transactions or services.

The Group applies the criterion of revenue recognition on two or more transactions, together, when they are linked in such a way that the commercial effect could not be understood without reference to the entire set of transactions.

Dividends received by associates, non-controlling interests and joint ventures are recognized when the right to receive them has been established.

The recognition of interest incomes is applied using the effective interest method, which is a method to calculate the amortized cost of an asset and allocate the interest revenue during the relevant period. The effective interest rate exactly equals estimated future cash payments or collections during the expected life of the financial instrument, or whenever appropriate, for a shorter period, at the initial net carrying value of the asset. In order to calculate the effective interest rate, cash flows are estimated considering all the contractual terms of the financial instrument, without considering future credit losses and considering the initial balance of the transaction or grant, transaction costs and premiums granted, less the fees and discounts received, which are an integral part of the effective rate.

From the legal standpoint, default interests are contractually agreed and can be equated with variable interests incurred on account of debtor default. These interests are incurred when the contractual obligation to do so arises, regardless of future credit losses, as established by the definition of the effective interest rate: therefore, said balance is part of the total debt with the customer, which is assessed to determine impairment, by following the procedures in place to do so, either through individual or collective assessment.

Client Loyalty: The Group classifies the system of points awarded to its customers for the use of electronic means of payment under this concept; these points can be redeemed in different forms.

On account of customer loyalty, the Group recognizes a deferred liability that is amortized as clients redeem their points, based on the model designed for points awarded for client loyalty.

The Group runs a loyalty program, in which customers accumulate points for purchases, entitling them to redeem the points for rewards in accordance with the policies and the reward scheme at the time of redemption.

The Group designed a model to determine the recognition of a liability against the statement of income that is updated according to the historical basis of points accumulated and average redemptions; the model identifies the value of the rewards accumulated and to be claimed by each customer.

3.21. Statements of cash flow

Supervised preparers of financial information can report the Statement of Cash Flow-Direct Method, or the Statement of Cash Flow-Indirect Method, or both. The Group presents the accompanying statements of cash flow using the direct method, which include the reconciliation of the year's net profit and the net cash provided by operating activities, as per the guidelines of IAS 7.

3.22. Earnings per share

Basic earnings per share are calculated by dividing the gain or loss attributable to the holders of ordinary equity instruments of the controlling company (numerator) by the weighted average ordinary shares subscribed and paid-in, both common and preferential outstanding (denominator) during the year.

Diluted earnings per share are calculated by adjusting the year's gain attributable to the owners of the controlling company and the weighted average ordinary shares outstanding for all the dilutive effects inherent to potential ordinary shares.

This information is intended to provide a measurement of the interest of each ordinary share of the controlling company in the entity's performance during the reporting period.

Since the Group has no financial instruments with a dilutive effect, basic and diluted earnings per share are the same.

3.23. Standards issued by the IASB not yet in force

Standards and amendments applicable as of January 1, 2018 - As indicated in Decrees 2496/December 2015 and 2131/December 2016, the standards that have been issued and are applicable as of 2018 are listed below: The impact of the application of IFRS 9 is indicated in Note 46. Regarding these standards, the Group's management does not expect them to have a significant impact on the consolidated financial statements:

Financial Reporting Standard	Topic of the standard or amendment	Details
IFRS 9 – Financial Instruments.	Financial instruments (in revised version of 2014).	The replacement project refers to the following phases: - Phase 1: Classification and measurement of financial assets and liabilities. - Phase 2: Impairment methodology. - Phase 3: Hedge accounting. In July 2014, the IASB completed the reform of financial instruments accounting and issued IFRS 9 Financial Instruments Accounting (as revised in 2014), which will supersede IAS 39 - Financial Instruments: recognition and measurement when the former expires.
NIIF 15 - Ingresos de actividades ordinarias procedentes de contratos con clientes.	Ingresos de actividades ordinarias procedentes de contratos con clientes.	It establishes a five-step model that applies to the revenue from contracts with customers. It will replace the following standards and interpretations of revenue when it becomes effective: - IAS 18 - Revenue. - IAS 11 - Construction Contracts - IFRIC 13 - Customer Loyalty Programs. - IFRIC 15 - Agreements for the Construction of Real Estate. - IFRIC 18 - Transfers of Assets from Customers. - SIC 31 - Barter Transactions Involving Advertising Services.
IAS 7 - Statement of Cash Flows.	Disclosure initiative.	It requires entities to provide information to be disclosed that will allow users of the financial statements to assess changes in liabilities arising from financing activities.
IAS 12 - Income Tax.	Recognition of deferred income tax assets due to unrealized losses.	Clarify the requirements for the recognition of deferred tax assets due to unrealized losses in debt instruments measured at fair value.

Financial Reporting Standard	Topic of the standard or amendment	Details
IFRS 15 - Revenue from Contracts with Customers.	Clarifications.	The objective of these amendments is to clarify the intentions of IASB when developing the requirements of IFRS 15, without changing the underlying principles of IFRS 15.

Adopted in Colombia, applicable as of January 1, 2019 - Decree 2170 / 2017, which modifies Decree 2420 / 2015 and its amendments - With this decree, as of January 1, 2019, the following standards will take effect in the technical regulatory framework in Colombia that contains amendments issued by the IASB in 2016, allowing for the earlier application thereof:

Financial Reporting Standard	Subject of the Amendment	Details
IFRS 2 Share-based Payment.	Classification and Measurement of Share-based Payment Transactions.	IFRS 2 does not provide an explanation regarding how the conditions of consolidating profits affect the fair value of share-based payment liabilities settled in cash. The IASB has added a guide that introduces the accounting requirements for share-based payments in cash that follow the same approach used for share-based payments.
IFRS 9 – Financial Instruments IFRS 4 - Insurance Contracts.	Resolve the different effective dates.	It offers two options for entities that issue insurance contracts within the scope of IFRS 4: · One option allows entities to reclassify part of the revenue or expenses derived from designated financial assets, from profit or loss to other comprehensive income; this is called the overlapping approach. · A temporary discretionary exemption of the implementation of IFRS 9 for entities whose predominant activity is the issuance of contracts within the scope of IFRS 4; this is called the deferral approach. The implementation of both approaches is optional and entities are allowed to implement them before the new insurance contract standard is implemented.
IFRS 16 - Leases.	Issuance of a new standard.	Establishes principles for the recognition, measurement, presentation and disclosure of leases, in order to ensure that lessors and lessees provide relevant information that faithfully represents said transactions. IFRS 16 replaces the following standards and interpretations: · IAS 17 - Leases · IFRIC 4 - Determining Whether an Agreement Contains a Lease · SIC 15 - Operating Leases - Incentives · SIC 27 - Evaluating the Substance of Transactions in the Legal Form of a Lease

Financial Reporting Standard	Subject of the Amendment	Details
Annual Improvements to IFRS Standards 2014-2016 Cycle.	Amendments to IFRS 1, IFRS 12 and IAS 28	· IFRS 1 - First-time Adoption of the International Financial Reporting Standards: Paragraph 39L was amended, paragraphs 39D, 39F and 39AA were eliminated and paragraph 39AD - Effective Date was added. In Appendix E - Short-term Exemptions of IFRS, paragraphs E3 and E7 were eliminated, along with their corresponding heading. · IFRS 12 - Disclosure of Interests in Other Entities: Paragraph 5A - Scope was added. In Appendix B, paragraph B17 - Summarized information on subsidiaries, joint ventures and associates was amended. In Appendix C, paragraph C1D - Effective Date and Transition, was added. · IAS 28 - Investments in Associates and Joint Ventures: Paragraphs 18 and 36A were amended and paragraph 45E - Exemption from the application of the equity method and equity method procedures was added.

Issued by the International Accounting Standards Board (IASB) not Adopted in Colombia – The standards below have been issued by the IASB, but have not been adopted by Decree in Colombia:

Financial Reporting Standard	Topic of the standard or amendment	Details
IAS 28 - Investments in Associates and Joint Ventures.	Amends long-term interests in associates and joint ventures, published in October 2017.	It indicates that an entity will also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method does not apply. These include long-term interests that, in essence, are part of the entity's investment in an associate or joint venture.
IFRS 9 – Financial Instruments.	Prepayment Features with Negative Compensation, published in October 2017.	The specific financial assets with prepayment features that may reasonably give rise to negative compensation due to the early termination of the contract are eligible to be measured at amortized cost or at fair value through other comprehensive income.
IFRS 17 - Insurance Contracts.	Replaces IFRS 4, published in May 2017, entirely.	IFRS 17 - Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of the insurance contracts issued. It also requires similar principles to be applied to the reinsurance contracts held and investment contracts issued with discretionary participation features. IFRS 17 shall be applied to annual periods starting on January 1, 2021. Earlier application is permitted. IFRS 17 repeals IFRS 4 - Insurance Contracts.
IFRIC 23 - Interpretation.	Uncertainty over income tax treatments, published in June 2017.	Clarifies how the recognition and measurement requirements of IAS 12 are to be applied when there is uncertainty over income tax treatments. In this context, an entity shall recognize and measure its deferred or current tax assets or liabilities by applying the requirements of IAS 12 based on taxable income (tax losses), tax bases, unused tax losses, unused fiscal credits and tax rates determined by applying this Interpretation.

The Bank shall quantify the impact on the financial statements once the Decree that incorporates them in the Colombian Technical Regulatory Framework has been issued.

4. Relevant events

Impairment of the Portfolio of Electrificadora del Caribe S.A. E.S.P.

Electrificadora del Caribe S.A. E.S.P. (Electricaribe) is a company that distributes 22.4% of Colombia's energy, with a monopoly position in the northern region of Colombia, serving more than 2.2 million users. The Company was intervened by the Public Utilities Superintendence in November 2016 due to the failure to fulfill its CAPEX commitments and it has not paid its obligations since that date.

At December 31, 2017, this customer's debt to the Group is COP 283,388 and the loans have been classified as Category E - Uncollectible in accordance with the evaluation of its difficult situation, the delinquency period and the MRC model. The provision accrued at the end of the year is COP 225,359, recorded in the Consolidated Statement of Income of 2017 and 2016 for COP 220,490 and COP 4,869, respectively.

5. Business segments

Operation segments are defined as a component of the entity:

a) that carries out business activities from which income can be obtained from ordinary activities and expenses can be incurred;

b) whose operating revenue is reviewed regularly by the highest decision-making authority of the entity, to decide on the resources that should be allocated to the segment and assess the performance thereof; and

c) Regarding which there is differentiated financial information.

According to this definition, management reviews and assesses the Bank's operating results on a monthly basis at the level of the entity as a whole, involving the operation carried out in its subsidiaries and including additional information based on the strategic business units defined.

Information on Banking operation segments is presented in accordance with the internal information provided to the highest decision-making authority. The Bank's Board of Directors has been identified as the highest decision-making authority, and it is responsible for allocating the resources and assessing the performance of each segment. The Bank's monitoring and management arrangements consider the business from the global perspective of activity and customer.

Accordingly, BBVA Colombia differentiates said segments, which provide a clear understanding of the business when analyzed, which helps formalize periodic measurement and monitoring systems regarding the performance of each line, clearly identifying profitability and allowing the allocation of resources based on the differentiation of products.

The Bank directs and values the performance of its operations by business segments and the transactions between these segments are carried out based on regulatory commercial terms and conditions. This disclosure reports how the Bank has managed the business segments at December 31, 2017 compared to the year 2016.

To carry out its commercial activity, BBVA Colombia has established a specialized banking structure to serve different business segments, as follows:

- Commercial Banking: responsible for managing the retail business and the segment of individuals.
- Enterprise and Institutional Banking (EIB): responsible for managing corporate customers from the public and private sector.
- Corporate and Investment Banking (CIB): the banking segment responsible for corporate customers, in addition to treasury transactions and investment banking.
- Assets and Liabilities Committee (ALCO): is the unit that manages the Bank's liquidity and sets the transfer prices for resources and portfolio going to and from all other banking segments.

In addition, several business sub-segments have been defined within these banking segments in order to direct commercial actions effectively, in accordance with client profiles, framed within the Group's strategic objectives for the growth of the franchise in Colombia.

Commercial banking

Commercial banking manages the entire segment of individuals, which is made up of consumer and mortgage loans, means of payment, consumer finance and the SME segment. Below are the main activities carried out to promote the financial products within the aforementioned segments:

Segment of individuals

In 2017, BBVA Colombia focused its strategy on the first phase of transactional transformation of our customers.

Transaction banking

For transactional transformation, by means of a strategic and differential perspective with new management in product procurement, there were extraordinary and overwhelming results in digitalization through *El Banco en tu Celular* (Bank on Your Smartphone). There were more than 249,000 activations of BBVA Mobile and a 12% increase in the number of customers, with more than 60% of their electronic transactions. An effort where digitalization and the migration of transactions were determining factors that minimized the use of cash and changed the transactional habits of our customers by the end of the year.

Resources

In terms of resources, we continued to incentivize our customers through awards, based on which we managed to lock in funds in the action of *La Oportunidad de Ahorrar y Ganar* (The Opportunity to Save and Win) for more than COP 149,000 million in savings accounts, which meant locked funds in the second half of the year at more than COP 348,000 million. In addition, with Ahorrando y Ganando (Saving and Winning), where the sixth installment was awarded to customers who met their savings commitments, we managed to increase the savings of 4,200 customers who, during five consecutive months, maintained their savings on a recurring basis.

Assets

The individual portfolio recorded growth, driven by the payroll lines, which recorded a billing milestone exceeding COP 420,000 million per month between November and October.

In addition, through Adelanto de Nómina (Payroll Advance), we managed to increase the level of use in the last quarter, reaching 50% of the year's use in this period; this was driven by El Banco en tu Celular (Bank on Your Smartphone), which led to higher customer effectiveness.

Mortgage

In 2017, it is important to mention the behavior of the last quarter, where mortgage loan lines increased billing by 7%, amounting to more than COP 734,000 million in billing in the months of October, November and December. This consolidates the Company as the market's third largest competitor in the placement of mortgage loan lines in the country.

The outlook in residential leasing also remains positive, as in the month of December, a new historical billing record was broken, amounting to more than COP 67,000 million in a single month, exceeding its second highest billing so far in 2017 by 25%.

Insurance

The last quarter of 2017 marked a turning point in digital sales for Colombia with the offering of ATM Theft Insurance, where 1,039,510 policies were issued by the end of November.

Finally, it is important to point out that operating and service support processes were adapted to more effectively meet the needs of customers and the Bank network.

Consumer Finance

At December 2017, the billing of vehicle loans dropped 34% compared to the same period in 2016. However, it is important to take into account that RCI began operating as an independent company in August 2016, so all the loans disbursed from January 1 to July 30, 2016 were recorded in the Bank's books.

That said, the billing of vehicle loans dropped 4.7%, after deducting the extraordinary effect of the RCI loans. BBVA is among the top four entities that grant this type of loan, with a market share of 12.54% at October 2017 (measured as Banks plus Financing Companies).

Means of Payment

At the end of December 2017, the credit card balance remained above COP 1.6 trillion, with an annual variation of +2.7% and year-to-date billing amounted to COP 4.2 trillion, with a +10.6% growth compared to the same period in 2016. In turn, the growth of the acquisitions business was outstanding during the year, recording an annual growth in billing of 10% and sales amounting to COP 5.9 trillion during the year. This line of business will continue to be a priority for the development of BBVA Colombia's Retail Banking in the next few years.

Enterprise and Institutional Banking - EIB

In 2017, the Legal Entities Segment became aligned with the strategic priorities, so five new management units were structured, in which the strategy and product development are distributed as follows:

- Private Sectors: responsible for establishing the strategy for the SME, Company and Private Institution segments, made up of a team of professionals and segment managers specialized in the different sectors of the economy so as to be able to create opportunities tailored to each sector.

- Public Sector: with its structure of professionals, its approach is aimed at establishing the public sector strategy, which also includes the healthcare sector.

- Asset Products: this management unit includes the leasing, factoring, commercial loan and rediscount portfolio products, with the main objective of developing products and creating financing opportunities to meet the needs of Colombian companies.

- Liability Products and Treasury Solutions: a single entity includes both the transaction strategy and the liability product management unit and the channels aimed at the legal entities segment, in order to provide customers with transactional solutions that truly meet their needs.

- Foreign Trade: manages the strategy and development of the foreign trade portfolio product, creating opportunities for the Colombian market with an import and export approach.

Strategic priorities

Strategic priority 1: A new standard in customer experience

In 2017, a new SME management model was developed and implemented, which was based on three pillars that allowed the increase in the number of offices with specialized management of the Segment, thus reducing the operational burden on the commercial team, improving response times and decreasing returns in admission processes. These pillars are identified as:

- More relationship management: the number of integral executives for SME management increased significantly, going from 153 to 278 offices with specialized management, accounting for 89% of the segment's business volume.

- Commercial support model: Through teams of Specialized and Structuring Managers, support is provided for executives in the sale, formalization and implementation of transactional products and services tailored to the customer.

- Admission factory: the entire risk admission process of the SME segment was centralized in a factory in an effort to decrease response times, specializing decisions in cells by economic sectors and releasing the operational burden of the commercial sectors.

The assistance and advice provided to customers of the Public Sector achieved very good results in the different initiatives launched; in the Education SGP master accounts, we managed to enroll 39% of the total master accounts of certified territorial entities, estimating average balances of nearly COP 110,000 million from the management of said resources; in addition, resources from the negative savings of Fonpet were funded for nearly COP 210,000 million, along with the transfer of royalty funds of more than COP 200,000 million, and among the actions for the placement of the Institutional Segment portfolio, there were disbursements of nearly COP 660,000 million.

In the Foreign Trade Portfolio, the forms required for portfolio operations were redesigned, going from two formats to one, and decreasing the amount of data to be completed by the customer, thus increasing agility and mitigating the probability of exchange violations; the approach of the process was changed in all the operations so that it is not necessary for the customer to have specific knowledge regarding the exchange rate regime.

Finally, the process to manage inconsistencies in currency purchase and sale transactions was redesigned, creating a help desk that is responsible for contacting the customer and making the corresponding adjustments, thus decreasing reprocessing by nearly 50%.

The 7.0 version of the BBVA Net Cash Platform, with its new look, feel and usability, improves the customer experience, by reducing and optimizing the steps to carry out a transaction. By having this new platform, which is must more customer-friendly, in 2017, we started our Transactional Transformation action, which aims for customers from the segment to change their transactional habits and carry out their transactions in a simpler, more cost-effective and comfortable manner through our channels, thus decreasing the use of cash and traffic in the offices.

BBVA maintained its position on the market podium of the Construction Sector, with an annual growth in average loan balances of 27%. This growth is based mainly on the new management model in the primary cities, leading to a closer relationship with construction companies and the launch of the new construction line of credit in Colombian pesos, which completes the product and service portfolio.

Strategic priority 2: Digital sales

The consolidation of the specialized Confirming and Triangular Line platform continued in 2017, along with significant commercial management, which led to a 24% increase in the number of agreements and a 9% growth in annual billing compared to the previous year. This 100% digital billing can be carried out by the customer through our platform.

The foreign trade service was created, which allows customers to receive transfers in foreign currencies in their accounts automatically by simply providing the Bank with a power of attorney and without having to complete documents every time they receive transfers from abroad; the equivalent of the foreign currencies arriving via Swift is paid automatically in Colombian pesos.

Strategic priority 3: New business models.

In 2017, the Bank's synergies model was strengthened, focusing on the reference management of customers from the legal entities segment between the different banking industries. Thus, more than 9,000 references to Commercial Banking were made by specialized banking segments through the SME referencing circuit during the year.

Strategic priority 4: Optimize capital allocation

In order to provide agility in the approval of preferential prices and have a pricing policy in accordance with each customer's risk level, a new version of the Pricing tool was launched, focused on legal entity customers, from specialized banking industries as well as the commercial network. Nearly half of the Enterprise Banking loans are currently quoted using this mechanism.

During the first half of the year, Enterprise Banking continued to focus on customer management with sales between COP 12,000 and COP 40,000 million, due to their greater contribution in terms of margins, so there was an inter-annual growth during that period of 58% in terms of profitability in that sector.

In search of a more profitable portfolio and accompanying the promotion given to the sector, with a historical figure of COP 2.3 trillion in billing to the agricultural and agro-industrial sector, there was a growth of more than 30% compared to the previous year. This growth is based on the understanding of the different agricultural businesses and activities carried out in each of the regions in the country, where the Bank's Group specialized in agro-industry assisting in more than 4,000 projects of the production chain, delivering the best financing options, along with the benefits of different government entities.

Corporate and Investment Banking – CIB

CIB BBVA is the area responsible for providing its customers with value added products and advisory services. Its target market consists of multinational companies with a presence in Global CIB, which offer broad geographic coverage and a diversified product catalog, covering from the simplest to the most structured services, including investment banking services. The strong presence of CIB and the BBVA Group on markets in Latin America, along with its focus on innovation and digitality have made it a benchmark in financial solutions for customers.

Considering the current dynamics of the market, a changing business environment and the constant transformation of companies, the use of technology and the management of information for decision-making based on Business Intelligence are increasingly relevant. That is why, in 2017, CIB Colombia started a process of commercial positioning that included these new tools, in order to have new technologies to identify possible alliances, new businesses and/or opportunities to strengthen relations with customers and, at the same time, innovate information management processes to anticipate the needs of companies.

Accordingly, this implementation has resulted in new business models that are aligned with customers' digital transformation and adapted to their organizational structures. That is why the CIB commercial team had the task of identifying new contacts and having strategic dialogs with a holistic approach, in order to get to know customers' value chain and identify opportunities in the Bank's different lines of business.

Each of the areas of CIB was focused on taking effective and innovative solutions forward for customers. Therefore, throughout the year, Global Transactional Banking (GTB) generated business that contributed true value to its customers, based on which it gained various RFPs during the year, among which AB InBev was the most relevant customer, as it significantly increased the business of in-house services and generated significant growth in resource balances, which led to a compliance of 125% by the end of November and a 25% TAM compared to 2016.

In Global Markets, the strategy was aimed at strengthening the products with the most demand on the market in order to offer efficient financial solutions to our customers, which led to closing relevant transactions with customers such as Telefónica and Terpel.

In turn, Global Finance maintained its focus on advice for the financing of infrastructure projects and continued to participate in bilateral and syndicated loans, which allowed it to increase the portfolio in the last term, placing more loans on the local market with customers, such as ISA and RCI.

Finally, Corporate Finance focused on identifying new opportunities by consolidating BBVA's investment banking as the market's primary financial advisor, participating in advisory businesses in the last quarter of the year with customers such as Cenit and EEB and in Fairness Opinion with customers such as Gas Natural.

Due to all the strategies implemented by CIB in 2017, the Bank is at the customers' top of mind as pioneers on the market and achieving positive performance despite the difficult economic environment faced by Colombia.

Assets and Liabilities Committee (ALCO)

The COAP is the banking segment responsible for managing the portfolio of Investments Available for Sale (DPV, for the Spanish original) and Held to Maturity. It also manages the Bank's liquidity by funding wholesaler resources as a supplement to the funding carried out by the banking segments. In addition, the COAP is responsible for managing the Bank's equity and solvency ratio.

By the end of December 2017, the COAP securities portfolio amounted to COP 3,102 billion (-25.3% y/y) with available funds for a total of COP 17,023 billion (+5.5% y/y), COP 14.8 trillion of which are CDs of wholesale customers and COP 2.3 trillion are bonds.

Other Segments

The banking industries other than those mentioned above are grouped in other segments, including the Core Areas and Complementary Areas.

Allocation of operating expenses:

In relation to the accounting of BBVA Colombia's direct and indirect expenses, they are recorded in each of the cost centers generating said expenses; however, if there are any items affecting the cost centers of core areas after this distribution, they are distributed to the banking industries using the apportionment line, in accordance with the distribution criteria established by the business areas of the Bank's general management.

Cross-selling:

When two business areas interfere in the sale or placement of the bank's products, the actual accounting record of the profit from the transaction is made in just one area in order to avoid duplication. However, the Group has cross-selling agreements through which the return generated by said sales is analyzed and the percentage to be paid to the banking or business area that arranged the transaction is established, decreasing by the same value the return of the other bank in which the profit was initially recorded, using the Group's offsetting accounts.

Income

2017

Item	Consolidated	Commercial banking	EIB	CIB	ALCO	Other
Cash and central banks	$ 2,975,339	$ 1,824,844	$ 11,544	$ 32,843	$ 720,740	$ 385,367
Brokers	2,800,722	103,625	6,376,119	(228,854)	(3,844,539)	394,371
Securities portfolio	8,595,835	-	-	5,395,654	3,102,012	98,169
Net credit investment	**42,187,619**	**27,040,371**	**9,903,111**	**4,576,661**	**662,559**	**4,917**
Consumer	12,591,238	12,579,468	422	64	-	11,283
Cards	1,612,783	1,612,565	182	-	-	36
Mortgage	9,718,763	9,501,553	1,027	-	214,891	1,292
Enterprise	17,581,759	3,019,347	10,031,643	4,531,797	-	(1,028)
Other	683,076	327,438	(130,164)	44,800	447,667	(6,665)
Net fixed assets	772,633	82,085	1,498	6,493	13	682,544
Other assets	735,213	302,666	100,271	184,387	(293,056)	440,945
Total assets	**58,067,360**	**29,353,591**	**16,392,543**	**9,967,184**	**347,729**	**2,006,314**
Brokers	4,469,168	13,999,044	5,739,425	4,741,147	(20,542,412)	531,964
Customer resources	**46,168,676**	**14,455,173**	**10,283,859**	**4,388,181**	**17,022,681**	**18,782**
Demand	6,608,580	2,710,415	3,409,728	527,847	(57,177)	17,766
Savings	17,460,823	8,346,177	5,696,186	3,417,438	6	1,016
CDs	19,839,153	3,398,581	1,177,946	442,896	14,819,730	-
Bonds	2,260,121	-	-	-	2,260,121	-
Other liabilities	6,938,349	615,156	85,616	787,902	3,913,142	1,536,533
Statement of income	491,167	284,218	283,642	49,954	(45,682)	(80,966)
Total liabilities	**$ 58,067,360**	**$ 29,353,591**	**$ 16,392,543**	**$ 9,967,184**	**$ 347,729**	**$2,006,314**

Note: Grouping according to Financial Planning and Management. Exact balance at December 2017.
Note: The income of BBVA Valores was included in the CIB segment: similarly, the income of BBVA Fiduciaria was included in the Others segment.

2016

Item	Consolidated	Commercial banking	EIB	CIB	ALCO	Other
Cash and central banks	$ 2,867,618	$ 1,798,639	$ 12,231	$ 9,156	$ 520,828	$ 526,764
Brokers	2,032,437	142,962	7,790,845	(123,941)	(5,909,671)	132,243
Securities portfolio	7,080,872	-	-	2,816,639	4,153,960	110,274
Net credit investment	**38,189,446**	**25,661,129**	**8,561,824**	**3,968,850**	**(1)**	**(2,356)**
Consumer	11,618,723	11,610,118	447	71	-	8,087
Credit cards	1,570,434	1,570,169	246	-	(1)	19
Mortgage	9,051,933	9,051,761	-	-	-	171
Enterprise	15,885,617	3,181,903	8,684,949	4,018,742	-	23
Other	62,740	247,177	(123,819)	(49,963)	-	(10,655)
Net fixed assets	786,570	84,964	2,066	1,570	-	697,971
Other assets	823,895	281,013	114,613	368,664	(297,775)	357,381
Total assets	**51,780,838**	**27,968,706**	**16,481,579**	**7,040,937**	**(1,532,660)**	**1,822,277**
Brokers	2,081,110	13,187,206	5,196,376	4,131,507	(20,972,358)	538,378
Customer resources	**42,581,068**	**13,698,135**	**10,937,326**	**1,811,150**	**16,138,761**	**(4,303)**
Demand	5,697,946	2,828,364	2,561,842	349,867	(37,283)	(4,844)
Savings	16,568,046	7,933,273	7,340,571	1,293,646	15	541
CDs	17,918,532	2,936,497	1,034,912	167,637	13,779,486	-
Bonds	2,396,544	-	-	-	2,396,544	-
Other liabilities	6,546,093	603,245	104,518	911,352	3,582,180	1,344,797
Statement of income	572,568	480,120	243,358	186,928	(281,243)	(56,595)
Total liabilities	**$ 51,780,838**	**$27,968,706**	**$16,481,579**	**$ 7,040,937**	**$ (1,532,660)**	**$ 1,822,277**

Note: Grouping according to Financial Planning and Management. Exact balance at December 2017.

Note: The income of BBVA Valores was included in the CIB segment: similarly, the income of BBVA Fiduciaria was included in the Others segment.

When analyzing the balance sheet broken down at December 2017, it was found that the segments that concentrate most of the Bank's assets are Commercial at 50.6%, Enterprise and Institutional Banking (BEI) at 28.2%, and CIB at 17.2%.

As regards liabilities, the segments with the highest share as far as customer funds are COAP at 36.9%, followed by Commercial at 31.3%, BEI at 22.3%, and CIB at 9.5%.

When analyzing by account, the BBVA's Cash and Central Banks line recorded an annual variation of +3.8%. The securities portfolio grew 21.4%, which is basically explained by the growth of CIB. Net Credit Investment increased by 10.5% driven mainly by the growths recorded in Commercial Banking, followed by BEI and CIB.

Total Assets showed a growth of 12.1%, where CIB (41.6%) and Commercial Banking (5.0% were the ones that recorded the highest growth.
In turn, passive brokers grew 114.7% due to the increase in the money market transactions, where mainly Commercial Banking and CIB stood out. In relation to raising customer funds through demand and savings products, they were raised by Commercial Banking and CIB.

In turn, the COAP is the area responsible for raising corporate customer funds through CDs and this area concentrates 74.7% of the Group's total CDs.

Below are the details of the accumulated income statement for the periods at December 2017 and 2016 by business segments:

2017

Item	Consolidated	Commercial banking	EIB	CIB	ALCO	Other
Interest margin	**$ 2,414,062**	**$ 1,958,684**	**$ 583,842**	**$ 121,714**	**$ (52,720)**	**$ (197,458)**
Net commissions	512,411	367,290	42,243	82,652	109,468	(89,242)
Trading results	305,347	33,391	11,888	182,882	67,109	10,077
Other net ordinary income	(105,369)	(5,566)	(158)	578	(110,139)	9,916
Gross margin	**3,126,452**	**2,353,799**	**637,815**	**387,826**	**13,719**	**(266,707)**
General administrative expenses	(1,143,884)	(694,032)	(60,704)	(51,183)	(56,417)	(281,548)
Personnel expenses	(546,897)	(282,735)	(31,211)	(31,773)	(1,003)	(200,176)
Overhead	(485,218)	(359,507)	(18,404)	(11,406)	(28,523)	(67,377)
Taxes	(111,769)	(51,790)	(11,090)	(8,003)	(26,891)	(13,996)
Amortizations	(63,090)	(27,085)	(528)	(1,263)	(6)	(34,207)
Apportionment of expenses	-	(214,047)	(47,234)	(20,121)	(7,795)	289,197)
Net margin	**1,919,478**	**1,418,635**	**529,348**	**315,260**	**(50,498)**	**(293,266)**
Asset impairment loss	(1,219,258)	(940,464)	(56,274)	(229,844)	81	7,242
Credit to provisions	(62,076)	(4,111)	(162)	(199)	(114)	(57,490)
Other non-ordinary income	(2,882)	(301)	(113)	-	(1,356)	(1,113)
PBT	**635,261**	**473,759**	**472,799**	**85,217**	**(51,887)**	**(344,627)**
Corporate tax	(144,094)	(189,541)	(189,157)	(35,264)	6,206	263,661
PAT	**$ 491,167**	**$ 284,218**	**$ 283,642**	**$ 49,954**	**$ (45,682)**	**$ (80,965)**

Note: Grouping according to Financial Planning and Management, Accumulated Balances.

Note: The income of BBVA Valores was included in the CIB segment: similarly, the income of BBVA Fiduciaria was included in the Others segment.

2016

Item	Consolidated	Commercial banking	EIB	CIB	ALCO	Other
Interest margin	**$ 2,028,357**	**$ 1,958,385**	**$ 503,515**	**$ 128,221**	**$ (468,174)**	**$ (93,590)**
Net commissions	391,315	323,693	34,083	76,801	22,507	(65,769)
Trading results	439,694	32,196	14,957	178,671	205,002	8,867
Other net ordinary income	(102,418)	(6,758)	(152)	89	(117,211)	21,613
Gross margin	**2,756,948**	**2,307,517**	**552,403**	**383,782**	**(357,876)**	**(128,878)**
General administrative expenses	(1,054,440)	(682,877)	(58,804)	(55,306)	(13,562)	(243,891)
Personnel expenses	(519,230)	(285,790)	(29,697)	(30,973)	6,313	(179,083)
Overhead	(429,335)	(341,442)	(17,385)	(12,583)	(1,699)	(56,226)
Taxes	(105,875)	(55,645)	(11,721)	(11,750)	(18,177)	(8,583)
Amortizations	(61,086)	(24,162)	(398)	(1,409)	-	(35,118)
Apportionment of expenses	-	(189,023)	(44,106)	(19,329)	(7,714)	260,171
Net margin	**1,641,421**	**1,411,456**	**449,095**	**307,739**	**(379,152)**	**(147,716)**
Asset impairment loss	(651,274)	(609,545)	(41,339)	4,727	173	(5,290)
Credit to provisions	(51,362)	(1,450)	(19)	(245)	-	(49,648)
Other non-ordinary income	(6,479)	(127)	(2,078)	-	(1,023)	(3,250)
PBT	**932,306**	**800,334**	**405,659**	**312,221**	**(380,001)**	**(205,905)**
Corporate tax	(359,739)	(320,214)	(162,300)	(125,293)	98,758	149,310
PAT	**$ 572,567**	**$ 480,120**	**$ 243,358**	**$ 186,928**	**$ (281,243)**	**$ (56,596)**

Note: Grouping according to Financial Planning and Management. Accumulated balances.

Note: The income of BBVA Valores was included in the CIB segment: similarly, the income of BBVA Fiduciaria was included in the others segment.

When analyzing the statement of income for the year 2017, the segment that generated the greatest benefit for the Bank was Commercial Banking, followed by EIB and finally, CIB. In turn, the performance of ALCO and Others was negative.

The Group's interest margin grew 19.0% compared to the year 2016, explained by the increase in interest revenue and the reduction in interest expenses. EIB stood out with a variation of 16.0% in the interest margin.

The Group's gross margin grew 13.4% compared to the same period in 2016, for which EIB showed the best performance with a variation of 15.5%, followed by Commercial Banking at 2.0%.

The Group's administrative overhead recorded an 8.5% increase and the ALCO and Others segments recorded the highest variation.

Finally, the Bank's profit before taxes dropped 14.2% compared to the same period in 2016 as a result of the reduction in the benefit before taxes (-31.9%) given the increase in provisions (+87.2%). When analyzing between the banking segments, the income of EIB stood out with a +16.6% variation, which partly offsets the reduction in the profit of the other banking segments.

6. Restatement of previous financial statements

Elimination of goodwill: Elimination of goodwill: The Group has been reporting Goodwill until December 31, 2016, which arose from the acquisition of Granahorrar in the year 2006. On the IFRS implementation date, the Bank adopted the exception established in IFRS 1 in relation to business combinations; therefore, it maintained the value of Goodwill from the previous GAAP, which were COP 192,203 and the corresponding tax effect. Consequently, on the IFRS implementation date, the Bank did not assess the Impairment corresponding to that Goodwill and it could not establish whether there was objective evidence of impairment on the cash generating unit identified, corresponding to the loan portfolio included in the acquisition.

As part of the annual impairment testing of Goodwill corresponding to the year 2017, the Bank conducted an additional analysis regarding the origin of said goodwill and concluded that most of the loans acquired had been collected, written off as uncollectible or sold as part of the normal course of business; consequently, there were no grounds to maintain the value of the Goodwill in the financial statements.

Therefore, the decision was made to adjust the value of Goodwill and its corresponding tax effect.

Deferred tax of fixed assets: As regards the tax value of fixed assets, used to calculate the deferred tax, the Bank has identified that it includes the amount of the tax readjustments contrary to Section 51 of IAS 12, which states how to establish the tax base of an asset and, consequently, the deferred taxes thereof, as follows:

"...The measurement of deferred tax liabilities will reflect the tax consequences resulting from the manner in which the entity expects to recover or settle the carrying value of its assets and liabilities."

Based thereon, the Bank expects to maintain its buildings for continued use, but it can eventually dispose of said assets; as a result of the previous considerations, it expects to recover the carrying value of said assets through depreciation.

Therefore, the Bank analyzed the accounting technique regarding the calculation of the deferred tax for this balance sheet item, by adjusting the tax base of the buildings and using differential rates for the tax readjustments. This allows the proper reflection of the value of deferred taxes in the Financial Statements, since not doing so may give rise to incorrect interpretations and interfere in decision-making by the users of this information.

In view of the above, the Bank decided to make the respective accounting adjustments by debiting the corresponding accounts of other comprehensive income and retained earnings, in compliance with the provisions of paragraph 42 of IAS 8, which states: "...the entity shall correct material errors from previous periods retroactively in the first financial statements prepared after having discovered them: (a) by restating the comparative information for the previous period(s) in which the error occurred, or (b) if the error occurred prior to the earliest period for which the information is presented, by restating the initial balances of assets, liabilities and equity for said period.

Restatement of the statement of financial position

Item	January 1, 2016		
	Previously presented balances	Adjustments made	Restated balances
Assets			
Deferred tax assets (*)	$ 91,590	$ 17,968	$ 109,558
Intangible assets	239,106	(192,203)	46,903
Liabilities			
Deferred tax liabilities (*)	326,188	(5,007)	321,181
Equity			
Retained earnings (applying NCIF)	494,718	(169,227)	325,491
• Equity effect of deferred tax assets		17,968	
• Equity effect of eliminating goodwill		(192,203)	
• Equity effect of deferred tax liabilities		$ (5,007)	

(*) In the Statement of Financial Position, deferred taxes are offset for presentation

Item	December 31, 2016		
	Previously presented balances	Adjustments made	Restated balances
Assets			
Deferred tax assets (*)	$ 103,729	$ 18,058	$ 121,787
Intangible assets	248,874	(192,203)	56,672
Liabilities			
Deferred tax liabilities (*)	323,089	8,000	331,088
Equity			
Retained earnings (applying NCIF)	489,701	(182,145)	307,556
• Equity effect of deferred tax assets		18,058	
• Equity effect of eliminating goodwill		(192,203)	
• Equity effect of deferred tax liabilities		$ 8,000	

(*) In the Statement of Financial Position, deferred taxes are offset for presentation

Restatement of the consolidated statement of changes in equity:

Item	January 1, 2016		
	Previously presented balances	Adjustments made	Restated balances
Equity			
Retained earnings (applying NCIF)	$ 355,207	$ (50,116)	$ 305,091
Retained earnings in the process of transition to IFRS	$ 116,475	$ (119,111)	$ (2,636)

Item	December 31, 2016		
	Previously presented balances	Adjustments made	Restated balances
Equity			
Retained earnings (applying NCIF)	$ 342,876	$ (50,116)	$ 292,760
Retained earnings in the process of transition to IFRS	$ 116,475	$ (132,029)	$ (15,554)

Note: The adjustments shown above have no impact on the Statement of Income or the Statement of Cash Flow.

7. Maturity of assets or expiration of liabilities

Loan portfolio – The periodic amortization of principal and interest of each obligation, as contractually agreed with the customer, is taken into account for the maturity of the loan portfolio. The maturing process is carried out by considering the balance sheet asset positions of the credit investment and segmented in accordance with the final maturing date of each contract, classifying the commercial loan, consumer loan, mortgage loan and micro-credit portfolio, assessing them separately for legal currency, foreign currency and total currency.

Investments – The maturity of the principal and interest of investments in marketable fixed-yield debt securities held-to-maturity is classified in the time periods defined by the business model, taking into account the financial conditions of each security. The investments portfolio includes securities issued by the Nation and, to a lesser extent, private debt securities, with an average maturing in excess of twelve months. The securities are mainly TES, TCO and CDs.

Deposits and Financial claims - The maturity of savings deposits and current accounts is carried out statistically by combining the historical behavior of the specific balances and the cancellation of accounts, in a system of conditioned probabilities, thus generating a logarithmic behavior in the maturity of the deposits. Fixed term certificates of deposit mature according to the conditions agreed with the customer.

Maturity of assets in 2017

Item	Years				Total
	0-1	1-3	3-5	More than 5	
Cash and bank deposits	$ 4,685,824	$ -	$ -	$ 59,893	$ 4,745,717
Money market transactions	1,032,004	-	-	-	1,032,004
Investments at fair value through profit or loss	3,792,561	1,586,564	643,449	473,959	6,496,533
Investments at amortized cost (1)	759,608	-	67,454	11,216	838,278
Investments in non-controlling interests and joint arrangements	69,237	-	-	280,732	349,969
Derivatives	221,767	156,627	65,448	244,788	688,630
Commercial loans (2)	7,531,583	5,585,952	2,277,640	2,709,040	18,104,215
Consumer loans (2)	3,432,970	5,718,324	3,539,395	2,365,561	15,056,250
Mortgage loans (2)	662,665	1,475,591	1,470,009	6,489,376	10,097,641
Employee loans and micro-credits (2)	$ 28,022	$ 93,497	$ 94,447	$ 175,577	$ 391,543
Accounts receivable for loans (3)	$ 647,126	$ 1,878	$ -	$ -	$ 649,004

Item	Years				Total
	0-1	1-3	3-5	More than 5	
Other accounts receivable for loans	2,317	182	1,748	-	4,247
Property and equipment, net	160	5	-	704,205	704,370
Other non-maturing assets	172	2,205	-	842,088	844,465
Total maturity of assets	**$ 22,866,016**	**$14,620,825**	**$8,159,590**	**$14,356,435**	**$60,002,866**

(1) Does not include provision for COP 3,912

(2) The total loan portfolio, leasing operations and accounts receivable, does not include provision for COP 1,931,594

Maturity of liabilities in 2017

Item	Years				Total
	0-1	1-3	3-5	More than 5	
Current accounts	$ 1,027,796	$ 634,768	$ 469,315	$ 1,291,656	$ 3,423,535
Term Deposit Certificates	7,999,419	5,166,632	3,170,267	3,749,483	20,085,801
Savings deposits, single deposits, special savings accounts and real value savings certificates	5,522,040	4,396,349	3,156,142	7,400,181	20,474,712
Current liabilities for services	327,722	-	-	-	327,722
Money market transactions	2,635,115	-	-	-	2,635,115
Special deposits	219,196	-	-	-	219,196
Derivatives	292,163	134,049	79,831	213,115	719,158
Hedging swaps	-	-	-	120,863	120,863
Bank credits and other financial obligations	1,230,806	440,901	-	170,605	1,842,312
Accounts payable - financial expenses	6,286	-	-	-	6,286
Outstanding investment securities	102,000	155,000	106,000	1,914,963	2,277,963
Labor liabilities	105,514	-	54,599	54,941	215,054
Estimated liabilities	16,233	51,086	-	156,781	224,100
Dividends payable	61,438	-	-	-	61,438
Other liabilities (other than interest)	153,368	51,299		176,657	381,324
Taxes (does not include deferred tax)	77,472	-	-	-	77,472
Other non-maturing liabilities	316,842	-	-	203,129	519,971
Total maturity of liabilities	**$ 20,093,410**	**$ 11,030,084**	**$ 7,036,154**	**$ 15,452,374**	**$ 53,612,022**

Maturity of assets in 2016

Item	Years				Total
	0-1	1-3	3-5	More than 5	
Cash and bank deposits	$ 4.417.237	$ -	$ -	$ 37.973	$ 4.455.210
Money market transactions	448.960	-	-	-	448.960
Investments at fair value through profit or loss	2.464.273	1.951.986	-	220.017	4.636.276
Investments at amortized cost (1)	612.543	42.005	-	33.896	688.444
Investments in non-controlling interests and joint arrangements	-	-	-	259.066	259.066
Derivatives	336.074	136.192	135.665	199.827	807.758
Commercial loans (2)	5.446.374	4.405.802	2.803.692	3.364.430	16.020.298
Consumer loans (2)	4.817.860	3.788.188	2.410.665	2.892.798	13.909.511
Mortgage loans (2)	3.259.462	2.603.703	1.656.902	1.988.281	9.508.348
Employee loans and micro-credits (2)	120.426	97.403	61.984	74.381	354.194
Accounts receivable for loans (2)	402.709	651	-	-	403.360
Other accounts receivable for loans	7.605	146	854	-	8.605
Property and equipment, net	-	64	15	719.075	719.154
Other non-maturing assets	5.476	-	-	898.548	904.024
Total maturity of assets	**$ 22.338.999**	**$ 13.026.140**	**$ 7.069.777**	**$ 10.688.292**	**$ 53.123.208**

(1) Does not include provision for COP 23,507

(2) The total loan portfolio, leasing operations and accounts receivable does not include provision for COP 1,318,863

Maturity of liabilities in 2016

Item	Years				Total
	0-1	1-3	3-5	More than 5	
Current accounts	$ 1,665,099	$ 1,602,743	$ 773,738	$ 1,436,942	$ 5,478,522
Term Deposit Certificates	5,626,441	5,253,254	2,536,054	4,709,814	18,125,563
Savings deposits, single deposits, special savings accounts and real value savings certificates	5,149,008	4,811,339	2,322,715	4,313,614	16,596,676
Current liabilities for services	390,418	-	-	-	390,418
Money market transactions	533,645	-	-	-	533,645
Special deposits	215,598	-	-	-	215,598
Derivatives	344,873	233,260	75,573	196,828	850,534
Hedging swaps	-	-	-	100,393	100,393
Bank credits and other financial obligations	806,502	241,250	872	503,954	1,552,578
Accounts payable - financial expenses	6,286	-	-	-	6,286
Outstanding investment securities	153,639	102,000	106,000	2,054,493	2,416,132
Labor liabilities	92,744	-	50,146	49,751	192,641
Estimated liabilities	15,530	11,239	7,493	153,596	187,858
Dividends payable	55,367	-	-	-	55,367
Other liabilities (other than interest)	166,836	41,302	-	184,309	392,447
Taxes (does not include deferred tax)	88,331	-	-	-	88,331
Other non-maturing liabilities	276,598	-	-	204,280	480,878
Total maturity of liabilities	**$ 15,586,915**	**$ 12,296,387**	**$ 5,872,591**	**$ 13,907,974**	**$ 47,663,867**

8. Foreign-currency transactions

The Group carried out transactions in the year 2017 in Euro (EUR), pound sterling (GBP), Canadian dollar (CAD), Swiss franc (CHF), Japanese yen (JPY), Swedish krona (SEK), Chinese Yuan (CNY), Mexican peso (MXN) and US dollar (USD), the latter currency being the Group's most representative for its operation.

Therefore, at December 31, 2017 and 2016, the balances in foreign currency were restated in US dollars (USD):

Item	2017		2016	
Spot proprietary position	USD	667,794,209	USD	757,040,708
Proprietary position		74,065,152		73,263,754
Gross leverage position	USD	7,100,598,390	USD	6,767,235,361

These values are within the legal limits in force and effect established by the Central Bank of Colombia.

At December 31, 2017 and 2016, the breakdown of foreign-currency assets and liabilities, equivalent in thousands of US dollars, is as follows:

Item	Note	2017		2016	
Assets					
Cash and bank deposits	(9)	**USD**	**593,163**	**USD**	**528,314**
Loan portfolio and financial lease transactions (net)	(11-12)		**374,111**		**428,683**
• Commercial			374,111		428,683
Interest on loan portfolio and other items (net)	(11-12)		**2,893**		**2,842**
• Commercial			2,893		2,842
Accounts receivable (net)	(17)		**71,772**		**123,743**
Other assets (net)	(22)		**729**		**2,238**
Total assets in foreign currency			**1,042,668**		**1,089,820**
Liabilities					
Deposits and current liabilities	(24)		**22,641**		**15,045**
• Demand			22,641		15,045
Bank credits and other financial obligations	(27)		**270,490**		**236,786**
Outstanding investment securities	(29)		**403,443**		**403,443**
Accounts payable	(28)		**1,635**		**4,681**
Other liabilities	(30)		**1,272**		**2,881**
Total liabilities in foreign currency			**699,481**		**662,836**
Net assets (liabilities) in foreign currency		**USD**	**343,187**	**USD**	**426,984**

Item	2017		2016	
Rights				
Cash transactions in USD	USD	6,978	USD	-
Cash transactions in foreign currency		436		92
Forex		-		745
Total rights	**USD**	**7,414**	**USD**	**837**
Obligations				
Cash transactions in USD	USD	12,807	USD	50
Forex		-		730
Total liabilities		**12,807**		**780**
Net rights (liabilities) in foreign currency		**(5,393)**		**57**
Exclusions as per regulations of DODM-139/05-25-2015 issued by the Central Bank of Colombia		**330,000**		**330,000**
Spot proprietary position	**USD**	**667.794**	**USD**	**757.041**

Exchange differences - The functional and presentation currency of BBVA Colombia's financial statements is the Colombian peso, known as COP; foreign currency transactions and balances are translated at the official exchange rate regulated by the Central Bank of Colombia and supervised by the Financial Superintendence of Colombia (SFC, for the Spanish original).

The official exchange rates for the 2017 and 2016 periods were:

Item	2017		2016	
TRM	$	2,984.00	$	3,000.71

The exchange difference reflected in the statement of income, in revenue and expenses, is a result of the restatement of assets and liabilities, asset realization of transactions in currencies other than the functional currency and the translation at the exchange rates in force.

At December 31, 2017 and 2016, the details of the exchange difference in income are as follows:

Item	2017		2016	
Operating revenue - exchange gain	$	213,918	$	313,986
Operating expenses - exchange loss		(69,820)		(276,998)
Net gain (1)	**$**	**144,098**	**$**	**36,988**

(1) The profit from the exchange difference is due to the fluctuation of the dollar, going from COP 3,000.71 to COP 2,984.00 and a decrease in the spot proprietary position from USD 757 to USD 668 (millions of USD).

Below is the calculation of the gain from the exchange difference in 2017:

Transaction details	Value in USD	Value in COP	Average exchange rate
Spot proprietary position in 2016	USD 757,040,708	$ 2,271,659,622,843	$ 3,000,71
Purchases	37,399,596,216	110,357,447,913,624	2,950,77
Position before sales	**38,156,636,924**	**112,629,107,536,467**	**2,951,76**
Sales	37,488,842,715	110,780,507,476,371	2,955,03
Profit (loss) on sales	-	122,565,948,882	-
Adjusted proprietary position	667,794,209	1,992,697,918,164	2,984,00
Profit (loss) due to exchange adjustment	-	21,531,909,187	-
Profit		**$ 144,098,858,069**	

9. Cash or cash equivalents

At December 31, the balance of this account is summarized as follows:

Item	2017	2016
Legal tender in Colombian pesos:		
Cash	$ 2,280,127	$ 2,304,430
Deposits in the Central Bank of Colombia	690,215	554,382
Deposits in other banks	4,904	10,342
Remittances in transit of negotiated checks	471	740
Subtotal cash and deposits in banks in legal tender	**2,975,717**	**2,869,894**
Foreign currency:		
Cash	1,262	1,791
Foreign correspondents	1,768,732	1,583,525
Remittances in transit	6	-
Subtotal cash and deposits in banks in foreign currency	**1,770,000**	**1,585,316**
Total cash and deposits in banks	**4,745,717**	**4,455,210**
Money market transactions (1)	**1,032,004**	**448,960**
Total cash and cash equivalents	**$ 5,777,721**	**$ 4,904,170**

At December 31, the balance of money market transactions is summarized as follows:

Item	Rate	2017	Rate	2016
Ordinary interbank funds sold				
• Financial corporations	4.58%	$ 10,014	7.14%	$ 80,048
Total ordinary interbank funds sold		**10,014**		**80,048**
Temporary securities transfer transactions				
• Pension and severance fund management companies	0.40%	89,734	0%	-
Total temporary securities transfer transactions		**89,734**		**-**
Active simultaneous transactions				
• Central Bank of Colombia	4.07%	779,191	7.16%	254,834
• Insurance and reinsurance companies	3.46%	63,993	7.37%	11,357
• Counterparty clearing house	4.34%	89,072	7.28%	102,721
Total active simultaneous transactions		**932,256**		**368,912**
Total active transactions		**$ 1,032,004**		**$ 448,960**

(1) In the year 2017, active simultaneous transactions with the Central Bank of Colombia increased due to hedges in commitments originated in short positions for simultaneous transactions

Cash restrictions - At December 31, 2017 and 2016, there was restriction on the use of the cash and deposits in the Central Bank of Colombia amounting to COP 2,857,217 and COP 2,723,891, respectively. The restriction is determined according to the cash reserve standards set by the Central Bank's Board of Directors and is based on percentages of the average deposits held in the Bank by its customers.

Credit quality			
Bank name	Currency	Internal	External
JP Morgan Chase	USD	AA-	A+
Citibank N.Y.	USD	BBB+	BBB+
Wachovia	USD	-	BB+
Toronto Dominion	CAD	AA-	-
U.B.S.	CHF	A-	A-
Barclays	GBP	BBB	BBB
Bank of Tokyo	JPY	A	A
Svenska	SEK	AA-	AA
BBVA N.Y.	USD	BBB+	BBB+
BBVA Madrid	EUR	A-	A-
Bank of America N.Y.	USD	A-	A-
BBVA Bancomer Mexico	MXN	A-	A-
BAC Panama	USD	BB-	-
China Citic Bank Corp.	CNY	BBB	BBB

10. Investment Financial Assets

Al 31 de diciembre el saldo de esta cuenta se resume por calificación y emisor, así:

Item	2017	2016
At fair value through profit or loss		
Treasury securities - TES	$ 3,010,185	$ 2,217,075
Other securities issued by the National Government	31,386	31,744
Other domestic issuers (1)	1,700,069	1,692,900
Total investments at fair value through profit or loss	**4,741,640**	**3,941,719**
At fair value through profit or loss provided in money market transactions		
Treasury securities - TES	1,360,979	248,143
Other domestic issuers	112	4
Total investments at fair value through profit or loss provided in money market transactions	**1,361,091**	**248,147**
At fair value through profit or loss provided as collateral in transactions		
Treasury securities - TES	393,802	446,410
Total investments at fair value through profit or loss provided as collateral in transactions	**393,802**	**446,410**
At amortized cost		
Treasury securities - TES	43,813	42,005
Other securities issued by the National Government	433,156	340,078
Other domestic issuers - Titularizadora Colombiana	34,857	33,896
Total investments at amortized cost	**511,826**	**415,979**
At amortized cost through profit or loss provided in money market transactions		
Other securities issued by the National Government	326,452	272,465
Total investments at amortized cost through profit or loss provided in money market transactions	**326,452**	**272,465**
Total Investments	**7,334,811**	**5,324,720**
Impairment		
Impairment of investments in TIPs	(3,912)	(3,507)
Impairment of investments in equity securities	-	(20,000)
Total impairment of investments	**(3,912)**	**(23,507)**
Total investments, net	**$ 7,330,899**	**$ 5,301,213**

(1) (1) This item consolidates the balances of the Mutual Funds of the Trust Company for COP 43,671.

- The main variation between 2017 and 2016 took place in Treasury Securities (TES) for the purchase and sale of marketable securities for speculative purposes carried out, due to the nature of the business, as part of the Bank's liquidity management activities.

- In the year 2017, the purchase of agricultural development securities increased by COP 149,836 and the maturities of these securities by COP 426,420, since they are mandatory investment securities issued by Finagro, which matured on the following dates: 04/29/2017, 07/30/2017, 10/30/2017 and 10/31/2017.

The maturity of investment financial assets at December 31 was as follows:

2017

Ranges	At fair value through profit or loss	At fair value through OCI	At amortized cost
Less than 1 year	$ 3,876,960	$ 69,369	$ 759,608
From 1 to 5 years	585,495	1,599,591	67,454
More than 5 years	237,729	236,217	11,216
Total	**$ 4,700,184**	**$ 1,905,177**	**$ 838,278**

2016

Ranges	At fair value through profit or loss	At fair value through OCI	At amortized cost
Less than 1 year	$ 1,598,501	$ 937,466	$ 612,542
From 1 to 5 years	329,666	1,583,351	42,005
More than 5 years	62,128	157,318	33,896
Total	**$ 1,990,295**	**$ 2,678,135**	**$ 688,443**

Mortgage securities received in the process of securitization - TIPs

The details and balance of the securities from securitization processes (TIPs) are shown in the table below:

Series	Nominal value	Issue date	Maturity date	Term	2017	2016
TIP's Pesos N-16 MZ 2032	$ 3,180	07/12/17	07/12/32	15	$ 3,207	$ -
TIP's Pesos N-16 C 2032	830	07/12/17	07/12/32	15	839	-
Subtotal	**4,010**				**4,046**	
TIP's Pesos N-6 B 2027	$ 26,641	23/08/12	23/08/27	15	$ 23,641	$ 26,726
TIP's Pesos N-6 MZ 2027	$ 6,104	23/08/12	23/08/27	15	$ 6,104	$ 6,104

Series	Nominal value	Issue date	Maturity date	Term	2017	2016
TIP's Pesos N-6 C 2027	1,066	23/08/12	23/08/27	15	1,066	1,066
Subtotal	**33,811**				**30,811**	**33,896**
Total	**$ 37,821**				**$ 34,857**	**$ 33,896**

At December 31, 2017 and 2016, securities (TITIPOCD0099/TITIPMZD0098/INSC15061232/INSZ15061232) were provisioned for a total of COP 3,912 in accordance with the guidelines established by Chapter I – 1 of the Basic Accounting and Financial Notice (CBCF, for the Spanish original) (External Circular 100/1995) of the SFC, according to the instruction of Section 2.4 of Chapter XV of the CBCF.

In 2017, the Group took part in a securitization process in December with the N-16 pesos issuance, together with Bancolombia S.A. and Davivienda S.A.

There are currently eight series on the market, of which the Group holds series B, MZ and C of the N-6 pesos issuance, and the N-16 pesos issuance for a total balance at December 31, 2017 and 2016 of COP 54,425 and COP 33,896, respectively.

Rating by issuer according to global rating

ISSUER	CDT	TDA	TES	TIP's
Banco Popular S.A.	AAA	-	-	-
Bancolombia S.A.	AAA	-	-	-
BBVA S.A.	AAA	-	-	-
DTN Gobierno Nacional (TES)	-	-	BBB	-
Finagro	-	AAA	-	-
TITULARIZADORA COLOMBIANA				
• TITIP0CD0099-142732	-	-	-	CCC
• TITIPMZD0098-142733	-	-	-	B+
• TITIP0BD0097-142730	-	-	-	A+
• INSC15061232-229718	-	-	-	BB
• INSZ15061232-229722	-	-	-	BB+
• TIPN16B32-229723	-	-	-	BBB

Note: only for TIPs, there is an individual rating by issuer for each security.

At December 31, 2017, there is a restriction corresponding to the lien on CDs for a nominal value of COP 105 million.

11. Loan portfolio and leasing transactions (net)

The loan portfolio at amortized cost in the Statement of Financial Position is presented in accordance with the classification adopted by the Exclusive Financial Reporting Catalog (CUIF, for the Spanish original). The classification by modality and risk rating of loan portfolios at December 31, 2017 were:

Portfolio	Debt	Impairment	Guarantee
Commercial:			
Category "A" Normal	$ 16,919,760	$ 167,244	$ 11,062,896
Category "B" Acceptable	462,703	64,246	797,970
Category "C" Considerable	280,597	136,642	195,426
Category "D" Significant	54,413	25,898	46,782
Category "E" Uncollectible	579,236	443,551	1,325,596
Total commercial	**18,296,709**	**837,581**	**13,428,670**
Consumer:			
Category "A" Normal	13,993,685	275,469	1,387,559
Category "B" Acceptable	278,481	47,571	35,568
Category "C" Considerable	209,199	54,594	46,098
Category "D" Significant	358,716	164,172	51,308
Category "E" Uncollectible	548,125	297,464	110,457
Total consumer	**15,388,206**	**839,270**	**1,630,990**
Micro-credit:			
Category "E" Uncollectible	2	-	-
Total micro-credit	**2**	**-**	**-**
Mortgage:			
Category "A" Normal	9,586,846	83,014	22,108,177
Category "B" Acceptable	298,202	55,842	899,529
Category "C" Considerable	158,545	50,457	416,274
Category "D" Significant	41,665	15,445	115,214
Category "E" Uncollectible	136,073	49,985	330,472
Total mortgage	**10,221,331**	**254,743**	**23,869,666**
Employee mortgage:			
Category "A" Normal	284,982	-	646,430
Category "B" Acceptable	714	-	1,741
Category "C" Considerable	$ 616	$ -	$ 1,498

Portfolio	Debt	Impairment	Guarantee
Category "D" Significant	$ 247	$ -	$ 402
Category "E" Uncollectible	134	-	254
Total employee mortgage	**286,693**	**-**	**650,325**
Employee consumer:			
Category "A" Normal	104,912	-	2,786
Category "B" Acceptable	73	-	114
Category "C" Considerable	297	-	-
Category "D" Significant	79	-	-
Category "E" Uncollectible	351	-	-
Total employee consumer	**105,712**	**-**	**2,900**
Other	**4,247**	**-**	**-**
Total loan portfolio	**$ 44,302,900**	**$ 1,931,594**	**$ 39,582,551**

The classification and rating of loan portfolios by modality at December 31, 2016 were:

Portfolio	Debt	Impairment	Guarantee
Commercial:			
Category "A" Normal	$ 15,110,674	$ 155,248	$ 10,197,321
Category "B" Acceptable	638,535	99,135	611,246
Category "C" Considerable	238,279	94,648	216,556
Category "D" Significant	35,763	20,204	51,996
Category "E" Uncollectible	195,711	125,473	198,230
Total commercial	**16,218,962**	**494,708**	**11,275,349**
Consumer:			
Category "A" Normal	13,081,284	277,921	1,608,963
Category "B" Acceptable	289,836	62,776	41,697
Category "C" Considerable	138,240	27,054	34,852
Category "D" Significant	243,525	117,840	35,031
Category "E" Uncollectible	300,656	159,529	72,128
Total consumer	**14,053,541**	**645,120**	**1,792,671**
Micro-credit:			
Category "E" Uncollectible	2	-	-
Total micro-credit	**2**	**-**	**-**
Mortgage:			
Category "A" Normal	$ 9,180,516	$ 74,690	$ 21,741,928

Portfolio	Debt	Impairment	Guarantee
Category "B" Acceptable	$ 175,562	$ 32,687	$ 496,222
Category "C" Considerable	88,653	27,152	244,831
Category "D" Significant	30,332	10,856	84,756
Category "E" Uncollectible	93,209	33,650	238,248
Total mortgage	**9,568,272**	**179,035**	**22,805,985**
Employee mortgage:			
Category "A" Normal	250,057	-	924,493
Category "B" Acceptable	708	-	1,840
Category "C" Considerable	439	-	1,200
Category "D" Significant	-	-	-
Category "E" Uncollectible	248	-	641
Total employee mortgage	**251,452**	**-**	**928,174**
Employee consumer:			
Category "A" Normal	102,510	-	2,248
Category "B" Acceptable	181	-	-
Category "C" Considerable	85	-	-
Category "D" Significant	323	-	-
Category "E" Uncollectible	383	-	112
Total employee consumer	**103,482**	**-**	**2,360**
Other	**8,605**	**-**	**-**
Total loan portfolio	**$ 40,204,316**	**$ 1,318,863**	**$ 36,804,539**

In 2017, the additional provision required in External Circular No. 047/2016 was created in the amount of COP 36,049.

The changes in the principal loan portfolio impairment (provisions) account during the year ended were as follows:

2017

Item	Commercial	Consumer	Mortgage	Employees	Total
Balance at the beginning of year	$ 478,205	$ 630,029	$ 176,225	$ -	$ 1,284,459
Impairment charged to expenses in the year	584,008	1,157,420	101,311	6,075	1,848,814
Less - Impairment recovery	(237,024)	(373,630)	(45,322)	(3,500)	(659,476)

Item	Commercial	Consumer	Mortgage	Employees	Total
OCI - impact measurement based on incurred loss model	$ 5,085	$ (215,038)	$ 36,587	$ (2,727)	$ (176,093)
Loans written off as uncollectible	$ (28,270)	$ (380,484)	$ (7,548)	$ -	$ (416,302)
Debt forgiveness	(6,877)	(26,853)	(10,789)	-	(44,519)
Other movements	(242)	(207)	52	152	(245)
Balance at year end	**$ 794,885**	**$ 791,237**	**$ 250,516**	**$ -**	**$ 1,836,638**

2016

Item	Commercial	Consumer	Mortgage	Employees	Micro-credit	Total
Balance at the beginning of year	$ 364,180	$ 463,081	$ 169,889	$ 1,345	$ 2	$ 998,497
Impairment charged to expenses in the year	313,178	788,030	86,022	845	-	1,188,075
Less - Impairment recovery	(210,411)	(295,502)	(36,586)	(440)	-	(542,939)
OCI - impact measurement based on incurred loss model	49,867	(53,642)	(23,580)	(1,742)	(2)	(29,099)
Loans written off as uncollectible	(32,396)	(251,779)	(9,743)	-	-	(293,918)
Debt forgiveness	(6,140)	(20,033)	(9,776)	-	-	(35,949)
Other movements	(73)	(126)	(1)	(8)	-	(208)
Balance at year end	**$ 478,205**	**$ 630,029**	**$ 176,225**	**$ -**	**$ -**	**$1,284,459**

The changes in the loan portfolio interest impairment account and other items during the year ended were as follows:

2017

Item	Commercial	Consumer	Mortgage	Employees	Total
Balance at the beginning of year	$ 16,503	$ 15,091	$ 2,810	$ -	$ 34,404
Impairment charged to expenses in the year	29,566	40,954	11,530	36	82,086
Less - Impairment recovery	(9,094)	(10,243)	(6,704)	(41)	(26,082)
OCI - impact measurement based on incurred loss model	11,187	20,556	(2,871)	(252)	28,620
Loans written off as uncollectible	(3,839)	(18,245)	(476)	-	(22,560)
Debt forgiveness	(632)	(13)	(27)	-	(672)
Other movements	(995)	(67)	(35)	257	(840)
Balance at year end	**$ 42,696**	**$ 48,033**	**$ 4,227**	**$ -**	**$ 94,956**

2016

Item	Commercial	Consumer	Mortgage	Employees	Total
Balance at the beginning of year	$ 9,038	$ 10,600	$ 3,273	$ -	$ 22,911
Impairment charged to expenses in the year	17,556	27,350	8,318	41	53,265
Less - Impairment recovery	(6,227)	(7,788)	(5,993)	(30)	(20,038)
OCI - impact measurement based on incurred loss model	(26)	(3,302)	(1,857)	7	(5,178)
Loans written off as uncollectible	(3,175)	(11,084)	(708)	-	(14,967)
Debt forgiveness	(199)	(39)	(199)	-	(437)
Other movements	(464)	(646)	(24)	(18)	(1,152)
Balance at year end	**$ 16,503**	**$ 15,091**	**$ 2,810**	**$ -**	**$ 34,404**

Year 2017

During 2017, the Group conducted portfolio sale transactions for a total of COP 344,376, represented by 24,024 obligations, where 96.38% of said asset was written-off.

The breakdown of the portfolio disposed of by modality was represented by: Mortgage, 8.33%, Commercial, 12.74%, Consumer, 78.91% and Micro-credit, 0.02%.

Status	No. Contracts	Total Debt (*)	Total Provisions	Sale Price
Active	$ 285	$ 12,476	$ 5,466	$ 3,821
Written-off	23,739	331,900	-	19,685
Total	**$ 24,024**	**$ 344,376**	**$ 5,466**	**$ 23,506**

(*) Amount includes principal, interest and accounts receivable balances.

Mass portfolio sales operations were conducted with the companies Abogados Especializados en Cobranza S.A., Inverst S.A.S. and Sistemcobro S. A.S., regarding litigious rights sales to natural and legal persons. Credit transactions sold that were in the balance sheet generated a COP 3,882 loss on the sale, and recovery of provisions of COP 5,466, whereas the written-off portfolio reported COP 19,685 revenue in the sale transaction.

Year 2016

During 2016, the Bank conducted portfolio sale transactions for a total of COP 143,968, represented by 11,810 obligations, where 92.60% of said asset was written-off.

The breakdown of the portfolio disposed of by portfolio modality was represented by: Mortgage, 6.79%, Commercial, 8.83%, Consumer, 84.37% and Micro-credit, 0.01%; these transactions were carried out in the months listed in the table below:

Status	No. Contracts	Total Debt (*)	Total Provisions	Sale Price
Active	$ 370	$ 10,647	$ 6,420	$ 4,267
Written-off	11,440	133,321	-	14,728
Total	**$ 11,810**	**$ 143,968**	**$ 6,420**	**$ 18,995**

(*) Amount includes principal, interest and accounts receivable balances.

Mass portfolio sales operations were conducted with the companies Abogados Especializados en Cobranza S.A., Konfigura Capital S.A.S., RF Encoré S.A.S. and Sistemcobro S.A.S., regarding litigious rights sales to natural and legal persons. Credit transactions sold that were in the balance sheet generated a COP 4,678 loss on the sale, and recovery of provisions of COP 6,420, whereas the written-off portfolio reported COP 14,728 revenue in the sale transaction

12. Lease loan portfolio

BBVA as a Lessor

The Group offers asset-based funding and uses a wide variety of industrial equipment and commercial companies to offer financial programs tailored to the needs of asset manufacturers, dealers and distributors. Where the financing amount is usually 90% of the value of the new asset and 80% for used assets, the terms of these loans are between 120 months and 180 months.

Accounts receivable from finance leases - Accounts receivable from finance leases are included in the Loan Portfolio. The Group's net investment in the accounts receivable from finance leases was as follows:

2017

Range	Gross investment in accounts receivable from finance leases	Future financial income	Current value of accounts receivable of minimum lease payments
One year or less	$ 145,989	$ 15,193	$ 130,796
From one to five years	1,076,350	175,654	900,696
More than five years	1,105,353	359,107	746,246
Total	**$ 2,327,692**	**$ 549,954**	**$ 1,777,738**

2016

Range	Gross investment in accounts receivable from finance leases	Future financial income	Current value of accounts receivable of minimum lease payments
One year or less	$ 3,026	$ 134	$ 2,892
From one to five years	977,507	155,154	822,353
More than five years	1,337,832	446,339	891,493
Total	**$ 2,318,365**	**$ 601,627**	**$ 1,716,738**

Accounts receivable from operating leases o - Accounts receivable from operating leases are included in the rental rates of assets given under operating leases. The Group's net investment in the accounts receivable from operating leases was as follows:

2017

Range	Gross investment in accounts receivable from finance leases	Future financial income	Current value of accounts receivable of minimum lease payments
One year or less	$ 1,046	$ 946	$ 100
From one to five years	4,074	3,933	141
Total	**$ 5,120**	**$ 4,879**	**$ 241**

2016

Range	Gross investment in accounts receivable from finance leases	Future financial income	Current value of accounts receivable of minimum lease payments
From one to five years	$ 5,033	$ 4,766	$ 266
Total	**$ 5,033**	**$ 4,766**	**$ 266**

BBVA as a Lessee

Lease commitments - El Grupo para su funcionamiento y acorde a su proceso de expansión toma en arrendamiento oficinas a nivel nacional celebrando contratos con las vigencias relacionadas en la tabla anexa:

Range	2017	2016
One year or less	$ 327	$ 633
From one to five years	2,172	8,190
More than five years	39,726	30,572
Total	**$ 42,225**	**$ 39,395**

13. Securitization and buyback of securitized portfolio

Productive portfolio securitization: In 2017, the Bank took part in a securitization process, which was the N-16 issuance.

Portfolio securitizations are final sales of credit investments. To this effect, they are derecognized from the balance sheet because the Group substantially transfers the risks and rewards associated with said asset.

The balances of the current issuances and portfolio in which the Group has participated at December 31 are as follows:

Item	2017		2016	
	Portfolio – total principal	Balances in BBVA	Portfolio – total principal	Balances in BBVA
TIP's E-9	$ 2,465	$ -	$ 4,627	$ -
TIP's E-10	2,404	-	5,148	-
TIP's E-11	1,559	-	3,308	-
TIP's E-12	549	-	2,394	-
TIP's N-6	26,913	30,811	30,948	33,896
TIP's N-16	162,423	4,046	-	-
Total	**$ 196,313**	**$ 34,857**	**$ 46,425**	**$ 33,896**

During the years 2017 and 2016, buybacks were carried out due to the decrease in rates, refurbishment and write-offs, corresponding to the issuances TIPs E9 PESOS, TIPs E10 PESOS, TIPs E11 PESOS, E12 PESOS, N6 PESOS and N16 PESOS.

These buybacks are recorded at their carrying value, which amounted to COP 1,537 and COP 1,931, respectively:

2017

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
No. of credits	5	3	-	1	3	-	2	1	2	2	2	3	**24**
Total balance of principal	$ 363	$ 173	$ -	$ 13	$ 172	$ -	$ 86	$ 68	$ 66	$ 36	$ 16	$ 303	**$ 1.296**
Total balance of debt	$ 497	$ 268	$ -	$ 13	$ 178	$ -	$ 89	$ 69	$ 67	$ 36	$ 16	$ 304	**$ 1.537**

2016

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
No. of credits	2	3	4	-	4	4	4	1	4	5	-	2	**33**
Total balance of principal	$ 33	$ 84	$ 76	$ -	$ 252	$ 71	$ 300	$ 51	$ 254	$ 308	$ -	97	**$ 1.525**
Total balance of debt	$ 33	$ 84	$ 76	$ -	$ 254	$ 72	$ 530	$ 51	$ 365	$ 346	$ -	122	**$ 1.931**

History of productive portfolio securitization

TIP's E-9 Pesos – EIn December 2008, TIPs E-9 were issued for a total of COP 401,000, of which BBVA had a share of COP 140,000. The Class A TIPs issued for COP 369,000, Class B TIPs for COP 30,000 and Class MZ TIPs for COP 2,000 have ratings of AAA, AA- and BBB, respectively, and their maturity is between 2010 and 2023.

In March 2016, the securities of the TIPs E-9 issuance were paid.

TIP's E-10 Pesos – In March 2009, TIPs E-10 were issued for a total of COP 498,593, of which BBVA had a share of COP 74,233. The Class A TIPs issued for COP 458,000, Class B TIPs for COP 37,000 and Class MZ TIPs for COP 10,000 have ratings of AAA, AA-, and BBB, respectively, and their maturity is between 2019 and 2024.

In May 2015, the securities of the TIPs E-10 issuance were paid.

TIPs E-11 Pesos – In May 2009, TIPs E-11 were issued for a total of COP 431,857, of which BBVA had a share of COP 48,650. The TIPs E-11 in Class A issued for COP 399,000, Class B for COP 32,000 and Class MZ for COP 11,000 have ratings of AAA, A, and BBB, respectively, and their maturity is between 2019 and 2024.

In November 2014, the securities of the TIPs E-11 issuance were paid

TIPs E-12 Pesos – In August 2009, TIPs E-12 were issued for a total of COP 376,820, of which BBVA had a share of COP 78,745. The TIPs E-12 in Class A for COP 349,000, Class B issued for COP 28,000 and Class MZ for COP 9,000 have ratings of AAA, AA, and BBB, respectively, and their maturity is between 2019 and 2024.

In June 2015, the securities of the TIPs E-12 issuance were paid.

At December 31, 2017, the income from the residual rights due to the E9, E10, E11 and E12 issuances was:

Universality	Value
Tips Pesos E-9	$ 2.843
Tips Pesos E-10	1.480
Tips Pesos E-11	956
Tips Pesos E-12	1.376
Total	**$ 6.655**

TIP's N-6 Pesos – In August 2012, mortgage portfolio representative TIPs N6 Pesos Non-LIH were issued; they were originated by BBVA Colombia S.A. for a total of COP 213,130 represented in 2,847 credits and Davivienda S.A. amounting to COP 155,867, represented in 1,661 credits.

On August 23, 2012, the TIPs N6 Pesos Non-LIH were issued for a total of COP 381,882, distributed in the following classes and amounts: Series A2022 for COP 322,872, Series B2027 for COP 46,125, Series MZ for COP 11,040 and Series C for COP 1,845.

The first lot: Total TIPs purchased by the market (87.5%) corresponded to Series A2022 for COP 322,872; of this first lot, the TIPs sold according to the share percentage of the BBVA portfolio were Series A2022 for COP 186,489.

The second lot: TIPs purchased by the originators (12.5%) from their portfolio + excess NPV cash flow (MZ-C) distributed as follows: B2027 for COP 46,125, MZ 2027 for COP 11,040 and C2027 for COP 1,845.

Of the second lot: TIPs purchased by BBVA according to the share percentage of its portfolio (12.5%) + excess NPV cash flow distributed as follows: TIPs B2027 for COP 26.641, Tips MZ2027 for COP 6,104 and C2027 for COP 1,066, for a total of COP 33,811.

Class B, MZ and C TIPs issued are rated A+, BBB- and BB+, respectively.

TIPs N-16 Pesos - In November 2017, mortgage portfolio representative TIPs N16 Pesos LIH and Non-LIH were issued; they were originated by BBVA Colombia S.A. for a total of COP 167,252, Bancolombia COP 105,599 and Davivienda S.A. COP 106,359.

On December 6, 2017, the TIPs N16 Pesos LIH and Non-LIH were issued for a total of COP 385,473, distributed in the following classes and amounts: Series A2027 for COP 339,124, Series B2032 for COP 37,680, Series MZ for COP 6,785 and Series C for COP 1,884.

The first lot: Total TIPs purchased by the market (90%) corresponded to Series A2027 for COP 339,124; of this first lot, the TIPs sold according to the share percentage of the BBVA portfolio were Series A2027 for COP 149,443.

The second lot: TIPs purchased by the originators (12.5%) from their portfolio + excess NPV cash flow (MZ-C) distributed as follows: B2027 for COP 46,125, MZ 2027 for COP 11,040 and C2027 for COP 1,845.

Of the second lot: TIPs purchased by BBVA according to the share percentage of its portfolio (12.5%) + excess NPV cash flow distributed as follows: TIPs B2027 for COP 16,604, TIPs MZ 2032 for COP 3,180 and C2032 for COP 830 for a total of COP 20,614.

Class B, MZ and C TIPs issued are rated BBB, BB+ and BB, respectively.

14. Fair value

Fair value measurement - According to IFRS 13, fair value is the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between participants of the main market on the measurement date, or in the absence thereof, the most advantageous market to which the BBVA Group has access at the time.

Financial instruments are initially recognized at fair value, which is equivalent to the transaction price, unless there is evidence otherwise on an active market. After that, and depending on the nature of the financial instrument, it can continue to be recorded at fair value through adjustments in the income statements or in equity or at amortized cost.

Whenever applicable, the BBVA Group measures the fair value of an instrument by using a listed price on an active market for said instrument. A market is considered to be active if listed prices can be obtained easily and regularly either from a stock market, operator, broker, industry group and/or pricing service, and these prices represent actual market transactions occurring regularly between independent parties in arm's length conditions.

The BBVA Group uses widely recognized valuation models to determine the fair value of common, simpler financial instruments, such as currency swap and interest rates that only use observable market data and require few judgments and calculations by management.

Accordingly, the BBVA Group uses the average market prices and methodologies as a basis to establish the fair values of its financial instruments, which are provided by Infovalmer, the price vendor for valuation, selected by the entity and authorized by the Financial Superintendence of Colombia to do so.

When there is no listed price on an active market, the entity uses valuation techniques that maximize the use of observable input and minimize the use of non-observable input. The objective of the valuation techniques is to reach a determination regarding fair value that will reflect the price of the financial instrument on the reporting date that would have been determined by market participants separately.

The classification criteria between levels of hierarchy is based on the price models disclosed by the official price vendor, which have been presented by the Financial Superintendence of Colombia.

Approach of valuation techniques - The BBVA Group shall use the valuation techniques that are appropriate for the circumstances and on which there is information available to determine the fair value of financial instruments, always maximizing the use of observable input and minimizing the use of non-observable input.

Accordingly, the entity shall use, as the case may be, the following approaches according to IFRS 13 to measure the fair value of financial instruments.

Market approach - Listed prices, and in the absence thereof, other relevant information generated by market transactions involving identical or comparable financial instruments, will be used to determine the fair value of financial instruments, when applicable.

Input approach - Present value techniques and options valuation models (Black & Scholes model) will be used to measure the fair value of financial instruments, as the case may be. The observable input will be maximized always using discount curves, volatilities and other market variables that are observable and reflect the assumptions that the market participants would use for pricing the financial instrument.

Valuation of financial instruments - The BBVA Group measures fair values using the following hierarchy, according to the importance of the input variables used for measurement:

- Level 1: The market price listed (unadjusted) on an active market for an identical instrument.

- Level 2: Valuation techniques based on observable factors, whether directly (such as prices) or indirectly (such as price derivatives). This category includes instruments valued using: market prices listed on active markets for similar instruments; listed prices for similar instruments on markets that are not considered very active; or other valuation techniques where all significant input is directly or indirectly observable based on market data.

- Level 3: Input for assets or liabilities that is not based on observable market data. This category includes all the instruments where the valuation technique includes factors that are not based on observable data and the non-observable factors can have a significant effect on the valuation of the instrument. This category includes instruments that are valued based on prices listed for similar instruments where significant non-observable assumptions or adjustments are required to reflect the differences between instruments. If a fair value measurement uses observable market data that require significant adjustments based on non-observable data, the measurement is classified as level 3.

Determining what falls under the term "observable" requires significant criteria on behalf of the entity. Therefore, observable data are understood as the market data that can be easily obtained, are distributed or updated on a regular basis, are reliable and verifiable, are not private (exclusive) and are provided by independent sources that play an active role on the relevant market.

The assumptions and factors used in valuation techniques include risk-free interest rates, reference interest rates, credit spreads and other premiums used to determine discount rates, foreign exchange rates and expected price volatilities.

The availability of observable market prices and factors reduce the need for judgments and calculations by management, along with the uncertainty associated with determining fair values. The availability of observable market prices and input varies depending on the products and markets, and is prone to changes based on specific events and general conditions on financial markets.

Fair value hierarchy - BBVA Group financial instruments

Investments in debt securities are valued on a daily basis and their results are also recorded daily.

The BBVA Group measures the market value of investments, based on liquidity and depth of the market in debt securities that are marketable and available for sale by using the "unadjusted" prices published on a daily basis by Infovalmer, the official price vendor selected by the entity. The market price bases are provided by the price vendor authorized by the Financial Superintendence of Colombia. The securities that meet these conditions are classified as Level 1 of the fair value hierarchy.

In the case of instruments that are not 100% observable on the market, but whose price is determined based on other prices that are observable on the market, the entity shall classify these instruments at level 2.

Derivative financial instruments

According to the standards of the Superintendence, transactions with derivatives are defined as contracts between two or more parties to purchase or sell financial instruments at a future date, or contracts where the underlying asset is a spot price or index. The BBVA Group carries out transactions with commercial purposes or hedging purposes in forwards, options, swaps and futures contracts.

All derivatives are measured at fair value. Changes in fair value are recognized in the statement of income.

For the derivative financial instruments listed below, except for futures, fair value is calculated based on listed market prices of comparable contracts and represents the amount that the entity would have received from or paid to a counterparty to write-off the contract at market rates on the date of the consolidated statement of financial position; therefore, the valuation process is described by product:

- **FX forward (Fwd)**

  El modelo de valorización utilizado es el descuento flujos de caja. El proveedor publica curvas cifradas de acuerdo a la moneda de origen del subyacente. Estos inputs de mercado son publicados por el proveedor oficial de precios Infovalmer basado en información de mercado observable.

- **Interest and exchange swaps.**

  The valuation model is based on discounted cash flows. These market inputs are taken from the information published by Infovalmer, the official price vendor, which publishes the master curves in accordance with the underlying asset, base swap curves.

- **European options - USD/COP**

  The valuation model is based on the Black Scholes methodology using the variables provided by the official price vendor.

The BBVA Group has determined that derivative assets and liabilities measured at fair value are classified as illustrated below indicating the fair value hierarchy of the derivatives recorded at fair value:

Fair value hierarchy of assets and liabilities in 2017

Item	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Assets at fair value measured on a recurring basis	**$ 13,312,853**	**$ 13,312,763**	**$ 3,101,453**	**$ 5,122,581**	**$ 343,012**
Investments at fair value	6,496,533	6,496,533	3,034,199	3,401,947	60,387
• Investments at fair value through profit or loss	6,496,533	6,496,533	3,034,199	3,401,947	60,387
- Ordinary bonds	7,338	7,338	-	7,338	-
- Certificate of deposit	1,663,842	1,663,842	-	1,663,842	-
- Treasury securities - TES	3,075,432	3,075,432	2,919,236	156,196	-
- Treasury securities - TCO	1,689,534	1,689,534	114,963	1,574,571	-
- Mortgage securities - TIPs	16,716	16,716	-	-	16,716
- Mutual funds	37,173	37,173	-	-	37,173
- Stand-alone trusts	6,498	6,498	-	-	6,498
Derivative financial instruments and (Active) cash transactions	688,630	688,630	-	688,630	-
• Trading	688,630	688,630	-	688,630	-
- Forward contracts	$ 142,073	$ 142,073	$ -	$ 142,073	$ -

Item	Carrying value	Fair value	Level 1	Level 2	Level 3
- Cash transactions	$ 114	$ 114	$ -	$ 114	$ -
- Options	22,639	22,639	-	22,639	-
- Swaps	523,804	523,804	-	523,804	-
Investments in non-controlling interests and joint arrangements	349,969	349,879	67,254	-	282,625
• Investments in non-controlling interests	280,732	280,642	67,254	-	213,388
- Counterparty clearing house (CRCC, for the Spanish original)	1,125	1,125	-	-	1,125
- Cámara de Compensación de Divisas de Colombia-CCD	1,218	1,218	-	-	1,218
- Redeban	14,241	14,241	-	-	14,241
- ACH Colombia	17,032	17,032	-	-	17,032
- Finagro	79,429	79,429	-	-	79,429
- Bolsa de Valores de Colombia	67,254	67,254	67,254	-	-
- Credibanco	100,343	100,343	-	-	100,343
- Other	90	90	90	90	90
• Investments in joint arrangements	69,237	69,237	-	-	69,237
- RCI Colombia S.A.	67,980	67,980	-	-	67,980
- Other funds	1,257	1,257	-	-	1,257
Liabilities					
Liabilities at fair value measured on a recurring basis	**840,021**	**840,021**	**-**	**840,021**	**-**
Derivative financial instruments and (liability) cash transactions	840,021	840,021	-	840,021	-
• Trading	719,158	719,158	-	719,158	-
- Forward contracts	114,098	114,098	-	114,098	-
- Cash transactions	16	16	-	16	-
- Options	22,651	22,651	-	22,651	-
- Swaps	582,393	582,393	-	582,393	-
• Hedging	120,863	120,863	-	120,863	-
- Swaps	$ 120,863	$ 120,863	$ -	$ 120,863	$ -
Assets					

Item	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets measured on a non-recurring basis	**$ 49,585,299**	**$ 43,695,098**	**$ 43,813**	**$ 650,436**	**$ 140,117**
Cash, cash balances in central banks and other demand deposits	5,777,721	5,777,721	-	1,032,004	-
• Cash and bank deposits	4,745,717	4,745,717	-	-	-
• Money market and related transactions	1,032,004	1,032,004	-	1,032,004	-
Investments at amortized cost	834,366	834,366	43,813	650,436	140,117
• Investments at amortized cost	834,366	834,366	43,813	650,436	140,117
- Treasury securities - TES	43,813	43,813	43,813	-	-
- Agricultural development securities	759,608	759,608	-	650,436	109,172
- Mortgage securities - TIPs	30,945	30,945	-	-	30,945
Loan portfolio and lease transactions (net)	42,371,306	42,371,306	-	-	-
• Loan portfolio and lease transactions	42,371,306	42,371,306	-	-	-
Other	601,906	489,426	-	-	-
• Advances to contracts and suppliers	183,033	183,033	-	-	-
• Other accounts receivable (net)	418,873	306,393	-	-	-
Liabilities					
Liabilities measured on a non-recurring basis	**51,938,533**	**51,938,533**	**-**	**4,913,078**	**-**
Deposits and current liabilities	47,166,081	47,166,081	-	2,635,115	-
• Demand	24,445,165	24,445,165	-	-	-
• Term	20,085,801	20,085,801	-	-	-
• Money market and simultaneous transactions	2,635,115	2,635,115	-	2,635,115	-
Investment securities	2,277,963	2,277,963	-	2,277,963	-
• Outstanding investment securities	2,277,963	2,277,963	-	2,277,963	-
Financial obligations	1,842,312	1,842,312	-	-	-
• Bank credits and other financial obligations	1,842,312	1,842,312	-	-	-
Other	652,177	652,177	-	-	-
• Accounts payable	449,048	449,048	-	-	-
• Other liabilities	203,129	203,129	-	-	-
Total assets and liabilities	**$ 115,676,706**	**$ 109,786,415**	**$ 3,145,266**	**$11,526,116**	**$ 483,129**

Fair value hierarchy of assets and liabilities in 2016

Item	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Assets at fair value measured on a recurring basis	**$ 10,607,271**	**$ 10,607,271**	**$ 2,454,748**	**$3,443,846**	**$ 253,465**
Investments at Fair Value	4,636,275	4,636,275	2,449,147	2,187,128	-
• Investments at fair value through profit or loss	4,636,275	4,636,275	2,449,147	2,187,128	-
- Ordinary bonds	20,079	20,079	-	20,079	-
- Certificate of deposit	1,669,247	1,669,247	-	1,669,247	-
- Treasury securities - TES	2,393,603	2,393,603	2,069,086	324,517	-
- Treasury securities - TCO	518,028	518,028	380,061	137,967	-
- Mutual funds	29,478	29,478	-	29,478	-
- Stand-alone trusts	5,840	5,840	-	5,840	-
Derivative financial instruments and (asset) cash transactions	807,758	807,758	-	807,758	-
• Trading	807,758	807,758	-	807,758	-
- Forward contracts	147,978	147,978	-	147,978	-
- Cash transactions	8	8	-	8	-
- Options	22,431	22,431	-	22,431	-
- Swaps	637,341	637,341	-	637,341	-
Investments in non-controlling interests and joint ventures	259,066	259,066	5,601	-	253,465
• Investments in non-controlling interests	204,817	204,817	5,601	-	199,216
- Counterparty clearing house (CRCC, for the Spanish original)	1,710	1,710	-	-	1,710
- Cámara de Compensación de Divisas de Colombia-CCD	1,488	1,488	-	-	1,488
- Redeban	7,577	7,577	-	-	7,577
- ACH Colombia	13,786	13,786	-	-	13,786
- Deceval	27,775	27,775	-	-	27,775
- Finagro	49,943	49,943	-	-	49,943
- Bolsa de Valores de Colombia	5,601	5,601	5,601	-	-
- Credibanco	96,937	96,937	-	-	96,937
Investments in joint arrangements	54,249	54,249	-	-	54,249
- RCI Colombia S.A.	$ 54,249	$ 54,249	$ -	$ -	$ 54,249

Item	Carrying value	Fair value	Level 1	Level 2	Level 3
Liabilities					
Liabilities at fair value measured on a recurring basis	**$ 950,927**	**$ 950,927**	**$ -**	**$ 850,534**	**$ -**
Derivative financial instruments and (liability) cash transactions	950,927	950,927	-	850,534	-
• Trading	850,534	850,534	-	850,534	-
- Forward contracts	178,123	178,123	-	178,123	-
- Cash transactions	11	11	-	11	-
- Options	23,773	23,773	-	23,773	-
- Swaps	648,627	648,627	-	648,627	-
• Hedging	100,393	100,393	-	-	-
- Swaps	100,393	100,393	-	-	-
Assets					
Assets measured on a non-recurring basis	**44,743,474**	**44,743,474**	**42,005**	**1,091,891**	**-**
Cash, cash balances in central banks and other demand deposits	4,904,171	4,904,171	-	448,960	-
• Cash and deposits in banks	4,455,211	4,455,211	-	-	-
• Money market and related transactions	448,960	448,960	-	448,960	-
Investments at amortized cost	684,936	684,936	42,005	642,931	-
• Investments at amortized cost	684,936	684,936	42,005	642,931	-
- Treasury securities - TES	42,005	42,005	42,005	-	-
- Agricultural development securities	612,542	612,542	-	612,542	-
- Mortgage securities - TIPs	30,389	30,389	-	30,389	-
Loan portfolio and lease transactions (net)	38,559,491	38,559,491	-	-	-
• Loan portfolio and lease transactions	38,559,491	38,559,491	-	-	-
Other	594,876	594,876	-	-	-
• Advances to contracts and suppliers	140,775	140,775			
• Accounts receivable (net)	$ 594,876	$ 594,876	$ -	$ -	$ -

Item	Carrying value	Fair value	Level 1	Level 2	Level 3
Liabilities					
Liabilities measured on a non-recurring basis	**$ 45,967,798**	**$ 45,967,798**	**$ -**	**$ 2,949,777**	**$ -**
Deposits and current liabilities	41,340,422	41,340,422	-	533,645	-
• Demand	22,681,214	22,681,214	-	-	-
• Term	18,125,563	18,125,563	-	-	-
• Money market and simultaneous transactions	533,645	533,645	-	533,645	-
Investment securities	**2,416,132**	**2,416,132**	**-**	**2,416,132**	**-**
• Outstanding investment securities	2,416,132	2,416,132	-	2,416,132	-
Financial obligations	**1,552,578**	**1,552,578**	**-**	**-**	**-**
• Bank credits and other financial obligations	1,552,578	1,552,578	-	-	-
Other	**658,666**	**658,666**	**-**	**-**	**-**
• Accounts payable	454,100	454,100	-	-	-
• Other liabilities	204,566	204,566	-	-	-
Total assets and liabilities	**$ 102,269,470**	**$102,269,470**	**$ 2,496,753**	**$8,336,048**	**$ 253,465**

Taking the IFRS 13 accounting standard into account, the BBVA Colombia Group considers that for other financial assets and liabilities that are not classified into hierarchies, the best fair value estimate is the carrying value at the closing date.

Sensitivity of valuation at hierarchy level 3

Non-controlling interests

1. Discounted flow of dividends methodology

The discounted flow of dividends methodology shall be applied on the following financial assets classified at hierarchy level 3:

Entity	BBVA valuation			Long-term rate			NPV dividends		
	Lower limit	Average	Upper limit	Lower limit	Average	Upper limit	Lower limit	Average	Upper limit
Finagro	$ 81,046	$ 79,429	$ 77,874	1.35%	1.37%	1.40%	$ 340,860	$ 339,151	$ 337,459
ACH	17,368	17,032	16,709	0.19%	0.19%	0.19%	65,937	65,623	65,312
Redeban	$ 14,547	$ 14,241	$ 13,946	1.35%	1.38%	1.41%	$ 50,352	$ 50,074	$ 49,799

Entity	BBVA valuation			Long-term rate			NPV dividends		
	Lower limit	Average	Upper limit	Lower limit	Average	Upper limit	Lower limit	Average	Upper limit
Cámara Central de Divisas	$ 1,244	$ 1,218	$ 1,193	2.76%	2.82%	2.87%	$ 8,672	$ 8,629	$ 8,586
Counterparty Clearing House	1,151	1,125	1,100	1.35%	1.38%	1.41%	15,682	15,579	15,477
Total	**$ 115,357**	**$113,045**	**$110,823**	**1.40%**	**1.43%**	**1.46%**	**$481,503**	**$479,056**	**$476,632**
Average	**$ 23,071**	**$ 22,609**	**$ 22,165**	**1.19%**	**1.21%**	**1.23%**	**$ 96,301**	**$ 95,811**	**$ 95,326**

Entity	Lower limit	Lower limit	Average	Upper limit
Ke Finagro	81,046	13.45%	13.72%	14.00%
Ke Otras	34,31	13.52%	13.79%	14.07%
		13.47%	**13.75%**	**14.02%**

Sensitivity analysis: for purposes of establishing sensitivity in the valuation of investments in non-controlling interests, a change of +/-25 basis points is assumed in the inflation rate in Colombian pesos, taking into account that, at the end of December 2017, the indicator stood at the ceiling of the target rate of the Central Bank of Colombia, after being outside the target inflation range for almost two years. With that in mind, it is now that the macroeconomic factors begin to fall into place that determine whether Colombia's inflation will return to the ranges established by the regulator.

The macroeconomic assumptions applied for the sensitivity analysis are:

Cost of capital (Ke)

Financial service companies	13.8%
Finagro	13.7%

Item	2017	2018	2019	2020
Inflation	4.30%	3.22%	3.04%	3.12%
DTF	5.14%	4.69%	5.13%	5.30%

2. Discounted free cash flow methodology

The valuation recorded in the Group's Financial Statement for the investment held in Credibanco S.A. was made by

Infovalmer, the price vendor, which applied the Input Method, which used the GDP, domestic inflation and average exchange rate as macro-economic assumptions, based on a horizon up to 2022; from 2023 forward, the figures of 2022 are replicated and it is applicable to the entire Colombian financial sector.

This valuation considered an accounting and financial analysis of the company, which assessed the level of assets, which mainly comprise: accounts receivable (48.6%) and investments (25.9%). Regarding its liabilities, they make up 62.2% of the total assets and they account for bank loans and other financial obligations amounting to COP 190,164 (43.3% of the total assets) and accounts payable for COP 33,079 (7.5% of the total assets).

As regards the statement of income, operating revenue at the end of December 2017 amounted to COP 219,543, while the most representative operating expenses for the company were personnel expenses, other expenses and depreciations.

The result of the valuation for Credibanco S.A., on the measurement date according to the approach selected, determines a higher value for the investment, so in the Group's financial statements, this financial instrument measured at fair value maintains an increase in value that is recorded against Other Comprehensive Income.

15. Derivative financial instruments and cash transactions

For this class of financial instrument, the difference in valuation between previous GAAP and the IFRS is the incorporation of the credit risk in each transaction, which is known as the CVA and DVA - credit or debit value adjustments, as applicable.

The financial instruments traded by the BBVA Group are classified as assets or liabilities (see Note 26) according to their result, at December 31, the balance of this account is classified as an asset, summarized as follows:

Item	Notional value		Fair value	
	Dec-31-17	Dec-31-16	Dec-31-17	Dec-31-16
Forward transactions				
Purchase on foreign currency				
Rights	$ 2,274,166	$ 2,291,435	$ 2,287,590	$ 2,329,170
Obligations	-	-	(2,235,701)	(2,290,270)
Sale on foreign currency				
Rights	5,749,341	4,666,410	5,720,583	4,616,804
Obligations	-	-	(5,629,997)	(4,507,059)
Purchase on securities				
Rights	25,000	-	29,595	-
Obligations	-	-	(29,566)	-
Sale on securities				
Less CVA credit risk forward transactions	**-**	**-**	**(431)**	**(666)**
Total forward contracts	**8,048,507**	**6,957,845**	**142,073**	**147,979**
Cash transactions				
Purchase on foreign currency				
Rights	22,071	275	22,130	274
Obligations	$ -	$ -	$ (22,040)	$ (269)

Item	Notional value		Fair value	
	Dec-31-17	Dec-31-16	Dec-31-17	Dec-31-16
Sale on foreign currency				
Rights	$ 27,113	$ 151	$ 27,105	$ 150
Obligations	-	-	(27,083)	(150)
Purchase on securities				
Rights	3,664	772	3,744	874
Obligations	-	-	(3,743)	(872)
Sale on securities				
Rights	1,954	-	2,136	-
Obligations	-	-	(2,135)	-
Less CVA credit risk cash transactions	**-**	**-**	**-**	**-**
Total cash transactions	**54,802**	**1,198**	**114**	**7**
Options				
Options on foreign currencies purchased - put				
Rights (recorded in control accounts)	-	-	449,960	272,939
Purchases - put	449,960	272,939	15,232	14,640
Options on foreign currencies purchased - call				
Rights (recorded in control accounts)	-	-	560,521	352,466
Purchase - Call	560,521	352,466	7,417	9,138
Less CVA credit risk options	**-**	**-**	**(10)**	**(1,347)**
Total options	**1,010,481**	**625,405**	**22,639**	**22,431**
Swaps				
On interest rates				
Rights	11,832,781	11,816,531	2,010,722	1,901,650
Obligations	-	-	(1,776,131)	(1,777,566)
On foreign currency				
Rights	2,190,769	2,000,094	2,407,088	2,598,220
Obligations	-	-	(2,109,887)	(2,077,394)
Less CVA credit risk swaps	**-**	**-**	**(7,988)**	**(7,569)**
Total swaps	**$ 14,023,550**	**$ 13,816,625**	**$ 523,804**	**$ 637,341**

Item	Notional value		Fair value	
	Dec-31-17	Dec-31-16	Dec-31-17	Dec-31-16
Futures				
Purchase on foreign currency				
Rights	$ 1,360,673	$ 738,372	$ 1,360,673	$ 737,622
Obligations	-	-	(1,360,673)	(737,622)
Sale on foreign currency				
Rights	1,508,935	2,362,611	1,508,935	2,362,611
Obligations	-	-	(1,508,935)	(2,362,611)
Purchase on securities				
Rights	-	-	-	882
Obligations	-	-	-	(882)
Sale on securities				
Rights	-	-	-	-
Obligations	-	-	-	-
Total futures	**2,869,608**	**3,100,983**	**-**	**-**
Total cash transactions, acceptances and derivatives	**$ 26,006,948**	**$ 24,502,056**	**$ 688,630**	**$ 807,758**

At December 31, 2017 and 2016, the total CVA (Credit Value Adjustments) was COP 8,431 and COP 9,581, respectively. The most significant counterparties represent 84%, as follows:

Counterparty	Rating	2017	2016
Sociedad Portuaria de Santa Marta	A	$ 1,886	$ 2,526
GPC TUGS S.A.	A	1,812	2,344
Contecar	A	677	1,359
Sociedad Portuaria de Cartagena	A	2,274	936
Sura Asset Management S.A.	A	154	287
Brinsa S.A.	A	-	193
FPO Porvenir Moderado	A	264	168
Transportadora de Gas Internacional S.A. ESP		-	151
Total		**$ 7,067**	**$ 7,964**

At December 31, 2017 and 2016, the total DVA (Debit Value Adjustments) was COP 2,294 and COP 2,685 respectively; in addition, the most significant counterparties, which represent 98% and 73%, respectively, are comprised as follows:

Contraparte	2017	2016
BBVA Madrid Tesorería (1)	$ 2,191	$ 1,784
BBVA New York	48	-
OLD Mutual Fondo de Pensiones Moderado	-	109
Melaxa S.A.	-	74
Total	**$ 2,239**	**$ 1,967**

(1) The value with BBVA Madrid Tesorería includes BBVA Madrid and BBVA Madrid Clearing Broker.

The purpose of the CVA is to calculate the amount of expected losses during the life of the transactions stated at present value in the Treasury derivatives portfolio. At a certain point in the future, credit risk losses depend on three components: the counterparties' likelihood of default at that time, severity in the case of default and exposure at the time of default.

In 2016, the DVA (Debit Value Adjustment) calculation was included in the credit risk valuation adjustments. The nature of this adjustment is contrary to that of the CVA, such that it considers the likelihood that the Group will default on a positive value transaction for a counterparty due to a credit event. This adjustment is used to report for CVA those counterparties whose portfolio value is positive for the Group and DVA of portfolios with a negative value for the Group.

The CVA and DVA report is made at the transaction level; therefore, the adjustment is distributed between counterparty transactions with the same market value nature as that of the portfolio aggregate; otherwise, a value of zero is allocated to the credit risk adjustment.

The change in the measurement of the CVA and DVA between 2016 and 2017 is illustrated below.

The reported CVA is mainly due to: the Group's derivatives portfolio sensitivity to USD/COP exchange rate movements, which had a negative effect on the market value of the portfolio, after dropping from COP 3,000.71 per USD 1 to COP 2,984.00, and netting is allowed between transactions of the same counterparty, because calculations are carried out at the aggregate level. The change in the DVA is exclusively due to the change in the model to calculate credit risk value adjustments.

Derivative transactions are basically covered with cross forwards.

The Group has conducted forward transactions on foreign currencies and securities, futures contracts on national bonds, at the representative exchange rate (TRM, for the Spanish original) and standardized forwards, options on foreign currencies, swaps on foreign currencies and swaps on interest rates, which are valued at market price.

As a general policy for derivative transactions, the Group follows the international financial reporting standards and considers the restrictions and limits of its own position, its own cash position, the leveraging position, and the interest rates established by the BBVA Group.

At December 31, 2017 and 2016, derivative transactions showed no charges, restrictions or levies of a legal or financial nature, or pledges, seizures, litigation or any other limitation on the rights inherent to these transactions.

The increase in both rights and obligations of the foreign currency forwards and futures contracts is a result of the fluctuations of the exchange rate throughout the year 2016.

At December 31, 2017, the

Type of instrument	Type of transaction	Currency	Maturity in days		Right value	Obligation value	Net result
			Minimum	Maximum			
Currency forward	Purchase	USD/COP	2	2,570	$ 6,157,003	$ (6,202,179)	$ (45,176)
	Purchase	EUR/COP	16	332	26,293	(25,591)	702
	Purchase	EUR/USD	11	2,570	477,000	(466,708)	10,292
	Purchase	MXN/USD	79	79	272,711	(280,941)	(8,230)
	Purchase	JPY/USD	78	79	78,117	(78,970)	(853)
	Sale	USD/COP	2	758	7,300,319	(7,229,361)	70,958
	Sale	COP/EUR	5	509	113,178	(114,440)	(1,262)
	Sale	USD/EUR	11	2,570	384,092	(391,597)	(7,505)
	Sale	USD/MXN	79	79	280,941	(272,716)	8,225
	Sale	USD/JPY	78	79	78,970	(78,112)	858
	Total currency forward				**15,168,624**	**(15,140,615)**	**28,009**
Forward on securities	Purchase	COP	6	6	224,465	(224,481)	(16)
	Sale	COP	6	6	31,668	(31,688)	(20)
	Total forward on securities				**256,133**	**(256,169)**	**(36)**
Spot on currency	Purchase	USD/COP	2	2	20,819	(20,754)	65
	Purchase	EUR/COP	2	2	1,312	(1,286)	26
	Sale	USD/COP	2	2	38,233	(38,215)	18
	Total spot on currency				**$ 60,364**	**$ (60,255)**	**$ 109**

Type of instrument	Type of transaction	Currency	Maturity in days		Right value	Obligation value	Net result
			Minimum	Maximum			
Spot on securities	Purchase	COP	5	5	$ 6,560	$ (6,569)	$ (9)
	Sale	COP	5	6	4,133	(4,133)	-
	Total spot on securities				**10,693**	**(10,702)**	**(9)**
Financial options	Purchase - pull	USD/COP	6	1,092	15,232	-	15,232
	Purchase - call	USD/COP	6	1,092	7,407	-	7,407
	Sale - put	USD/COP	6	1,092	-	(15,234)	(15,234)
	Sale - call	USD/COP	6	1,092	-	(7,417)	(7,417)
	Total financial options				**22,639**	**(22,651)**	**(12)**
Interest rate swap	IRS	COP	5	3,623	2,896,146	(2,886,674)	9,472
	IRS	USD	46	3,546	480,968	(480,810)	158
	OIS	COP	5	526	165,118	(164,937)	181
	Total swap on interest rates				**3,542,232**	**(3,532,421)**	**9,811**
Swap currencies	CCS	USD	12	3,337	4,061,884	(4,130,284)	(68,400)
	Total swap on currencies				**4,061,884**	**(4,130,284)**	**(68,400)**
Swap on currencies hedging	CCS	COP	2,671	2,671	1,160,696	(1,281,559)	$(120,863)
	Total swap on currencies hedging				**1,160,696**	**(1,281,559)**	**(120,863)**
	Total swap				**8,764,812**	**(8,944,264)**	**(179,452)**
Futures	Purchase	COP			-	-	-
	Purchase	USD			1,360,673	(1,360,673)	-
Futures	Sale	COP			-	-	-
	Sale	USD			1,508,935	(1,508,935)	-
	Total futures				**2,869,608**	**(2,869,608)**	**-**
	Total				**$ 27,152,873**	**$ (27,304,264)**	**$ (151,391)**

At December 31, 2016, the breakdown of transactions with derivative financial instruments was as follows:

Type of instrument	Type of transaction	Currency	Maturity in days		Right value	Obligation value	Net result
			Minimum	Maximum			
Currency forward	Purchase	USD/COP	3	976	$ 6,645,506	$ (6,745,990)	$ (100,484)
	Purchase	EUR/COP	10	447	53,199	(58,872)	(5,673)
	Purchase	EUR/COP	6	354	96,583	(100,822)	(4,239)
	Purchase	GBP/COP	6	88	425	(435)	(10)
Currency forward	Sale	USD/COP	3	423	6,649,973	(6,580,723)	69,250
	Sale	COP/EUR	4	354	125,392	(117,422)	7,970
	Sale	USD/EUR	10	447	44,438	(41,396)	3,042
	Total currency forward				**13,615,516**	**(13,645,660)**	**(30,144)**
Spot on currency	Purchase	EUR/COP	2	2	274	(269)	5
	Sale	UDS/COP	3	3	150	(150)	-
	Total spot on currency				**424**	**(419)**	**5**
Spot on securities	Purchase	COP	3	4	874	(872)	2
	Sale	COP	2	4	5,198	(5,210)	(12)
	Total spot on securities				**6,072**	**(6,082)**	**(10)**
Financial options	Purchase - put	USD/COP	6	930	14,639	-	14,639
	Purchase - call	USD/COP	6	930	7,792	-	7,792
	Sale - put	USD/COP	6	930	-	(14,636)	(14,636)
	Sale - call	USD/COP	6	930	-	(9,137)	(9,137)
	Total financial options				**22,431**	**(23,773)**	**(1,342)**
Interest rate swap	IRS	COP	10	3.656	3,273,839	(3,261,157)	12,682
	IRS	USD	4	3.635	138,302	(144,623)	(6,321)
	OIS	COP	2	549	240,724	(238,089)	2,635
	Total swap on interest rates				**3,652,865**	**(3,643,869)**	**8,996**
Swap currencies	CCS	USD	32	3656	$ 4,479,394	$ (4,499,675)	$ (20,281)

Type of instrument	Type of transaction	Currency	Maturity in days		Right value	Obligation value	Net result
			Minimum	Maximum			
	Total swap on currencies				$ 4,479,394	$ (4,499,675)	$ (20,281)
Swap on currencies hedging	CCS	COP	32	3.656	1,186,798	(1,287,191)	(100,393)
	Total swap on currencies hedging				1,186,798	(1,287,191)	(100,393)
	Total swap				9,319,057	(9,430,735)	(111,678)
Futures	Purchase	COP			882	(882)	-
	Purchase	USD			737,622	(737,622)	-
Futures	Sale	COP			-	-	-
	Sale	USD			2,362,611	(2,362,611)	-
	Total futures				3,101,115	(3,101,115)	-
	Total				$ 26,064,615	$ (26,207,784)	$ (143,169)

The collateral received and delivered in derivative transactions at December 31, were:

Counterparty	2017		2016	
Active				
• BBVA Madrid(1)	USD	21,718,554	USD	85,107,900
• Morgan Stanley and Co Internacional	USD	42,391,150	USD	33,976,000
Passive				
• Banco Santander Central Hispano	USD	(440,000)	USD	(440,000)
• BBVA Bancomer México	USD	(640,000)	USD	(2,910,000)

(1) The amount under BBVA Madrid corresponds to the collateral agreement on all the Bank's derivative transactions with this counterparty.

The financial collateral, regardless of the holder, instrumentation or other circumstances, is analyzed on a periodic basis to determine the credit risk to which they are exposed and, if necessary, to estimate the need to create a provision therefor.

16. Financial Hedging Derivatives

Bond issuance in foreign currency - The Bank issued subordinated notes abroad in the amount of USD 400 million on April 21, 2015, maturing on February 19, 2025. These bonds mature in 10 years with a coupon rate of 4.875% and earn interest on a semi-annual basis.

The subordinated bonds have been issued pursuant to Rule 144A / Regulation S of the US Securities Act of 1933.

BBVA Securities Inc. and Morgan Stanley & Co. LLC., acted as the placement agents.

Hedge Book – The Group constituted cash flow and fair value hedges to hedge the exchange risk and interest rate risk in US dollars, as follows:

Cash flows

These financial instruments were designated as cash flow hedges because both their right and obligation are at a fixed rate and the purpose is to hedge future cash flows for the payment of interest and principal in accordance with the nominal value agreed.

Transaction	Nominal value of right	EA right rate	Nominal value of obligation	EA obligation rate	Right value 2017	Obligation value 2017	Fair value 2017
9217724	USD 40	4.87%	$ 129,200	9.98%	$ 140,690	$ 165,192	$ (24,502)
9315701	USD 40	4.87%	124,000	10.64%	140,690	163,669	(22,979)
9346154	USD 40	4.87%	117,600	10.71%	140,690	155,737	(15,047)
Total							**$ (62,528)**

Transaction	Nominal value of right	EA right rate	Nominal value of obligation	EA obligation rate	Right value 2017	Obligation value 2017	Fair value 2016
9217724	USD 40	4.87%	$ 129,200	9.98%	$ 143,854	$ 161,913	$ (18,059)
9315701	USD 40	4.87%	124,000	10.64%	143,854	160,893	(17,039)
9346154	USD 40	4.87%	117,600	10.71%	143,854	153,141	(9,287)
Total							**$ (44,385)**

Fair value

It was designated at fair value because the obligation is indexed at the IBR (Reference Bank Indicator), which was developed by the private sector, with the backing of the Central Bank of Colombia and other entities, in order to reflect the liquidity of the Colombian money market, that is to say, when a debt is acquired on the market today, it will be estimated at a rate similar to the reference rate.

Transaction	Nominal value of right	EA right rate	Nominal value of obligation	EA obligation rate	Right value 2017	Obligation value 2017	Fair value 2017
9217722	USD 70	4.87%	$ 226,100	IBR+3.19%	$ 246,208	$ 273,375	$ (27,167)
9315699	USD 70	4.87%	217,000	IBR+3.57%	246,208	267,536	(21,329)
9346145	USD 70	4.87%	205,800	IBR+3.75%	246,208	256,048	(9,840)
Total							**$ (58,336)**

Transaction	Nominal value of right	EA right rate	Nominal value of obligation	EA obligation rate	Right value 2017	Obligation value 2017	Fair value 2016
9217722	USD 70	4.87%	$ 226,100	IBR+3.19%	$ 251,745	$ 278,040	$ (26,295)
9315699	USD 70	4.87%	217,000	IBR+3.57%	251,745	272,387	(20,642)
9346145	USD 70	4.87%	205,800	IBR+3.75%	251,745	260,816	(9,071)
Total							**$ (56,008)**

Measurement of hedge effectiveness

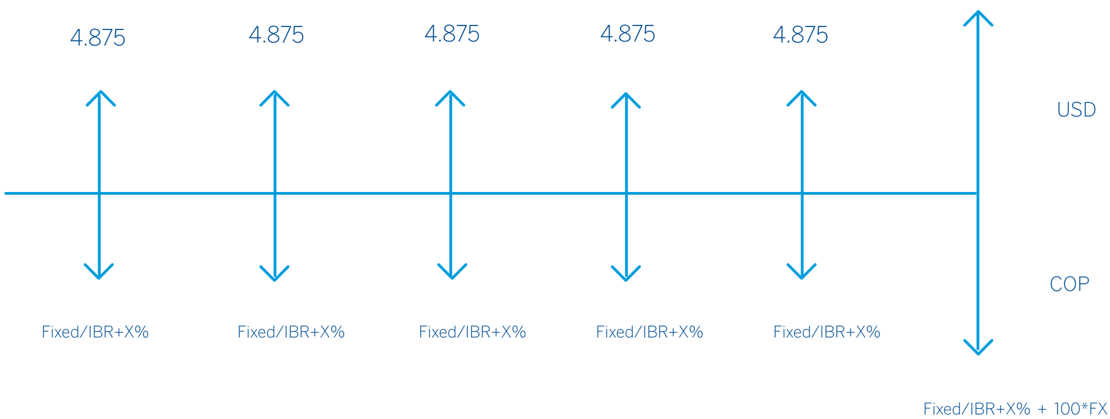
In accordance with the financial reporting standards, "when the fundamental conditions (such as nominal amount, maturity and underlying) of the hedging instrument and the hedged item match or are closely aligned, an entity can conclude, based on a qualitative assessment of said fundamental conditions, that the hedging instrument and the hedged item have values that will generally move in the opposite direction due to the same risk and, therefore, there is an economic link between the hedged item and the hedging instrument".

The financial reporting standards indicate that "to calculate the change in the value of the hedged item for the purposes of measuring the hedge ineffectiveness, an entity can use a derivative with the conditions that match the fundamental conditions of the hedged item (which is commonly known as a hypothetical derivative)..."

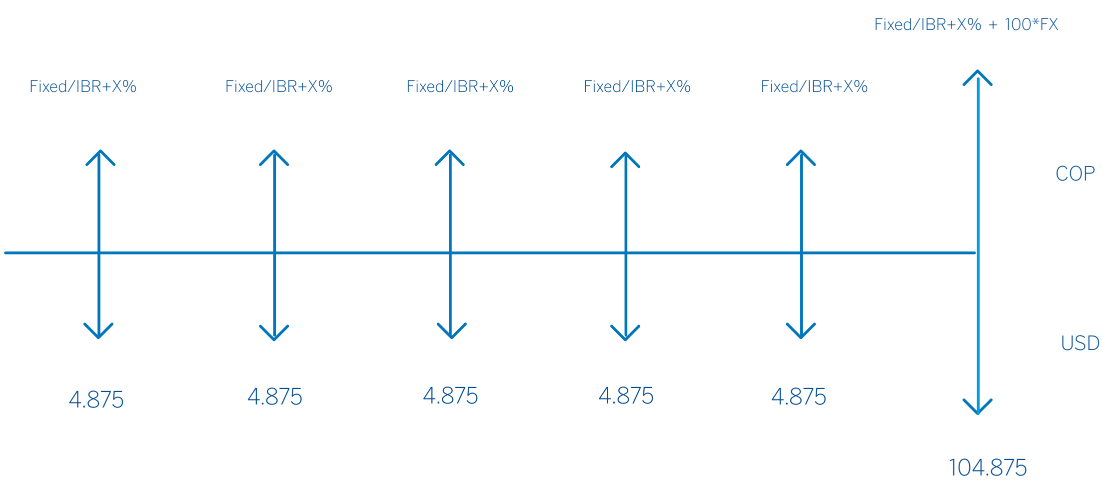
The hypothetical derivative is defined as the perfect mirror in which a leg is fully in line with the economic characteristics of the hedged item, therefore, it is the method used by the Group to measure the effectiveness of its hedging instruments, concluding that it will be 100% effective over time.

Measurement of Hedge Ineffectiveness

Derivative



Hypothetical derivative



Based on the above, the effective part of the profit or loss of the cash flow hedging instrument was recognized in equity (other comprehensive income - OCI) and the ineffective part will be recognized in the statement of income. Since the conditions of the CCS (cross currency swap) of the payment received by the Group in US dollars match those of the hedged item (coupon date, coupon rate, settlement basis of the coupon and final exchange of flows), its effect on the Bank's income statement is expected to be neutral.

At December 31, 2017 and 2016, the items of valuation and accrual of the cash flow hedging swap were recorded in Other Comprehensive Income for COP 58,380 and COP 40,161, respectively. On the same dates, no reclassifications of equity were made to the statement of income for the year.

The posting of hedging derivatives at December 31, 2017 is as follows:

Active hedging - swaps

In 2017 and 2016, all the accounting hedge transactions showed a negative valuation recorded in expenses, so for these periods, there are no entries in the active part.

Passive hedging - CCS swap

Hedging class	Currency	Value of right	Value of obligation	Statement of financial position	Statement of comprehensive income	Other comprehensive income (OCI) statement
Fair value	USD	$ (738,624)	$ 796,959	$ 58,335	$ -	$ -
Cash flow		(422,070)	484,598	-	4,148	58,380
			Total	**$ 58,335**	**$ 4,148**	**$ 58,380**
					Total passive hedging	**$ 120,863**

The posting of hedging derivatives at December 31, 2016 is as follows:

Passive hedging - CCS swap

Hedging class	Currency	Value of right	Value of obligation	Statement of financial position	Statement of comprehensive income	Other comprehensive income (OCI) statement
Fair value	USD	$ (755,235)	$ 811,243	$ 56,008	$ -	$ -
Cash flow		(431,562)	475,947	-	4,224	40,161
			Total	**$ 56,008**	**$ 4,224**	**$ 40,161**
					Total passive hedging	**$ 100,393**

17. Accounts receivable, net

At December 31, the balance of this account is summarized as follows:

Item	2017	2016
Deposits for executive proceedings, collateral and others (1)	$ 290,670	$ 467,500
Accounts transferred to ICETEX (2)	89,195	85,607
Inactive National Treasury Department accounts (3)	22,774	22,355
Fees (4)	8,013	6,844
Securities depositories (5)	2,594	3,986
Securitization (6)	4,400	-
Dividends and shares	-	587
To employees	504	222
To parent company, subsidiaries, related parties and associates	53	57
Other (7)	20,154	29,223
Subtotal	**438,357**	**616,381**
Impairment of other accounts receivable	(19,484)	(21,505)
Total other accounts receivable, net	**$ 418,873**	**$ 594,876**

(1) The decrease is due to the contracting of Margin Call transactions from derivatives in foreign currency for minor values, whose higher value is represented by transactions with BBVA Madrid and Morgan Stanley and Co International, in the amount of USD 21,718 and USD 42,391, respectively.

(2) These are abandoned accounts transferred to ICETEX, whose balance is greater than 322 RVU and have been inactive for more than 36 months, in accordance with Law 1777/2016, regulated by Decree 953/June 15, 2016.

(3) Increase due to the transfer of inactive accounts to the National Treasury Department (DTN, for the Spanish original), whose balance is less than 322 RVU and have been inactive for less than 36 months, in accordance with Decree 2331/1998.

(4) It is increased due to the recording of credit card management fees as per Notice No. 33/2014 issued by the SFC.

(5) The decrease is due to the settlement of transactions from derivatives in foreign currencies for minor values at December 28, 2017, and the decrease in the balance sheet rate compared to the year 2016.

(6) These are residual rights on issuances E9, E10, E11 and E12 of the securitized portfolio.

(7) The variation is due to the decrease in the values contracted in contract settlement transactions with the Counterparty Clearing House carried out on December 28, 2017.

The change in the accounts receivable provisions in the years ended December 31, was as follows:

Item	2017	2016
Balance at the beginning of year	$ 21,510	$ 20,414
Provision charged to expenses in the year	7,077	10,158
Provision recovery	(3,933)	(8,935)
Provision write-off	(5,140)	(68)
Restatement	(30)	(64)
Balance at year end	**$ 19,484**	**$ 21,505**

18. Non-current assets held for sale

Non-current assets held for sale are mainly realizable assets received from the loan portfolio debtors, which the Group intends to sell in the short term; there are departments, processes and programs in place for their sale, either in cash or by granting financing to potential buyers.

At December 31, the balance of this account is summarized as follows:

Item	2017	2016
Realizable assets		
• Real estate	$ 10,490	$ 11,037
Subtotal realizable assets	**10,490**	**11,037**
Assets restituted in lease agreements		
• Real estate	5,696	6,034
• Vehicles	-	53
• Machinery and equipment	-	376
• Real estate given under residential leasing	175	435
Subtotal assets restituted in lease agreements	**5,871**	**6,898**
Assets not used for the corporate purpose		
• Lands	296	137
• Buildings	1,493	1,168
Subtotal assets not used for the corporate purpose	**1,789**	**1,305**
Trusts		
• Trusts	8,282	-
Subtotal trusts	**8,282**	**-**
Subtotal realizable and restituted assets	**26,432**	**19,240**
Impairment of non-current assets held for sale		
Realizable assets	(3,084)	(5,755)
Assets restituted in lease agreements	(4,486)	(3,350)
Other assets - trusts	(7,082)	-
Subtotal impairment	**(14,652)**	**(9,105)**
Total realizable and restituted assets, net	**$ 11,780**	**$ 10,135**

The change in the provision for protection of non-current assets held for sale during the years ended at December 31 was as follows:

Item	2017	2016
Balance at the beginning of year	$ 9,105	$ 4,875
Provision charged to expenses in the year	9,530	9,244
Transfers	743	-
Use of the provision	2	-
Less – withdrawal for sales and recoveries	(4,728)	(5,014)
Balance at year end	**$ 14,652**	**$ 9,105**

The amounts, permanence time and provision level of non-current assets held for sale in the periods compared were:

Type of asset	Amount		December 31, 2017		December 31, 2016	
	2017	2016	Permanence time (1)	Provision	Permanence time (1)	Provision
Real estate	$ 26.432	$ 19.240	27	$ 14.652	12	$ 9.105
Total	**$ 26.432**	**$ 19.240**		**$ 14.652**		**$ 9.105**

(1) Stated as average permanence time in months.

19. Property and equipment

At December 31, the balance of this account is summarized as follows:

Item	Land	Buildings (2)	Vehicles (2)	Fixtures and accessories
Cost				
Balance at December 31, 2016	$ 154.989	$ 625.915	$ 3.654	$ 232.031
Acquisitions	-	-	-	11.889
Additions	-	2.002	-	-
Sales	(580)	(3.590)	(712)	(756)
Withdrawals	-	-	-	(7.170)
Accounting adjustments	-	-	-	88
Net valuation	-	-	-	-
Cost balance at December 31, 2017	**154.409**	**624.327**	**2.942**	**236.082**
Depreciation and impairment losses				
Balance at December 31, 2015	**-**	**206.603**	**2.177**	**147.028**
Depreciation for the fiscal year	-	4.084	-	17.328
Withdrawals	-	-	-	-
Transfer of assets	-	-	-	-
Derecognition of obsolete real estate	-	-	-	(7.170)
Sale of real estate	-	-	(309)	(756)
Accounting adjustments	-	-	-	87
Impairment balance at December 31, 2017	**-**	**210.687**	**1.868**	**156.517**
Impairment balance 2016	**5.733**	**15.224**	**-**	**-**
Impairment 2017	(42)	3.295	-	-
Total impairment at 2017	**5.691**	**18.519**	**-**	**-**
Carrying value at December 31, 2017	**$ 148.718**	**$ 395.121**	**$ 1.074**	**$ 79.565**

	Computers (3)	Machinery. Plant and equipment in assembly	Improvements to assets under lease	Assets under construction	Total
	$ 229.524	$ 318	$ 31.194	$ 2.909	$ 1.280.534
	22.138	-	-	-	34.027
	454	1.909	-	6.565	10.930
	-	-	-	-	(5.638)
	(10.493)	-	-	-	(17.663)
	1.335	(1.890)	(5.210)	(4.740)	(10.417)
	-	-	-	-	-
	242.958	**337**	**25.984**	**4.734**	**1.291.773**
	184.599	**-**	**-**	**-**	**540.407**
	20.201	-	-	-	41.613
	-	-	-	-	-
	-	-	-	-	-
	(8.789)	-	-	-	(15.959)
	(1.803)	-	-	-	(2.868)
	(87)	-	-	-	-
	194.121	**-**	**-**	**-**	**563.193**
	16	**-**	**-**	**-**	**20.973**
	(16)	-	-	-	3.237
	-	**-**	**-**	**-**	**24.210**
	$ 48.837	**$ 337**	**$ 25.984**	**$ 4.734**	**$ 704.370**

(1) No real estate was acquired in 2017. 100% of the carrying value was transferred to Non-Financial Asset Management (GANF, for the Spanish original), corresponding to the Kennedy Timiza, Fadegán, and Los Andes properties and 22% of the total value of the Grancentro Barranquilla real estate, 36% of the total value of the Cartago property, for the respective sale thereof.

(2) The computers account shows the technological purchase of computers, which were installed in the office network and central areas to satisfy everyday needs, replace obsolete computers and for allocation to new employees.

(3) In 2017, ATMs were acquired to meet the network expansion needs and to replace obsolete ATMs according to the Bank's policies with the Diebold-Nixdorf supplier due to the merger of Diebold and Wincor.

All the Group's property and equipment are duly covered against fire, related dangers, damage to electrical and electronic equipment, mechanical breakdown, HAMCCop (malicious acts) and theft, through insurance policies that are in force and there is no restriction on ownership.

For purposes of constituting provisions or individual valuation on the real estate, commercial appraisals are carried out with independent firms registered at the Realtors Association ("Lonja de Propiedad Raíz"). The term applied to these appraisals is three (3) years; at December 31, 2016, appraisals were conducted on 100% of the Bank's real estate.

Appraisal date	Number	Share %
2015	4	1%
2016	271	100%
2017	2	1%

Depreciation - Fixed assets are depreciated using the straight line method and begin depreciating when they are in optimal conditions of use.

The useful life and cost of the asset are determined through appraisal by independent experts every 36 months and the basis of depreciation is calculated by subtracting the residual value of each fixed asset (buildings) from the cost.

Impairment - The impairment of fixed assets for the years 2017 and 2016 was COP 103 and COP 2,969, respectively.

Assets given under operating leasing - A summary of assets given under operating leasing is as follows:

Item	2017	2016
Machinery and equipment	$ 16,802	$ 22,594
Vehicles	-	147
Computers	148	148
Subtotal - capital	**16,950**	**22,889**
Less – accumulated depreciation	9,698	8,927
Subtotal - capital	**7,252**	**13,962**
Rental rate of assets given under leasing	241	267
Total operating leases	**$ 7,493**	**$ 14,229**

The classification of assets given under operating leasing and provisions by geographic zone at December 31 is as follows::

2017

Zone	Capital	Depreciation	Total
Bogotá	$ 16,669	$ 9,478	$ 7,191
Coffee-growing region	281	220	61
Total	**$ 16,950**	**$ 9,698**	**$ 7,252**

Los bienes dados en leasing operativo al 31 de diciembre se encontraban distribuidos en deudores dedicados a las siguientes actividades económicas:

2017

Activity	Capital	Depreciation	Total
Private security activities	$ 281	$ 220	$ 61
Wholesale trade of other types of machinery and equipment	1,425	995	430
Power generation	148	125	23
Specialized maintenance and repair	15,096	8,358	6,738
Total	**$ 16,950**	**$ 9,698**	**$ 7,252**

20. Intangible assets

Intangible assets at December 31 are summarized as follows:

Intangible assets	2017	2016
Software and applications	$ 66,566	$ 56,672
Total Intangible Assets	**$ 66,566**	**$ 56,672**

The change in software and applications during the year 2017 was as follows:

Item	Useful life	Balance at December 31, 2016	Addition	Amortization/ retirement	Balance at December 31, 2017
Software and applications	5	$ 56,672	$ 52,754	$ (42,860)	$ 66,566
Total		**$ 56,672**	**$ 52,754**	**$ (42,860)**	**$ 66,566**

The additions in 2017 correspond to payments made for Software development contracts.

21. Investments in non-controlling interests and joint arrangements

The balance of the account at December 31 consisted of the following:

Investments in non-controlling interests and joint arrangements	2017	2016
Investments in joint arrangements	$ 69.237	$ 54.249
Non-controlling interests (1)	280.732	204.817
Total investments in non-controlling interests and joint arrangements	**$ 349.969**	**$ 259.066**

(1) This category is made up of the shares held by the Group in Credibanco and Bolsa de Valores de Colombia. In addition, a Trust Agreement has been incorporated, whose purpose is the constitution of a Stand-alone trust for the acquisition of Real Estate to be used as the headquarters of Asociación de Comisionistas de Bolsa - Asobolsa.

Non-controlling interests are measured in accordance with their marketability ratio on the valuation date, considering the equity variations subsequent to the acquisition of the investment. To this effect, the variation in the issuer's equity is calculated based on the latest certified financial statements.

During the second half of 2017, Bolsa de Valores de Colombia acquired 82.2% of the Deceval shares. As part of the integration, an exchange ratio was established of 1 Deceval share per 33,500 Bolsa de Valores de Colombia shares. Therefore, the Bank has received, as a shareholder and in acknowledgment of its holding in Deceval, a stock security for 2,218,269,500 shares at a nominal value of COP 1 per share, which is equivalent to the 7.33% share and, for the purposes of the transaction and recording, the price of the BVC share was COP 25.12, which resulted in a profit of COP 50,101 recognized in the statement of income.

These shares were valued at a market price of COP 25.80 at the end of December 2017.

In the month of January 2017, capital was injected into RCI for the third time in the amount of COP 13,989 million, and, in November 2017, BBVA Valores was capitalized, for which 2,945,097 shares were subscribed in order to complete the minimum capital required by the Financial Superintendence of Colombia.

In addition, during the year 2017, 27,933,563 shares in the Cámara de Compensación de Divisas were purchased at a price of COP 2.24, after which the new share percentage stood at 4.71%.

For the year 2017, the non-controlling interests declared dividends as follows:

Entity	2017			2016		
	Value in shares	In cash	Total	Value in shares	In cash	Total
Finagro	$ 4,617	$ -	$ 4,617	$ $ 5,667	$ -	$ 5,667
Deceval (Bank)	-	3,316	3,316	-	2,715	2,715
ACH Colombia	-	1,072	1,072	-	917	917
Redeban	-	486	486	-	585	585
Cámara de Compensación	-	63	63	-	45	45
Credibanco	-	1,386	1,386	-	-	-
Bolsa de Bogotá	-	66	66	-	-	-
Bolsa de Valores de Colombia	-	237	237	-	235	235
Deceval (Trust Company)	-	186	186	-	152	152
FOGACOL	-	-	-	-	29	29
Total dividends received	**$ 4,617**	**$ 6,812**	**$ 11,429**	**$ 5,667**	**$ 4,678**	**$ 10,345**

Investments in non-controlling interests and joint arrangements - These are investments in equity instruments, consisting of the following at December 31:

2017

Counterparty	Capital	Equity capital	Share percentage	Holding of market value in the Entity	Solvency and market risk rating
Investments in non-controlling interests					
Bolsa de Valores de Colombia S.A.	$ 30,257	$ 2,342	7.74%	$ 67,254	A
Credibanco S.A.	9,031	1,143	12.65%	100,343	A
Fondo para el Financiamiento del Sector Agropecuario “FINAGRO” S.A.	909,408	82,641	9.09%	79,429	A
A.C.H Colombia S.A.	30,961	3,319	10.72%	17,032	A
Cámara de Compensación de Divisas de Colombia S.A.	6,190	250	4.71%	1,218	A
Redeban S.A.	91,181	9,403	10.31%	14,241	A
Cámara de Riesgo Central de Contraparte de Colombia S.A.	$ 40,642	$ 791	2.14%	$ 1,125	A

Counterparty	Capital	Equity capital	Share percentage	Holding of market value in the Entity	Solvency and market risk rating
Fondo Autónomo FAP Asobolsa (1)	$ 1,488	$ 78	5.26%	$ 78	A
Other	-	-	-	12	
Total investments in non-controlling interests				**280,732**	
Investments in joint arrangements					
RCI Banque Colombia SA	110,711	54,249	49.00%	67,980	A
Mutual interest funds in joint ventures (trust company)	-	-	-	1,257	
Total investments in joint arrangements				**69,237**	
Total investments in non-controlling interests and joint arrangements				**$ 349,969**	

(1) Trust Agreement signed by BBVA Valores, whose purpose is to constitute a Stand-alone Trust through which the funds were received from the creditors of the Stand-alone Trust COLLATERAL FUND OF BROKER MEMBERS OF BOLSA DE VALORES (FOGACOL), which were allocated to purchase Real Estate that will be the headquarters of operations of Asociación de Comisionistas de Bolsa - Asobolsa. For COP 78 billion

2016

Counterparty	Capital	Equity capital	Share percentage	Holding of market value in the Entity	Solvency and market risk rating
Investments in non-controlling interests					
Credibanco	$ 9,031	$ 1,143	12.65%	$ 96,937	A
Fondo para el Financiamiento del Sector Agropecuario "FINAGRO" S.A.	909,408	82,641	9.09%	49,944	A
Deceval S.A.	75,065	10,312	13.74%	27,765	A
Redeban S.A.	91,181	9,403	10.31%	7,576	A
A.C.H. Colombia S.A.	30,961	3,319	10.72%	13,786	A
Cámara de Compensación de Divisas de Colombia S.A.	6,190	255	4.12%	1,488	A
Cámara de Riesgo Central de Contraparte de Colombia S.A.	40,642	791	1.95%	1,710	A
Bolsa de Valores de Colombia S.A. - Mandatory	$ 18,673	$ 91	0.49%	$ 1,975	A

Counterparty	Capital	Equity capital	Share percentage	Holding of market value in the Entity	Solvency and market risk rating
Bolsa de Valores de Colombia S.A. - Voluntary	$ -	$ -	$ -	$ 3,626	$ -
Other				10	
Total investments in non-controlling interests				**204,817**	
Investments in joint arrangements					
RCI Banque Colombia SA	110,711	54,249	49.00%	54,249	A
Total investments in joint arrangements				**54,249**	
Total investments in non-controlling interests and joint arrangements				**$ 259,066**	

Durante el año 2017 se reconoció utilidad por valoración de las participaciones no controladas por $ 16.122 mientras que para el año 2016 se reconoció pérdida por $10.527.

22. Other assets (net)

The balance of the account at December 31 consisted of the following:

Item	2017	2016
Trust rights (1)	$ -	$ 8.085
Letters of credit of deferred payment (2)	2.175	6.718
Activities in joint ventures	70	2.287
Art and cultural assets	455	455
Other	4.658	2.369
Subtotal other assets	**7.358**	**19.914**
Impairment of other assets	(1.459)	(4.679)
Total other assets, net	**$ 5.899**	**$ 15.235**

(1) In 2017, two trusts received in lieu of payment were reclassified in the Other non-current assets held for sale account, detailed as follows: Share of 25.0693% Trust managed by Corficolombiana, corresponding to a lot located in Fontibón, received in June 2016 by Redetrans S.A. for COP 3,724 and a 60% share of the trust managed by BBVA Fiduciaria, corresponding to the lot Encenillos de Sindamanoy received in October 2016 by Pedro Gómez & Cia SAS for COP 4,361.

(2) The account balance consists of the Letters of Credit in foreign currency from customers, Construcciones Rubausa Sucursal Col for EUR 340.000, Oleointer SAS for EUR 89.188 and Quimpac de Colombia SA for EUR 181.418, payable in differed terms.

23. Prepaid expenses

Prepaid expenses are summarized as follows:

Item	2017	2016
Corporate software maintenance (1)	$ 8,339	$ 26,199
Insurance	1,518	1,771
Electronics	922	772
Properties allocated as in-house	750	431
Data transmission (2)	-	41,691
Other	182	132
Total prepaid expenses	**$ 11,711**	**$ 70,996**

(1) Maturity of the accruals of contracts in force in 2017, where the most representative ones are contracts for maintenance, support and advisory services for regional applications and technical assistance service contracts for corporate applications.

(2) Maturity of the accrual of the contract for technical data storage and processing services corresponding to supplier Aplica Tecnología Avanzada S.A.

(3) The insurance policies acquired consist of the global policy, collective life insurance and multi-risk insurance, among others.

The subsidiaries have the following insurance policies at December 31:

Item	2017
BBVA Fiduciaria:	
Global banking policy	$ 36
Total	**36**
BBVA Valores:	
Global banking policy	23
Non-contractual civil liability policy	79
Total	**$ 102**

The movement of prepaid expenses during the years 2017 and 2016 was as follows:

Item	Balance 2016	Addition	Amortization / withdrawal	Balance 2017
Software maintenance	$ 26,199	$ 18,918	$ 36,778	$ 8,339
Insurance	1,771	4,932	5,185	1,518
Electronics	772	1,471	1,321	922
Properties allocated as in-house	431	713	394	750
Data transmission	41,691	65	41,756	-
Other	132	1,297	1,247	182
Total	**$ 70,996**	**$ 27,396**	**$ 86,681**	**$ 11,711**

Item	Balance 2015	Addition	Amortization / withdrawal	Balance 2016
Data transmission	$ 1.835	$ 5.872	$ 5.936	$ 1.771
Software maintenance	6.680	35.164	15.645	26.199
Insurance	83	79.548	37.940	41.691
Other	765	3.113	2.543	1.335
Total	**$ 9.363**	**$ 123.697**	**$ 62.064**	**$ 70.996**

(1) Information supported by the GPS application for the Bank's operation in prepaid expenses.

The additions presented in 2017 in prepaid expenses correspond to contracts entered into on account of payments made to acquire global, multi-risk, life and car insurance policies, payments made to renew software support and maintenance services, prices of data transfer and storage services, and decreases due to the recording of periodic amortizations.

24. Deposits and current liabilities

The Group's passive portfolio at December 31 consisted of the following:

Item	2017	%	2016	%
Savings deposits	$ 17,137,536	38.5	$ 16,270,031	39.9
Deposits in checking accounts	6,430,152	14.4	5,526,698	13.5
Current liabilities for services	384,898	0.9	390,418	1.0
Special deposits	219,196	0.5	215,598	0.5
Special savings accounts	265,778	0.6	260,563	0.6
Single deposits	3,215	-	12,054	-
Canceled accounts	687	-	607	-
Banks and correspondents	3,200	-	5,073	-
Electronic deposits	503	-	169	-
Total deposits and demand liabilities	**24,445,165**		**22,681,214**	
Certificates of deposit	20,075,042	45.10%	18,114,670	44.40%
Real value savings certificates	10,759	-	10,893	-
Total deposits and term liabilities	**20,085,801**		**18,125,563**	
Total deposits and current liabilities	**$ 44,530,966**		**$ 40,806,777**	

25. Money market and simultaneous transactions

At December 31, the balance of this account is summarized as follows:

Item	2017	2016
Ordinary interbank funds purchased		
Banks	$ 230,115	$ -
Total interbank funds purchased	**230,115**	**-**
Transfer commitments in closed repo transactions		
Banks	1,718,939	494,255
Total closed repo transactions	**1,718,939**	**494,255**
Commitments originated in short positions for simultaneous transactions		
Banks and financial corporations	686,061	39,390
Total commitments for simultaneous transactions	**686,061**	**39,390**
Total passive positions in money market transactions	**$ 2,635,115**	**$ 533,645**

Item	Rate % 2017	Rate% 2016
Ordinary interbank funds purchased		
Banks	4.52	0
Transfer commitments in closed repo transactions		
Banks	4.24	4.43

At December 31, 2017, closed repo transactions were agreed with the Central Bank of Colombia and Cámara de Compensación y Liquidación de Divisas at an average rate of 4.24%, with maturities between 3 and 18 calendar days, while at December 31, 2016, closed repo transactions were agreed with the Central Bank of Colombia at an average rate of 4.43% and a maturity of 3 calendar days. In turn, at December 31, 2017, ordinary interbank funds purchased were agreed for COP 230,116 at an average rate of 4.52% and a maturity of 3 days.

No transaction costs were earned other than the interest agreed.

26. Derivative financial instruments and cash transactions (passive)

At December 31, the balance of this account is summarized as follows:

Item	Notional value		Fair value	
	2017	2016	2017	2016
Forward contracts				
Purchase on foreign currency				
Rights	$ 4,851,858	$ 4,691,843	$ (4,723,385)	$ (4,466,054)
Obligations	-	-	4,818,542	4,615,494
Sale on foreign currency				
Rights	2,460,749	2,229,951	(2,436,778)	(2,202,753)
Obligations	-	-	2,456,165	2,232,174
Purchase on securities				
Rights	170,000	-	(194,869)	-
Obligations	-	-	194,914	-
Sale on securities				
Rights	30,000	-	(31,667)	-
Obligations	-	-	31,687	-
Less DVA credit risk forward contracts	**-**	**-**	**(510)**	**(737)**
Total forward contracts	**7,512,607**	**6,921,794**	**114,099**	**178,124**
Cash transactions				
Purchase on foreign currency				
Rights	-	-	-	-
Obligations	-	-	-	-
Sale on foreign currency				
Rights	11,130	-	(11,126)	-
Obligations	-	-	11,131	-
Purchase on securities				
Rights	2,830	-	(2,815)	-
Obligations	-	-	2,825	-
Sale on securities				
Rights	1,900	4,800	(1,996)	(5,198)
Obligations	$ -	$ -	$ 1,997	$ 5,209

Item	Notional value		Fair value	
	2017	2016	2017	2016
Less DVA credit risk	$ -	$ -	$ -	$ -
Total cash transactions	15,860	4,800	16	11
Options				
Options on foreign currencies issued - put				
Obligations (*)	-	-	449,960	272,939
Sale - Put	449,960	272,939	15,234	14,642
Options on foreign currencies issued - call				
Obligations (*)	-	-	560,521	352,466
Sale - Call	560,521	352,466	7,416	9,137
Less DVA credit risk options	-	-	-	(6)
Total options	1,010,481	625,405	22,650	23,773
Swaps				
On interest rates				
Rights	11,211,429	9,795,754	(1,531,069)	(1,749,827)
Obligations	-	-	1,756,288	1,865,303
On foreign currency				
Rights	1,697,723	1,883,702	(1,661,439)	(1,880,619)
Obligations	-	-	2,020,396	2,415,711
Less DVA credit risk swaps	-	-	(1,783)	(1,942)
Total swaps	12,909,152	11,679,456	582,393	648,626
Total cash transactions and derivatives	$ 21,448,100	$ 19,231,455	$ 719,158	$ 850,534

(*) These obligations are recognized in control accounts

27. Bank credits and other financial obligations

At December 31, the balance of this account is summarized as follows:

Item	2017	2016
Foreign currency		
Citibank N.A.	$ 180,200	$ 291,199
Corporación Andina de Fomento – CAF	300,921	211,126
Corpbanca New York	-	75,250
Bank of America N.A. San Francisco	75,362	60,369
Mercantil Commerce Bank Miami	-	45,605
Banco ITAU Uruguay	-	15,019
Banco de Comercio Exterior S.A. - Bancoldex	297	11,957
Wells Fargo Bank N.A. (1)	97,070	-
Toronto Dominion Bank - Houston AG	63,381	-
Banco del Estado de Chile	89,910	-
Total foreign currency	**807,141**	**710,525**
Legal currency		
Financiera de Desarrollo Territorial - FINDETER	451,294	389,641
Banco de Comercio Exterior S.A. - BANCOLDEX	322,266	243,844
Fondo para el Fomento del Sector Agropecuario - FINAGRO	261,611	208,568
Total legal currency	**1,035,171**	**842,053**
Total bank loans and other financial obligations	**$ 1,842,312**	**$ 1,552,578**

(1) The increase between 2017 and 2016 of the funds obtained in foreign currency comes from the net value between the constitution, payment and exchange difference of the financial obligations in the amount of COP 807,141, COP 706,568 and COP 3,956, respectively, contracted mainly with Wells Fargo Bank, the Toronto Dominion Bank, Banco del Estado de Chile in New York and Mercantil Commerce Bank Miami.

Foreign-currency denominated financial obligations were contracted to maintain the Bank's liquidity and were acquired without collateral.

The financial costs of the obligations are calculated on a daily basis, based on 360 days on principal defined by their frequency and interest rate.

The average Libor base of the obligations denominated in foreign currencies were Libor +0.40%, +0.65%, and +0.38%. +0.75% for short-term obligations, with maturity of up to one year; and Libor +0.50% and +1.95% for the medium-term obligations with maturity from one to five years at December 31, 2017 and 2016, respectively.

Maturity of the loans varies according to the program (typically between one and ten years), and the funds directly provided by the Bank vary from 0% to 40% of the total value of the loan, whereas the balance is provided by Government entities. The obligations are guaranteed by the corresponding loans made to customers.

At December 31, the breakdown of these obligations by term was as follows:

Obligations denominated in foreign currency 2017

Entity	Interest	Capital			Total
		Short term	Medium term	Long term	
Citibank N.A.	$ 532	$ 179,668	$ -	$ -	$ 180,200
Corporación Andina de Fomento – CAF	2,521	298,400	-	-	300,921
Bank of America N.A. San Francisco	37	75,325	-	-	75,362
Banco de Comercio Exterior S.A. – Bancoldex	1	296	-	-	297
Wells Fargo Bank N.A.	368	96,702	-	-	97,070
Toronto Dominion Bank - Houston AG	107	63,274	-	-	63,381
Banco del Estado de Chile	390	89,520	-	-	89,910
Total	**$ 3,956**	**$ 803,185**	**$ -**	**$ -**	**$ 807,141**

Obligations denominated in foreign currency 2016

Entity	Interest	Capital			Total
		Short term	Medium term	Long term	
Citibank N.A.	$ 741	$ 290,458	$ -	$ -	291,199
Corporación Andina de Fomento – CAF	1,076	210,050	-	-	211,126
Corpbanca New York	232	75,018	-	-	75,250
Bank Of America	102	60,267	-	-	60,369
Mercantil Commerce Bank Miami	95	45,510	-	-	45,605
Banco ITAU Uruguay	15	15,004	-	-	15,019
Banco de Comercio Exterior S.A. – Bancoldex	27	10,443	1,487	-	11,957
Total	**$ 2,288**	**$ 706,750**	**$ 1,487**	**$ -**	**$ 710,525**

Legal currency obligations 2017

Entity	Interest	Capital			Total
		Short term	Medium term	Long term	
Fondo para el Fomento del Sector Agropecuario – FINAGRO	$ 2,981	$ 34,115	$ 116,036	$ 108,479	$ 261,611
Banco de Comercio Exterior S.A. – BANCOLDEX	1,447	49,055	195,301	76,463	322,266
Financiera de Desarrollo Territorial - FINDETER	2,960	2,195	8,071	438,068	451,294
Total	**$ 7,388**	**$ 85,365**	**$ 319,408**	**$ 623,010**	**$1,035,171**

Legal currency obligations 2016

Entity	Interest	Capital			Total
		Short term	Medium term	Long term	
Financiera de Desarrollo Territorial - FINDETER	$ 4,217	$ 21	$ 12,084	$ 373,319	$ 389,641
Banco de Comercio Exterior S.A. – BANCOLDEX	1,094	46,838	147,282	48,632	243,846
Fondo para el Fomento del Sector Agropecuario – FINAGRO	2,588	42,707	80,397	82,874	208,566
Total	**$ 7,899**	**$ 89,566**	**$ 239,763**	**$ 504,825**	**$ 842,053**

There was significant growth in the items of Bancoldex and Findeter due to the campaigns carried out for the placement of loans and the boom in Territorial Entity loans with significant disbursements during the 2017 fiscal year. The does not currently have any covenants signed with other financial entities.

28. Accounts payable

At December 31, the balance of this account is summarized as follows:

Item	2017	2016
Suppliers	$ 106,505	$ 133,047
Labor contributions	8,005	7,866
Fogafin deposit insurance (1)	64,349	58,342
Dividends and surplus	61,440	55,367
Seizure management	8,621	30,572
Nation Law 546 / 1999	30,313	27,676
Non-bank ISS agreements payroll	25,956	26,929
Loan transaction surplus	21,080	26,740
Uncashed checks drawn (2)	20,987	13,625
Intended purchasers	14,148	12,518
Costs and expenses payable	6,448	6,550
Settlement of National Treasury Department transfer Decree 2331/98 (3)	515	4,172
Settlement and offsetting of POS CRCC (4)	7,279	4,085
Collection of commission and FNG VAT	5,851	3,966
Miles for points	4,183	3,677
Visa and MasterCard advertising campaigns (5)	3,591	3,434
Commissions and fees	1,317	1,443
Transfer of check disbursements from other markets	4,349	760
Other accounts payable	54,111	33,331
Total accounts payable	**$ 449,048**	**$ 454,100**

(1) Moneys pending transfer to Fogafin on account of the deposit insurance, consisting of the payment of the last two quarters of the year 2017.

(2) The increase is due to cashier's checks drawn by the Bank in favor of third parties, which are in the possession of the beneficiaries and were uncashed by the end of the year.

(3) Increase in funds from inactive savings products that meet the conditions set out in Decree 2331 / 1998 and must be transferred on a quarterly basis to the National Treasury Department (DTN, for the Spanish original).

(4) The variation is due to the decrease in the values contracted in contract settlement transactions with the Counterparty Clearing House carried out on December 28, 2017.

(5) Increase in the funds granted to the bank by the Visa and MasterCard franchises, for advertising campaigns promoting the use of debit and credit cards.

Accounts payable in foreign currency are updated based on the closing rates, and their term, the market rate component, transaction start and end dates are determined according to the degree of detail thereof, in order to determine the market risk of the transaction considering future payment cash flows. Finally, all other accounts payable are considered in an analysis based on the term and the counterparty.

Financial liabilities are derecognized only when the legal obligations have ended, that is to say, when the obligation specified in the corresponding contract has been paid or canceled, or it has expired. The BBVA Group considers three possible scenarios to derecognize an account payable: The receipt of payment, buy-back of the debt or the forgiveness of the payment.

29. Outstanding investment securities

At December 31, the balance of this account is summarized as follows:

Item	2017			2016		
	Subordinated bonds	Ordinary bonds	Total	Subordinated bonds	Ordinary bonds	Total
Capital	$ 2.172.600	$ 155.000	$ 2.327.600	$ 2.179.284	$ 289.050	$ 2.468.334
Interest	16.437	1.405	17.842	17.857	1.732	19.589
Costs and valuation	(67.479)	-	(67.479)	(71.791)	-	(71.791)
Totals	**$ 2.121.558**	**$ 156.405**	**$ 2.277.963**	**$ 2.125.350**	**$ 290.782**	**$ 2.416.132**

The second issuance of Series A 2008 ordinary bonds amounting to COP 198,110, indexed at the CPI, was conducted on August 4, 2009 with a redemption term between 6 and 11 years, with yield at a maximum variable effective annual rate of CPI + 4.58% and CPI + 5.69%, respectively. There is no current debt from the first the first issuance of Series A.

Series A and B- 2009 bonds are ordinary bonds denominated in Colombian pesos with a first issuance on September 29, 2010 for an amount of COP 561,780, indexed at DTF and CPI, have a redemption term between three (3) (expired bonds) and seven (7) years, with yields of maximum variable effective annual rates of DTF +1.15 for three (3) years, CPI +2.80% for three (3) years, CPI +3.05% for five (5) years, and CPI +3.70% for seven (7) years.

The first issuance of Series G - 2009 subordinated bonds amounting to COP 364,000 was made on September 19, 2011 with a redemption term between 7 and 15 years, with yield of maximum variable yield rate of CPI + 4.28% for 7 years, and of CPI + 4.45% for 10 years and of CPI + 4.70% for 15 years.

The second issuance of Series G - 2009 subordinated bonds amounting to COP 365,000 was made on February 19, 2013 with a redemption term between 10 and 15 years, with yield of maximum variable rate of CPI + 3.60% for 10 years, and of CPI + 3.89% for 15 years.

The third issuance of Series G - 2014 subordinated bonds amounting to COP 250,000 was made on November 26, 2014 with a redemption term between 15 and 20 years, with yield of maximum variable rate of CPI + 4.38% for 15 years, and of CPI + 4.50% for 20 years.

The first issuance of subordinated bonds in USD was carried out on April 21, 2015 with a redemption term of 10 years and a fixed-rate yield of 4.875%.

The issuance prospects contemplate the following characteristics:

Ordinary Bonds Prospect 2008

- Subordination of obligations: since they are ordinary bonds, there is no subordination of obligations.

- Capital amortization method, prepayments and reacquisition events: The principal of ordinary bonds will be amortized under the following categories: month in arrears, quarter in arrears, semester in arrears, year in arrears, only one payment on the maturity date thereof, as determined in the public offering notice. No prepayments are contemplated in this issuance.

The issuer may buy back its own bonds through Colombian Securities Exchange, provided it meets the minimum maturity term established in Section 5 of Article 1.2.4.2 of Resolution 400/1995 issued by the Financial Superintendence of Colombia or the standards that modify or add to it. This transaction is voluntary for security holders. If the issuer acquires its own securities, the confusion principle shall apply without having to wait for the maturity of those securities.

Issuance collateral: Since they are ordinary bonds of a direct and absolute obligation of the institution, no specific collateral has to be established; the equity of the Issuer is the general collateral with the creditors.

This issuance is not covered by the Deposit Insurance of the Financial Institutions Collateral Fund ("Seguro de Depósitos del Fondo de Garantías de las Instituciones Financieras – FOGAFIN").

Ordinary Bonds 2009

- Subordination of obligations: Since they are ordinary bonds, there is no subordination of obligations.

- Capital amortization method, prepayments and reacquisition events: The principal of the bonds will be amortized under the following modalities: month in arrears, quarter in arrears, semester in arrears, and/or year in arrears, and/or only one payment on the maturity date thereof, as determined in the corresponding public offering notice. Pre-payable bonds may be issued, which is determined in the respective public offering notice. The issuance of ordinary bonds under this Program in 2010 does not contemplate prepayment thereof.

The Issuer may buy back its own ordinary bonds. The buyback shall be conducted through the Securities Exchange, provided that one year has elapsed since the issuance of the bonds. This transaction is voluntary for security holders. If the Issuer acquires its own bonds, the confusion principle shall apply without having to wait until the maturity of the securities.

Collateral of ordinary bond issuances: Since they are ordinary bonds, there is no subordination of obligations. In this sense, all holders of bonds issued within the framework of this program shall have the same range (pari passu) with no preference among them, as well as the same range (pari passu) with respect to all other unsecured and unsubordinated cash debt obligations assumed by the issuer that are pending payment.

This issuance is not covered by the Deposit Insurance of the Financial Institutions Collateral Fund ("Seguro de Depósitos del Fondo de Garantías de las Instituciones Financieras – FOGAFIN").

Subordinated 2009 Bonds (issued in September 2011, February 2013 and November 2014)

- Subordination of obligations: Since they are subordinated bonds, in case of the issuer's liquidation, the redemption of the subscribed capital is subordinated to the prior payment of the external liabilities; which constitutes an irrevocable obligation.

- Capital amortization method, prepayments and reacquisition events: The principal of the bonds will be amortized under the following modalities: month in arrears, quarter in arrears, semester in arrears, and/or year in arrears, and/or only one payment on the maturity date thereof, as determined in the corresponding public offering notice. Pre-payable bonds may be issued, which is determined in the respective public offering notice. The issuance of subordinated bonds under this Program in 2011, 2013 and 2014 does not contemplate the prepayment thereof.

The Issuer may buy back its own subordinated bonds. The buyback shall be conducted through the Colombian Securities Exchange, provided that five years have elapsed since the issuance of the bonds. This transaction is voluntary for the Bondholders. If the issuer acquires its own bonds, the confusion principle shall apply without having to wait until the maturity of the securities.

This issuance is not covered by the deposit insurance of the Financial Institutions Collateral Fund (Seguro de Depósitos del Fondo de Garantías de las Instituciones Financieras – FOGAFIN).

Subordinated Bonds in USD 2015

- Subordination of obligations: Since they are subordinated bonds, in case of the issuer's liquidation, the redemption of the subscribed capital is subordinated to the prior payment of the external liabilities; which constitutes an irrevocable obligation.

- Capital amortization method, prepayments and reacquisition events: The principal of the bonds will be amortized under the following modalities: month in arrears, quarter in arrears, semester in arrears, and/or year in arrears, and/or only one payment on the maturity date thereof, as determined in the corresponding public offering notice.

The issuer cannot buy back its own subordinated bonds until a term of at least 5 years has elapsed. The buyback can only be carried out with the approval and authorization of the Colombian Financial Superintendence.

This issuance is not covered by the deposit insurance of the Financial Institutions Collateral Fund (Seguro de Depósitos del Fondo de Garantías de las Instituciones Financieras – FOGAFIN).

A summary of the issuances and bonds is shown in the table below:

Bond issuance	Authorized amount	Term in years	Rate	Coupon	Issuance amount	Issuance date	Maturity date
Ordinary 2008	$ 500,000	11	IPC+5.69%	TV	$ 155,000	26/08/08	26/08/19
Ordinary 2009		7	IPC+4.28%	TV	102,000	19/09/11	19/09/18
Subordinated 2011	2,000,000	10	IPC+4.45%	TV	106,000	19/09/11	19/09/21
		15	IPC+4.70%	TV	156,000	19/09/11	19/09/26
		10	IPC+3.60%	TV	200,000	19/02/13	19/02/23
Subordinated 2013		15	IPC+3.89%	TV	165,000	19/02/13	19/02/28
		15	IPC+4.38%	TV	90,000	26/11/14	26/11/29
Subordinated 2014		20	IPC+4.50%	TV	160,000	26/11/14	26/11/34
Subordinated 2015 USD	USD500	10	4.875	SV	USD400	21/04/15	21/04/25
Total bonds	**$ 2,500,000**				**$ 1,134,000**		
Total bonds USD	**USD 500**				**USD 400**		

30. Other liabilities

At December 31, the balance of this account is summarized as follows:

Item	2017		2016	
Overdue principal and interest TDC (1)	$	55,469	$	49,134
Loans and CC subject to collection (2)		26,487		41,783
Deferred partial payments		16,618		25,558
Balances to apply to obligations (3)		36,249		25,249
Network clearance		35,844		27,821
Anticipated revenue		9,050		9,091
Network transaction surplus		8,523		7,751
Letters of credit of deferred payment (4)		2,175		6,718
Ascredibanco international purchases		2,843		2,941
Credit balances in foreign currency		1,621		1,928
Activities in joint ventures (5)		-		179
Surpluses in exchange		17		17
Other liabilities		8,233		6,396
Total other liabilities	**$**	**203,129**	**$**	**204,566**

(1) The increase is due to principal and interest redemptions on CDs that have matured, pending payment to customers.

(2) Payment of installments by check for loans and credit cards, which are in the process of redemption for subsequent application.

(3) There is an increase due to monies pending application to Leasing obligations for collections received from installments in the office network and corresponding to payment of installments or additional payments.

(4) These are letters of Credit in foreign currency granted to the following customers: Construcciones Rubausa Sucursal Col for EUR 340,000, Oleointer SAS for EUR 89,188 and Quimpac de Colombia S.A for EUR 181,418, payable in deferred terms.

(5) As of September 2017, reclassifications were made in the joint venture entry, in which the share in consortia and joint ventures is recognized in each category of the balance sheet and IFRS 11 is applied in accordance with the policy established by the trust company:

Item	2017		2016
Consortia and joint ventures accounts payable	$	-	$74
Consortia and joint ventures other liabilities		-	107
Consortia and joint ventures estimated liabilities		-	2
Total	**$**	**-**	**$ 179**

31. Estimated liabilities and provisions

The Group records provision liabilities based on the concept of experts from the Legal, Labor Relations and Tax Consultancy areas, who rate each case in accordance with the status of the legal process. In addition, decision trees developed in accordance with the type of contingency (legal, labor and tax) are applied for classification in the following criteria to create the provision:

- Likely: they are recorded and disclosed
- Remote: they are not recorded or disclosed

At December 31, the balance of this account is summarized as follows:

Item	2017	2016
Expenses for invoices pending payment (1)	$ 59,751	$ 54,338
Lawsuits due to breach of contracts (2)	49,127	40,965
FOGAFIN contingencies	41,461	32,486
Provision for fines and penalties (3)	3,781	25,587
Labor lawsuits	14,895	16,111
Penalties and sanctions other administrative authorities	2,050	2,260
Commission sales force (CF, for the Spanish original)	6,128	1,844
Democratized customers Bose	-	533
Expenses associated with savings	780	400
Other personnel expenses	3,724	227
Other (4)	42,403	13,107
Total accrued liabilities and provisions	**$ 224,100**	**$ 187,858**

(1) This is the estimated provision for supplier invoices received and pending payment at the end of each accounting period.

(2) These are the provisions recorded for civil, criminal, tax and labor proceedings currently underway against the Bank.

(3) They are the provisions recorded for the inspection processes underway against the group. In 2016, a provision was made for the inspection process of Unión de Gestión de Pensión y Parafiscales (UGPP) for COP 25,587. This penalty was paid in 2017. The provision of 2017 was made for an administrative act (201750001297) of the Management and Control Secretariat, which settled the cash payment of land regulation obligations on account of land for green areas, recreation and furnishings and the construction of basic public furnishings, from the Pinar del Rodeo stand-alone trust.

(4) These are provisions accounted mainly for: Fees for electronic services for debit and credit card holders (ACH, CENITH, SOIN and PSE, Banking support.) This is a provision of the reconciliation items that are not recorded by the Investment Funds and the BBVA Asset Management trusts.

Legal contingencies

The Group is involved in eight hundred and twenty-six (826) civil, criminal and administrative judicial proceedings derived from the normal course of its activity and businesses, for an approximate value of COP 592,940 (838 for COP 540,809 for 2016).

Provisions have been created for legal contingencies in the amount of COP 65,982 (COP 59,336 in 2016). In addition, for the processes guaranteed by Fogafín, there is a provision of COP 41,461 (COP 32,486 in 2016), with a coverage between 85% and 95% of the net economic effect, in accordance with the terms of the guarantee for contingencies granted by Fogafín as part of the Banco Granahorrar privatization process.

In the opinion of management, after consulting with its internal and external legal advisors, these proceedings would not reasonably have an adverse material effect on the Group's financial condition or on the results of its operations and they are adequately rated and provisioned.

The main proceedings currently underway against the entity are as follows:

Civil Proceedings:

a. Declaratory action of Servientrega S.A. The conviction of BBVA, BBVA Fiduciaria, BBVA Valores, BBVA Panamá and Fenalco is being claimed for the purchase, democratization and subsequent merger of Banco de Caldas, which subsequently changed its name to Banco Nacional del Comercio (BNC). The claims amount to COP 74,940 million. The defense of the claim was filed along with a counterclaim. An appeal on behalf of the plaintiff is pending. The contingency is classified as remote.

b. Verbal action of Miguel Ángel Buitrago Berrio. Financial consumer protection action (Law 1480/2011). COP 27,110 million are being claimed for principal and interest on documents classified as deposits in escrow issued by Banco Ganadero in 1980 with a nominal value of COP 9 million. The Superior Court of Bogotá confirmed the favorable sentence in the first degree issued by the Financial Superintendence of Colombia, which considered the documents submitted as proof of custody of papers or goods and not cash. Pending appeal for annulment. The contingency is classified as remote.

c. Declaratory action of Prounida and Coloca: In 1982, Prounida and Coloca, as the intended buyers and the former shareholders of Banco Caldas, the intended sellers, entered into two agreements regarding the shares of Banco de Caldas. The parties agreed on COP 265 million as a deposit, with which Prounida and Coloca took two CDs in Banco de Caldas, with instructions to hand them over to the sellers or return them to the constituents if certain conditions were met. In August 1982, Banco de Caldas, deemed that the conditions were met, handed over the CDs to the intended sellers. In April 1983 Prounida and Coloca, in their disagreement with handing over the CDs, filed a lawsuit against the Bank and other defendants, claiming, among others, the annulment or the resolution of the agreements along with the refund of the money. Banco de Caldas was asked to be declared liable for the payment of the CDs. In April 2001, the Tenth Civil Court of the Bogotá Circuit decided to order the Bank to pay COP 265 million of principal plus interest at a rate of 34% from May to September 1982 and on this basis, all the default interest, according to pertinent legal standards, accrued from October 1982 to the day on which payment is made. Banco BBVA Colombia S.A. and other defendants filed appeals against the first-instance ruling. In 2007, the Superior Court of the Judicial District of Bogotá – Civil Division decided to order the Bank to pay COP 12,460 million, corresponding to principal of 1982 plus CPI. The special appeal for annulment is currently underway with the Supreme Court of Justice. The contingency is valued at COP 19,594 million with a provision for 100%.

d. Declaratory action of Protección Agrícola S.A. (PROTAG S.A.). A request was made to declare that the plaintiff, as the Integrator for several banks to grant association loans to small-scale producers, was acting as a simple agent, and not in the capacity of a debtor. Therefore, a request was made to refund the amount paid, along with the corresponding damages for a total of COP 155,000 million against all the defendants, of which the risk amounts to approximately 3% against BBVA. The contingency is classified as remote.

e. Declaratory action of Kachina: These proceedings began in 1999 in the Bolivarian Republic of Venezuela, concerning Telegan, a Grupo Ganadero Telecommunications company. On October 30, 2014, the Tenth Superior Court of Caracas, Venezuela handed down a ruling of appeal reducing the sentence against BBVA Colombia. An appeal for annulment was filed and it is in the sentencing stage. The contingency is classified as probable with a provision for COP 8,330 million.

f. Declaratory action of Sandra Patricia Galvis and others: A lawsuit was filed due to defective properties in the project of "Ciudadela Paseo Real de Soacha," built by the Provisoc construction company and financed by Granahorrar. The contingency is classified as remote, without provision and guaranteed by Fogafin. Pending ruling in the first instance.

g. Class actions and group actions: There are several lawsuits filed by BBVA or Granahorrar customers or users regarding mortgage and other types of loans, termination of executory proceedings, revision of rates, commissions, interest on mortgage and credit card loans and impairment of property provided as collateral. These undetermined-amount proceedings have been classified as a “remote” contingency, with no rulings against the entity.

Labor proceedings

The Bank has 187 labor proceedings filed against it with claims estimated at COP 28,390 and provisions for COP 14,895 (COP 26,384 and provisions for COP 16,111 for 2016). The main reasons for the lawsuits are: payment of pension-related contributions, legal and conventional reinstatement, salaried employment, and damages for alleged unfair dismissals, disputes regarding the legal nature of the conventional vacation and seniority bonuses. These proceedings are adequately provisioned as per legal standards, as per the procedures established by the Bank, and as per the guidelines of the Superintendence. According to the Bank's legal advisors, it is considered that the result will be in favor of the entity and that there will be no significant losses.

Tax proceedings

The Bank is currently engaged in twenty-seven (27) tax proceedings through administrative channels and in the administrative jurisdiction with estimated claims amounting to COP 65,052. The provisions amount to COP 1,960, which correspond to two (2) class actions for withholding tax on financial transactions and proceedings regarding regional taxes - basically for industry and commerce tax and property tax - tax collection proceedings and charges filed due to the reporting of exogenous information. At December 31, 2016, there were forty-five (45) proceedings estimated at COP 2,771 with provisions for COP 2,260.

The increase in the value of the contingencies is related to a proceeding with an amount of approximately COP 62,721, originated by the exogenous information that must be provided to the municipality of Floridablanca. Basically, the municipality claims that it could not open the CD that contained the exogenous information for the 2016 tax year. The Bank properly proved the delivery of the information requested and the illegality of the amount of the fine imposed, which could not exceed COP 477. It is in the process of exhaustion through administrative channels. No provisions have been constituted for these proceedings.

For BBVA Asset Management S.A. Sociedad Fiduciaria, there is an administrative act (201750001297) of the Management and Control Secretariat, which settled the cash payment of land regulation obligations on account of land for green areas, recreation and furnishings and the construction of basic public furnishings, from the Pinar del Rodeo stand-alone trust. In this decision, the liability of payment was incorrectly allocated to the trust company, citing the TIN thereof and not that of the Stand-alone Trust and the TIN of stand-alone trusts. Although the decision was final and enforceable, the correction was requested; however, to date, the public entity has not provided any response.

32. Labor liabilities

The details of the component of short-term labor liabilities at December 31 are as follows:

Item	2017	2016
Short-term employee benefits		
Severance pay	$ 12.620	$ 13.014
Interest on severance	1.497	1.549
Vacations	16.417	14.976
Current provisions for employee benefits	65.711	51.487
Other benefits	9.268	8.010
Total short-term benefits	**105.514**	**89.036**
Long-term employee benefits		
Actuarial calculation of retirement and seniority bonuses	54.599	50.146
Retirement pension actuarial calculation	54.941	53.459
Total long-term benefits	**109.540**	**103.605**
Total labor liabilities	**$ 215.054**	**$ 192.641**

Actuarial calculation of retirement and seniority bonuses: The Bank pays its employees a seniority bonus for every five years they work with the Bank. This benefit is calculated in days of salary for each five-year period and, if contract termination is not reasonably justified, the bonus is paid proportional to the time worked:

Item	2017	2016
Liabilities for benefits at the beginning of the 2016 and 2015 period	$ 48.229	$ 41.698
• Cost of services	5.681	4.924
• Cost of interest	3.472	3.420
• Cash Flow	(7.529)	(7.425)
Adjustment for experience	3.323	1.669
Adjustment for change in financial assumptions	(638)	3.943
Liabilities at the end of the 2017 and 2016 period	**$ 52.538**	**$ 48.229**

Reconciliation

Item	2017	2016
Balance at December 31, 2016 and 2015	$ 48.229	$ 41.698
Payment of seniority bonus	(7.738)	(8.281)
Expense for seniority bonus benefit	5.681	8.828
Financial cost of seniority bonus	3.472	3.141
Other transfer of funds	209	-
Change in demographic variables	2.685	2.843
Liabilities at the end of the 2017 and 2016 period	**$ 52.538**	**$ 48.229**

The Bank has carried out the actuarial valuation at December 31, 2017 and 2016 for the retirement plan premium commitment made by BBVA with its pensioned and active participants.

The following are the details of the actuarial calculation and the results of the study at December 31, 2017:

Item	2017	2016
Liabilities for benefits at the beginning of the 2016 and 2015 period	$ 1.874	$ 1.359
• Cost of services	103	77
• Cost of interest	137	119
• Cash Flow	(15)	(17)
Adjustment for experience	(242)	134
Adjustment for change in financial assumptions	204	202
Liabilities at the end of the 2017 and 2016 period	**$ 2.061**	**$ 1.874**

Reconciliation

Item	2017	2016
Balance at December 31, 2016 and 2015	$ 1.874	$ 1.359
Actuarial calculation adjustment by hypothesis	(38)	336
Actuarial calculation adjustment debited to expenses	2.099	1.538
Transfer (1)	(1.874)	(1.359)
Liabilities at the end of the 2017 and 2016 period	**$ 2.061**	**$ 1.874**

(1) Transfer of pensions for individualized registration premium retirement plan

Bases of the actuarial hypothesis - Over time, the total cost of the plan will depend on a number of factors, including the amount of the benefits paid, the number of individuals receiving benefits, the administrative expenses of the plan and the returns obtained on the assets used to pay the benefits. These amounts and other variables are uncertain and unknown at the time of the calculation and are only predicted within a reasonable range of possibility.

Since it is not possible or practical to measure all the variables, summarized information, estimates or simplified information were used to facilitate the efficient measurement of future events. Also, the figures stated in the actuarial calculation are based on the Bank's accounting policies.

Retirement pension actuarial calculation

Pensions (Prior to Law 100 / 1993)

Monthly pension payment: The legal and constitutional regulatory framework applicable at the time that the pension entitlement is accrued is taken into account.

The number of monthly pension payments recognized by the ISS in this valuation was determined as follows:

- All pensions accrued before July 29, 2005 are calculated based on 14 monthly pension payments per year.
- All pensions accrued after July 29, 2005 are calculated based on 13 monthly pension payments per year.
- All pensions accrued before July 31, 2011 and whose amount is less than three minimum monthly salaries are calculated based on 14 monthly pension payments per year.

The BBVA, in turn, pays some of its retirees 15 monthly payments per year, thus providing them with one additional monthly payment in some cases, and two additional monthly payments in others. As for retirees with pension Shares of whom the BBVA is not responsible for their final pension, only the quota-part corresponding to 14 monthly payments per year is granted.

For the purposes of the proforma, monthly payment number 15 is valued as an additional benefit established via a collective agreement, and monthly payment number 14, for retirees granted 13 monthly payments by the ISS, is considered in the pension reserve (columns 31 and 32).

Additional benefits: According to Notice 039 / October 21, 2009, the reserves are calculated based on the extralegal benefits offered by the Company to its retirees and beneficiaries.

In the case of BBVA, these benefits (stated in Colombian pesos) are as follows:

- One extralegal monthly payment is made: 15 days in June and 15 days in December.
- One funeral benefit for a total of COP 2,442,000 upon the death of the retiree and COP 573,000 upon the death of the retiree's spouse.
- One life insurance policy for all retirees and survivors entitled to a survivor's pension at a cost of COP 30,000,000 in the case of natural death and COP 37,000,000 in the case of accidental death.
- The Company pays the value of a Hospitalization and Surgery policy for some of its retirees. The value paid depends on the number of beneficiaries and ranges from COP 79,632 to COP 115,000, except for some employees with a policy for COP 1,194,480 in exceptional cases.

Types of pensions

Retirees to be paid by the Bank: These pensions are calculated based on the provisions established in Article 260 of the Labor Code, which applies to all individuals in the transitional system who have provided services for companies that recognize and pay pensions. The amount of the pension is 75% of the average salaries earned in the last year of service, provided the person has worked 20 or more years for the pension paying company. This pension is granted for life.

Survivors' pensions: Survivors' pensions payable by the Bank are paid to surviving beneficiaries of retirees to be paid by the Bank, in accordance with the regulations established in Law 12/1975, Law 113/1985 and Law 71/1988 and all other related regulations, as follows:

- To the surviving spouse for life in the amount of 100% if there are no children named as beneficiaries.
- If there are children named as beneficiaries, it will be shared in equal parts with the surviving spouse.

The beneficiaries must be within the required ages and/or certify their status as students as required by the aforementioned regulations.

According to the provisions set forth in Decree 1889/1994, the funeral benefit is not calculated.

Dismissals without just cause between 10 and 15 years of service: It is determined in accordance with Article 8 of Law 171/1961, which establishes that a person that is dismissed without just cause and has accrued more than ten (10) and less than fifteen (15) years of services, shall be entitled to a pension for life payable by the entity, once he/she reaches the age of 60 years. The amount of the pension is proportional to the amount that would have been applicable if he/she had completed the time of service established in Article 260 of the Labor Code (20 years).

Dismissals without just cause after 15 years of service: It was determined in accordance with Article 8 of Law 171/1961, which establishes that a person that is dismissed without just cause and has accrued more than fifteen (15) years of services, shall be entitled to a pension for life payable by the entity, once he/she reaches the age of 50 years. The amount of the pension is proportional to the amount that would have been applicable if he/she had completed the time of service established in Article 260 of the Labor Code (20 years).

Voluntarily retirement after 15 years of service: Paid in accordance with the provisions of Article 8 of Law 171/1961, which states that any employee with 15 or more years of services who retires from the company voluntarily shall be entitled to a retirement pension for life to be paid by the company, once he/she reaches the age of 60 years. The amount of the pension is proportional to the amount that would have been applicable if he/she had completed the time of service established in Article 260 of the Labor Code (20 years).

Active employees entitled to a pension from the Bank with expectations of a pension from the ISS: The actuarial reserve is recognized to cover a retirement pension for life in accordance with Article 260 of the Labor Code, which is applicable because they were working at the service of the Bank for more than ten years at the time of enrollment in the General Pension System. The Bank shall pay this pension on a permanent basis until said employee, on whose behalf it continues to make contributions to the ISS, meets the minimum requirements established by the General Pension System. This is based on the date on which the weeks of contribution requirement (increasing annually up to a limit of 1,300 weeks in the year 2015) and the age of retirement will be met (men 60 and women 55. As of January 1, 2014, men 62 and women 57). Once the old-age pension is accrued in the ISS, an actuarial reserve is calculated to cover a monthly payment for life in an amount equal to the difference resulting between the pension that was being paid by the company and the pension that will be paid by the ISS.

Retires to be paid by the Bank with a quota-part: An actuarial reserve is recognized on these individuals to cover a retirement pension for life in accordance with Article 260 of the Labor Code. These retirees include those whose final pension is the responsibility of BBVA as well as those to whom the BBVA only grants the corresponding proportion without responsibility for the final pension. As for the retirees for whom the BBVA is not responsible for their final pension, the actuarial reserve is calculated proportional to the quota-part determined by the time of service that said employee worked for the Bank. At the request of the BBVA, the actuarial reserve of the retirees for whom the BBVA is responsible for their final pension, it is calculated as 100% payable by the company and not proportional to the corresponding quota-part.

Survivors' pensions payable by the Bank with a quota-part: These pensions are paid to surviving beneficiaries of retirees to be paid by the Bank, in accordance with the regulations established in Law 12/1975, Law 113/1985 and Law 71/1988 and all other related regulations, as follows:

- To the surviving spouse for life in the amount of 100% if there are no children named as beneficiaries.

- If there are children named as beneficiaries, it will be shared in equal parts with the surviving spouse.

The beneficiaries must be within the required ages and/or certify their status as students as required by the aforementioned regulations.

As for beneficiaries whose final pension is the responsibility of the BBVA, the actuarial reserve is calculated as 100% payable by the BBVA and not in proportion to the corresponding quota-part, as requested by the BBVA. As for beneficiaries whose final pension is not the responsibility of the BBVA, the actuarial reserve is calculated in accordance with the value of the pension quota-part corresponding to the Bank. According to the provisions set forth in Decree 1889/1994, the funeral benefit is not calculated.

Shared pensions and pensions to be paid by the Bank with expectation of pension by the ISS:

- Pension compatibility: As a result of the transition to the Pension System of the Colombian Social Security Institute (ISS, for the Spanish original), the legislation established the possibility of pension compatibility, in order for any individual who can eventually become entitled to a pension to maintain the right to be paid by their employer, but with the possibility for the company to transfer this pension obligation to the Social Security Institute, provided the company continues to make the contributions to enable the individual to eventually meet the pension requirements established by the system. The regulatory framework of this possibility has been established in Article 16 of Agreement 049/1990.

- Retirees to be paid by the company with the expectation of a pension from the ISS: A monthly retirement pension is paid in accordance with the requirements set out in Article 260 of the Labor Code, that the Bank shall pay on a permanent basis until the employee, on whose behalf it continues to make contributions to the ISS, meets the minimum requirements established by the General Pension System. Once the old-age pension is accrued in the ISS, an actuarial reserve is calculated to cover a monthly payment for life in an amount equal to the difference resulting between the pension that was being paid by the company and the pension that will be paid by the ISS.

- Shared pensions: These pensions recognize only the difference between the value of the pension that the company was paying and that paid by the ISS. They are calculated as a life annuity.

The following methodologies and actuarial bases were used for the evaluation of the mathematical reserve of retirement, pension bonds and securities. They are adjusted to the current regulations for the preparation of actuarial calculations (Decrees 1625/2016 and 2420/2015).

Pension reconciliation:

Item	2017	2016
Balance at December 31, 2016 and 2015	$ 49,751	$ 46,159
Pension payments	(4,170)	(4,140)
Pension expenses	4,039	4,131
Other	127	74
Actuarial calculation adjustment debited to expenses	(305)	3,527
Adjustment against equity	1,791	-
Reclassification of the actuarial calculation	3,708	-
Liabilities at the end of the 2017 and 2016 period	**$ 54,941**	**$ 49,751**

The actuarial technical bases and hypotheses used in the calculation according to IAS 19, are:

Economic and demographic hypotheses	For the financing situation at December 31, 2017 and the determination of cost for the 2018 fiscal year
Discount rate	6.75%
Inflation	3.50%
Salary increase rate	5.50%
Pension increase rate	Equal to inflation
Minimum salary increase rate	4.00%
Increase rate for the benefits granted by the Bank	Equal to inflation
Growth rate of the retirement and disability bonus	Equal to inflation
Medical expense increase rate	5.50%
Mortality	Colombian Mortality Table of Life Annuities 2008 (RV08)
Disability	Active employee disability table - SFC Resolution 0585/1994
Turnover	BBVA turnover table based on age, adjusted to 90%

Technical bases and hypothesis for the actuarial calculation based on the application of Decree 1625/2016:

Mortality table	Mortality Table of Valid Male and Female Annuitants “2005 – 2008 Experience”, as per Resolution 1555/2010 issued by the Financial Superintendence of Colombia.

Salary and pension adjustment:	The formulation employed explicitly includes the future increases in salaries and pensions using a rate equal to the average resulting from adding three (3) times the inflation of the year k-1, plus two (2) times the inflation of year k-2, plus one (1) time the inflation of the year k-3 according to Article 1 of Decree 2984/2009 and Article 1 of Decree 2783/2001. This is a nominal annual rate of 5.7416%.
Technical interest rate:	The real technical interest rate of 4.80% was used in accordance with Article 1 of Decree 2984/2009 and Article 1 of Decree 2783/2001.

Actuarial methodology - The prospective method of calculation was used, valuing future benefits segmented from the expired period (segmented income).

BBVA Fiduciaria

BBVA Fiduciaria records labor liabilities on a monthly basis and they are adjusted at the end of each year based upon the legal provisions and labor agreements currently in force. The payroll liquidation system calculates the liability amount for each active employee.

Benefits are recognized when trust company has consumed the economic benefits derived from the employees providing the service. For the purposes of recognition as a personnel or general expense, Sociedad Fiduciaria differentiates benefits from work tools.

At December 31, the balance of labor liabilities consisted of the following:

Item	2017	2016
Severance pay	$ 261	$ 256
Interest on severance	30	29
Vacations	541	296
Current provisions for employee benefits	1,032	960
Total short-term labor liabilities	**$ 1,865**	**$ 1,541**

This trust company does not record long-term labor liabilities.

BBVA Valores

BBVA Valores records labor liabilities on a monthly basis and they are adjusted at the end of each year based on the legal provisions in force; social benefits for employees of the brokerage firm are short term and are not cumulative, therefore, they do not require actuarial calculation.

Item	2017	2016
Severance pay	$ 37	$ 32
Interest on severance	4	4
Vacations	127	93
DOR bonuses	805	801
Total short-term labor liabilities	**$ 972**	**$ 930**

Bonuses are set forth in the Company policies as a discretionary incentive for employees for fulfilling the objectives and goals established during the year. They are calculated based on the distribution of the two previous years.

This brokerage firm dos not record long-term labor liabilities.

33. Taxes

Components of the income tax and CREE tax expense

The income tax and CREE tax expense for the years 2017 and 2015 is made up of the following:

Item	2017	2016
Current income tax	$ 186,578	$ 199,300
Current CREE tax	-	115,743
Deferred tax	33,400	9,806
Income tax of previous years	(89,804)	-
Total income tax	**$ 130,174**	**$ 324,849**

Reconciliation of the tax rate in accordance with the tax provisions and the effective rate:

The tax provisions applicable to the Bank stipulate that:

i. The income tax rate for the year 2016 was 25%.

ii. For the year 2016, the rate of income tax for equality (CREE, for the Spanish original) was 9% and there was a 6% surcharge on the CREE tax for companies whose earnings are greater than or equal to COP 800.

iii. Tax reform - Law 1819/2016

- As of 2017, the income tax for equality (CREE tax) was eliminated.

- As of 2017, the rates applicable to income tax shall be as follows: 34% in 2017 and 33% in 2018 and 2019, with a corresponding surcharge of 6% in 2017 and 4% in 2018. This surcharge is applicable when the taxable base is greater than or equal to COP 800.

Since BBVA Valores' ordinary income in 2017 was less than its presumptive income, the taxable base of income tax is determined based on the presumptive income, which is 3.5% of the net worth of the preceding year. The applicable rate, which is 34%, does not indicate a 6% surcharge since earnings do not exceed COP 800, which is the basis for the calculation thereof.

Below are the details of the reconciliation between the total income tax expense calculated at the tax rates in force for 2016 and 2017, respectively and the tax expense actually recorded in the Statement of Income.

Item	2017	2016
Profit before taxes from continuing operations	**$ 621,341**	**$ 897,416**
Income tax expense calculated at 40%.	248,536	358,966
Dividends received that do not constitute income	(4,450)	(10,455)
Exempt income	(21,454)	(22,318)
Revenue from valuation using the equity method	(10,302)	-
Revenue from the valuation of Credibanco	-	(39,077)
Revenue from the change from Deceval to BVC	(21,236)	-
Profit on sale of CIFIN	-	(14,639)
Non-deductible taxes	19,625	25,496
Fines, penalties and expenses from previous years	12,875	18,652
Income tax of previous years	(89,804)	373
Effect of other non-deductible expenses	(593)	-
Other	(3,023)	7,851
Income tax expense recognized in the statement of income (related to continuing operations)	**$ 130,174**	**$ 324,849**

Current tax assets and liabilities

Item	2017	2016
Current tax assets		
Current tax credit balance	$ 138,324	$ 809
Total	**138,324**	**809**
Current tax liabilities		
Income tax payable	9,036	66,781
Total	**$ 9,036**	**$ 66,781**

Deferred taxes by type of temporary difference:

The differences between the asset and liability bases for IFRS purposes and the tax bases of the same assets and liabilities for tax purposes give rise to temporary differences that generate deferred taxes that were calculated and recorded at December 31, 2017 and December 31, 2016 based on the tax rates currently in force for the years in which said temporary differences will be reversed.

The following is the net income of the assets and liabilities of the deferred tax presented in the statements of financial position at December 31, 2017 and 2016

Item	2017	2016 (Restated)
Deferred tax asset	$ 385	$ 272
Deferred tax liability	(307,806)	(209,574)
Total	**$ (307,421)**	**$ (209,302)**

2017

Item	Opening balance (restated)	Recognized in the statement of income	Recognized in other comprehensive income	Recognized directly in equity	Closing balance
Deferred tax asset related to:					
Cash flow hedges	$ 16,065	$ 11	$ 5,536	$ -	$ 21,612
Net investment hedges	13,816	(4,701)	-	-	9,115
Property and equipment	31,735	(1,337)	-	280	30,678
Investments in fixed-yield securities	4	(4)	-	-	-
Deferred income	-	4,448	-	-	4,448
Provisions	22,847	1,727	-	-	24,574
Accounts receivable	-	(5)	-	-	(5)
Liabilities for defined benefits	37,320	4,701	(4,330)	(1,485)	36,206
Total deferred tax asset	**121,787**	**4,840**	**1,206**	**(1,205)**	**126,628**
Deferred tax liability related to:					
Net investment hedges	(196)	196	-	-	-
Investments in non-controlling interests	(9,700)	(4,707)	(3,608)	-	(18,015)
Property and equipment	(148,653)	21,213	-	,	(127,440)
Intangible assets	(1,011)	(3,577)	-	-	(4,588)
Investments in fixed-yield securities	(12,542)	7,109	-	(10,087)	(15,520)
Loan portfolio	$ (69,529)	$ (11,137)	$ -	$ 1,157	$ (79,509)

Item	Opening balance (restated)	Recognized in the statement of income	Recognized in other comprehensive income	Recognized directly in equity	Closing balance
Portfolio provisions	$ (82,500)	$ -	$ (52,285)	$ -	$ (134,785)
Liabilities for defined benefits	-	-	(199)	-	(199)
Unclaimed issuance and buyback costs	(3,748)	698	-	-	(3,050)
Other	(3,210)	(469)	-	301	(3,378)
Restatement of assets and liabilities in FC	-	(47,566)	,	-	(47,566)
Total deferred tax liability	**(331,089)**	**(38,240)**	**(56,092)**	**(8,629)**	**(434,049)**
Net deferred tax	**$ (209,302)**	**$ (33,400)**	**$ (54,886)**	**$ (9,834)**	**$ (307,421)**

2016

Item	Opening balance (restated)	Recognized in the income statement (restated)	Recognized in other comprehensive income (restated)	Recognized directly in equity (restated)	Closing balance (restated)
Deferred tax asset related to:					
Cash flow hedges	$ -	$ -	$ 16,065	$ -	$ 16,065
Net investment hedges	-	13,816	-	,	13,816
Property, plant and equipment	17,968	8,120	-	5,647	31,735
Intangible assets	6,582	(6,582)	-	-	-
Investments in fixed-yield securities	18,865	(18,861)	-	-	4
Provisions	35,891	(13,044)	-	-	22,847
Liabilities for defined benefits	30,058	2,931	4,331	-	37,320
Other	194	(194)	-	-	-
Total deferred tax asset	**109,558**	**(13,814)**	**20,396**	**5,647**	**121,787**
Deferred tax liability related to:					
Cash flow hedges	(3,352)	-	3,352	-	-
Net investment hedges	$ (30,242)	$ 30,046	$ -	$ -	$ (196)
Investments in shares	-	(9,718)	18	-	(9,700)
Property and equipment	(146,684)	(1,969)	-	-	(148,653)
Intangible assets	$ -	$ (1,011)	$ -	$ -	$ (1,011)

Item	Opening balance (restated)	Recognized in the income statement (restated)	Recognized in other comprehensive income (restated)	Recognized directly in equity (restated)	Closing balance (restated)
Investments in fixed-yield securities	$ (2,231)	$ (12,543)	$ 2,232	$ -	$ (12,542)
Loan portfolio	(57,474)	(15,011)	-	2,956	(69,529)
Portfolio provisions	(71,549)	-	(10,951)	-	(82,500)
Liabilities for defined benefits	(1,697)	-	1,697	-	-
Unclaimed issuance and buyback costs	(4,425)	677	-	-	(3,748)
Other	(3,527)	619	-	(302)	(3,210)
Total deferred tax liability	**(321,181)**	**(8,910)**	**(3,652)**	**2,654**	**(331,089)**
Net deferred tax	**(211,623)**	**(22,724)**	**16,744**	**8,301**	**(209,302)**
Plus adjustment for restatement	(22,975)	12,917	-	-	(10,058)
Net deferred tax before restatement	**$ (234,598)**	**$ (9,807)**	**$ 16,744**	**$ 8,301**	**$ (219,360)**

The deferred tax of the years 2015 and 2016 has been restated as a result of the change corresponding to goodwill and fixed assets (see restatement disclosure).

Effect of current and deferred taxes on each component of Other Comprehensive Income in equity

The effects of current and deferred taxes on each component of other comprehensive income are detailed below:

Componente	2017				2016			
	Amount before taxes	Current tax	Deferred tax	Net	Amount before taxes	Current tax	Deferred tax	Net
Items that are not reclassified to the statement of income								
Surplus from using the equity method	$ 613	$ -	$ -	$ 613	$ (1,164)	$ -	$ -	$(1,164)
Share in other comprehensive income of non-controlling interests	$ 16,122	$ -	$ (3,608)	$ 12,514	$ (10,527)	$ -	$ 2,250	$ (8,277)

Componente	2017				2016			
	Amount before taxes	Current tax	Deferred tax	Net	Amount before taxes	Current tax	Deferred tax	Net
Liabilities for defined benefits	$ 9,075	$ -	$ (4,529)	$ 4,546	$ (15,070)	$ -	$ 6,028	$ (9,042)
Items that can be reclassified following the Statement of Income								
Loan portfolio	147,430	-	(52,285)	$ 95,145	34,162	-	(10,951)	23,211
Cash flow hedges	(18,219)	-	5,536	(12,683)	(48,542)	-	19,417	(29,125)
Total	**$155,021**	**$ -**	**$(54,886)**	**$100,135**	**$ (41,141)**	**$ -**	**$ 16,744**	**$ (24,397)**

Transfer prices

Inasmuch as the Bank and its subsidiary, BBVA Valores S.A., carry out transactions with foreign related companies, they are subject to the regulations introduced in Colombia regarding transfer prices through Laws 788/2002 and 863/2003. Therefore, the Bank and its subsidiary conducted a technical study on the transactions carried out in 2016, concluding that there were no conditions to affect the income tax of that year.

To date, the Bank and its subsidiary have not completed the technical study of the transactions carried out with foreign related companies in 2017. However, management has reviewed the transactions and considers they had a similar behavior to those carried out in 2016; therefore it considers that there will be no material impact on the income tax return for the 2017 period.

34. Subscribed and paid-in capital

The Bank's subscribed and paid-in capital is divided into ordinary shares and non-voting preferential dividend shares. The latter may not represent more than 50% of the subscribed capital. At December 31, 2017 and 2016, 13,907,929,071 ordinary shares and 479,760,000 preferred shares were subscribed and paid-in, at a nominal value of COP 6.24, for a total subscribed and paid-in capital of COP 89,779.

The subscribed and paid-in capital of BBVA Fiduciaria at December 31, 2017 and 2016 was represented by 55,089,695 common shares at a nominal value of COP 1,000 (one thousand Colombian pesos) each, which were subscribed and paid-in to date. The ordinary General Meeting of Shareholders held on February 27, 2017 and March 15, 2016 approved dividends of COP 430.40 and COP 267.19, respectively, per subscribed and paid-in share, whose total amounted to COP 23,711 and COP 14,720 on the same dates.

BBVA Fiduciaria paid the Bank COP 22,409, corresponding to the equity interest (94.51%) on the dividends declared of profits in 2016.

The subscribed and paid-in capital of BBVA Valores at December 31, 2017 and 2016 was represented by 7,000,000 and 3,881,558 common shares at a nominal value of COP 1,000 (one thousand Colombian pesos) each, which were subscribed and paid-in to date. According to Minutes No. 321, the Board of Directors met on September 6, 2017 to approve the subscription and placement of 3,118,442 shares at a nominal value of one thousand Colombian pesos each, of which all BBVA Valores shareholders were entitled to subscribe in proportion with their share.

In an ordinary meeting held on February 27, 2017, the General Meeting of Shareholders of BBVA Valores approved the absorption of the 2016 fiscal year loss of COP 123 by crediting a legal reserve, and in an ordinary meeting held on March 15, 2016, the General Meeting of Shareholders approved a dividend of COP 585.42, per subscribed and paid-in share, which amounted to COP 2,272 at that date from the profits of the year 2015.

35. Reserves

At December 31, the balance of this account is summarized as follows:

Item	2017	2016
Legal reserve	$ 2,535,244	$ 2,278,704
Occasional reserves:		
Available to the Board of Directors	1	1
To protect investments	532	532

Legal reserve – In accordance with the statutory provisions, 10% of Bank's net profit each year must be credited to a "reserve fund" until its balance reaches at least 50.01% of the subscribed capital. As a result, the legal reserve may not be reduced below this percentage, except to respond to excess losses of undistributed earnings. Premiums on share placement are also credited to the legal reserve.

Available to the Board of Directors and others - These reserves may be used for future distributions, and include:

- Non-taxed available to the Board of Directors, the balance of COP 1
- For investment protection, the balance of COP 532.

36. Earnings per share

Basic and diluted earnings per share are calculated in accordance with the criteria set forth in IAS 33.

Basic earnings per ordinary and preferred share:	2017	2016
Net earnings attributable to shareholders	$ 491,167	$ 572,567
Average number of shares outstanding	14,387,689,071	14,387,689,071
Basic earnings per share (*)	34	40
Diluted earnings per share (*)	$ 34	$ 40

* Value in Colombian pesos.

During the years ending December 31, 2017 and 2016, there were no other financial instruments or commitments to employees based on shares that may affect the calculation of the diluted earnings per share for those years. Therefore, the basic and diluted earnings per share are the same.

37. Other comprehensive income (OCI)

Item	2017	2016
Earnings on investments in equity instruments, before taxes	$ 16,735	$ (11,691)
Actuarial losses on defined benefit plans, before taxes	9,075	(15,070)
Total OCI that is not reclassified to the Statement of Income, before taxes	**25,810**	**(26,761)**
Gains (losses) due to new measurements of financial assets (incurred loss)	147,430	34,162
Cash flow hedge gains (losses), before taxes	(18,219)	(48,542)
Total OCI that is not reclassified to the Statement of Income, before taxes	**129,211**	**(14,380)**
Total other comprehensive incomes, before taxes	**155,021**	**(41,141)**
Income tax related to investments in equity instruments of other comprehensive income	(3,608)	2,250
Income tax related to defined benefit plans of other comprehensive income	(4,529)	6,028
Cumulative income tax related to components of other comprehensive income that are not reclassified to the Statement of Income	**(8,137)**	**8,278**
Income tax related to new measurements of financial assets (incurred loss)	(52,285)	(10,951)
Income tax related to cash flow hedges of other comprehensive income	5,536	19,417
Cumulative income tax related to components of other comprehensive income that are reclassified to the Statement of Income	**(46,749)**	**8,466**
Total other comprehensive incomes, net of taxes	**$ 100,135**	**$ (24,397)**

38. Legal controls

In the years 2017 and 2016, the Bank complied with all the standards on legal controls set forth by the Financial Superintendence of Colombia, as follows:

- As regards the limit on proprietary position in foreign currency, minimum legal reserve required on Deposits in legal currency, standard liquidity risk indicator (IRL, for the Spanish original) and mandatory investments in Agricultural Investment Securities (TDAs, for the Spanish original).

  The Bank's portfolio policy is compliant with the current mortgage law, according to which mortgage loans can be granted as follows::

  - Low-income mortgages up to 80% financing on the value of the housing unit.

  - Non-low-income mortgages, up to 70% financing on the value of the housing unit.

- The technical equity of banks in Colombia can be no less than 9% of their total assets and credit-risk-related contingencies, calculated on a monthly basis on the banks' non-consolidated financial statements and calculated on a quarterly basis on the consolidated financial statements with local and foreign subsidiaries of the financial sector; the last calculation being as of June 2013.

The changes in transmission periods came about in compliance with Decree 1771/2012 issued by the National Government and Public Notices 020 and 032/2013 issued by the Colombian Financial Superintendence, which modify the definitions and the calculation of regulatory capital for Credit Establishments.

At December 31, 2017 and 2016, the Group's technical reserve represented 12.35% and 12.61%, respectively, of its assets and credit-risk-related contingencies calculated based on the non-consolidated financial statements.

39. Contingencies

During the normal course of business, the Bank issues financial instruments, which are recorded in contingent accounts. Bank management does not expect any material losses as a result of these transactions.

The Bank issues endorsements and guarantees to guarantee contracts and obligations of special customers. These guarantees expire in 1 to 15 years, and bank correspondents are charged for this service, whether they belong to the Group or not.

At December 31, 2017, the Bank recorded the following balances:

In legal currency

Item	2017
Endorsements	$ 10,954
Bank guarantees	586,320
Total endorsements and bank guarantees	**$ 597,274**

In foreign currency

Stated in millions of foreign currency

Item	2017		
	USD	EUR	CHF
Bank guarantees	153,16	25,90	-
Letters of credit (LC)	67,43	1,01	0,05
Total in foreign currency	**220,59**	**26,91**	**0,05**
Exchange rates (applied on cutoff date)	$ 2,984,00	$ 3,562,30	$ 3,048,01
Total in Colombian pesos	**$ 658,272**	**$ 95,883**	**$ 152**

Historically, there has been no default on Bank Guarantees in legal or foreign currency at Banco BBVA.

In the event of a default by any of our customers on the obligations incurred with third parties derived from an endorsement or bank guarantee issued by Banco BBVA Colombia S.A., a provision would be recognized based on the parameters established by IAS 37-provisions, Contingent Liabilities and Contingent Assets, by applying the following decision tree:

Discriminated decision tree - concepts to be evaluated to define criteria	
Contingent liability - endorsements. Letters of credit and bank guarantees.	Is a possible obligation generated by past events and whose existence has yet to be confirmed only because uncertain future events that are not controlled by the entity occur?
	Is it not likely that, in order to be fulfill the obligation, the outlay of funds that include future economic benefits will be required?
	Can the amount be measured with sufficient reliability?

In addition, the customer risk rating department was asked to provide the current balance in Endorsements at December 31, 2017. Bank guarantees and letters of credit in legal and foreign currency.

Since bank guarantees are not part of the rating processes established for active credit transactions, the Risk Department carried out the following activities:

a) Find the bank guarantee identification sent and define the risk rating thereof if the identification has active credit transactions at December 28, 2017.

b) The rating information was taken from identifications that do not have active credit transactions.

The rating is assigned by the analysis of a set of qualitative and quantitative variables established in models, which are analyzed by the Bank's Tools Department; these variables assign a final weight to each customer in order to establish and define the master rating.

This rating is standardized by a computer process according to the parameters of Section 8017 of UGDT37 at the 8 risk levels handled for credit investments; this rating, in turn, finds equivalences at the five levels established by Notice 100.

Endorsements in legal currency

Rating	2017	
	Value	Percentage
A	$ 10,954	100%
Total	**$ 10,954**	**100%**

Endorsements in legal currency

Rating	2017		
	Value		Percentage
A	$	582,700	99.38%
B		3,520	0.60%
C		100	0.02%
Total	**$**	**586,320**	**100%**

Bank guarantees in foreign currency

Stated in millions of foreign currency

Rating	2017				
	USD		EUR		Percentage
A		152,67		25,90	99.73%
C		0,22		-	0.12%
D		0,27		-	0.15%
Total in foreign currency		**153,16**		**25,90**	
Exchange rates (applied on cutoff date)	$	2,984,00	$	3,562,30	
Total in Colombian pesos	**$**	**457,046**	**$**	**92,275**	**100%**

Letters of credit in foreign currency

Stated in millions of foreign currency

Rating	2017						
	USD		EUR		CHF		Percentage
A		67,39		1,01		0,05	99.94%
B		0,04		-		-	0.06%
Total in foreign currency		**67,43**		**1,01**		**0,05**	
Exchange rates (applied on cutoff date)	$	2,984,00	$	3,562,30	$	3,048,01	
Total in Colombian pesos	**$**	**201,226**	**$**	**3,608**		**152**	**100%**

Letters of credit issued but not used – Letters of credit are generally issued for use within a term of no more than 90 days. When it comes to letters of credit with correspondents that do not belong to the BBVA Group, a 1% setup fee is charged on letters for imports. This is based on the value of the letter of credit, with a minimum of USD 130 + VAT, plus a USD 35 fee per swift message + VAT, plus COP 5,300 (in Colombian pesos) for stationery; on letters for exports, a USD 50 setup fee is charged, plus 0.4% on the value of the letter of credit for confirmation, with a minimum of USD 50 and a minimum trading fee of USD 60.

In the case of letters of credit opened with banks of the BBVA Group, a 0.70% setup fee is charged on letters for imports, with a minimum of USD 80 + VAT plus USD 20 fee per swift message + VAT; on letters for exports, a USD 30 setup fee fee is charged, plus 0.3% for confirmation, with a minimum of USD 45, a trading fee of 0.10% and a minimum of USD 35.00.

Unused credit card limits – When customers are provided with credit cards, a credit limit is authorized for the customer to use at any time; therefore, it must be available. Based on the Bank's internal policy, credit cards are issued for eight-year periods. For 2017 and 2016, the maximum effective rate of average annual interest for credit cards was 31.23% and 28.84%, respectively.

The risk of loss for the Bank in the event of customer default in commitments to extend credit, letters of credit and guarantees is represented by the nominal values of the respective financial instruments. However, since credit commitments can expire without having been used, the total amount of the commitment does not necessarily represent future cash requirements. The Bank uses the same credit policies to extend loans when it assumes conditional credit commitments and obligations. In general, when granting these financial instruments, the Bank evaluates the customer's financial capacity and obtains the guarantees considered necessary. These guarantees, if deemed relevant by the Bank, are based on credit risk assessment. The types of guarantees vary, but they may include accounts receivable, inventories, properties and equipment, and financial investments, among others.

40. Loan portfolio interest revenues

Revenue from ordinary activities at December 31, 2017 is as follows:

Item	2017	2016
Commercial loan portfolio (1)		
Commercial loans	$ 1,097,497	$ 1,142,549
Overdrafts commercial loans	10,065	6,912
Commercial loan portfolio discount operations	9,865	11,417
Commercial loan portfolio rediscount operations	77,784	54,968
Commercial portfolio default interest	24,400	20,317
Total commercial loan portfolio	**1,219,611**	**1,236,163**
Consumer loan portfolio (2)		
Consumer loans	1,726,110	1,559,297
Consumer loan overdrafts	1,923	1,883
Consumer loan portfolio default interest	35,417	29,769
Total consumer loan portfolio	**1,763,450**	**1,590,949**
Credit card loan portfolio		
Commercial credit card loan portfolio	5,027	3,352
Consumer credit card loan portfolio	385,555	340,530
Total credit card loan portfolio	**390,582**	**343,882**
Mortgage loan portfolio (3)		
Mortgage and residential leasing loans	809,751	769,707
Default interest on mortgage and residential leasing loans	9,212	9,045
Readjustment of the real value unit (RVU)	47,255	65,058
Total mortgage loan portfolio	**866,218**	**843,810**
Factoring transactions loan portfolio (4)		
Factoring transactions	20,054	17,988
Total factoring transactions loan portfolio	**20,054**	**17,988**
Operating lease loan portfolio		
Operating lease rates	7,427	5,439
Profit on sale of assets in operating leases	-	4
Total operating lease loan portfolio	**$ 7,427**	**$ 5,443**

Item	2017	2016
Finance leasing loan portfolio (5)		
Penalties for breach of finance leasing agreements	$ 3,133	$ 2,575
Financial component of finance leasing - consumer	850	1,059
Financial component of finance leasing - commercial	181,264	178,427
Total finance leasing loan portfolio	**185,247**	**182,061**
Residential leasing loan portfolio (6)		
Financial component of residential leasing	185,090	141,687
Total residential leasing loan portfolio	**185,090**	**141,687**
Total interest revenues	**4,637,679**	**4,361,985**
Interest expenses		
Ordinary savings deposits (7)	705,198	881,185
Certificates of deposit (8)	1,455,001	1,338,975
Readjustment of the real value unit (RVU)	439	651
Banks and financial obligations (9)	73,125	56,460
Other interests	6	24
Total interest expenses	**2,233,769**	**2,277,295**
Total interest revenues, net	**$ 2,403,910**	**$ 2,084,690**

(1) The commercial loan portfolio generated a decrease of COP 23,463, COP 4,427 of which corresponds to the COP 13,926 decrease in average balances of this portfolio.

(2) The consumer loan portfolio generated COP 232,451 in revenue, COP 158,625 of which corresponds to the COP 1,153,007 increase in average balances of the portfolio.

(3) The mortgage loan portfolio generated COP 53,980 in revenue, COP 51,925 of which corresponds to the COP 485,567 increase in average balances of this portfolio.

(4) Revenue of COP 472 was generated by discount and factoring transactions, COP 945 of which are due to the COP 8,784 increase in average balances of this portfolio.

(5) Finance leasing generated revenue of COP 2,901, COP 4,701 of which corresponds to the COP 41,947 increase in average balances of this portfolio.

(6) Residential leasing generated revenue of COP 43,162, COP 34,648 of which are due to the COP 351,725 increase in average balances of the portfolio.

(7) Interest expenses on ordinary savings deposits generated a cost of COP 220,256, COP 105,013 of which are due to the COP 1,557,501 decrease in the average balances of deposits.

(8) Interest expenses on certificates of deposit (CDs) generated a cost of COP 129,388, COP 212,816 of which are due to the COP 3,045,275 increase in average balances of deposits.

(9) Interest expenses on Banks and Financial Obligations are directly related to the variation of the rediscount portfolio, since it generated a revenue of COP 22,076, COP 21,924 of which are due to the COP 195,177 increase in average balances of this portfolio.

41. Non-interest revenues

At December 31, 2017, the balance of this account is summarized as follows:

Item	2017	2016
Fees		
Fee incomes	$ 530,809	$ 478,084
Fee expenses	(201,295)	(270,502)
Total fees, net	**329,514**	**207,582**
Securities		
Money market transactions		
Financial revenue money market transactions and other interests	114,047	122,131
Valuation of short positions for open repo and simultaneous transactions and temporary security transfers	36,337	59,150
Valuation of cash transactions (1)	121	8
Investments at fair value		
Valuation of debt instruments at fair value	337,329	412,118
Valuation of equity instruments at fair value (2)	20,025	-
Investments at amortized cost		
By valuation at amortized cost of investments	215,382	301,328
By equity method (3)	-	17,734
Total securities	**723,241**	**912,468**
Derivatives		
Equity derivatives	4,735,106	5,561,262
Total equity derivatives	**4,735,106**	**5,561,262**
Disposals		
Non-current assets held for sale	$ 1,069	$ 1,397
Sale of property, plant and equipment	1,640	1,012
Sale of investments (4)	65,598	172,947
Total disposals	**68,307**	**175,356**
Other items		
Equity shares (5)	22,887	98,835
Net exchange difference (6)	144,083	36,997
Sale of checkbooks	13,976	15,086
Previous years' revenues from derivative financial instruments (CVA) (7)	$ 1,562	$ 16,312

Item	2017	2016
VISA financing payment	$ 12,618	$ 11,198
Dividends	11,430	10,345
Operational risk	6,294	7,678
Provision reimbursement (8)	34,263	7,530
SWIFT messages	2,555	2,738
Leases	2,398	2,164
Activities in joint ventures	1,492	2,361
Payment of the regional VISA agreement	3,656	2,188
Sale of cash	933	1,153
Promotional agenda discounts	923	1,550
Commercial information for customers	1,248	777
Other revenue	30,657	21,004
Total other items	**290,977**	**237,916**
Total other revenue other than interests	**$ 6,147,143**	**$ 7,094,585**

(1) Cash transactions showed a significant variation because, at the end of 2017, the inventory of transactions pending settlement increased from 2 to 20 transactions in EUR and USD, compared to the year 2016.

(2) Provisions reimbursement from investment in Credibanco

(3) Recording of the equity method in subsidiary, BBVA FIDUCIARIA.

(4) Revenue from the maturity of fixed-rate treasury securities (TES) decreased by 62%.

(5) At the end of 2016, the valuation of the investment in Credibanco was recorded in the amount of COP 98,835. For the year 2017, an operating profit from Deceval's share exchange with Bolsa de Valores de Colombia was recorded in the amount of COP 50,101.

(6) The profit from the exchange difference is due to the fluctuation of the dollar, going from COP 3,000.71 to COP 2,984.00 and a decrease in the spot proprietary position from USD 757 to USD 668 million.

(7) A decrease was observed in the CVA from previous years for Swap transactions.

(8) Provision reimbursement for previous years in the amount of COP 29,625.

42. Non-interest expenses

At December 31, 2017, the balance of this account is summarized as follows:

Item	2017	2016
Securities		
Money market transactions		
Financial revenue money market transactions and other interests	$ 193,742	$ 262,699
Valuation of short positions for open repo and simultaneous transactions, and temporary security transfers (1)	59,609	105,276
Valuation of cash transactions	18	11
Investments at fair value		
Valuation of debt instruments at fair value	137,507	209,554
Investments at amortized cost		
By valuation at amortized cost of investments (2)	17,620	45,596
By equity method	258	3,312
Total securities	**408,754**	**626,448**
Derivatives		
Equity derivatives	4,653,369	5,393,983
Hedging Derivatives	55,649	53,213
Total derivatives	**4,709,018**	**5,447,196**
Disposals		
Sale of non-current assets held for sale (3)	2,661	810
Investment sales	60,214	98,743
Portfolio sales	4,772	4,678
Total disposals	**67,647**	**104,231**
Other items		
Employee salaries and benefits	583,457	530,050
Fees (4)	26,668	19,775
Statutory audit fees	2,804	2,715
Depreciation of property and equipment	50,420	45,652
Amortization of intangible assets	42,861	29,308
Taxes	125,268	140,311
Leases	43,914	39,745
Insurance	139,075	126,350
Contributions and memberships	10,888	9,926
Maintenance, improvements and repairs	$ 58,391	$ 45,094

Item	2017	2016
Operational risk (claims)	$ 4,965	$ 7,855
Penalties and sanctions, lawsuits, damages (5)	15,655	38,616
Temporary services	57,567	33,979
Advertising	24,014	21,946
Public relations	2,439	2,499
Utilities	25,489	29,138
Electronic data processing	79,422	91,535
Travel expenses	12,121	11,504
Transportation	44,245	41,495
Office supplies and stationery	9,432	8,680
Operational risk	966	800
Miscellaneous administrative expenses	12,329	24,882
Miscellaneous administrative expenses on products	14,719	14,684
Outsourced payroll expense	5,998	5,396
Queries with information centers and repositories	8,701	7,082
Loyalty incentive and customer cost	10,836	13,159
Active product formalization cost	2,189	1,670
Costs on MEP	8,716	7,685
Filing and custody	6,543	7,772
IT developments and support	24,541	24,135
Everis RCI invoices (6)	8	3,064
Corporate responsibility	5,129	6,040
Customer loyalty	38,479	36,463
Funding cost	6,576	4,717
Fogafin guarantee with Granahorrar	9,000	7,800
TES 546 RVU update	2,613	2,342
Costs of trading results (7)	27,536	-
Activities in joint ventures (8)	1,947	1,874
Minority interest	1,356	1,023
Donations	36	57
Other - miscellaneous	10,900	9,353
Total other items	**1,558,213**	**1,456,171**
Total expenses other than interests	**$ 6,743,632**	**$ 7,634,046**

(1) The short positions originated by simultaneous transactions were affected by the COP 16 fluctuation in the COP/USD exchange rate, going from COP 3,000.71 to COP 2,984.00.

(2) There was a significant decrease in the cost of valuation of securities from other domestic issuers, securities issued by the Nation CM and other securities issued by the national Government.

(3) There was a significant loss due to the sale of the goods received in lieu of payment in Valledupar - La Gabriela Ranch for COP 1,699.

(4) A significant variation in fees of 52% was observed in the credit card collection processes.

(5) Lawsuits due to breach of contracts increased by 66% due to damages caused in a traffic accident involving a vehicle owned by the Bank leased to OLT Transportes S.A. This situation was offset in 2016 by the increase in the Operational Risk of fines from external entities for Human Resources, which showed no entries for the year 2017.

(6) For the year 2016, pre-operating expenses of CRI plus the costs of outsourcing services were debited to this account. For 2017, only the outsourcing services were recorded.

(7) Provision for NDF hedge transactions created in the month of July, at the same time as the income provision reimbursement for COP 29 billion.

(8) The balances in activities in joint ventures correspond to the share in the expenses of the consortia and JVs according to the share percentage in each of them at the cutoff date, as follows:

Item	2017	2016
Joint venture and consortia expenses		
Fees	$ 129	$ 167
Personnel	710	740
Fees	48	54
Taxes	26	38
Insurance	36	28
Provisions	3	2
Other expenses	773	639
By depreciation	8	5
Leases	79	71
Amortization	5	3
Other operating expenses	130	128
Total	**$ 1,947**	**$ 1,875**

43. Transactions with related parties

Controlling entity and main controlling entity

As the Group's main controlling entity, BBVA Colombia holds a 95.43% percentage share in Banco Bilbao Vizcaya Argentaria, as disclosed below as shareholders with more than 10% of the company.

Recognition of relationship with related parties

Individuals related to the Entity

BBVA Colombia recognizes as related parties the members of the Board of Directors and the registered agents and/or key management personnel that have a significant influence over the organization's decision-making.

Subsidiaries

BBVA Colombia holds a 94.44% share in BBVA Valores Comisionista de Bolsa S.A., whose main activity is securities brokerage. It also holds a 94.51% share in BBVA Asset Management Fiduciaria S.A., whose economic activity consists of business involving trust management. These activities are carried out at the General Office of Banco BBVA based at Cra 9 No. 72-21 on the 6th and 7th floors in Bogotá D.C.

Joint ventures

In July 2015, the RCI Colombia S.A. financing company was incorporated in a joint arrangement with RCI Banque, property of the Renault Group. This investment represents a holding of 48.99% for the Bank, represented by 7,154,979 shares. This company carries out its activities at Cra 49 No. 39 Sur 100 Envigado, Antioquia.

Other related parties in Colombia

BBVA recognizes the following companies as related parties: BBVA Seguros Generales Colombia S.A. in the business of selling general or damage insurance products; and BBVA Seguros de Vida Colombia S.A., which only sells life insurance. Since its shareholding structure reflects 99.95% of BBVA Group's share, they are recognized as economically related parties. These companies carry out their activities at Cra 15 No. 95-65 on the 5th and 6th floors.

The Financial Services Reseller is also considered a related party, since it is a partner responsible for facilitating access to the products and services of BBVA Colombia by presenting the offering of some of its products to customers.

BBVA Seguros Colombia has a significant share of its shareholding structure.

This same group includes Telefónica Factoring Colombia, S. A., Opplus Operaciones y Servicios S.A., Fideicomiso de Administración Redetrans and Fideicomiso Lote 6.1 Zaragoza.

Other related parties abroad

BBVA Colombia recognizes as economically related parties the companies that are part of the Business Group or those over which it has significant influence, directly or indirectly. The following are recognized in this group: BBVA Bancomer, Banco Continental, S.A., Banco Bilbao Vizcaya Argentaria Chile, S.A., Banco Provincial S.A., BBVA Banco Frances S.A., BBVA Suiza S.A. and Aplica Tecnología Avanzada, S.A.

Compensation received by key management personnel and Board members

In addition to their remuneration, the Group has a system for the settlement and payment of the annual variable remuneration for individuals whose professional activities have a significant impact on the Bank's risk profile, as well as other employees who have oversight roles, including executive directors and other members of BBVA's Senior Management.

The deferred amounts of the annual variable remuneration, both in cash and in shares, are subjected to long-term indicators, so the degree of fulfillment of these objectives determines the amount of the benefit granted to each of the related parties.

Below are the other remunerations paid key management personnel:

Item	2017		2016	
Short-term employee benefits	$	8,800	$	8,215
Post-employment benefits		88		68
Other long-term employee benefits		120		373
Share-based payment		1,411		990
Remuneration of key management personnel		7,722		7,740
Total	**$**	**18,141**	**$**	**17,386**

In addition to the remunerations mentioned above, key management personnel and Board members claimed travel expenses in the amount of COP 496, which they paid using corporate cards.

Board members received remuneration on account of fees and attendance of Board meetings in the amount of COP 372 at December 2017 (COP 388 at December 2016), leaving a COP 34 commitment recognized by the entity on the same account.

Transactions recognized with shareholders who hold a share of more than 10% in the Company

At December 31, 2017, BBVA Colombia had a balance of COP 26,174 in banking correspondent, BBVA Madrid, in addition to accounts receivable in the amount of COP 64,925, made up of COP 117 for securities depositories and COP 64,808 for deposits as collateral in foreign currency. Regarding liabilities, net profit (loss) of derivatives in forward and swaps transactions for trading purposes generated a liability of COP 247,422.

BBVA Colombia paid COP 15,191 (COP 12,972 at December 2016) to its controlling company for the service of data processing and application maintenance focused mainly on the use of Core Banking and informational and infrastructure maintenance.

Regarding the contingent commitments recognized, the Bank issues Endorsements, Letters of Credit and Bank Guarantees to its economically related parties, which are recorded in contingent accounts. These guarantees expire in one to fifteen years, and a 0.2% fee is charged for this service, with a USD 80.00 minimum for members of the Group, and 0.3% of the value of the endorsement or guarantee, with a USD 100.00 EOQ minimum for corresponding banks that are not members of the BBVA Group.

Below are the details in legal and foreign currency by type of collateral generated for Banco Bilbao Vizcaya Argentaria:

Item	2017	2016
Bank guarantees in domestic currency	$ 11,069	$ -
Bank guarantees in foreign currency	162,747	68,107
Letters of credit in foreign currency	5,839	113,575
Total	**$ 179,655**	**$ 181,682**

Other transactions with related parties

Relationships between related parties are a normal feature of trade and business. BBVA often carries out part of its activities through subsidiaries, joint ventures and other related parties.

The details of transactions with related parties at December 31, 2017, was as follows:

Year 2017	Shareholders with a share greater than 10%	Subsidiary companies		Shares in joint ventures
		BBVA Valores	BBVA Fiduciaria	RCI Colombia
Assets				
Loan portfolio and interest	$ -	$ -	$ -	$ 819,050
Investments	-	12,894	94,248	67,980
Derivatives and cash transactions	317,415	-	-	-
Banks and other financial entities	26,174	-	-	-
Accounts receivable	117	-	60	-
Deposits as collateral	64,808	-	-	-
Prepaid expenses	-	-	-	-
Non-current assets held for sale	-	-	-	-
Other assets	129	-	-	-
Total	**408,643**	**12,894**	**94,308**	**887,030**
Liabilities:				
Deposits (in savings and checking accounts)	-	1,033	56,180	65,421
Outstanding investment securities	-	-	-	-
Derivatives and cash transactions	564,837	-	-	-
Margin call	-	-	-	-
Accounts payable	521	-	-	-
Total	**565,358**	**1,033**	**56,180**	**65,421**
Revenue:				
Dividends from the equity method	-	-	26,118	-
Interest and/or return on investments	1,169	-	-	45,209
Fees	-	1	262	720
Leases	-	-	110	-
Total	**$ 1,169**	**$ 1**	**$ 26,490**	**$ 45,929**

	Board members	Registered agents and key management personnel	Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia		Other domestic related parties	Other ties abroad
			BBVA Seguros	BBVA Seguros de Vida		
	$ 74	$ 2,621	$ 6	$ 14	$ 121,960	$ -
	-	-	-	-	-	-
	-	-	-	-	-	39,721
	-	-	-	-	-	216,982
	-	-	8	36	-	441
	-	-	-	-	-	-
	-	-	1,158	35	-	-
	-	-	-	-	8,085	-
	-	-	-	-	-	-
	74	**2,621**	**1,172**	**85**	**130,045**	**257,144**
	182	5,961	18,260	89,482	4,105	-
	-	-	-	72,935	-	-
	-	-	-	-	-	33,360
	-	-	-	-	-	1,910
	34	-	-	-	81	4,345
	216	**5,961**	**18,260**	**162,417**	**4,186**	**39,615**
	-	-	-	-	-	-
	25	666	-	-	307	-
	7	26	11,285	58,457	31	-
	-	-	80	354	1,543	-
	$ 32	**$ 692**	**$ 11,365**	**$ 58,811**	**$ 1,881**	**$ -**

Year 2017	Shareholders with a share greater than 10%	Subsidiary companies		Shares in joint ventures
		BBVA Valores	BBVA Fiduciaria	RCI Colombia
Expenses:				
Interest	$ 15	$ 2	$ 3,627	$ 1,349
Fees	-	-	-	-
Employee Benefits	-	-	-	-
Loss from equity method	-	2,372	-	258
Insurance	-	-	-	-
Derivative transactions	247,422	-	-	-
Leases	-	-	-	-
Other expenses	-	-	20	-
Advisory and consultancy fees	-	-	-	-
Corporate application services	15,191	-	-	-
Total	**262,628**	**2,374**	**3,647**	**1,607**
Contingent commitments and obligations	179,655	-	-	174
Call and put purchase commitments	-	-	-	-
Total	**179,655**	**-**	**-**	**174**
Other – Dividends paid on preferred and ordinary shares	$ 244,673	$ -	$ -	$ -

The details of transactions with related parties at December 31, 2016, were as follows:

Year 2016	Shareholders with a share greater than 10%	Subsidiary companies		Shares in joint ventures
		BBVA Valores	BBVA Fiduciaria	RCI Colombia
Assets				
Loan portfolio and interest	$ -	$ -	$ -	$ 301,083
Investments	-	11,955	91,224	54,249
Derivatives and cash transactions	273,750	-	-	-
Banks and other financial entities	38,014	-	-	-
Accounts receivable	$ 2,308	$ -	$ 57	$ 303

	Board members	Registered agents and key management personnel	Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia		Other domestic related parties	Other ties abroad
			BBVA Seguros	BBVA Seguros de Vida		
	$ 11	$ 518	$ 654	$ 5,847	$ 35	$ 58
	-	-	-	-	119,848	-
	-	18,123	-	-	-	-
	-	-	-	-	-	-
	-	18	3,967	154	-	-
	-	-	-	-	-	-
	-	-	-	-	370	-
	105	391	-	-	4,321	-
	372	-	-	-	-	-
	-	-	-	-	-	47,561
	488	**19,050**	**4,621**	**6,001**	**124,574**	**47,619**
	-	-	14	70	10,701	889,423
	-	-	-	-	-	439,654
	-	**-**	**14**	**70**	**10,701**	**1,329,077**
	$ -	$ -	$ -	$ -	$ -	$ -

	Board members	Registered agents and key management personnel	Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia		Other domestic related parties	Other ties abroad
			BBVA Seguros	BBVA Seguros de Vida		
	$ 127	$ 2,457	$ -	$ -	$ 119,541	$ -
	-	-	-	-	-	-
	-	-	-	-	-	41,928
	-	-	-	-	-	824,779
	$ -	$ -	$ -	$ -	$ -	$ 1,204

Year 2016	Shareholders with a share greater than 10%	Subsidiary companies		Shares in joint ventures
		BBVA Valores	BBVA Fiduciaria	RCI Colombia
Deposits as collateral	$ 255,384	$ -	$ -	$ -
Prepaid expenses	-	-	-	-
Non-current assets held for sale	-	-	-	-
Other assets	255,384	-	-	-
Total	**824,840**	**11,955**	**91,281**	**355,635**
Liabilities:				
Deposits (in savings and checking accounts)	-	59	37,249	4,694
Outstanding investment securities	-	-	-	-
Derivatives and cash transactions	677,398	-	-	-
Accounts payable	12,972	-	-	230
Total	**690,307**	**59**	**37,249**	**4,924**
Revenue:				
Dividends from the equity method	-	-	17,734	-
Interest and/or return on investments	887	-	-	1,083
Derivative transactions	-	-	-	-
Fees	-	-	161	-
Recoveries	-	-	-	-
Leases	-	-	149	-
Total	**887**	**-**	**18,044**	**1,083**
Expenses:				
Interest	-	5	2,363	-
Fees	-	-	-	-
Employee Benefits	-	-	-	-
Loss from equity method	-	117	-	3,312
Insurance	-	-	-	-
Derivative transactions	403,648	-	-	-
Leases	-	-	-	-
Other expenses	$ -	$ -	$ 27	$ 2,005

	Board members	Registered agents and key management personnel	Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia		Other domestic related parties	Other ties abroad
			BBVA Seguros	BBVA Seguros de Vida		
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	1,235	13	-	41,691
	-	-	-	-	8,085	-
	-	-	-	-	-	-
	127	**2,457**	**1,235**	**13**	**127,626**	**909,602**
	99	4,443	19,486	48,453	604	-
	-	-	-	70,382	-	-
	-	-	-	-	-	34,332
	-	-	-	2,640	-	9,787
	99	**4,443**	**19,486**	**121,475**	**604**	**44,119**
	-	-	-	-	-	-
	21	525	-	-	323	9
	-	-	-	-	-	7,596
	6	18	14,141	55,117	35	-
	-	-	-	-	-	-
	-	-	77	349	1,455	-
	27	**543**	**14,218**	**55,466**	**1,813**	**7605**
	10	442	667	8,806	74	53
	-	-	-	-	123,459	-
	-	17,386	-	-	-	-
	-	-	-	-	-	-
	1	-	5,548	253	-	-
	-	-	-	-	-	-
	-	-	-	-	294	-
	$ 130	$ -	$ -	$ -	$ -	$ -

Year 2016	Shareholders with a share greater than 10%	Subsidiary companies		Shares in joint ventures
		BBVA Valores	BBVA Fiduciaria	RCI Colombia
Advisory and consultancy fees	$ -	$ -	$ -	$ -
Corporate application services	11,560	-	-	-
Total	**415,208**	**122**	**2,390**	**5,317**
Contingent commitments and obligations	181,681	-	-	151
Call and put purchase commitments	-	-	-	-
Total	**181,681**	**-**	**-**	**151**
Other – Dividends paid on preferred and ordinary shares	$ 288,060	$ -	$ -	$ -

Board members	Registered agents and key management personnel	Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia		Other domestic related parties	Other ties abroad
		BBVA Seguros	BBVA Seguros de Vida		
$ 422	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	56,641
563	**17,828**	**6,215**	**9,059**	**123,827**	**56,694**
-	-	10	67	6,161	320,551
-	-	-	-	-	352,459
-	**-**	**10**	**67**	**6,161**	**673,010**
$ -	$ -	$ -	$ -	$ -	$ -

Regarding subsidiaries, investments were recorded using the equity method in the amount of COP 107,142 (COP 103,179 at December 2016), and commitments from deposits in savings and checking accounts were recorded in the amount of COP 57,213. In the case of BBVA Asset Management Fiduciaria S.A., it ended December 2017 with an account receivable for COP 60 on account of network use. The dividends recorded using the equity method increased by COP 8,384 compared to 2016, closing at COP 26,118 recorded in the statement of income. In the case of BBVA Valores S.A., a loss of COP 2,372 was recorded using the equity method, up COP 2,255 from the year 2016.

The share in the joint venture RCI Compañía de Financiamiento S.A. showed a significant increase in the loan portfolio, going from COP 300,000 to COP 819,050, generating a greater impact on the fees and interest received. Regarding commitments, deposits in checking and savings accounts increased by COP 51,486 compared to 2016. A loss of COP 174 from using the equity method was recorded. The contingent commitments recorded were due to limits granted on corporate credit cards.

The loan portfolio of BBVA Seguros Colombia S.A. and BBVA Seguros de Vida S.A is concentrated mainly in credit cards. In addition, BBVA Colombia has accounts receivable for COP 44 on account of leases and prepaid expenses for COP 1,193 on account of the global banking, multi-risk, car and other deferred insurance policies. BBVA Colombia records commitments with both entities for funds invested in checking and savings accounts, CDs and Bonds for COP 180,677 (COP 70,382 at December 2016), thus increasing the expense proportionally on account of the financial returns for the bank.

Regarding related parties residing in Colombia, a loan portfolio is recorded for COP 121,960, concentrated mainly in commercial loans for COP 119,660 held by Telefónica S.A., in addition to the recording of non-current assets held for sale by Fideicomiso Redetrans for COP 3,724 and Fideicomiso Zaragoza for COP 4,362, with a share of 25.06% and 60%, respectively.

Commitments are recorded in the amount of COP 4,105, broken down in deposits in savings accounts for COP 2,636 of Comercializadora de Servicios Financieros S.A.S. and deposits in checking accounts for COP 1,469 of Opplus S.A., in addition to an account payable for COP 81 to Comercializadora on account of the sales force. BBVA Colombia recorded lease income in the amount of COP 1,543 on account of property leased to Comercializadora for the sale of Bank products. The sales force brokerage fees paid to Comercializadora at December 2017 amount to COP 117,395. (COP 122,506 at December 2016).

At December 2017, BBVA Colombia had COP 216,982 in funds in correspondent banks, broken down as follows: BBVA Bancomer COP 118, BBVA New York COP 216,408 and BBVA Hong Kong COP 456. Due to profit (loss) on transactions with derivatives, assets were recorded in the amount of COP 39,721, and liabilities of COP 33,360 were recorded on account of trading forwards and options agreed with BBVA Bancomer and BBVA New York. At December 2017, an account receivable from BBVA Bancomer was recorded on account of a Margin Call in the amount of COP 1,910, along with an account payable of COP 4,345 due to the settlement of options and forward transactions.

BBVA Colombia paid COP 47,561 (COP 66,578 at December 2016) to Aplica Tecnología Avanzada, S.A. for data processing and informational and infrastructure maintenance. The details of contingent commitments and obligations with related parties abroad are as follows:

Details	2017	2016
Bank guarantees in foreign currency	$ 305,155	$ 69,756
Letters of credit issued by the entity	13,402	250,796
Issuance or sale of currency call options	467,958	311,789
Issuance or sale of currency put options	$ 102,908	$ 40,670

The Bank is aware that the relationship among related parties can have an effect on an entity's income and financial position, since said parties can carry out transactions that other parties, which are not related, could not. Therefore, BBVA assessed the price of the transactions, balances due and commitments of BBVA to its related parties, and concluded that each of them were carried out in terms equivalent to those carried out at arm's length, except for loans to key management personnel to meet the needs of healthcare, education, housing and transportation, which were carried out according to the entity's policies, pursuant to that expressly permitted by the legal provisions on the matter.

44. Market, Interest and Structural Risk Report

Market Risk

Risk management

The Risk Management principles and policies, as well as the tools and procedures meet the criteria for recognition, pursuant to IFRS 7 - Financial Instruments: Disclosures. Below is the distribution of BBVA Colombia's credit exposure by heading in the Consolidated Financial Statement at December 2017 and 2016, broken down net of provisions and guarantees.

As for financial assets held for trading, the nominal value stated in Colombian pesos of the fixed-income trading position held by treasury was used as a methodology to assess the risk. As for financial assets available for sale and investments held to maturity, the nominal value stated in Colombian pesos of the DVP and maturity fixed-income position held by the COAP was considered as a methodology to assess the risk. As regards the derivatives portfolio and hedge accounting, the methodology of the Financial Superintendence of Colombia was used.

In order to determine the risk of the credit investment, it is calculated using the original exposure, net of related active provisions and guarantees in force by portfolio.

Maximum risk exposure	31-Dec-17	31-Dec-16
Cash and Cash Equivalents	$ 4,051,750	$ 4,342,758
Financial assets held for trading	4,637,560	2,249,152
Financial assets available for sale	1,648,764	1,016,332
Investments held to maturity	837,982	648,630
Derivatives and hedge accounting	918,995	1,610,624
Loan portfolio		
Consumer portfolio	13,383,327	12,305,712
Commercial portfolio	12,360,787	11,721,889
Mortgage portfolio	1,967,267	1,642,460
Total credit investment	27,711,381	25,670,061
Loans approved but not disbursed	1,004,574	1,444,460
Credit limits	3,554,831	3,273,000
Bank guarantees	1,146,594	1,024,219
Letters of credit	1,519,491	1,124,339
Total net maximum risk exposure	$ 47,031,922	$ 42,403,575

The process is based on the guidelines designed by Senior Management, consistent with the general guidelines for management and administration approved by the Board of Directors. The bank has the Credit and Treasury Risk Committee that meets on a recurring basis to discuss, measure, control and analyze credit risk management (SARC, for the Spanish original) and treasury risk management (SARM, for the Spanish original).

Also, there is the Technical Assets and Liabilities Committee, which makes decisions regarding asset, liability and liquidity management through the Liquidity Risk Management System (SARL, for the Spanish original); in terms of the analysis and monitoring of the Business Continuity and Operating Risk Management System (SARO-PCN, for the Spanish original), this is the role of the Board of Directors' Audit Committee.

a. **Credit risk -** The Bank assumes credit risk on two fronts on a daily basis: credit activity, which includes commercial, consumer, mortgage and micro-credit transactions, and the activity of global markets, which includes interbank transactions, investment portfolio management, transactions with derivatives and currency trading, among others.

b. **Market risk** is the potential loss faced by the Bank as a result of adverse movements in market rates or prices, such as interest rates, exchange rates and other factors that affect the value of the products in which the Bank operates. The market risk management system (SARM) enables the Bank to identify, measure, control and monitor the market risk to which it is exposed, based on the positions taken in conducting its business.

c. **Liquidity risk -** The Bank measures the volatility and/or stability of deposits, levels of debt, the structure of assets and liabilities, the degree of liquidity of its assets, the availability of financing lines and the overall effectiveness of asset and liability management through statistical analysis, in order to maintain sufficient liquidity to deal with its own or systemic stress scenarios. The quantification of the funds obtained on the money market is an integral part of the Bank's liquidity measurement; the availability of resources is monitored on a daily basis, not only to meet the cash reserve requirements but also to foresee and/or anticipate possible changes in the entity's liquidity risk profile and be able to make strategic decisions accordingly. To this effect, the Bank has liquidity warning indicators to establish and determine its current scenario, as well as the strategies to be followed in each case.

Nature and scope of the risks arising from financial instruments:

a) Interest rate. The portfolios of the Global Markets area are exposed to this risk when their value depends on the level of certain interest rates on the financial market.

b) Exchange rate. The banking book and the trading book are exposed to this risk when their values and transactions depend on the exchange between currencies on the financial market.

Methods used to measure risk: The Bank uses the standard model for risk measurement, control and management; it also uses tools to determine limits for trading positions and to revise positions and strategies quickly as the market conditions change.

The methodologies used to measure VaR are assessed on a periodic basis and backtested to determine their effectiveness. In addition, the Bank has tools to conduct stress and/or sensitivity tests on portfolios under the simulation of extreme scenarios.

The Bank manages the market risk resulting from the activity of its operations with the basic objective of limiting possible losses, quantifying the economic capital necessary to carry out its activity and optimizing the relationship between the level of exposure assumed and the results established.

To have the maximum guarantees for this management, the Bank has developed a series of organizational, identification, measurement, control and monitoring systems and policies of the risks inherent to trading, as well as balance sheet transactions.

Market risk for trading operations - Senior Management has assigned the following objectives to the Treasury:

- Management of the Bank's short-term liquidity; and

- Management of the necessary tools and mechanisms for hedging interest, exchange rate and liquidity risks in the operation of own resources, as well as in operations with customers.

Therefore, the Global Markets area carries out procedures on its own account to meet its liquidity needs and those of external customers. It also actively participates as a market generator in fixed income and in currency and term transactions, as well as in money market transactions. To do so, it has an organizational structure comprised of a trading floor (interest rates and currency transactions), front office (customer needs) and the structuring activity.

Taking into account the objectives assigned to the Treasury Department and with the aim of optimizing, managing and administrating the risks inherent thereto, Senior Management has decided to establish roles by areas, quantifiable limits and risk measurement tools, as follows:

I. Segregation - Depending on the role that the contracting, accounting, compliance or risk monitoring activities are related to, the responsibility was assigned to each of the following areas:

- *Global Markets* - Department responsible for managing the application of defined policies and programs to ensure the efficient management of the Bank's financial resources and also, to control that there is the necessary liquidity for the normal course of the institution's operations, by designing policies on the investment portfolios that contribute to the strengthening of the Group's financial, competitive and expansion position at the national and international levels.

- *Market management* - Area responsible for controlling the trading floor's daily transactions, as well as for confirming, settling and clearing the transactions of the Treasury. In turn, it is responsible for the custody of the contracts and the management of securities deposits, reporting to the Media Vice-Presidency.

- *Market accounting* - Area responsible for validating and ensuring the appropriate incorporation of the treasury transactions in the Bank's balance sheet, as well as controlling, calculating and reporting the proprietary position of foreign currency, dependent of the Finance Vice-Presidency.

- *Market and structural risks* - Area responsible for quantifying, assessing and promptly reporting the risks of Global Market operations, as well as liquidity and structural balance risks, dependent of the Risk Vice-Presidency.

- *Legal area:* - Responsible for analyzing and assessing the legal risks that may result from the arrangements or contracts that formalize the transactions, so as to avoid any legal situation that can legally affect the instrumentation or documentation thereof. As part of its duties, the Legal Area verifies that the relevant legal regulations are observed and that the Entity's policies and standards are in line with them. In all cases, it legally structures transactions based on the current legal regulations that the Bank is subject to, including participation in new markets or products.

- *Internal control and operational risk area* - Responsible for analyzing, assessing and managing internal control (processes) together with the operational risks that may result from the Global Market operations, identifying them and proposing mitigating control measures in compliance with the corporate model and local regulatory guidelines required for adequate maintenance of the Internal Control System (SCI, for the Spanish original) and the Operational Risk Management System (SARO, for the Spanish original).

II. Limits - Limits were established for the exposures to risk of the global market activity, by assigning the following:

- *Credit risk in the global market activity* - Three types of limits have been established: issuer risk, counterparty risk in derivative transactions and liquidation risk. They are requested annually by the business unit according to the operation to be carried out and the income budget, and they are authorized by the risk acceptance units. The Online Market Risk Department carries out monitoring and control through the STAR-LAMBDA global market and risk management system.

- *Market risk for global market operations* - The main metrics of the target average economic capital (CEMO, for the Spanish original) in accordance with the standards defined by Basel 2.5. This indicator is calculated using the VaR; a measurement of stressed VaR is also added, resulting in a final measurement that is the higher of the two (VaR and Stressed VaR) during an average of three months. This way, more weight is given to the stress events of the current or past market. This measurement is rescaled by the multiplier set by Basel of three by the square root of ten to calculate the economic capital charge.

Monitoring is carried out through a "global limit", which, in turn, is broken down by risk factor, as well as by floor, currency and product, for which there are internal warning signs when the consumption thereof is 90% or higher. Overrunning this warning sign requires express communication from the person in charge of the Global Markets Department to the Market and Structural Risk Department, indicating the strategy to be followed. The Market and Structural Risk Department informs senior management and the global market risk unit, which will then indicate up to what point said strategy may continue.

The limits are approved by the Board of Directors, while measurement, monitoring and control are carried out daily by the Market and Structural Risk Department, issuing regular reports to senior management and monthly reports to the Board of Directors.

III. Measurement and monitoring tools - The main risk measurement tools include Value at Risk (VaR). Stressed VaR and delta sensitivity. However, other tools are used, such as stress testing and stop loss.

- *Value at Risk - VaR.* The VaR measurement methodology used by the Bank is based on historical simulation, in order to collect the negative impacts that the statements of income of the trading portfolio may undergo due to negative impacts generated by the history of risk factors on the Bank's current position. When historical data are used, the correlation between these data and their occurrence distributions is included naturally.

  For the monitoring and control of limits for global market operations, dual measurements are carried out: The first is based on the "VaR without exponential smoothing" methodology, using two years of information on the financial markets: and the second measurement is based on "VaR with exponential smoothing" (94% decay factor), which gives greater weight to the observations of risk factors of the last ten days.

- *Stop loss:* This is a monitoring measure of the accumulated losses in the global market portfolios with the aim to limit the negative impact on the income account.

The stop loss was monitored in 2017 through a double control mechanism, implementing an annual limit with the aim to control possible accumulated losses in the profit and loss account, accompanied by a monthly loss limit. These limits aim to minimize the impact on the total profit and loss account.

- *Sensitivity (Delta):* This is another measure BBVA Colombia uses to estimate the exposure of the global market portfolios. The tool estimates portfolio sensitivity in response to a variation of one basis point in the interest rates, and its purpose is to raise internal warnings of interest rate risk. Therefore, additional sublimits are established by products.

Market risk profile

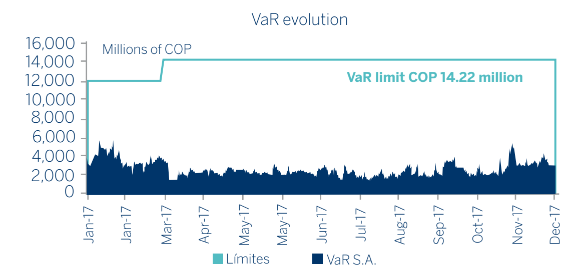
Global market risks	2017	Average	Maximum	Minimum	2016	Average	Maximum	Minimum
VaR - Interest rates	$ 3,316	$ 2,710	$ 5,633	$ 1,511	$ 4,712	$ 1,702	$ 4,851	$ 846
VaR - Exchange rates	33	769	3,403	22	253	741	2,067	35
Total VaR	3,307	2,795	5,652	1,505	4,614	1,768	4,775	880
Economic capital consumption limit	35%	31%	36%	29%	38%	15%	40%	7%
Total Delta to 1 bp	(271)	(103)	(317)	1	(89)	(25)	(170)	-
Delta consumption sublimit	44%	16%	51%	0%	17%	5%	32%	0%

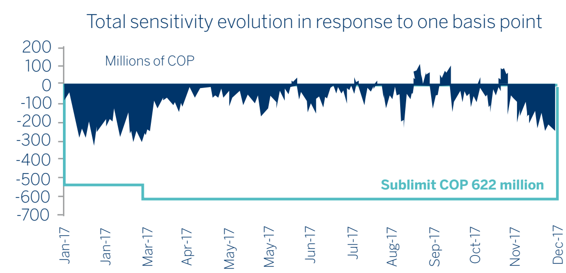
In 2017, the average market risk consumption (VaR) of trading operations was COP 2,795 million, with a consumption exceeding the internal limit for authorized economic capital by 31%. The average sensitivity of the interest rate to one basis point (Delta) was COP 103 million with 16% consumption over the authorized internal limit.

Evolution of the trading-market risk: Daily measurements and controls were carried out in 2017 on the consumption levels of the authorized internal limits, regularly reporting their compliance to Senior Management.

The following graphs show their evolution:

Monitoring of Market Risk





During the year, the fixed-income trading portfolio was characterized by presenting a concentration of the short-term position held mainly by TCO and TES with maturities of less than one year, as well as Certificates of deposit (CDs). In turn, the derivatives portfolio maintained the composition by type of product; the main products are USD-COP forwards and IRS in IBR. The sensitivities are concentrated by type in COP and USD, consistently with portfolio composition. The portfolio characteristics described above keep the average VaR low, because short-term positions cause relatively low sensitivities and interest rate deltas had a conservative risk consumption throughout the period.

The comparative table of the global market positions that were taken into account for the measurement of the previously described risks is presented below.

Global market positions in 2017 and 2016

Classification	2017	Local currency		Other currencies		2016	Local currency		Other currencies	
	Amount	Average	Maximum	Average	Maximum	Amount	Average	Maximum	Average	Maximum
In billions of COP										
Public debt COP	$ 2,574	$ 1,317	$ 2,574	$ -	$ -	$ 731	$ 737	$ 1,435	$ -	$ -
Corporate securities COP	1,635	1,291	1,636	-	-	1,216	1,012	1,319	-	-
In millions of USD										
FX spot USD	668	-	-	565	869	757	-	-	401	142
FX USD	76	-	-	78	168	73	-	-	862	134

The market risk monitoring process is complemented with stress-testing scenarios, which aim to estimate the losses that the Bank would incur in the event that extreme situations occur on the markets.

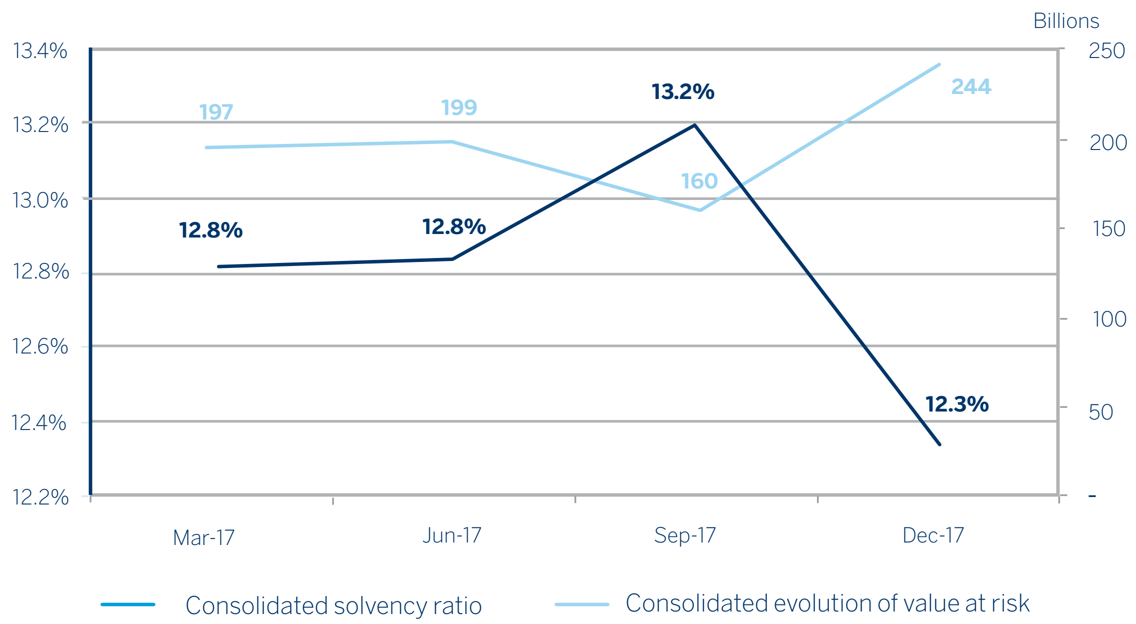
It subjects the positions held to strong hypothetical market oscillations based on historical or possible situations obtained through the generation of scenarios. This is done to quantify the effect of the results in order to identify possible adverse impacts and those greater than the VaR figures that could potentially occur, and design contingency plans to be applied immediately in the event that an abnormal situation occurs.

BBVA Colombia uses a stress testing model, which through the generation of a set of historical scenarios, puts pressure on the different risk factors related to the different global market positions. The period observed starts in June 2008 and extends to December 2017.

Monitoring of Value at Risk (VaR) Regulatory Model - Standard Model - In accordance with Public Notice 09 / 2007 of the Financial Superintendence of Colombia, the Bank has been assessing its exposure to market risks, of both interest rate and exchange rate, on a daily basis. This includes the measurement for available-for-sale and tradable global market positions, and securities classified upon maturity that are delivered to create collateral in a central counterparty clearing house. This is done in order to determine the effect that possible changes in market conditions may have on the economic value of the Bank's equity. This impact is also reflected in the solvency ratio.

The following graph shows the value at risk assessment and the solvency margin:

Consolidated quarterly evolution of value at risk vs. solvency ratio



IV. Policies in terms of assessment of fair value of the global market positions - As a policy of BBVA Colombia, it has been established that the Market Risk Department, appointed to the Risk Vice-Presidency, is responsible for providing the end-of-day fair values for the valuation of the global market portfolios.

The sources of information used for the valuation of the portfolios are those approved by the Financial Superintendence and published by the official price vendor, Infovalmer, on a daily basis.

The tool used for capturing and disseminating the market values to the different management, accounting and risk measurement systems on a daily basis is Asset Control.

V. Internal control policies with the aim to prevent undue market conduct - As a policy, BBVA Colombia has established the following codes for all the employees of the global market, back office, market risk and middle office areas in the management of their daily activities to prevent risks and to safeguard the Bank's honesty and integrity:

- BBVA Group Code of Conduct.
- Code of Conduct in the Securities Market.
- Code of Conduct and Manual of Procedures for the Prevention of Money Laundering and Terrorist Financing.

The internal control department specialized in markets is responsible for monitoring the processes carried out or those that support the development of market operations, namely: call recording systems that provide transparency in the transactions carried out on the markets, disclosure and measurement of operational risk factors of the trading floors and their supporting areas.

Structural Risk

Structural interest rate risk - Internal model - Refers to the potential impact caused by variations in interest rates on the financial margin and/or equity value. The monitoring of the interest rate risk encompasses the Banking Book positions and excludes all the positions of the Global Market Department. The process of measuring the interest rate risk is carried out on a monthly basis and consists of a wide range of scenarios, which include sensitivities in the event of changes parallel to the different shocks, and changes in slope and curvature. They also include probabilistic metrics, handling statistical methods for the simulation of scenarios, such as MaR (Margin at Risk) and EC (Economic Capital).

Item	Límite	2017	2016
Margin sensitivity warning (+/-100 basis points)	5,00%	31,24%	44,15%
Margin at risk limit (*)	7,00%	26,32%	37,02%
Economic value sensitivity warning (+/-100 basis points)	$280.000	43,07%	32,51%
Economic capital limit (**)	$560.000	51,17%	71,15%

(*) Percentage in relation to the projected "1 year" interest margin of each unit.

(**) Percentage in relation to the Core Capital of each unit.

ALCO portfolio. ALCO's fixed income portfolio in the Banking Book is a management tool that provides stability in the generation of a financial margin, since it acts as a hedge for the rest of the structural positions and liquidity buffers. Considering its impact on risks and income, the Structural Risk department monitors the ALCO's fixed-income portfolio through an internal warning, set exclusively on its latent losses.

For 2017, the warning is defined as stop-loss = -1% in relation to the entity's core capital.

Structural currency risk. Its purpose is to assess and control potential impacts caused by fluctuations in exchange rates by positions in foreign currency, on the solvency and income of BBVA Colombia. As of 2017, the metrics are monitored on a monthly basis, and they are complemented by additional indicators that assess the Bank's operating position in foreign currencies.

Table of sensitivity: solvency to variations in exchange rates for December 2017

Impact of shock 10%	
Basis points	Solvency Ratio
23	12.53%

Liquidity Risk

The management of financing and liquidity at BBVA Colombia is based on the principle of financial autonomy, which means that management is decentralized and independent from the BBVA Group's other regions. This principle helps prevent and limit the liquidity risk of each of the entities by limiting their vulnerability to events that affect the BBVA Group in periods of elevated risk. Therefore, the entity acts independently to cover its liquidity needs on the market in which it operates.

The performance of the indicators shows that the financing structure remained robust in 2017, in the sense that self-financing levels are maintained with stable customer resources that exceed the requirements.

LtSCD	
2017	2016
107.42%	111.21%

In 2017, BBVA Colombia maintained a solid position of liquidity, increasing stable resources by securing long-term CDs for terms greater than three years. This strategy has allowed the diversification of sources of financing.

Internal model - Liquidity and the financing structure are measured on a daily basis using the three tools defined as follows:

- Monitoring of the basic capacity with a time horizon of 360 days; it relates the sufficiency of high-quality assets with short-term liquidity needs whose limit is set at 30 days at 110%.

- The second tool is the monitoring of the balance sheet financing structure. Loan to Stable Customer Deposits (LtSCD), which compares the net credit investment granted with stable customer deposits, and has an upper limit set at 125%.

- The third monitoring is carried out on the short-term net financing, for which a limit of COP 12.5 trillion was set for 2017. The Liquidity Committee and Senior Management are informed daily of the evolution of these indicators for timely decision-making.

The following tables show the evolution of short-term liquidity for 2017:

Loan to Stable Customer Deposist:

Loan To Stable Customer Deposits (ICN / RRCC)			Year 2017
LtSCD warning			122%
LtSCD ratio limit			125%
January	105.3%	July	108.3%
February	107.1%	August	107.8%
March	104.3%	September	110.8%
April	106.1%	October	109.7%
May	108.0%	November	105.8%
June	108.9%	December	107.4%

Short-term wholesale financing ratio:

Loan To Stable Customer Deposits (ICN / RRCC)			2017
Warning of LtSCD			11.2
LtSCD ratio limit			12.5
January	4.5	July	5.0
February	5.8	August	5.2
March	4.7	September	5.6
April	4.9	October	6.1
May	5.9	November	5.8
June	5.8	December	6.2

Basic capacity ratio:

Basic capacity at 30 days			2017
BC ratio warning			%
BC ratio limit			%
Enero	NA	July	4,083%
Febrero	1,108%	August	7,115%
Marzo	1,323%	September	NA
Abril	NA	October	591%
Mayo	NA	November	1,031%
Junio	500%	December	313%

Standard model – In 2017, the liquidity risk indicator (LRI) with a 7-day time horizon stood at average levels of COP 8,695 billion (1,342%), while the 30-day LRI stood at an average of COP 7,195 billion (425.9%), which indicates that for a short-term horizon, BBVA Colombia has more than enough liquidity to fulfill its short-term financing commitment.

The limits are approved by the Board of Directors, while measurement, monitoring and control are carried out on a weekly and monthly basis by the Market and Structural Risk Department, issuing periodic reports to senior management and monthly reports to the Board of Directors.

By the end of 2017, the 30-day LRI is summarized as follows:

Item	Vencimientos Contractuales			
	Días 1 a 7 total	Días 8 a 15 total	Días 16 a 30 total	Días 31 a 90 total
CDs	$ 290,384	$ 477,572	$ 761,350	$ 2,791,753
Interbank funds	$ 233,367	$ -	$ -	$ -

Item	Vencimientos Contractuales			
	Días 1 a 7 total	Días 8 a 15 total	Días 16 a 30 total	Días 31 a 90 total
Repos, simultaneous and temporary transfer of securities	$ 1,678,527	$ 40,675	$ -	$ 162,826
Transactions with derivative financial instruments	320,707	77,280	114,351	375,272
Bank credits and other financial obligations	90,463	157,790	30,290	121,486
Accounts payable not associated with CDs and savings certificates (CDATs, for the Spanish original)	166,129	189,861	355,990	-
Outstanding investment securities	-	-	-	23,922
Other liabilities and credit contingencies	$ 872,465	$ 270,944	$ 205,732	$ -

Note: They are contractual maturities of principal and interest for periods of no more than 90 days.

Internal Control and Operational Risk

in February 2016, the BBVA Group's New Internal Control Model was formalized. This model is based on three lines of defense:

1. The business and supporting areas are responsible for control in their area and the execution of the measures set by higher instances. This line of defense has been reinforced by an ad hoc team that manages, coordinates and supervises the performance of control tasks carried out therein.

2. The Country Operational Risk and Internal Control Department, which provides a common methodology and tools for management based on the corporate guidelines and local regulations. In this new model, the second line leads at the local level and coordinates the internal control system incorporated in the current operational risk mitigation function from a cross-cutting standpoint. The specialized control units (Internal Financial Control, Internal Risk Control, Internal Operations Control, Internal Control of Technology, Compliance and others in the Human Resources and Legal Services Departments) belong to this line of defense that supervise the control of the different units as part of their cross-cutting function, focused on the definition of Policies and Procedures in its area and on "challenging" the control activity carried out by the first line of defense.

3. The Internal Audit unit conducts an independent review of the model, verifying the compliance and effectiveness of corporate and local policies, providing independent information on the control model.

The Country Operational Risk and Internal Control Department took over the role of Secretariat of the Corporate Assurance Committee in February 2016.

In 2017, this model was strengthened by the contribution of an integrative vision of the risks and their management, activities of anticipation through the analysis of new products and processes, and the performance of actions aimed at the different levels of the Organization to promote the culture of control (self-management, self-control and self-regulation).

45. Corporate governance

BBVA Colombia's Corporate Governance System is in line with international, corporate and local trends and recommendations. Its principles, elements and practices are contained in different instruments that guide the structure and roles of the corporate bodies, such as the Corporate Governance Code, the Rules of Procedure of the General Meeting of Shareholders, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Board's Supporting Committees. The System is also complemented with the internal rules of conduct, included in the BBVA's Code of Conduct, Code of Conduct in the Securities Market and Code of Conduct for the Prevention of Money Laundering and Terrorist Financing, which state the tenets that govern the actions of its executives, managers and employees.

The Corporate Governance System is essentially based on the distribution of roles between the Board of Directors and its different supporting committees, each with specific roles allowing an appropriate decision-making process: Audit and Compliance Committee, Risk Committee, Corporate Governance Committee and Appointment and Remuneration Committee.

Pursuant to the Bank's Bylaws, the Board of Directors is the Company's natural administration, management and oversight body, and in 2017, it was made up of five Principal Board members, two of which are independent, who are aware of the responsibility involved in managing the different risks, and are familiar with the Bank's business structure and processes, which enables them to provide the proper support and supervision.

For the 2017 fiscal year, the Board of Directors performed its functions in compliance with the timetable of meetings following the announcement thereof, in which Board members were informed of the agenda and provided with the supporting documents and information required for each of the topics to be discussed at the meetings.

The four supporting Committees of the Board of Directors have extensive roles assigned in their respective rules of procedure, which provide support in subjects specific to their area of competence, having established a work system coordinated between the Committees, and between the Committees and the Board. In this way, the corporate bodies' awareness of the relevant matters is ensured, reinforcing the existing control environment in BBVA Colombia.

These Committees are chaired by independent Board Members with extensive experience in their areas of competence, in accordance with their rules of procedure. They also have extensive powers and autonomy in the management of their corresponding Committees, allowing them to call for the meetings they deem necessary to perform their roles, decide their agenda and have the support of Bank executives and external experts whenever they consider it appropriate, depending on the importance or relevance of the topics to be discussed.

The rules of procedure of the Board of Directors and the Committees, as well as their Annual Management

Reports can be referred to on the BBVA Colombia website: www.bbva.com.co

Risk Management

Regarding our Risk Management Policy, in the first instance, the Board of Directors is responsible for approving the risk management strategy and policies, as well as for overseeing the internal control and management systems which are incorporated in the institution's other activities. In greater detail, the risk strategy approved by the Board of Directors includes at least: a) the statement of the risk appetite; b) the fundamental metrics and basic structure of limits; c) the types of risk and classes of assets; and d) the foundations of the control and risk management models.

In Senior Management or the Bank's Management, the role of risk management is led by the Executive Risk Vice-Presidency, which has a decision-making process supported by a system of committees comprised of highly-qualified professionals on the subject. These professionals study and propose the strategies, policies, procedures and infrastructures necessary to identify, assess, measure and manage the material risks that BBVA Colombia faces in the development of its businesses.

As a result, the Board of Directors and Senior Management are duly aware of the Entity's business processes and structure, and provide the proper support, monitoring and supervision. The final determination of policies, the risk profile and the approval of the operating limits of the different transactions is the responsibility of the Board of Directors.

Therefore, building on the framework established by the Board of Directors and Senior Management, the business units have the responsibility of daily risk management. Similarly, in order to manage risk management adequately, it is understood as an exclusive, global and independent role of the sales units.

At each ordinary meeting of the Board of Directors, the entity's risk positions are clearly, concisely, quickly and accurately reported, indicating exposures by type of risk, business unit and portfolio, and their budget alignment with the approved risk appetite. Similarly, the credit transactions corresponding to its level of delegation are reported, including the companies or individuals associated with the Bank.

The Entity's risk function is unique and independent, where the risks assumed must be compatible with the target level of solvency, they must be identified, measured and assessed, and there must be procedures in place for monitoring and management, as well as solid control and mitigation mechanisms. All risks must be managed in a comprehensive manner throughout their life cycle with differentiated treatment according to type. The risk integration model recognizes the diversification among the different types of risks: credit, market, liquidity, operational, etc. The business areas are responsible for proposing and maintaining the risk profile within their autonomy and scope of action (defined as the set of risk policies and procedures). The risk infrastructure is adequate in terms of human resources, tools and technology, information systems, and methodologies for measuring the different types of risks and procedures, which facilitates the clear definition of roles and responsibilities, ensuring independence between the trading, risk control and accounting areas, as well as the efficient allocation of resources.

Regarding the technology infrastructure of the Risk Department, it is important to highlight the ongoing optimization and implementation of the tools throughout the life-cycle of the managed risks. This is reflected in the following aspects: i) The closing of the implementation of Power Curve for all lines of credit for Individuals, and the constant improvement of the pre-approved mechanism in digital banking; ii) The development and implementation of PF Lite as control and monitoring tools in the Corporate segment; iii) The project to modernize the tool for the SME segment continued; iv) The incorporation of structural issues in the Single Development Agenda (SDA), such as information automation and process redefinition, to help in the reduction of response times and risk management.

Also, please note that the existing methods for risk management perfectly identify the different kinds of risk. Therefore, in 2017, BBVA Colombia carried out enterprise risk management through the development of models and tools that allow the coordination of monitoring and control activities with a dynamic and anticipatory vision which enables the fulfillment of the risk appetite approved by the Board of Directors.

In the Loan Acceptance Departments, policies, mechanisms and regulations were reviewed on a regular basis with the continuous training for the network, maintaining the adequate use of authorities, which has allowed it to maintain the leading position in terms of portfolio quality and the sustained increase in the market limit.

Regarding market risk, during the fiscal year, the established controls continued: the measurement limits of Treasury VaR were maintained and the short-term liquidity was regularly reviewed, along with the financial structure of the balance sheet.

From a corporate perspective, BBVA has processes for risk identification and analysis of scenarios that allow the Group to carry out dynamic and prospective risk management. The risks are demonstrated and measured with the methods deemed appropriate in each case. Their measurement includes the design and application of scenario analysis and stress testing, and controls to which the risks are subject are taken into account. In this context, emerging risks have been identified that may affect the evolution of the Group's business, which include macroeconomic and geopolitical risk, and regulatory, legal and reputational risks. Therefore, changes in the regulatory framework are monitored on a constant basis, in order to anticipate and adapt to them in time, adopting the most efficient and rigorous best practices and criteria in their implementation. It is also evident that the financial sector is subject to a growing level of scrutiny by regulators, governments and society itself. Therefore, negative news or inappropriate behavior can cause significant damages to reputation and affect an entity's capacity to develop a sustainable business. For these reasons, the behavior of the Group's members is governed by principles of integrity, honesty, long-term vision and best practices, all under the Group's Internal Control Model, Code of Conduct and Responsible Business Strategy.

A final risk identified by the Group is business and operational risk, which results from the evolution of the digital and information technology world, which involves significant challenges for financial entities, leading to threats and new opportunities, a new framework of customer relations, greater capacity to adapt to customer needs, and new products and distribution channels. Therefore, digital transformation is a priority for the Group.

In terms of internal control and operational risk, removing control weaknesses identified in the Risk and Control Self-Assessment (RCSA); operational risk management's focus on critical processes; and detailed monitoring of the operating losses were relevant, promoting improvements for the control and mitigation processes and activities.

At the same time and considering threats that have been identified as cyber-attacks, fraud in payment systems, etc., important investment is required in security, from both the technological and human perspective. At BBVA Colombia, with the support of the HR Department, work has continued in the training and generation of a culture of control for this kind of risk. Additionally, the local regulatory requirements on operational risk in cyber security were met, and through the Technology Risk Management Department, the necessary campaigns were carried out to raise awareness in the digital transformation framework at BBVA.

Audit

In turn, the Internal Auditor and the Statutory Auditor are aware of the Entity's operations and made recommendations regarding compliance with the limits, closure of operations and market conditions, as well as the transactions carried out between related parties. Specifically, the Statutory Auditor reported that it had not observed significant situations that would give it the opinion that BBVA Colombia is not complying with the practices, methodologies, procedures and standards established for management of the different kinds of risk.

All of the above leads to the conclusion that BBVA Colombia has an adequate general control and management model for its business profile, organization and region in which it operates, which allows it to develop its activity in the framework of the Corporate Governance System, in turn, adapting to a changing economic and regulatory environment.

IR (Investor Relations) Recognition

For the fifth consecutive time, BBVA Colombia received the Investor Relations (IR) Certification awarded by the IR Committee of Bolsa de Valores de Colombia (BVC) for the 2017-2018 periods.

The IR Recognition is given to issuers of the securities market that voluntarily adopt best practices regarding disclosure and investor relations, and it reflects the commitment of the securities issuers listed in the BVC, to make Colombia an attractive market for investment. As a result of the measures taken, BBVA Colombia has positioned itself as the main foreign bank in the country and has reiterated its commitment to adopting best practices in disclosure and Corporate Governance, thereby strengthening the security and confidence of domestic and foreign investors.

Código País Implementation Report for the 2016 Fiscal Year

On January 27, 2017, BBVA Colombia completed and submitted the new Código País - Best Corporate

Practices Implementation Report, which is available on the Bank's website at the following link: https://www.bbva.com.co/fbin/mult/REPORTE_C_DIGO_PA_S_2016_tcm1304-634792.pdf

Once the responses provided by the Bank in the Código País survey were validated and reviewed, the Financial Superintendence of Colombia highlighted the Bank's adoption of the recommendations through the amendment of its internal regulations, showing evidence of the strengthening of the best Corporate Governance practices.

46. Other Matters of Interest

IFRS 9 – Financial Instruments

On July 24, 2014, the IASB issued IFRS 9 which, for annual periods beginning on or after January 1, 2018, replaces IAS 39 and includes requirements for the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting.

Since the publication of the first drafts of the standard, the Group has been analyzing the implications that this new standard will have starting in the 2018 fiscal year, both for the classification of portfolios and the measurement of financial instruments, and especially, for the models for calculating the impairment of financial assets through expected loss models.

During the years 2016 and 2017, the Group has carried out an IFRS 9 implementation project with the participation of all the affected areas: finance, accounting, risk management, technology, business areas, etc. and the involvement of the Group's senior management.

In this project, the definitions of the accounting policies have been established, along with the processes for the implementation of the standard that has implications both for the consolidated financial statements and operations (acceptance and monitoring of risks, changes in systems, management metrics, etc.) and, finally, the models for the presentation of the consolidated financial statements.

The main requirements of IFRS 9 are:

Classification and measurement of financial instruments

Financial assets

The IFRS 9 contains a new approach for classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three main categories for the classification of financial assets: measured at amortized cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss. The standard eliminates the existing categories of IAS 39 of investments held to maturity and available for sale.

The classification of financial instruments in a category of amortized cost or fair value has to go through two tests: the business model and the assessment of contractual cash flow, commonly known as the "only principal and interest criterion" (hereinafter, SPPI for the Spanish original). The purpose of the SPPI test is to determine whether, according to the contractual characteristics of the instrument, its cash flows represent only the return of its principal and interest, understood basically as the compensation for the time value of money and the credit risk of the debtor.

A financial instrument is classified in the amortized cost portfolio when it is managed by a business model whose objective is to maintain the financial assets to receive contractual cash flows, and it passes the SPPI test. They will be classified in the portfolio of financial assets at fair value through other comprehensive income if they are managed by a business model whose objective is to combine the receipt of contractual cash flows and sales and they pass the SPPI test. They will be classified at fair value through profit or loss provided that, due to the entity's business model for their management or the characteristics of their contractual cash flows, they are not to be classified in either of the portfolios described above.

During the year 2017, the Group has reviewed the existing business models in the different regions in which it operates, to establish their classification according to IFRS 9, taking into account the particularities of the local structures and organizations, as well as the typology of the products.

The Group has defined criteria for determining the acceptable frequency of and reasons for the sales for which the instrument can remain in the category of held to receive contractual cash flows.

Regardless of the frequency and importance of sales, certain types of sales are not incompatible with the category of held to receive contractual cash flows: such as sales by reducing credit quality; sales close to the maturity of the operations so that variations in market prices would not have a significant impact on the cash flows of the financial asset; sales in response to a change in regulation or taxation; sales in response to internal restructuring or a significant business combination; sales arising from the implementation of a liquidity crisis plan when the crisis event is not reasonably expected to occur.

The Group has segmented the portfolio of instruments for the purpose of carrying out the SPPI test by differentiating the products with standard contracts, (all instruments have similar contractual characteristics and are used on a mass scale in contracting) for which the Group has conducted the SPPI test by reviewing that of said the framework contracts. As for the products with consistent, but not similar characteristics, it has assessed their compliance by representative sampling of the contracts. Finally, the financial instruments with specific contractual characteristics have been analyzed on an individual basis.

As a result of the analyses carried out on both the business model and the contractual characteristics, no accounting reclassifications are expected to be made that might affect both financial assets and, as the case may be, financial liabilities related to the above.

In general, the volume of assets measured at fair value through profit or loss has been maintained and no changes will be made in the instrument measurement method.

At December 31, 2017, the Group had certain investments in equity instruments classified as available for sale that, according to IFRS 9, starting in the 2018 fiscal year, shall be designated as financial assets measured at fair value through other comprehensive income. So, all the fair value gains and losses of these instruments are reported in other comprehensive income. It is important to mention that no impairment loss will be recorded in the statement of income and gains or losses will not be reclassified in the statement of income upon disposal.

Financial liabilities

IFRS 9 largely maintains the existing requirements in IAS 39 for the classification of liabilities. As a result, these instruments will maintain the same classification as financial liabilities as under IAS 39.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model of IAS 39 with an "expected credit loss" model. The new impairment model will apply to financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income, except for investments in equity instruments; and financial guarantee contracts and loan commitments.

The new standard classifies financial instruments into three categories, which depend on the evolution of their credit risk from the time of initial recognition. The first category includes transactions when initially recognized; the second includes the transactions for which a significant increase has been identified in credit risk from initial recognition; and the third, impaired transactions.

The calculation of credit risk hedges in each of these three categories, must be carried out differently. Thus, the expected 12-month loss must be recorded for transactions classified in the first of the above categories, while the estimated losses must be recorded for the entire remaining expected life of the transactions classified in the other two categories. So, IFRS 9 distinguishes between the following expected loss concepts:

Expected 12-month loss: these are the expected credit losses resulting from possible events of default within 12 months following the date of presentation; and

Expected loss over the life of the entire transaction: these are the expected credit losses that result from all possible events of default during the expected life of the financial instrument.

This will require considerable judgment, both in the modeling for the estimation of expected losses and in the forecasting, regarding how economic factors affect such losses, which must be carried out on a weighted basis based on probability.

For the purposes of the IFRS 9 implementation project, the BBVA Group has taken following definitions into consideration:

Default

BBVA has applied a definition of default for financial instruments that is consistent with that used in the internal management of credit risk, as well as with the indicators laid down in the regulation applicable on the effective date of IFRS 9. Both qualitative and quantitative indicators have been considered.

The Group has considered that there is a default when one of the following situations occurs:

- a default of more than 90 days; or
- there are reasonable doubts regarding the full repayment of the instrument.

The 90-day default is a presumption that can be refuted in some cases in which the entity considers, based on reasonable and documented information, that it is appropriate to use a longer term.

Impaired financial asset

The credit of a financial asset is impaired when one or more events have occurred that have a negative impact on the estimated future cash flows of that financial asset. Observable data on the following events constitute evidence that the credit of a financial asset is impaired:

- Significant financial difficulty of the issuer or borrower;
- Failure to comply with the contractual clauses, such as a default or an event of default;
- Concessions or advantages that the lender has granted to the borrower, for economic or contractual reasons related to the borrower's financial difficulties, that it would not have provided in other circumstances;
- Increasing probability that the borrower will go bankrupt or begin any other process of financial restructuring;
- Disappearance of an active market for the financial asset in question. due to financial difficulties; or
- The purchase or creation of a financial asset with a significant discount that reflects the credit loss suffered.

It may not be possible to identify a single specific event but, on the contrary, the combined effect of several events may have caused the financial asset to begin to have a credit impairment.

The definition of the Group’s impaired financial assets is in line with the definition of default described in the preceding paragraphs.

Significant increase in credit risk

The objective of the impairment requirements is to recognize expected credit losses throughout the entire life of financial instruments in which there have been significant increases in credit risk from the initial recognition considering all the reasonable and documented information, including forward-looking information.

The model developed by the Group for the assessment of the significant increase in credit risk has a dual approach that is applied in a comprehensive manner, while respecting the specific characteristics of each region

- Quantitative criterion: the Group uses a quantitative analysis based on the comparison of the current expected probability of default throughout the life of the transaction with the original adjusted expected probability of default, so that both values are comparable in terms of expected probability of default for the remaining life thereof. The thresholds used to consider a significant increase in risk take into account the singularities of each region and portfolio. Considering the age of the current transactions, when the standard takes effect, a simplification will be made for the comparison of probabilities of default between now and the initial estimate, based on the best information available at that time.

- Qualitative criterion: most of the indicators for the detection of significant increase in risk are contained in the Group's systems via the rating/ scoring systems or macroeconomic scenarios, so that the quantitative analysis includes most of the circumstances. However, the Group plans to use additional qualitative criteria when deemed necessary to include circumstances that may not be reflected in the rating/scoring systems or in the macroeconomic scenarios in place.

In addition, the instruments in which any of the following circumstances concur are considered level 2:

- Default of more than 30 days. The 30-day default is a presumption that can be refuted in some cases in which the entity considers, based on reasonable and documented information, that the default does not represent a significant increase in risk.
- They are subject to special supervision by the Risk units because they show negative signs of credit quality, although there is no objective evidence of impairment.
- Refinancing or restructuring that does not show evidence of impairment.

Although the law introduces a number of operational simplifications/practical solutions for the analysis of the significant increase in risk, the Group does not expect to use them as a general rule. However, for high-quality assets, mainly those related to certain institutions or government bodies, it does plan to use the possibility provided for by the standard to consider directly that their credit risk has not increased significantly because they have a low credit risk at the reporting date.

Therefore, the classification of financial instruments subject to impairment with the new IFRS 9 will be as follows:

- Stage1: No significant increase in risk

  The value adjustment due to losses of these financial instruments shall be calculated as expected credit losses in the following twelve months.

- Stage-2: Significant increase in risk

  When the credit risk of a financial asset has increased significantly since its initial recognition, the value adjustment due to losses of that financial instrument shall be calculated as the expected credit loss throughout the life of the asset.

- Stage-3: Impaired

  When there is objective evidence that a financial asset is impaired, it is transferred to this category.

Based on the impairment methodology described below, the Group has estimated that the implementation of the impairment requirements of IFRS 9 at January 1, 2018 will give rise to additional impairment losses.

Methodology for the calculation of expected losses

According to IFRS 9, the estimate of expected losses must reflect:

- A weighted, unbiased amount, as determined by the assessment of a series of possible results;
- The value of money over time; and
- Reasonable and documented information that is available without excessive effort or cost, that it reflects both current conditions and predictions about future conditions.

EThe Group plans to estimate expected losses both individually and collectively. The objective of the Group's individual estimate is to estimate expected losses for significant risks impaired or classified in Stage 2. In these cases, the amount of the credit losses is calculated as the difference between the expected cash flows discounted at the effective interest rate of the transaction, and the carrying value of the instrument.

For the collective estimate of expected losses, the instruments are grouped into groups of assets based on their risk characteristics. Exposures within each group are segmented according to similar characteristics of credit risk, indicative of the borrower's capacity to pay according to contractual terms. These risk characteristics must be relevant in the estimation of the future cash flows of each group. The credit risk characteristics can consider, among others, the following factors:

- Type of transaction;
- Rating or scoring tools;
- Credit risk score or rating;
- Type of collateral;
- Time of default for the transaction in Stage 3;
- Segment;
- Qualitative criteria that may have an impact on the significant increase in risk;
- Value of the collateral, if it has an impact on the probability of an event of default.

In accordance with IFRS 9, the losses have been measured during two time horizons, depending on whether the risk has increased significantly since origination or not. If the risk has increased significantly since origination, expected losses are measured during the remaining life of the instrument; otherwise, the losses expected in the next 12 months are measured.

Estimated losses are derived from the following parameters:

PD: estimation of the probability of default in each period

EAD: estimation of exposure at default in each future period, taking into account changes in exposure following the presentation date.

LGD: estimation of loss given default, as the difference between contractual cash flows and those expected to be received, including collateral.

In the case of debt securities, the Group monitors changes in credit risk by monitoring published external credit ratings.

To determine whether there is a significant increase in credit risk at January 1, 2018 that is not reflected in the published ratings, the Group has also reviewed the changes in bond yields and, when available, the prices of CDs along with the news and regulatory information available regarding the issuers.

Use of present, past and future information

IFRS 9 requires the inclusion of present, past and future information, both for the detection of significant increase in risk, and for the measurement of expected losses.

When estimating expected losses, the standard does not require the identification of all possible scenarios. However, consideration should be given to the probability of occurrence of an event of loss and the probability that it will not occur, even if the probability of that loss is very slim. Also, when there is no linear relationship between the different future economic scenarios and their associated expected losses, more than one future economic scenario should be used for the estimate.

The approach used by the Group consists of first using the most likely scenario (baseline scenario) that is consistent with that employed in the Group's internal management processes, and then applying an additional adjustment, calculated as a weighted average of expected losses in another two economic scenarios (one positive and one negative).

Hedge accounting

General hedge accounting will also involve changes, since the focus of the standard is different from that of the current IAS 39, as it tries to align the accounting with the economic management of the risk. In addition, IFRS 9 will allow the application of hedge accounting on a greater variety of risks and hedging instruments. The standard does not address the accounting of the so-called macro hedge accounting strategies. In order to avoid any conflict between the current macro hedge accounting and the new general scheme of hedge accounting, IFRS 9 includes an accounting policy option to continue to apply hedge accounting according to IAS 39.

The treatment of macro hedge accounting is being developed as a project separate from IFRS 9. Entities have the option to continue to apply the provisions of IAS 39 with respect to hedge accounting until the completion of said project. According to the analysis, the Group will continue to apply IAS 39 to its hedge accounting at the IFRS 9 implementation date.

Estimated impact of the adoption of IFRS 9

The Group has assessed the estimated impact that the first-time adoption of IFRS 9 will have on its consolidated financial statements. The estimated impact of the adoption of this standard on the Group's equity at January 1, 2018 is based on the assessments conducted to date and is summarized below. The actual impacts of adopting the standards at January 1, 2018 may change because:

- The Group has not completed testing or the assessment of the controls on its new IT systems; and

- The new accounting policies and methodologies can be subject to change until the Group presents its first financial statements that include the definitive impact at the date of first-time adoption.

At the date of preparation of these consolidated Annual Accounts, the estimated impact on the volume of provisions would imply an increase of approximately 20.6% over the current level of provisions. This increase in provisions is mainly due to the risks that are not impaired, but would be classified within Stage-2, which are the risks most affected by the change in the provision calculation methodology. However, the impact on the consolidated net equity as a result of changes in Classification and Measurement of financial instruments is not expected to be significant.

47. Subsequent events

From the closure of these consolidated financial statements at December 2017 to date, there were no significant subsequent events to be disclosed.

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