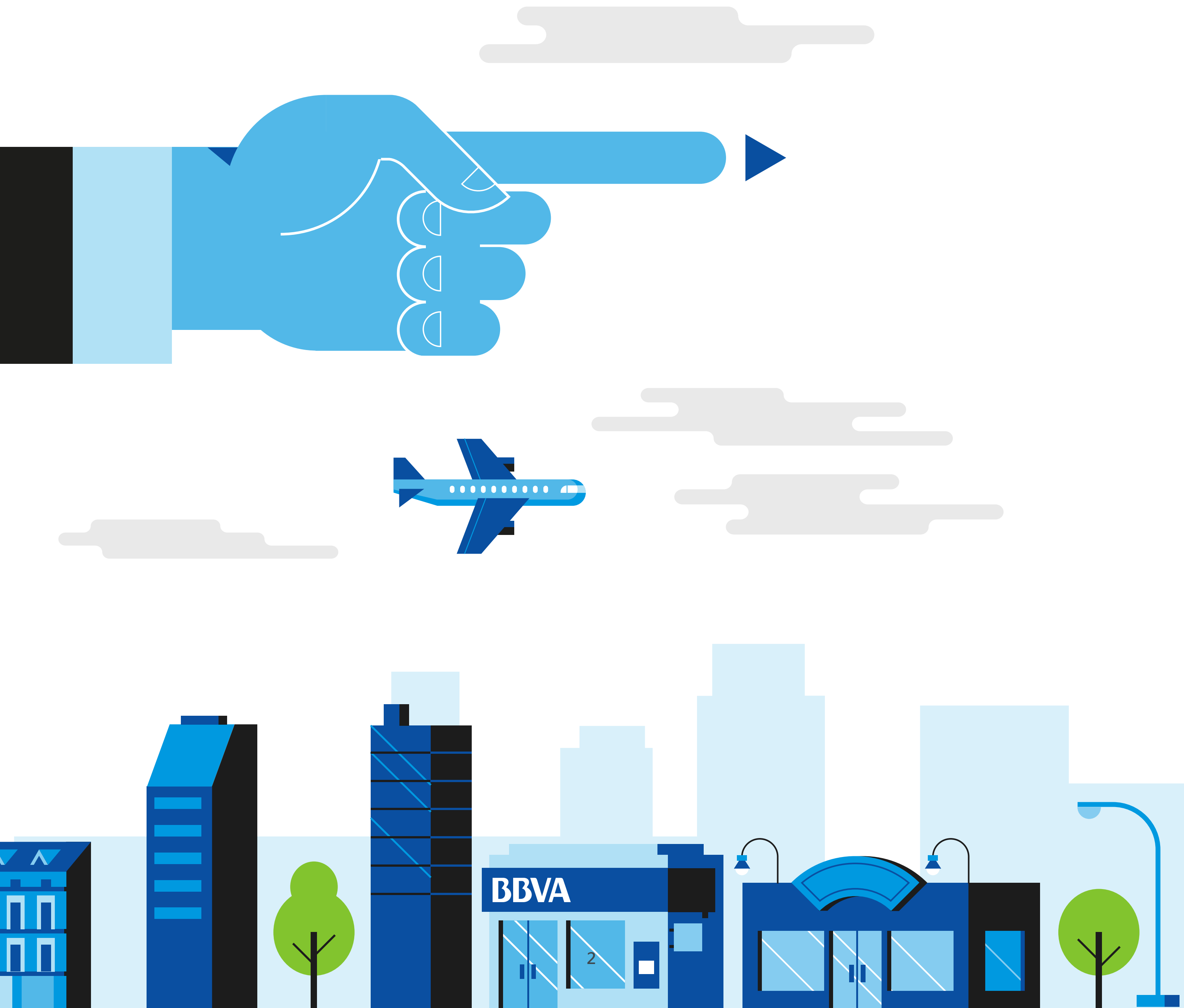
BBVA Colombia
Consolidated Report 2016


BBVA

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Consolidated Financial State

ements

Statutory Auditor's Report

Deloitte.

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To the shareholders of

BANCO BILBAO VIZCAYA ARGENTARIA COLOMBIA S.A.:

Report on the Financial Statements

I have audited the attached consolidated financial statements of BANCO BILBAO VIZCAYA ARGENTARIA COLOMBIA S.A. and its Subsidiaries (BBVA Asset Management S.A. and BBVA Valores Colombia S.A.), which include the Consolidated Statement of Financial Position at December 31, 2016 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, and a summary of the significant accounting policies as well as other explanatory notes. The consolidated financial statements at December 31, 2014 are included for comparison purposes only.

Management Responsibility Regarding the Financial Statements

Management is responsible for the reasonable preparation and presentation of these consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, as well as the internal control that management deems relevant for risk management and the fair presentation of the consolidated financial statements free of material misstatements, whether due to fraud or error; selecting and applying appropriate accounting principles; and making accounting estimates that are reasonable under the circumstances.

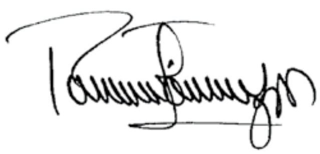
Statutory Auditor's Responsibility

My responsibility is to express an opinion on said consolidated financial statements based on my audit. I conducted the audit in accordance with the International Auditing Standards accepted in Colombia. These 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 consists of performing procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on the professional discretion of the auditor, including his assessment of the risks of material misstatements in the financial statements. In said risk assessment, the auditor considers the Bank's internal controls that are relevant for the reasonable preparation and presentation of the consolidated financial statements in order to design audit procedures that are appropriate given the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes assessing the accounting principles used and the significant 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.

Opinion

In my opinion, the attached consolidated financial statements reasonably present, in all material aspects, the consolidated financial position of BANCO BILBAO VIZCAYA ARGENTARIA COLOMBIA S.A. and its subsidiaries at Saturday, December 31, 2016, 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.



NORELA E. JIMÉNEZ M.
Statutory Auditor
Prof. License No. 47157 - T
Appointed by Deloitte & Touche Ltda.

FEBRUARY 9, 2017

Balance Sheet

Of December 31, 2016 and 2015

(Amounts stated in millions of Colombian pesos)

ASSETS	Note	December 31, 2016	December 31, 2015
Cash and cash equivalents	(8)	**$ 4.904.170**	**$ 6.345.308**
• Cash and Deposits in Banks		4.455.210	5.436.131
• Active positions in monetary market		448.960	909.177
Investments	(9)	**5.560.278**	**5.006.891**
• Investments at fair value through profits or loss		3.941.719	1.156.616
• Investments at fair value affecting delivered results in money-market operations		248.147	1.568.630
• Investments at fair value affecting delivered results in guarantee of derivatives		446.410	174.060
• Investments at fair value through profit or loss in OCI (Equity Instruments)		204.816	2.842
• Investments at amortized cost		415.979	1.427.451
• Investments at amortized cost affecting delivered results in money-market operations		272.465	569.898
• Investments in Joint Operation		54.249	110.901
• Investment Impairment		(23.507)	(3.507)
Derivative financial instruments and cash operations	(14)	**807.758**	**1.247.814**
• Trading		807.758	1.231.087
• Hedging	(15)	-	16.727
Loan Portfolio and Leasing Operations (Net)		**38.507.892**	**36.055.898**
• Commercial	(10 y 11)	16.020.298	16.314.908
• Consumer		$ 13.909.511	$ 12.040.868

ASSETS	Note	December 31, 2016		December 31, 2015	
• Housing		$	9.508.349	$	8.560.823
• Microcredit			2		7
• Employees			354.191		137.789
Provision for credit losses			**(1.284.459)**		**(998.497)**
Loan Portfolio Interest and Other Concepts (Net)	(10 y 11)		**377.562**		**290.393**
• Commercial			198.664		140.110
• Consumer			144.267		114.553
• Housing			60.430		49.333
• Other Portfolio Interests			8.605		9.308
Provision Interest and Other Concepts			**(34.404)**		**(22.911)**
Other:			**1.921.085**		**1.602.103**
• Advances to Contractors and Other Financial Recipients			140.775		194.931
• Other Debtors (Net)	(16)		597.957		276.071
• Non-Current Assets available for Sale	(17)		10.135		15.020
• Property and Equipment	(18)		719.154		753.130
• Leasing Operating Properties			14.229		18.201
• Goodwill and other intangible assets	(19)		248.874		239.106
• Deferred Tax Asset	(31)		103.729		91.590
• Prepaid expenses	(21)		70.996		9.363
• Other Assets (Net)	(20)		15.235		4.691
Total Assets		**$**	**52.078.745**	**$**	**50.548.407**

The accompanying notes are an integral part of the financial statements.

FÉLIX PÉREZ PARRA	ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA	NORELA E. JIMÉNEZ M.
Legal Representativel	Public Account	Statury Auditorl
	T.P. No. 179552 - T	T.P. No. 47157 - T
		Designated by Deloitte & Touche Ltda. (See my opinion attacheda)

Of December 31, 2016 and 2015

(Amounts stated in millions of Colombian pesos)

LIABILITIES AND EQUITY	Note	December 31, 2016	December 31, 2015
LIABILITIES			
Deposits	(22)	$ 40.806.777	$ 35.916.109
• Checking Accounts		22.681.214	24.857.722
• Term Deposits Certificates		18.125.563	11.058.387
Money-Market Operations	(23)	533.645	3.877.977
Other:			
Derivative Financial Instruments	(24)	950.927	1.186.938
• Trading		850.534	1.174.812
• Hedging	(15)	100.393	12.126
Financial Entities Loans	(25)	1.552.578	1.598.178
Outstanding investment securitie	(27)	2.416.132	2.488.551
Deferred Tax Liabilities	(31)	323.089	326.188
Accrued liabilities and Provision	(29)	187.858	150.969
Accounts Payable	(26)	611.416	613.232
Labor Obligations	(30)	192.641	174.308
• Short Term		89.036	87.633
• Long Term		103.605	86.675
Other Liabilities	(28)	204.566	146.664
Total Liabilities		$ 47.779.629	$ 46.479.114

LIABILITIES AND EQUITY	Note	December 31, 2016	December 31, 2015
SHAREHOLDERS EQUITY			
Paid-in Capital	(32)	$ 89.779	$ 89.779
Minoritary Interest		5.838	5.935
Premium on share placement		651.950	651.950
Reserves	(33)	2.279.237	1.977.124
Net Profit for the Period	(34)	572.567	615.346
Retained Earnings (IFRS application)		489.701	494.718
Article 6 Law 4/80		506	506
Other Comprehensive Income (OCI)	(35)	209.538	233.935
Total Shareholders Equity		4.299.116	4.069.293
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		$ 52.078.745	$ 50.548.407

The accompanying notes are an integral part of the financial statements.

FÉLIX PÉREZ PARRA
Legal Representativel

ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
Public Account
T.P. No. 179552 - T

NORELA E. JIMÉNEZ M.
Statury Auditorl
T.P. No. 47157 - T
Designated by Deloitte & Touche Ltda.
(See my opinion attacheda)

Income Statement

For the years ended as of December 31, 2016 and 2015

(Amounts stated in millions of Colombian pesos)

INCOME AND EXPENSES	Note	December 31, 2016	December 31, 2015
Loan Portfolio	(39)	**$ 4.361.985**	**$ 3.467.190**
• Commercial		1.236.163	828.212
• Consumer		1.590.949	1.317.937
• Credit Card		343.882	291.414
• Microcredit		-	1
• Housing		843.810	779.842
• Factoring		17.988	4.624
• Operative Leasing		5.445	7.344
• Financial Leasing		182.061	135.897
• Residential Leasing		141.687	101.919
Interest Expense		**(2.277.295)**	**(1.284.544)**
• Saving Accounts		(881.185)	(590.836)
• Term Deposits Certificates		(1.339.626)	(669.831)
• Banks and other financial obligations		(56.460)	(23.463)
• Other		(24)	(414)
Total Net Interest Income		**2.084.690**	**2.182.646**
Total Net Comission Income		**207.582**	**240.662**
Comission Income		478.084	433.638
Comission Expenses		(270.502)	(192.976)
Other Operating Income			
Securities		**912.468**	**612.996**
• Money-Market Operations		181.289	150.958
• Investments at fair value		412.118	391.955
• Investments at amrtized cost		319.061	70.083
Speculation Derivatives		**$ 5.561.262**	**$ 6.923.887**

INCOME AND EXPENSES	Note	December 31, 2016	December 31, 2015
Disposals		$ 175.356	$ 76.897
• Sale of Non-current Assets Held for sale		1.397	1.341
• Sale of Property, Plant and Equipment		1.012	2.267
• Sale of Investments		172.947	73.289
Difference in Net Change		36.997	341.893
Dividends		10.345	11.316
Leases		2.164	1.719
Other-Diverse		178.372	59.142
Operative Risk		7.678	23.442
Joint Operations Income		2.361	1.580
Total Other Operating Income		6.887.003	8.052.872
Total Other Interest Income	(40)	7.094.585	8.293.534
Net Provision for credit losses		(613.988)	(462.577)
• Provision refund Loan Portfolio		631.291	666.689
• Provision of Loan portfolio allocation		(1.245.279)	(1.129.266)
Non-current assets held for sale provision		(9.244)	(3.621)
Investments Provisions		(20.000)	(11)
Property, Plant and Equipment provision		(2.969)	(69)
Other Assets Provision		(1.612)	(3.218)
Net Asset Allocation		(647.813)	(469.496)
Operating Expenses			
Securities		(626.448)	(565.936)
• Money-Market Operations		(367.986)	(297.804)
• Investments at fair value		(209.554)	(251.403)
• Investments at amortized cost		(45.596)	(16.729)
• Investments in shares method of equity participation		$ (3.312)	$ -

INCOME AND EXPENSES	Note	December 31, 2016	December 31, 2015
Derivatives		$ (5.447.196)	$ (7.096.220)
• Speculation Derivatives		(5.393.983)	(7.064.422)
• Hedging Derivatives		(53.213)	(31.798)
Disposals		(104.231)	(60.610)
• Sale of Non-current Assets Held for sale		(810)	(1.022)
• Sale of Investments		(98.743)	(39.371)
• Portfolio Sale		(4.678)	(20.217)
Total Operating Expenses		(6.177.875)	(7.722.766)
Other Expenses			
Salaries and employee benefits		(530.050)	(475.767)
Fees		(22.490)	(24.026)
Legal		(76)	-
Depreciation and Amortization		(74.960)	(87.902)
Taxes		(140.311)	(134.199)
Leases		(39.745)	(36.594)
Insurance		(126.350)	(112.314)
Contributions and Affiliations		(9.926)	(10.528)
Management and intermediation services		(1.221)	-
Maintenance, adjustments and repairs		(45.094)	(38.862)
Other - Diverse		(454.396)	(383.829)
Operative Risk		(8.655)	(6.222)
Joint Operations Income		(1.874)	(1.538)
Minority Interest		(1.023)	(985)
Total Operating Expenses	(41)	(1.456.171)	(1.312.766)
Earnings before income taxes		897.416	971.152
Income Tax Expense	(31)	(324.849)	(355.806)
Net Profit		$ 572.567	$ 615.346
Net Profit attributable to:			
• Owners of the parent company		546.403	587.227
• Non-controlling Participation		26.164	28.119
Profit attributable to		$ 572.567	$ 615.346
Net profit per ordinary share (COP)			
Basics and Diluted		$ 40	$ 43

The accompanying notes are an integral part of the financial statements.

FÉLIX PÉREZ PARRA
Legal Representativel

ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
Public Account
T.P. No. 179552 - T

NORELA E. JIMÉNEZ M.
Statury Auditorl
T.P. No. 47157 - T
Designated by Deloitte & Touche Ltda.
(See my opinion attacheda)

Consolidated Statements of Other Comprehensive Income

For the years ended as of December 31, 2016 and 2015

(Amounts stated in millions of Colombian pesos)

CONCEPT	December 31, 2016	December 31, 2015
NET PROFIT	$ 572.567	$ 615.346
Other Comprehensive Income (Loss)		
Accounts that are not reclassified to net profit for the period		
• Gains (Losses) from investments in equity	4.368	5.532
• Gains (Losses) on remeasurement of defined benefit plans	(10.827)	4.243
• Gains (Losses) of noncontrolling interests	17.724	28.251
Total accounts not reclasified to net profit for the period	11.265	38.026
Accounts that can be subsequently reclassified to net profit for the period		
• Gains (Losses) on remeasurement of loan portfolio incurred losses	300.519	266.357
• (Losses) on cash flow hedges	(40.161)	8.381
Total accounts that can be subsequently reclassified to net profit for the period	260.358	274.738
Total other Comprehensive Income	271.623	312.764
Less Deferred Tax	(62.085)	(78.829)
Total Other Comprehensive Income, Net Income Tax	209.538	233.935
Total Comprehensive Income	$ 782.105	$ 849.281
Total Comprehensive Profit atributable to:		
• Owners of the parent company	746.366	810.472
• Non-controlling Participation	35.739	38.809
Total	$ 782.105	$ 849.281
Profit attributable to:		
• Owners of the parent company	546.403	587.227
• Non-controlling Participation	26.164	28.119
Total	$ 572.567	$ 615.346

Earnings per share Note 34.
The accompanying notes are an integral part of the financial statements.

FÉLIX PÉREZ PARRA
Legal Representativel

ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
Public Account
T.P. No. 179552 - T

NORELA E. JIMÉNEZ M.
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T.P. No. 47157 - T
Designated by Deloitte & Touche Ltda.
(See my opinion attacheda)

Consolidated statements of changes in stockholders´equity

For the years ended as of December 31, 2016 and 2015

(En millones de pesos colombianos y miles de acciones)

Concept	Shares					
	Non-voting with preferencial dividend		Ordinary		Noncontrolled Participation	
	Number	Value	Number	Value		
Balance of December 31 2014	479.760	$ 2.994	13.907.929	$ 86.785	$ 5.942	
Noncontrolling Interest (Minority)	-	-	-	-	(7)	
Transfers	-	-	-	-	-	
Dividens paid in cash preferred and common shares	-	-	-	-	-	
Appropiation for Legal reserve	-	-	-	-	-	
Apropiation for other reserves	-	-	-	-	-	
Net profit for the period	-	-	-	-	-	
Retained Earnings Sales Force	-	-	-	-	-	
Hedging with derivatives cash flow.	-	-	-	-	-	
Defined contributions pensions	-	-	-	-	-	
Participation in the OCI of investments accounted for using the equity method	-	-	-	-	-	
Participation in other comprehensive income of the noncontrolled investments-internal model	-	-	-	-	-	
Loan Portfolio Measurements-Incurred Loss	-	-	-	-	-	
Deferred Tax	-	-	-	-	-	
Adjustment for Consolidation	-	-	-	-	-	
Balance of December 31 2015	479.760	$ 2.994	13.907.929	$ 86.785	$ 5.935	
Noncontrolling Interest (Minority)	-	-	-	-	(97)	
Transfers	-	-	-	-	-	
Dividends paid in cash preferred and common shares	-	-	-	-	-	
Appropiation for Legal reserve	-	-	-	-	-	
Apropiation for other reserves	-	-	-	-	-	
Net profit for the period	-	-	-	-	-	
Updating appraisals of fixed assets	-	-	-	-	-	
Adjustment on the Cdt amortized cost	-	-	-	-	-	
Retained Earnings Sales Force	-	-	-	-	-	
Hedging with derivatives cash flow.	-	-	-	-	-	
Defined contributions pensions	-	-	-	-	-	
Participation in the OCI of investments accounted for using the equity method	-	-	-	-	-	
Participation in other comprehensive income of the noncontrolled investments-internal model	-	-	-	-	-	
Loan Portfolio Measurements-Incurred Loss	-	-	-	-	-	
Deferred Tax	-	-	-	-	-	
Adjustment for Consolidation	-	-	-	-	-	
Balance of December 31 2016	479.760	$ 2.994	13.907.929	$ 86.785	$ 5.838	

Premium on Share Placement	Legal and Occasional Reserves	Net Profit for the Period	Retained Earnings (IFRS Application)	Retained Earnings	Other Comprehensive Income (OCI)	Article 6 Law 4/80	Total Shareholders Equity
$ 651.950	$ 1.734.173	$ 504.328	$ 491.288	$ -	$ 246.538	$ 506	$ 3.724.504
-	-	-	-	-	-	-	(7)
-	-	(504.328)	-	504.328	-	-	-
-	-	-	-	(242.865)	-	-	(242.865)
-	292.924	-	-	(292.924)	-	-	-
-	(49.973)	-	-	49.973	-	-	-
-	-	615.346	604	-	-	-	615.950
-	-	-	(18.699)	-	-	-	(18.699)
-	-	-	-	-	8.381	-	8.381
-	-	-	-	-	4.243	-	4.243
-	-	-	-	-	4.532	-	4.532
-	-	-	-	-	(39.439)	-	(39.439)
-	-	-	-	-	8.007	-	8.007
-	-	-	6.358	-	1.673	-	8.031
-	-	-	(3.345)	-	-	-	(3.345)
$ 651.950	$ 1.977.124	$ 615.346	$ 476.206	$ 18.512	$ 233.935	$ 506	$ 4.069.293
-	-	-	-	-	-	-	(97)
-	-	(615.346)	-	615.346	-	-	-
-	-	-	-	(301.854)	-	-	(301.854)
-	306.105	-	-	(306.105)	-	-	-
-	(3.992)	-	-	3.992	-	-	-
-	-	572.567	-	-	-	-	572.567
-	-	-	(18.050)	-	-	-	(18.050)
-	-	-	72	-	-	-	72
-	-	-	(8.692)	-	-	-	(8.692)
-	-	-	-	-	(48.542)	-	(48.542)
-	-	-	-	-	(15.070)	-	(15.070)
-	-	-	-	-	(1.164)	-	(1.164)
-	-	-	-	-	(10.527)	-	(10.527)
-	-	-	-	-	34.162	-	34.162
-	-	-	8.602	-	16.744	-	25.346
-	-	-	1.672	-	-	-	1.672
$ 651.950	$ 2.279.237	$ 572.567	$ 459.810	$ 29.891	$ 209.538	$ 506	$ 4.299.116

Las Notes adjuntas son parte integral de estos estados financieros.

FÉLIX PÉREZ PARRA
Legal Representativel

ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
Public Account
T.P. No. 179552 - T

NORELA E. JIMÉNEZ M.
Statury Auditorl
T.P. No. 47157 - T

Designated by Deloitte & Touche Ltda.
(See my opinion attacheda)

Consolidated statements of cash flows

For the years ended as of December 31, 2016 and 2015

(Amounts stated in millions of Colombian pesos)

Concept	2016	2015
Balance at the beginning of the period	**$ 6.345.308**	**$ 3.071.157**
Cash Flows from operating activities		
• Received from customers	5.511.519	3.522.218
• Payments to suppliers and employees	(1.920.425)	(1.629.345)
• Paid interest	(2.222.553)	(1.260.607)
• Income tax	(377.643)	(305.941)
• Cash advances and loans to thirds	(804.524)	(900.535)
• Charges from repayment of advances and loans to thirds	858.680	895.808
Net cash flows (used in) provided by operating activities	**1.045.054**	**321.598**
Cash Flows from investment activities		
• Other investment income received	(2.369.346)	1.263.493
• Other Dividends Received	20.556	29.518
• Acquisition of Property and equipment	(43.976)	(142.091)
• Sale price of property and equipment	482	158.430
Net cash flows (used in) provided by operating activities	**(2.392.284)**	**1.309.350**
Cash Flows from financing activities:		
• Financial Obligations and other financial liabilities	257.022	1.346.863
• Dividends paid to owners	(310.851)	(252.564)
Net cash flows (used in) provided by financing activities	**(53.829)**	**1.094.299**
Cash and cash equivalents		
Changes in the exchange rate in the cash held under foreign currency	**(40.079)**	**548.904**
Balance at the end of the period	**$ 4.904.170**	**$ 6.345.308**

The accompanying notes are an integral part of the financial statements.

FÉLIX PÉREZ PARRA
Legal Representativel

ÓSCAR ENRIQUE RODRÍGUEZ ACOSTA
Public Account
T.P. No. 179552 - T

NORELA E. JIMÉNEZ M.
Statury Auditorl
T.P. No. 47157 - T
Designated by Deloitte & Touche Ltda.
(ver mi dictamen adjunto)

Notes to the consolidated financial statements for the years ended december 31, 2016 and 2015

(in millions of COP)

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 BBVA Asset Management S.A. with a 94.51% share and BBVA Valores Colombia S.A. 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 under Colombian laws on April 17, 1956 through Public Instrument No. 1160 issued by the Third Notery of Bogotá. Its period 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 conducts its activities at its registered office in Bogotá and 527 offices at December 31, 2016 and 2015 that include branch offices, in-house services at customer facilities, service centers, agencies, cash extensions, and mini-banks located in 123 cities of Colombia, distributed as follows:

Type of Office	Number
Branch offices	421
In house services at customer facilities	52
Service centers	14
Agencies	25
Cash extensions	6
Mini-banks	9
Total Offices	**527**

Additionally, it has six financial services contracts through Non-Banking Correspondents (NBC) amounting to 5,826 points of service at December 31, 2016 (7,136 points of service at December 31, 2015).

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 Notery of Bogotá / April 5, 1976.

By means of Public Instrument 3742 / April 29, 2010 issued by the 72nd Notery of Bogotá, the name change to BBVA Asset Management S.A. was Noterized, and for all legal purposes it is able to use the name BBVA Asset Management or BBVA Fiduciaria, which is a subsidiary of Banco Bilbao Vizcaya Argentaria Colombia S.A., whose main registered office is the city of Bogotá. At December 31, 2016 and 2015, it had 118 and 117 employees, respectively. Its period of duration ends on November 13, 2107 and it has a perpetual operating permit issued by the Financial Superintendence of Colombia (hereinafter, "the Superintendence"), as per 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 negotiate, 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 agreement 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 period of duration expires on April 11, 2091.

The Bank and its subsidiaries have a national work force that, at the end of December 2016 and 2015, amounted to 5,724 and 5,831 employees, respectively.

At December 31, 2016 and 2015, the breakdown of the balance sheet for consolidable entities was as follows:

Entity	2016			2015		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
BBVA Colombia S.A.	$ 51.660.690	$ 47.649.988	$ 4.010.702	$ 50.183.849	$ 46.364.769	$ 3.819.080
BBVA Asset Management S.A.	105.315	8.795	96.520	100.287	7.797	92.490
BBVA Valores S.A.	14.491	2.434	12.057	16.354	2.452	13.902

Approval of Financial Statements - The Bank's consolidated financial statements for the year ended on December 31, 2016, 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 31, 2017. 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 on December 31, 2015 were approved by the General Meeting of Shareholders held on March 17, 2016.

2. Basis of Presentation

2.1 Applicable Accounting Standards

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 and the amendments thereof, the Group has prepared its consolidated financial statements, faithfully recording the economic events 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 and issued by the International Accounting Standards Board (IASB) on December 31, 2013; 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 full 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 individual and/or separate financial statements of the domestic and foreign subsidiaries 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 accounting standards applicable to consolidated financial statements differ from those applied to the separate and individual financial statements, since the exceptions regarding impairment of the portfolio and the valuation and classification of investments are not applied.

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 supervision 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 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 financial information catalog for monitoring purposes.

Decree 2496 / December 23, 2015 – Through this decree, it is also determined that the parameters to establish at December 31, 2015 the 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 January 1, 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 Bank are recorded. (See Note 14).

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 comprised by two subsidiary entities in addition to the Bank. These are all the 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.

Specifically, the Bank controls a controlled entity if and only if it meets the following conditions:

- Power over the controlled entity (i.e., it has rights providing it with the present ability to direct relevant activities of the controlled entity);

- Exposure or entitlement to variable returns originating from its influence over the controlled entity; and

- The ability to use its power over the controlled entity to influence the amount of investor returns.

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 end 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.

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

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

Location	Name	Percentage holdings as of December 31		Month of acquisition or start
		2016	2015	
Colombia	BBVA Valores Colombia S.A. Comisionista de Bolsa	94,44	94,44	April, 1990
Colombia	BBVA Asset Management S.A. Sociedad Fiduciaria	94,51	94,51	December, 1989

2.3 Basis of Preparation

These Consolidated financial statements have been prepared based on historical cost, except for the revaluation of certain financial instruments, that are measured using revaluated or fair values at the end of each reporting period, as explained in the accounting policies. 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.

The figures of the Financial Statements and the disclosures detailed in the notes are expressed in COP millions, unless otherwise specified.

The Group's Consolidated financial statements at December 31, 2015 presented for comparative purposes, correspond to the first Consolidated financial statements prepared in accordance with the accounting and financial reporting standards accepted in Colombia (NCIF, for the Spanish original) applicable to Consolidated Financial Statements.

2.4 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 statement of income for the fiscal year and other comprehensive income, 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 investments.
- Provisions for uncollectibility of credits.
- Goodwill impairment.
- Other contingent assets and credits.
- Provisions for accounts receivable.
- Provisions for employee benefits.
- Useful life assigned to property, plant and equipment.
- Provisions, contingent liabilities and contingent assets.

- Deferred income tax.
- Derivative financial instruments.

2.5 Functional and Presentation Currency

The BBVA Group prepares and presents its consolidated financial statements in Colombian pesos, which is its functional currency and its presentation or reporting currency for all effects and purposes. The functional currency is the currency of the primary economic environment where the entity operates, which influences its transactions and the services it provides, among other factors.

3. Main Policies and Practices

BBVA Research, the financial forecast leaders in Colombia for making the best estimates of exchange rates and inflation between july 2015 and 2016.

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

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

3.1 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 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.

Recognizing the exchange difference is subject to the following guidelines:

(a) The exchange differences that arise from liquidating monetary assets and liabilities, or from converting said items at exchange rates other than those used for initial recognition occurred during the fiscal year or in previous individual financial statements, are recognized as income for the fiscal year in which they originated.

(b) When a profit or loss derived from a non-monetary item is recognized as other comprehensive income, any exchange difference included in that profit or loss is also recognized as other comprehensive income.

In the case of non-monetary items, whose profits or losses are recognized in the fiscal year's statement of income, any exchange difference included in that profit or loss is also recognized on the fiscal year's statement of income.

2016 was charaterized by the high volatility on International markets associated with economic factors but also with political and geopolitical factors.

3.2 Financial Instruments

Financial instruments are classified as assets, liabilities or capital, based on the text of the contractual agreement that gave rise thereto. The interests, dividends, profits and losses generated by a financial instrument classified as an asset or liability are recorded as income or expenses in the statement of income, except for investments in non-controlled entities and the effective portion of cash flow hedging instruments.

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 date of transaction, and they are classified as follows: i) Credits and accounts receivable, ii) At fair value through profit or loss, iii) Held-to-maturity, iv) liabilities at amortized cost and fair value, and v) other liabilities.

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 value 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 liabilities at fair value through profit or loss - Recorded assets and liabilities are valued at fair value and variations in their value (capital gains or capital losses) are recorded as net amounts in the (net) income of financial transactions. However, variations originating from exchange rate differences are recorded in the (net) exchange rate difference income account.

Impairment of financial assets - As regards the impairment of the loan portfolio, investments and other assets in the consolidated financial statements, the Group evaluates whether there is objective evidence that a financial asset measured at amortized cost has been impaired.

If, in later periods, the amount of the loss from impairment in value decreases, this decrease could be objectively related to an event after the impairment was recognized, the loss recognized previously will be reversed from the allowance account and the amount of the reversal will be recognized in the statement of income for the period.

When the recovery of any recorded amount is considered to be remote, this will be written-off from the balance sheet, notwithstanding the actions that can be taken to collect them, until the rights thereto have definitively expired, whether by legal provision, forgiveness or other causes.

In the case of particularly significant financial assets, as well as assets that are not subject to classification within the homogeneous groups of instruments in terms of risk, the evaluation of the amounts to write off is determined individually, even though there is a possibility of collectively measuring the financial assets of minor value subject to being classified in homogeneous groups.

Writing off financial instruments - The accounting treatment for transferring financial assets is based on the form in which the risks and rewards associated with such transferred assets are transferred to third parties; so financial assets are only written off the balance sheet when the cash flows they generate have ended or when the implicit risks and rewards thereof have been substantially transferred to third parties. In the latter case, the transferred financial asset is written off the balance sheet, simultaneously recognizing any right or obligation retained or created as a result of the transfer.

Similarly, financial liabilities are only written off when their associated financial obligations have been fulfilled or when they are acquired (whether with the intention of settling them or issuing them once again). The resulting profit or loss from writing off financial assets or liabilities is recorded in the statement of income.

Financial assets are only written off from accounts in the following cases:

a. The contractual rights regarding cash flows generated by these assets have expired.

b. The assets are transferred pursuant to IFRS 9 and/or IAS 39, once the transfer, risk and benefit, and control tests have been applied.

For securitization funds to which the Bank transfers credit investment portfolios, the risk and control tests are taken into account, in order to determine the substantial transfer of risks and rewards, and whether such securitization funds should be included in the financial statements.

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.

3.3 Investments

For the Consolidated Financial Statements, the recognition, valuation and impairment criteria for investments established in IFRS 9 are applied.

Investments are classified based on the defined business model approved by the Group's Management. Investments may be classified as marketable investments and held-to-maturity investments.

- *Marketable investments:* 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. For 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.

- *Held-to-maturity:* 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 this portfolio only results in payments of principal and interest. Their valuation is realized daily, 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, COAP Financial Management is an internal department of the Bank that manages, classifies and defines the business model for investments classified as held-to-maturity.

Marketable investments at fair value - Any security and, in general, any type of investment that has been acquired with the main purpose of obtaining profits from short-term price fluctuation is classified as a marketable investment.

Investments classified at fair value are measured at fair value, and the differences will be recognized in the statement of income for the period. The recognized net profit or loss includes any interest or dividends generated from the investment.

Held-to-maturity investments – Any security and, in general, any type of investment with respect to which the investor has the intent and legal, contractual, financial, and operating capacity of holding until their maturity or redemption term is classified as a held-to-maturity investment. The purpose of holding the investment is based on the positive and unequivocal intent to not dispose of the security.

With held-to-maturity securities, no monetary market transactions can be conducted, 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 held-to-maturity investments 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 statement of income.

Initial recognition: 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 business model established by the entity (according to IFRS 9).

Investment valuation – The main objective of valuating investments is calculating, 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.

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 the valuation and the accounting record thereof - The valuation of investments 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.

Investment valuation

- Debt securities classified as marketable investments shall be valued at fair value, taking the prices published by suppliers (level 2 hierarchy).

- Securities classified as held-to-maturity investments are valued at amortized cost.

Investments in subsidiaries, associates and joint ventures::

Credibanco is an entity that manages low-value payment systems. It became a joint-stock private company. BBVA Colombia participates with 12.65% of the capital stock

Initial and subsequent recognition: The Group determines whether it has control or significant influence over its equity investments. Based on this analysis, the right to consolidate and to measure its investments in future periods is determined, depending on whether it is a subsidiary, associate or joint venture; consolidation occurs when there are investments in controlled entities.

Regarding non-controlled entities, the measurement techniques established in IFRS 9 are applied, using level 3 of the fair value hierarchy based on the internal model of discounted revenue streams.

The Group estimates the Statement of Financial Position, Statement of Income and the Statement of Changes in Equity of each non-controlled 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 non-controlled 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 various criteria presented below.

This valuation is adjusted on a quarterly basis, in accordance with the periodic Financial Statements published by the non-controlled 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.

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.

Securities of issues or issuers with external ratings - Securities with one or more ratings granted by external, authorized rating agencies, or debt securities issued by entities that have been rated by the same agencies, may not be posted for an amount exceeding the following percentages of their nominal value net from the amortization made up to the valuation date:

Long-term Rating	Maximum Value %	Long-term Rating	Maximum Value %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 y 6	Zero (0)
DD, EE	Zero (0)	-	-

3.4 Derivatives

Investment and Derivative operations closed the year by $6.4 billion, which represents a growth of 2.1

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 includes a more detailed explanation of derivatives.

Derivatives are initially recognized at fair value on the date the contract for the derivative is subscribed, and they are then measured again at fair value at the end of the reporting period. The resulting profit or loss is recognized in income statements 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.

For valuation purposes, presentation in the Financial Statements, and disclosure and reporting information to the SFC, the Bank 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 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.

3.5 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.

3.6 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 Bank designates certain hedging instruments, which include derivatives, implicit derivatives and non-derivatives with respect to foreign currency risk, as fair value hedging, cash flow hedging or net investment hedging in a business abroad. The foreign currency risk hedging of a firm commitment may be posted as cash flow hedging. At the start of the hedging, 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, 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 statement of financial position in the item related to the hedged item.

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 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 Bank 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 as income. When the planned transaction is no longer expected to occur, any profit or loss accumulated in equity is recognized immediately as profit or loss.

The bank has accounting hedges to hedge the exchange and interest rate risk for the notes issued in foreing currency.

3.7 Loan portfolio, lease agreements, accounts receivable and their provisions

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

Loans and accounts receivable 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 and accounts receivable are made up of the Bank'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, consumer).

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, with the following characteristics:

- • They are denominated in RVUs (Real Value Units) or legal tender. The RVU is used to update long-term loans. This unit allows the value of the loans to be adjusted over time according to the country's cost of living (Consumer Price Index - CPI). The RVU value is currently calculated by the Central Bank of Colombia for every day of the year.
- They are covered with a first lien on the housing financed.
- The amortization term must be between a minimum of five (5) years and a maximum of thirty (30) years.
- It must have a remunerative interest rate, which shall be fixed during the entire term of the credit, unless a reduction thereof is agreed and must be stated only

in terms of annual effective rate.

- The loan amount shall be up to eighty percent (80%) of the value of the property in the case of loans for finance low-income housing (LIH) and up to seventy percent (70%) for all other loans. In the case of residential leasing of Non-LIH Housing (Non-low Income Housing), the financing shall be up to eighty five percent (85%).

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 its 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.

During the 2016 the bank set as the leading bank in consumer loans reaching a marketshare of 14.59% in october 2016.

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 (IAS 3: AG87-92). 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” for this fiscal year 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). Based on the model, this grouping is 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 belonging 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.

To perform the impairment test, the current value of future expected cash flows (repayment of principal plus interest) is estimated for each of the customer's transactions (discounted with the original effective interest rate) and the current value is compared to the carrying value:

- If the carrying value is greater than the current value of cash flows, there is impairment, and it is quantified as the difference between both amounts.

- If, on the other hand, the current value of future cash flows is greater than the carrying value, it means that this asset has EOD but not impairment.

The impairment analysis and estimation consists of the following processes, which are carried out in the Area of Wholesale Recovery:

- Estimation of expected future flows for recovery.

- Evaluation of contract behavior and a detailed analysis of customers

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 LGD) 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 these 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.

In summary, it has been considered that the necessary hedge for impairment of these instruments depends on the following formula:

Hedge for impairment = EXP x PD x LGD

With EXP = Balance Drawn + Balance Available * CCF

Where:

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

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

PD is the probability real default of the financial instrument (in the determined time frame)

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 these characteristics.

- *IBNR Model:* The financial assets that the Bank 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.

Appropiate risk management allows the lending activity expansion.

This Model therefore has a fundamental component:

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 Group has calculated.

Thus, the calculation of impairment incurred but not identified in each portfolio is determined using the following formula:

IBNR= EXP x PD x LGD

With EXP = Balance Drawn + Balance Available * CCF

Where:

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

PD is the probability of entering default within a defined time frame;

LGD is the estimated severity of the transaction, 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 these characteristics.

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

- 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.

Below we describe the steps to be followed to estimate these two parameters, so that the calculation is traceable:

- *Building the necessary bases to estimate the parameters:* To estimate these parameters, the necessary information is extracted from historical data that the Group has and precise databases are created that allow for the parameters to be estimated, which best reflect current BBVA conditions.

Methodology for the probability of entering default (PD):

- *Process for estimating PD:* The calculation of the probability of entering default is based on the calculation of an average PD balance to a time horizon of a year calculated based on the historical period that best reflects current conditions (PD PIT).

  To assign a PD to each segment for which the provisions will be calculated using collective calculation and the IBNR model, a parametric table is created, which contains an average PD value for each of the possible combinations of the core concepts considered (except the LDP - low default portfolio).

Segmentation and homogeneous grouping: As mentioned above, the collective analysis of financial assets is permitted provided that they can be grouped based on their credit risk (indicative of the debtor's payment capacity). The core concepts considered as discriminant and relevant at the time of calculating the probability of entering default have been the following:

- Product family
- Customer segment
- Days overdue

BBVA keeps favorable quality indicators and a competitive risk profile.

Methodology for estimating severity (LDG):

Low Default Portfolio (LDP): For those segments of minimum or null default (LDP) that are not susceptible to estimate, the expert criteria has been applied (LGD=40%)

Other portfolios: The LGD is calculated using a workout approach consisting of the default with historical flows observed in the recovery processes. This focus is a standard in estimating the parameters of severity in the industry using the following formula.

$$LGD=1-\frac{\sum \text{discounted recoveries}}{EAD}$$

Where:

- Discounted recoveries: Recoveries made on states of default greater than 90 days

- EAD: Exposure at the time of default

The estimate is LGD balance, in other words, in calculating the LGD of each portfolio, defaults are considered by balance, as opposed to a calculation of simple arithmetic means. This approach allows the possible correlation to be implicitly determined between exposure and severity.

Historical period considered: When estimating the severity parameter, the most representative period of recoveries that are going to be made at the closing date is considered.

Discount rates: IAS 39 requires discounting using the effective original rate of the transaction. In the historical data used to estimate severity, said rate is not available, therefore the current average weighted rate is used based on the product family as a best approximation.

Segmentation: The segmentation is done based on product lines for individuals and by Banks for wholesale customers.

For loan portfolios valued at amortized cost, once EOD is determined to exist, the amount of impairment will be valued as the difference between the carrying value and the current value of future estimated cash flows (excluding those cash flows that are not expected to be recovered), discounted at the effective interest rate of the financial asset. The carrying value of the asset is directly reduced or a value allowance account is used, according to IAS 39: 63-65.

In the event that the present value of future expected flows is greater than the carrying value, there is no impairment, regardless of whether the asset has EOD.

The Trust Company and Stock Brokerage Company does not have loan portfolio balances for the 2016 and 2015 periods.

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

Initial measurement - The initial recognition of a financial asset is made at fair value, regardless of the transaction costs related to these investments, which are recorded as expenses. The transaction costs directly attributable to the acquisition of issuance of a financial asset are included as part of the value thereof in their initial recognition for all financial assets that are not measured at fair value through profit or loss.

Subsequent measurement - Financial assets at fair value through profit or loss are subsequently measured at fair value and the profit or loss due to the valuation or sale of these assets is recorded in the fiscal year's statement of income.

Instruments at amortized cost and commercial accounts receivable are posted at amortized cost in accordance with the effective interest rate method.

Most accounts receivable are short-term, so the discount is not necessary.

Interest revenue is recognized by applying the effective interest rate, except for short-term accounts receivable when the effect of the discount is immaterial.

When the trust company receives a loan portfolio through trust orders or manages them through autonomous equity funds, it maintains appropriate management and measurement of the credit risk implicit in these assets using a SARC (Credit Risk

Management System). This implies that trust companies should develop and apply to the portfolio managed, the system management elements (policies, organizational structure, procedures, criteria, database, and audit) and the measurement elements (default probability, percentage of recovery and expected loss).

The above rule applies except in those cases where, when creating the trust, the trustor, unequivocally, gives express instructions on the management and measurement elements that must be applied to the trust or, if on the contrary, he considers that none should be applied.

However, if the trustor is a credit establishment, the credit risk of that portfolio should be managed and measured by applying the SARC authorized to it. The same credit establishment can carry out such management and measurement for the trust company, if this is expressly agreed in the respective contract.

For trust contracts where the trustor is an entity supervised by the Superintendence, the Trust Company shall expressly agree in the contract that the SARC approved to the trustor with whatever scope is contractually agreed upon will be used.

For the trust contracts where the trustor is not a person or entity supervised by the Superintendence, the Trust Company shall apply the SARC that the trustor should expressly indicate, which will be agreed upon in the respective contract.

Management meets periodically to conduct a portfolio analysis of the Trust Company with the purpose of determining the third parties that have been 100%-provisioned for more than one year, and for which there is no probability of collection, to, subsequently, request the Board of Directors an approval for the write-off of those third parties.

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.

Banker’s acceptances – These are bills accepted by financial entities to be paid to the beneficiaries within a term not to exceed six (6) months. They may only be originated in goods import and export transactions or transactions for the purchase-sale of personal property in the country. Upon acceptance of those bills, their value is simultaneously recorded by the Bank in assets and in liabilities. After the initial recognition, the issuer of said contracts will evaluate them to determine possible value corrections due to expected credit losses of the financial asset.

The amounts recorded in assets are assessed for credit risk according to the general procedures for loan portfolio assessment.

3.8 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.

When the Bank is committed to a sale plan that involves the loss of control in a subsidiary, all the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Bank is going to retain non-controlling interest in its former subsidiary after the sale.

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 costs of 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.

3.9 Leases (Property leased and depreciation)

Leasing is a financing mechanism whereby, through a contract, one party transfers to another party a productive asset for its use and enjoyment, in exchange for a rate of rental.

To recognize financial leases, where the Group acts as the lessor, the criteria under IAS 37, Paragraph 36 are applied, as an item receivable for an amount equal to that of the net investment in the lease.

The Group classifies a lease as financial when all of the risks and rewards inherent to ownership are substantially transferred, and a lease is classified as operational if all of the risks and rewards inherent to ownership are not substantially transferred.

For this reason, the principle of essence over substance is applied, in such a way that its classification depends on the economic substance and nature of the transaction, rather than the legal form of the contract.

Generally, the classification of a lease for the lessor and lessee has to be the same, except for very specific exceptions, such as when the lessor benefits from a guarantee referencing residual value, provided by a third party that is not the lessee.

The lease is classified at the start thereof. In the event that over the duration of the contract the conditions are modified in such a way that a different classification results (from a financial to an operational lease or vice versa), the revised contract is considered to be a new lease for the remaining period up to the expiration thereof.

Financial leasing is a contract whereby the Bank transfers to a natural or legal person, denominated “The lessee,” the possession of an asset that it has acquired for that purpose and that the latter has selected for its use and enjoyment, in exchange for the periodic payment of an amount of money during an agreed term and upon the expiration of which, the lessee will be entitled to acquire the asset for the value of the purchase option.

The amount of Financial Leasing transactions to be financed is amortized with the payment of the rates of financial lease in the portion that corresponds to payment toward principal.

When the Group acts as a lessor, the assets that are kept as financial leases are recognized in the statement of financial position, and presented as a loan portfolio line item.

The initial direct costs incurred by the lessor such as commissions, professional fees and other incremental internal costs that are directly attributable to the negotiation and arrangement of the lease, may be included within the effective interest rate or implicit rate, under the amortized cost method.

The Group, as a lessor, does not record financial lease operations contracts.

An operating lease is a contract whereby a natural or legal person denominated the lessor provides another person, denominated the lessee, with the possession of an asset for their use and enjoyment, in exchange for the payment of a rate of rental or periodic income.

The criteria used to recognize the acquisition cost of the assets transferred in an operating lease, for their amortization, to estimate their respective useful lives and record their impairment losses, match those described in regards to the property and equipment assets.

In the case of an operating lease, where the Group acts as a lessor, the assets are recognized and measured based on the nature of such assets; the initial direct costs incurred will be included when the lease is initially recognized and will be recognized as an expense for the entire lease period based on the revenues obtained from the contract.

The depreciation policy for depreciable leased assets is consistent with that used for the other depreciable assets held by the Group, and the depreciation recorded is calculated using the provisions established in IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets. If there is no reasonable certainty that the lessee will obtain the property at the end of the lease, the asset is fully depreciated over its useful life or for the term of the lease, whichever is less. (IAS 17:27)

In subsequent measurement for operating leases in which the Group is the lessee, the installments derived from the lease are recorded as a linear expense (excluding insurance and maintenance costs) during the term of the lease, except when another systematic basis for distribution is more representative to appropriately reflect the time pattern of the rewards of the lease for the user.

When the Group is the lessor in an operating lease, financial revenue is distributed using a systematic and rational base for the term of the lease. This distribution will be based on a guideline that reflects a constant yield in each period on the net investment of the financial lease. Payments of the lease for each period, once the costs for services are excluded, will be used to cover the gross investment in the lease, reducing both the principal and unearned financial revenue.

The impairment of assets provided under financial leasing is determined based on the incurred loss model, as applied for the loan portfolio.

3.10 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, to lease them to third parties or for administrative purposes, and they are expected to be used for more than one term.

Initial recognition– Initially, new property and equipment are 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 reliable valuations under the International Financial Reporting Standards applicable in Colombia.

Initially attributable costs – The cost of property and equipment elements 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:

Property	Description
Buildings	Economic life established by the evaluator
Computer equipment	3 years except for ATMs, whose useful life is 5 years
Furniture, equipment 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 entity 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.

Replacement 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, plant and equipment. In addition, the depreciable amount is determined after deducting its residual value. An impairment test will be performed on an annual basis 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 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, and
- Changes in market prices.

If these indicators are present, the Group will review its previous estimates and, if the current expectations are different, it will modify the residual value and post 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 material asset can be impaired using a list of indicators, both external and internal. If there is evidence of impairment, the Group requests an update of the appraisal so the asset can generate the respective alert. 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 recoverable value of its buildings 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.

3.11 Intangible Assets

These are identifiable assets that are non-monetary and 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 independently acquired or acquired 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, 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 are strategic for the Group are 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.

Prepaid expenses will be recognized under this category provided that they meet the criteria for recognizing assets, as well as the Software and Hardware maintenance policies that represent an enforceable right due to non-compliance of the supplier for the Group.

Robust local IT developments are also included.

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.

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.

For the intangible assets held by the Group, a null residual value has been determined. However, for future acquisitions, this condition must be reevaluated if there is a commitment by a third party to purchase the asset at the end of its useful life or there is an active market in which a residual value could be determined and it is likely that this market will exist at the end of the asset's useful life.

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 its 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 will end when the asset is classified as a non-current asset for sale or when it is written off on the balance sheet.

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

BBVA Colombia is committed to an open innovation model and encourages the interaction between entrepeneurs, startups, developers and investors.

Contributions are amortized during the accounting period, and they must be left with a balance of zero at the end of the period. 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.

Based on this method, the acquirer must recognize assets acquired and the liabilities and contingent liabilities assumed; including those acquired by the entity and not recognized in accounting. This method assumes the valuation of the consideration given in the business combination and the assignment thereof, on the date of acquisition, for identifiable assets, liabilities and contingent liabilities based on their fair value.

In addition, the acquiring entity will recognize an asset in the balance sheet as an intangible asset - Goodwill if, on the date of acquisition there is a positive difference between:

- The sum of the price paid plus the amount for all minority interest plus the fair value of previous shares of the acquired business; and

- The fair value of the assets acquired and the liabilities assumed.

If said difference is negative, it is recognized directly in the respective statement of income.

The Group recognizes the net amount of unidentifiable assets and liabilities at fair value in a business combination for purposes of the consolidated statement, and keeps a separate financial statement provided a merger by absorption has been configured.

Goodwill represents the payment in advance made by the acquiring entity for the future economic benefits derived from assets that have not been able to be identified individually and recognized separately. As such, goodwill is only recorded when the business combinations are made for valuable consideration.

The carrying value of goodwill at December 31, 2013 will be the amount that is held as indefinite useful life for subsequent periods, and will be subject to an impairment test.

In subsequent measurement, the Group does not amortize goodwill, but periodically subjects it to impairment analysis; proceeding to write it off in case of evidence of impairment, following an independent appraiser's opinion, approved by the Financial Superintendence. In addition, the cash-generating units to which the goodwill has been attributed are analyzed (including in their carrying value the portion of the goodwill assigned) to determine whether they have been impaired. This analysis is carried out on a regular basis, with an Expert report.

Impairment of intangible assets – At the end of each period, the Group evaluates the end date of the amortization if there is any sign of impairment in value of the intangible assets. To determine impairment for this type of assets, the Group analyzes variables such as the right to use, term of use of the asset, conditions of the asset and time of amortization.

3.12 Impairment of Non-Financial Assets

Non-financial assets are recorded as property and equipment, intangible assets, investment properties and non-current assets held for sale. These assets will be recognized at cost and will not be remeasured in the future; in addition, a periodic revision scheme that includes a means of optimal recovery in order to detect and alert of asset impairment will be in place.

The value of an asset is impaired when its carrying value exceeds its recoverable amount. 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 Group has defined, for each class of asset, an impairment test based on internal and external sources performed annually in order to determine whether there is evidence of impairment. If, as a result of applying the test, signs or evidence of impairment are obtained for a type of assets, its recoverable amount will be calculated, i.e., the greater between the fair value and its value in use.

For the assets held by the Group, there is no reason to believe that the value in use of an asset significantly exceeds its fair value less costs of disposal, whereupon the latter is considered as the recoverable amount. The fair value of this type of asset will be calculated by the entity provided that 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 value of the asset, less its potential residual value, systematically over the remaining useful life.

3.13 Deposits and 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.

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

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 CD 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 CD 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.

3.14 Liabilities with banks

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

3.15 Debt instruments issued

Includes three categories, based on the liabilities with letters of credit, subordinate bonds and current bonds, issued on the local market or the market abroad.

Regarding bonds issued in foreign currency in 2015, the Group, for initial recognition, recorded 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).

3.16 Labor Liabilities

Labor liabilities are recorded on a monthly basis and adjusted at the end of each year based upon 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 - If the characteristics of the benefit change (such as a change from non-cumulative to cumulative benefit) or if a change in the expectations of the Settlement Calendar is not temporary, then the Group will consider whether the benefit still meets the definition of short-term employee benefits.

Other financial benefits provided to employees are not recorded as personnel expenses in line with the principle of consistency.

Long-term Benefits - The Group has chosen to apply financial discount techniques in those cases where the regulation allows for a simplified accounting method and actuarial discount techniques where it is required to use the actuarial hypotheses, directly affecting actuarial gains and losses in the Profit and Loss account for benefits given to employees per five years of employment (seniority bonus).

Post-retirement benefits - Post-retirement benefits other than defined social security contributions will be recorded based on the report generated by the independent actuary by applying the Projected Credit Unit method. In addition, for actuarial gains or losses arising from one period to another, the entity has defined the use of the corridor method.

Retirement pensions – Current values for these commitments are calculated on an individual basis, having applied, for 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, and must be based on the following technical bases:

- To calculate future salary and pension increases, the DANE rate for year k will be the average of the sum of three (3) times the inflation of year k-1, plus two (2) times the inflation of year k-2, plus one (1) times the inflation of year k-3.

- The actual technical interest rate should be used.

- For active and retired personnel, the expected increase in income for the start of the second half of the first year should be considered.

- To explicitly include future salary and pension increases using a rate equal to the average inflation rate recorded by the National Administrative Department of Statistics (DANE, for the Spanish original) for the last ten (10) years, calculated at January 1 of the taxable year in which the calculation must be made.

- An actual technical interest rate equivalent to the average DTF rate recorded by the Central Bank of Colombia for the last ten (10) years, calculated at January 1 of the taxable year in which the calculation must be made.

The Group establishes its pension liability based upon the actuarial valuation that covers the entire personnel.

Liabilities and the cost of services for the current period were calculated using the method called "Projected Credit Unit." This method consists of quantifying 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 right to total estimated benefit that each participant is expected to have after departure from the company is divided into units, each one associated with one year of proven service, whether it is in the past or future.

The valuation will be made 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.

Benefits 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 date of valuation.

Therefore, the liability for defined benefits under the plan 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.

*Actuarial methodology –*The actuarial calculation method is the prospective method, valuing future benefits segmented from the expired period (segmented income).

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 and the defined benefits plan.

Defined contribution plan - 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 liability of the Group is to provide 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 will be accounted for as other comprehensive income.

3.17 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 some 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 Bank 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 important, 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:

- Allowances for personnel benefits and remuneration.
- Allowances for tax and legal disputes.
- Allowance for minimum dividends.
- 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 are a result of past events, whose existence is conditional on the occurrence or non-occurrence of future events that are beyond the Group'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.

The following are classified as contingent liabilities in supplemental disclosure:

Endorsements and Guarantees; Includes endorsements, guarantees and standby letters of credit. It also includes guarantees of payment of buyers in factoring transactions.

Confirmed letters of credit from abroad: Corresponds to letters of credit confirmed by the Bank.

Documentary letters of credit: Includes documentary letters of credit issued by the Bank that have not yet been negotiated.

Interbank guaranty letters: Corresponds to letters of guaranty issued.

Freely available credit lines: Includes the unused amounts of credit lines that allow customers to use their credit without prior decisions by the Bank (for example, with the use of credit cards or overdrafts agreed in checking accounts).

Other credit commitments: Includes the unassigned amounts of committed credits, which must be disbursed on an agreed future date or incurred when the actions previously contracted with the customer have taken place, such as in the case of credit lines bound to progress for construction or similar projects.

Other contingent credits: Includes any other type of entity commitment that may exist and may give rise to an effective credit upon the occurrence of certain future events. In general, it includes infrequent transactions, such as pledged instruments to guarantee payment of credit transactions between third parties or transactions with derivatives contracted by third parties that may imply a payment obligation and are not covered with deposits.

3.18 Income Tax

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

Current tax - The current tax payable is based on the taxable profit recorded during the year. Taxable profit is different from the income reported in the statement of income 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 and the equality tax (CREE) based on the taxable profit or presumptive income, whichever is higher, estimated at the rates specified by the tax law.

Deferred tax - The deferred 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 profit. The deferred tax liability is generally recognized for all temporary tax differences. A deferred tax asset will be recognized for all the deductible temporary differences, to the extent that the entity is likely to have future taxable profit 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 or accounting profits.

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

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

The deferred 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.

To measure the deferred tax liabilities and the deferred tax assets for investment properties measured using the fair value model, it is assumed that the carrying value of said properties will be recovered in full through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held in a business model whose objective is to consume substantially all the economic benefits generated by the investment property over time and not through sale. Management reviewed the Group's investment property portfolio and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all the economic benefits generated by the investment properties over time and not through sale. Therefore, Management has determined that the presumption of "sale" set forth in the amendments to IAS 12 is not rebutted. Consequently, the Group has not recognized any deferred tax in the changes of fair value of the investment property, as the group is not subject to any income tax on the sale of investment properties.

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

3.19 Wealth Tax

Law 1739 / 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 inheritances, legal entities and common law corporations, income and supplementary taxpayers, and national or foreign individuals on their wealth held directly or indirectly in the country.

This tax is generated by the ownership of wealth as 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 due 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 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 increased 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 Bank and its Subsidiaries opted to incur the amount of each year for the wealth tax and the corresponding surcharge, under a deferred asset, which will be amortized against income on a monthly basis during the current period; it will do the same at the beginning of each year in accordance with the tax term.

3.20 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 unit of account 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 Governors 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 real value units (UVR) translated to legal tender under 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 the currency, which implies it is linked to the consumer price index.

At December 31, 2016 and 2015 the quotation rate of the real value unit (UVR) was COP 242.4513 and COP 2228.2684, respectively.

3.21 Recognition of the Exchange Difference

Transactions in foreign currency are translated to Colombian pesos at the official exchange rate duly certified by the Superintendence for the last business day of the month corresponding to the closing of the respective period.

The resulting negative and positive exchange difference is carried to the financial expense or revenue item, respectively. The exchange rate used for adjusting the resulting balance in US Dollars as of Saturday, December 31, 2016 and 2015 was COP 3,000.71 and COP 3,149.47 per USD 1, respectively.

The exchange difference generated by foreign-currency denominated accounts payable and obligations required for the acquisition of property and equipment is capitalized until the asset is in conditions of being disposed of or used. All other exchange profits and losses are included in results for the period.

The exchange differences arising from liquidating monetary items, or from converting said items at rates other than those used for initial recognition, whether or not they were produced during the fiscal year or in previous financial statements, will be recognized in the income statement for the fiscal period in which they arise.

When a profit or loss derived from a non-monetary item is recognized as other comprehensive income, any exchange difference included in that profit or loss must also be recognized as other comprehensive income. On the other hand, when the profit or loss derived from a non-monetary item is recognized in the income statement for the period, any exchange difference included in said profit or loss must also be recognized in the income statement for the period.

As regards the spot proprietary position, Regulatory Public Notice DODM-139 / May 25, 2015 issued by the Central Bank as the monetary authority, stated that when there are funds from borrowings in foreign currency for terms greater than or equal to one year, hedged with a derivative in foreign currency in effect from the disbursement date to the due date of the transaction, whose funds will be used to carry out active transactions in legal tender, the spot proprietary position of this transaction can be excluded from the calculation. The effects of this procedure fluctuate according to the variation of the closing exchange rate and the monetization rate of the transaction.

Tax effects of all exchange differences - The profits and losses due to exchange rates in transactions in foreign currency, as well as differences from translation of the Entity's results and financial position (including businesses abroad) to a different currency, can have tax effects. IAS 12 Income Taxes will be applied to post these tax effects.

3.22 Adequate Equity

According to the provisions of Section 2.1 of Chapter XIII-13 of the Basic Accounting and Financial Notice (Public Notice 100 /1995 of the Colombian Financial Superintendence - SFC, for the Spanish original), the adequate equity of the Bank and its subsidiaries 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%).

$$Basic\ solvency = \frac{Common\ Equity\ Tier\ 1}{APNR + \frac{100}{9} VeR_{RM}} \geq 4.5\%$$

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%).

$$\text{Total Solvency} = \frac{\text{PT}}{\text{APNR} + \frac{100}{9}\text{VeR}_{\text{RM}}} \geq 9\%$$

Where:

PT= Technical Equity calculated as per the instructions given by the SFC in Chapter XIII-13 of CBCF (Public Notice 100/95).

APNR= Assets weighted by credit risk levels calculated as per the instructions given by the SFC in Chapter XIII-13 of CBCF (Public Notice 100/95).

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 100/95 of the SFC).

Each of the items that make up the minimum solvency ratios must be calculated considering the Exclusive Financial Information 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 Public Notice 036 / 2014 and listed in Note 2.1 are taken into account in determining and calculating this control.

3.23 Premium on Share Placement

The premium on share placement is the value additional to the nominal value of the shares that is charged when disposing of 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.

3.24 Recognition of Revenue and Expenses

Interest revenue and expenses and service fees are recorded in the income statement for the fiscal year as they are earned, based on the time of the transactions that give rise thereto.

- 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 Revenue and Expenses, Cost-Benefit Consideration, Valuation and Materiality or Relative Importance.

- The Group recognizes revenue 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 benefits 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 term 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-controlled entities and joint ventures are recognized when the right to receive them has been established.

- The recognition of interest revenue is applied using the effective interest method.

Deferred collections: In general, deferred revenue is recognized when the income can be correlated with the associated expense. In the case of restructured loans, revenue is recognized when payment is received.

Customer loyalty: The Bank 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 Bank recognizes a deferred liability that will be amortized as customers redeem their points, based on the model designed for points awarded for customer loyalty.

The Bank 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 Bank designed a model to determine the recognition of a liability 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.

3.25 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, in accordance with Public Notice 011 / 2015 of the SFC. 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.

3.26 Earnings Per Share

Basic earnings per share are calculated by dividing the profit 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 profit 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 measure 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.

3.27 Standards Issued by the IASB Not Yet in Force.

3.27.1 Adopted in Colombia as of January 1, 2017 - Decree 2420 / 2015 and Decree 2131 / 2016 - With these decrees, as of January 1, 2017, the following standards will take effect in the technical regulatory framework that contains the standards in force on December 31, 2014, along with the respective amendments issued by the IASB, except for IFRS 9 "Financial Instruments", permitting its earlier application:

Financial Reporting Standard	Subject of the Amendment	Details
IAS 1 - Presentation of Financial Statements	Disclosure Initiative.	Amendments due to difficulties in the application of the materiality concept. The entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Upon writing some of the requirements of IAS 1, the entity does not have to disclose specific information required by an IFRS, if the resulting information is not material.
IAS 16 - Property, Plant and Equipment IAS 38 – Intangible Assets	Clarification of Acceptable Methods of Depreciation	An explanation of both standards is provided to clarify that the expected future reductions in sales prices may indicate a higher consumption rate of the future economic rewards included in an asset.
IAS 19 - Employee Benefits	Defined Benefit Plans: Employee contributions.	Clarifies how to account for employee or third party contributions linked to the defined benefit plans or services, considering whether the contributions made depend on the employee's number of years of service.
IAS 27 - Separate Financial Statements	Equity Method in Separate Financial Statements	Allow the use of the equity method in the financial statements. The amendment allows the entity to account for investments in subsidiaries, joint ventures and associates in the separate financial statements: • at cost, • at fair value, in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or • using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. The same accounting shall apply for each category of investments.
IAS 32 – Financial Instruments: Presentation	Offsetting financial assets and financial liabilities	Clarifies current implementation issues relating to the offsetting requirements.

Financial Reporting Standard	Subject of the Amendment	Details
IFRS 10 – Consolidated Financial Statements IFRS 12 - Disclosure of Interests in Other Entities IAS 28 Investment Entities	Applying the Consolidation Exception	The exemption from preparing consolidated financial statements is available for a controlling entity that is a subsidiary of an investment entity, even when the investment entity measures all of its subsidiaries at fair value as per IFRS 10. The requirement that an investment entity consolidate a subsidiary that provides services related to the foregoing investment activities is only applicable to subsidiaries that are not investment entities. By applying the equity method to an associate or joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. An investment entity that measures all its subsidiaries at fair value must make the disclosures required by IFRS 12 - Disclosure of Interest in Other Entities.
IFRS 10 - Consolidated Financial Statements IAS 28 - Investment Entities	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The profits and losses from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognized to the extent of the unrelated investor's interest in the associate or joint venture. The profits and losses from subsequent transactions involving assets that constitute a business between an investor and its associate or joint venture should be fully recognized in the investor's financial statements. Profits or losses resulting from the loss of control over a subsidiary that does not constitute a business in a transaction with an associate or a joint venture accounted for using the equity method, are recognized in the controlling company's income to the extent of the unrelated investor's interest in the associate or joint venture. Profits and losses resulting from the revaluation of accumulated investments in a former subsidiary (that is now an associate or a joint venture accounted for using the equity method) at fair value is recognized in the income statement of the previous controlling company only to the extent of the unrelated investors' interest in the new associate or joint venture.
IFRS 11 - Joint Ventures	Accounting for Acquisitions of Interest in Joint Ventures	Provides indications on how to record the acquisition of interest in a joint venture in which the activities constitute a business, as per the definition of IFRS Business Combinations.
IFRS 14 - Deferred Regulatory Accounts	Regulated Activity Deferral Accounts	Explains the entry in the balance sheets of deferred regulatory accounts arising from activities with regulated rates. The standard is available only for the sectors adopting IFRS for the first time and have recognized the balances of deferred regulatory accounts according to the previous generally accepted accounting principles (GAAP).
Annual Improvements 2012 - 2014 Cycle	These amendments reflect topics discussed by IASB that were later included as amendments to the IFRS	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Changes in the methods to dispose of assets. IFRS 7 Financial Instruments: Disclosure (with amendments resulting from amendments to IFRS 1) IAS 19 Employee Benefits. Discount rate: regional market issues. IAS 34 Interim Financial Reporting.

3.27.2. Adopted in Colombia as of January 1, 2018 - Decree 2496 / 2015 and Decree 2131 / 2016 - With these decrees, as of January 1, 2018, the following standards will take effect in the technical regulatory framework that contains amendments issued by the IASB in 2016, permitting its earlier application:

Financial Reporting Standard	Subject of the Amendment	Details
IAS 7 - Statements of Cash Flow	Disclosure Initiatives	Clarify disclosures to assess the changes in responsibilities resulting from financing activities
IAS 12 - Deferred Tax	Recognition of deferred tax assets due to unrealized losses	The following aspects are clarified: • Unrealized losses on debt instruments measured at fair value and valued for tax purposes give rise to a temporary deductible difference, regardless of whether the holder of the debt instrument expects to recover the carrying value of the debt instrument by selling or using it. • The carrying value of an asset does not limit the estimation of potential future taxable profits. • Estimations of future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • Entities evaluate a deferred tax asset in combination with other deferred tax assets. When tax law restricts the use of tax losses, the entity would evaluate a deferred tax asset in combination with other deferred tax assets of the same type.
IFRS 9 – Financial Instruments		Issued as a complete standard, including previously issued requirements and the amendments to introduce a new loss model for expected losses and changes limited to the requirements of financial asset classification and measurement, consisting of the following phases: Phase 1: All recognized financial assets currently in the scope of IAS 39 will be measured at either amortized cost or fair value. Phase 2: The impairment model according to IFRS 9 reflects expected credit losses, as opposed to credit losses incurred according to IAS 39. Phase 3: The three types of hedge accounting mechanisms included in IAS 39 are maintained. The effectiveness test has been revised and replaced by the "economic link" principle. More disclosure requirements have been added regarding the entity's risk management activities.
IFRS 15 - Revenue from contracts with customers		Has a unique model for the treatment of revenue from contracts with customers. Its basic principle is that an entity must recognize the revenue to represent the transfer or the assets or services promised to customers in a quantity that reflects the consideration that the entity expects to be entitled to for the goods or services, with 5 steps for the recognition thereof. Subsequently, clarifying amendments were included, such as: • identifying a performance obligation (the promise to transfer a good or service to a customer) in a contract; • determining whether a company is the principal party (the supplier of a good or service) or an agent (party responsible for arranging the good or service to be provided); and • determining whether the revenue derived from the licensing must be recognized at a given time or over time. This standard replaces the following: 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 Interpretation 31 "Barter Transactions Involving Advertising Services"

The Group anticipates that the adoption of the above standards and interpretations issued by the IASB that are not yet in force in Colombia would not have a material impact on the financial statements.

3.27.3. 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	Subject of the Amendment	Details
IFRS 2 – Share-based Payment	Classification and Measurement of Share-based Payment Transactions	IFRS 2 does not provide guidelines 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. Effective from January 2018
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 Effective from January 2019

The Group 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

New Regulations - 2016

- *Law 1777, Public Notices 25 and 26,* establishes the use of the balances of abandoned accounts (3 consecutive years without any transactions) in financial establishments, to be invested in the creation and management of a fund in the Colombian Institute for Educational Credit and Technical Studies Abroad (ICETEX, for the Spanish original) in order to grant loans for education and improve the quality of Educational Institutions. Transfers of funds and the respective refunds for account activity are carried out every three months.

- *Law 1819,* the Structural Tax Reform is adopted, intended by the National Government to bring simplicity and equality to the tax system.

- *Public Notice 8* changes the terms for the transmission of the Closing or Year-end Financial Statements to the National Securities and Issuers Registry (RNVE, for the Spanish original), which must be done within ninety (90) calendar days following the closing date of the respective fiscal year at the latest.

- *Public Notices 11 and 21* establishes the additional guidelines to conduct the stress tests required by the SFC and the results report that must be provided by banking establishments, financing companies, financial corporations and financial cooperatives.

- *External Resolution 2* indicates that in repo transactions, the Central Bank of Colombia may require OMO Placement Agents to provide guarantees to mitigate the risk of replacement of these transactions, through the Central Securities Depository (DCV, for the Spanish original).

- *External Resolution 3,* External Resolution 11 and Regulatory Public Notice DODM – 361 / May 3 and September 30, modifies the calculation of Exchange Risk Indicators and Short-term Exposure Indicators of Foreign Exchange Market Brokers and extend the term for the implementation thereof.

- *External Resolution 4 and External Resolution 12* add penalties for non-compliance with the limits on proprietary position and the treatment for excess Proprietary Position by including goodwill from investments abroad, indicating that they can be adjusted to the corresponding maximum limits up to October 31, 2016, based on the standards set forth or agreed with the SFC.

This Resolution replaces External Resolution 1 / 2016, which amended the following items:

- The minimum amount of the spot proprietary position, when indicating that the arithmetic average of three business days of spot proprietary position in foreign currency may be negative, without exceeding the equivalent in foreign currency of 20% of its technical equity.

- There will be no limit on the arithmetic average of three business days of proprietary position.

- The daily level of proprietary position, spot proprietary position and gross leverage position are to be reported to the oversight and supervisory bodies on a weekly basis by the last business day of the week following the reporting week, along with the calculation of averages for the three-business-day periods ended in said reporting week.

- *Regulatory Public Notice DODM -139 / May 25, 2015 and its amendments of May 3, September 1 and 30* entirely replaces DODM-139 / February 1, 2016, November 10, 2015, June 26, 2015 and December 2, 2014, regarding Proprietary Position. Its main changes are:

  - It changes the calculation of proprietary position to include the current value of investments in subsidiaries, affiliates, associates, joint ventures and foreign branches, including any amount that can change said value, such as goodwill, valuations and profits or losses, among others, regardless of the accounting code used for the reporting thereof.

  - It clarifies that the liabilities derived from borrowing in foreign currency with terms greater than or equal to one year, whose funds will be used to carry out asset operations in legal currency, must contractually establish that their term is greater than or equal to one year, or alternatively, that it is greater than or equal to 365 days, although their effective term can be less due to settlement conventions.

  - It includes investments classified as investments available for sale in the calculation of spot proprietary position.

- It excludes from the calculation of the spot proprietary position the liabilities derived from borrowing in foreign currency whose counterparty is represented by investments classified as held-to-maturity investments.

- The Proprietary Position, Spot Proprietary Position and Gross Leverage Position must be reported to the SFC on a weekly basis, by the last business day of the second week following the reporting week at the latest.

- It updates the notice to refer to the Exclusive Financial Reporting Catalog for Monitoring Purposes (CUIF, for the Spanish original).

- Regulatory Public Notice DODM -139 / May 25, 2015, is amended by Regulatory Public Notices DODM -139 / May 3 and September 1 and 30, the first makes amendments to clarify the provisions regarding proprietary position, spot proprietary position, gross leverage position and indicators of exposure based on currency of foreign exchange market brokers (IMC, for the Spanish original), and do not apply to companies specializing in electronic payments and deposits; the second amends the terms that will take effect starting on January 10, 2017.

• *External Resolution 5,* related to the proprietary position of foreign exchange market brokers (IMC, for the Spanish original), which provides that the IMCs with excess proprietary position at June 27, 2016 as discussed in External Resolution 9 / 2013, as a result of:

  - Adjustments to financial statements related to investments in foreign subsidiaries and affiliates resulting from the adoption of International Financial Reporting Standards (IFRS) and/or the inclusion of the goodwill from investments in entities abroad, may adjust said excess to the maximum limit up to July 5, 2017. This excess cannot increase during said term.

• *External Resolution 9 and Regulatory Public Notice DEFI - 353* indicates that inactive deposits that have been abandoned and transferred to the DTN and the ICETEX fund, will have the adjustment percentage indicated in subsection c) of this Article (that is to say, 0%). Apply as of the biweekly adjustment period required between December 14 and 27, 2016.

- *External Resolution 10* highlights that the inactive deposits that have been abandoned and transferred to the DTN and the ICETEX fund will be excluded from the required calculation of forced investment in Agricultural Development Securities (TDAs, for the Spanish original). Applies as of the calendar quarter from January to March 2017.

- *Public Notice 36* changes the deadlines and times for the transmission of information of the Exclusive Financial Reporting Catalog (CUIF, for the Spanish original).

- *Decree 1625* the Exclusive Regulatory Decree on tax matters is issued in order to compile and streamline the regulatory standards that govern the Finance Sector and to have an exclusive legal instrument for this purpose.

- *Fogafín Resolution 002* updates the standard unified by the entity's Board of Directors (previously, Resolution 001 / 2015) regarding Deposit Insurance.

- *Public Notice 47* provides instructions regarding the calculation of expected losses for the consumer portfolio reference model and strengthens the proper management of the credit risks of supervised entities. Effective: from December 1, 2016. The additional provisions generated by the implementation of the adjustment due to term (remaining term of more than 72 months) discussed in this Public Notice, must be completely established by February 28, 2017.

- *Decree 2101 adds Title 5* - Financial Reporting Standards for Entities that do not Meet the Going Concern Principle, to Part 1, Book 1 of Decree 2420 / 2015, Exclusive Regulatory Decree of Accounting Standards. This title contains a fundamental principle for preparing an entity's general-purpose financial statements.

- *Decree 2131 amends Exclusive Regulatory Decree - DUR 2420 / 2015 (amended by Decree 2496/15),* which compiles the information assurance and accounting standards. It also defines the disclosure of the calculation of pension liabilities 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.

- *Public Notice 041 / December 7, 2015 completely modifies Chapter XVIII* – Derivative Financial Instruments and structured products of the Basic Accounting and Financial Notice (CBCF, for the Spanish original), in compliance with the new regulatory accounting frameworks in Colombia, among others. In particular, it points out that for valuation purposes, presentation in the Financial Statements, and disclosure and reporting information to the SFC, supervised entities 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.

5. Business Segments

Operation segments are defined as a component of an 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, including the operations carried out in its subsidiaries and including additional information based on its defined strategic business units.

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 the Body responsible for allocating the resources and assessing the performance of each segment. The Bank's monitoring and management systems 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 Saturday, December 31, 2016 compared to the year 2015.

To carry out the 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 business customers from the public and private sector.
- *Corporate and Investment Banking (CIB):* responsible for corporate customers, in addition to treasury transactions and investment banking.
- *Assets and Liabilities Committee (COAP):* is the unit that manages the Bank's liquidity and sets the transfer prices for the funds and portfolio going to and from all other banking segments.

In addition, several business sub-segments have been defined within the above banking segments in order to direct commercial actions effectively, in accordance with customer 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 the transactions of consumer and mortgage loans, payment methods, Consumer Finance and the SME segment. The main activities carried out to promote the segments mentioned above in 2016 were:

Segment of Individuals

BBVA Colombia has made efforts to develop new products and functionalities to meet customers' needs and retain its lead in this segment. In 2016, the focus was centered on raising resources from individuals, for which a permanent savings campaign was carried out, offering benefits in terms of rates and rewards for savers. By the end of December

2016, the annual growth of funds from individual customers was +14.2%, where the increase in raising term resources stood out at +55.8%.

In turn, the individual customer loan portfolio recorded an annual growth of +14.1% at December and an annual gain in share of +26 basis points at October 2016 (14.94%). The portfolio lines with the best performance in 2016 were payroll and consumer loan portfolios.

In line with the Group's strategic priorities, in the Individuals Segment, efforts have been focused on transforming the business, by analyzing customers' needs in order to provide them with the best experience, complete service and the promotion of products and digital sales.

Consumer

The year 2016 ended with good results in the lines of consumer loans. At December there was a growth in total year-to-date consumer billing of 14.1% compared to the previous year, closing with a billing volume of COP 6,057 billion. The consumer loan portfolio closed with a balance of COP 11,619 billion, which is equivalent to an annual growth of 16.8%. In turn, unrestricted consumer loans grew +15.2% and payroll loans grew +12.4%.

These results were achieved in the framework of the Customer Plan, which is intended not only to deepen relationships with customers from the time of enrollment, but also to improve the value proposition. To do so, in 2016, commercial strategies where carried out, such as the recurring management of bases of pre-approved customers, internal incentive actions (Golden Ball), the continuous improvement of product functionalities, preferential policies and product conditions tailored to user needs, which were managed by the sales force (Financial Service Network and Sales Desk).

Mortgage (Housing)

The Bank has played an active role in Government programs, promoting the acquisition of new homes. At December 2016, year-to-date billing recorded a 1.2% growth compared to the previous year, and the loan portfolio balance closed at COP 9.1 trillion, with an annual variation of +12.15%. The market share at October 2016 was 17.66%, with an annual variation of -37 basis points.

In turn, the performance of Residential Leasing was excellent, positioning BBVA as the third most important actor on this market. These results were reinforced by the simplification of processes and the optimization of response times.

Another major milestone to be highlighted is the incorporation of the Risk-adjusted Return (RAR) in the placement of mortgage loans, which ensures a differential rate based on the characteristics of each customer and a better return for the business.

Payment Methods

In Payment Methods, the Bank is quickly making progress. The credit card balance reached COP 1.6 trillion, with an annual variation of 6.8%. In turn, (debit and credit) card billing in businesses by the end of November was COP 5.9 trillion, which represents a 16.3% growth compared to the same month in 2015. In addition, the acquisitions business achieved sales for COP 4.7 trillion and an average increase of 40.1%.

In payment methods, priority was focused on innovation with the implementation of new solutions that promote knowledge of digital tools and make it easy for card holders to use their cards. With that in mind, the Wallet app was launched in November 2016, providing continuity to the app's success in the five markets in which the bank has already implemented it. The app is universally accepted, and it is the first one in the country with these characteristics, thus confirming BBVA's lead in digital banking in the industry. In its first week available to the public, Wallet Colombia exceeded 5,000 downloads. At the end of 2016, the figure exceeded 31,000 downloads.

Consumer Finance

BBVA Colombia's performance was higher than the market's performance in car loans, with an annual variation of 50.5% in billing compared to the end of December 2015. This is the result of the commissioning of the RCI car financing company created by the BBVA - Renault partnership. This product's results are outstanding, considering that car sales have dropped 13% in Colombia compared to November 2015. BBVA is in the third place in market share, with a share of 13.04% at October 2016 (measured as Banks and Financing Companies).

The efforts of 2016 were based on new sales strategies supported by the use of alternative channels to achieve better positioning. National Fairs were carried out and a dedicated website was launched, in order to approach dealers, businesses and the end customer. Additionally, the first BBVA digital car show was created, in which the digital sale of vehicles was the centerpiece of the proposal, generating value for allied dealers.

SME Segment

This segment is focused on offering financial services for small and medium-sized enterprises, promoting transactional solutions for customers with the support of a competitive offering in terms of collection and acquisition. During the year, commercial initiatives were taken focused on managing resources to increase the balance of demand, savings and CD products. SME investment has also been managed through the generation of pre-approved loans and re-borrowing. As a result, at the end of December, this segment had a loan portfolio balance of COP 3.0 trillion, which represents a 7.9% increase compared to the same month of the previous year.

Enterprise and Institutional Banking - EIB

EIB banking is in charge of managing the business segment, which is made up of: enterprises, institutions, transactional services, foreign trade, leasing and factoring.

Business Segment

Corporate Segment

This segment focuses its efforts on serving customers from industry strategic sectors, such as construction, infrastructure and agriculture, by strengthening the risk policies tailored to each customer's profile. During the year 2016, the corporate segment played an active role in the Bank's campaign to boost the growth of demand, savings and CD products; as a result, the resources of corporate banking increased by +19.1% compared to December of the previous year. The annual growth of CDs stands out, reaching 160.6%.

The performance of the construction loan unit was excellent, thanks to its specialized team, carrying out its own events and creating synergies with the other areas of the Bank, as well as the model to approach customers and the specialized portfolio. This placed the Bank at the customers' top of mind awareness, achieving an annual growth of 25%, reaching one trillion pesos in loan portfolio balances. At the end of 2016, the Bank was in third place on the construction loan market.

Institutional Segment

The Institutional segment is still the main drawing of funds for the Bank. This has been achieved with the permanent, strategic presence in the regions and the offering of a specialized portfolio for the optimal management of government body finances on the national and regional levels, thus helping collect funds through the General Contributions System, the General Royalties System and the Regional Pension Fund.

Institutional Banking continues to hold a privileged position in the Financial System. In 2016, it maintained a 30% share on the royalties market, Desahorro FONPET and the General Contributions System.

It is important to point out that during the year, more than 100 regional entities were visited and training was provided for regional government entities with emphasis on the management of public funds and the offering of the financial service portfolio in accordance with the segment's needs.

Synergy with the Individual Banking segment is still a strategic pillar for the Institutional Segment, becoming the top cross-selling generator of payrolls, consumer and payroll loan portfolios.

Foreign Trade

El Área de Comercio Exterior diseñó un programa de formación Bancaria con énfasis en Productos de comercio Exterior, Régimen Cambiario y Tesorería, con una intensidad de 30 horas en la cual han participado a la fecha 175 empresas.

Dentro de la mejora a los productos de Comercio Exterior se diseñó la Tarjeta de Crédito Importadora la cual permite pagar importaciones de bienes, generando para el cliente eficiencia en procesos, agilidad en el pago a proveedores y mitigando el impacto de sanciones por infracción cambiaria por parte de los entes de control. Así mismo, se ha consolidado la financiación de importaciones a largo plazo de los bienes de capital con el producto "ECA" (Export Credit Agency), con garantía de entidades multilaterales de Países Industrializados, para proyectos de desarrollo como puertos y reconversión de capital de grandes industrias productivas.

Leasing and Factoring

During the year, Leasing and Factoring Management was unified, with clear objectives aiming to achieve greater domestic coverage and providing our customers with the best advice and assistance regarding their liquidity needs and investment projects.

Customers were presented with the Triangular Line factoring solution, which led to more than sixty agreements with major supply companies, whose sales benefited through the allocation of the lines of financing available at BBVA for its customers, with the specific goal of provisioning the inventories of small and medium-sized companies.

Transactional Services

The Transactional Business Management of the EIB and SME segments carried on with its high-value customer loyalty initiative through training for specialized teams nationally using the consultant approach, which enables the attainment of new business as well as the strengthening of targeted customers.

As regards participation in new business, the transaction team stands out for the attainment of funds by raising cash.

Corporate and Investment Banking – CIB

Corporate & Investment Banking Colombia is responsible for managing major and multinational companies, offering them a complete portfolio of services and increasing commercial relations with the Bank. In addition, this line of banking provides specialized services for Commercial and EIB banking in order to promote synergies among businesses.

The Banking has a highly qualified sales team, which in 2016, has spearheaded capitalization and closing relevant opportunities occurring on the Colombian market. In fulfilling this objective, the anticipation, design and execution of commercial plans has been essential, among which it is important to highlight: FX Platform, liability management, asset allocation and debt capital markets, etc.

Bring the opportunities of this new era to corporate customers has been the great challenge of 2016, given the complexity and specialization of the business. However, as enablers of new tools and with the right knowledge, we managed to offer internal, as well as external customers with the possibilities for improvement and growth. In the case of internal customers, two strategic thinking units were consolidated, in order to understand and socialize the current changes of wholesale banking in the world. In the case of external customers, the way we do things has evolved, understanding that businesses change and companies mutate; therefore, understanding new business models enabled CIB Colombia to make offerings that integrate the entire value chain of the corporate business.

In 2016, BBVA received the Euromoney Award to the best investment banking in Colombia, in recognition of the management of corporate banking for its consultancy, financing, global markets and transactional banking for global customers and investors.

Global Advisory

Innovation and Commitment

Our corporate, enterprise, institutional and government customers have the full service of financial solutions tailored to their needs and with in-depth knowledge of Latin American markets, served by our areas: Merger & Acquisitions, Equity Capital Markets, Debt Capital Markets and Financial Advisory.

The year 2016 generated positive results that enabled it to carry out operations of major significance. The first M&A transaction was carried out in the Upstream segment, in which CIB provided financial advice and it was the issuer of a valuation report on six of Ecopetrol's oil wells for USD 53 million. This was in addition to a fairness opinion in the valuation of one of the affiliates of the Ecopetrol Group (Propilco) to provide it with liquidity, given the international crisis of the price of oil.

In turn, BBVA acted as the exclusive financial advisor of the Carvajal Group in the sale of its publishing business to Santillana in March 2016, led the issuance of Bonds of the Republic of Colombia, acting as the book runner, for a total of EUR 1,350 million, together with JP Morgan and Goldman Sachs. This issuance set a milestone for BBVA, because it allowed the Republic of Colombia to return to the European market after a 15-year absence.

Finally, it is important to highlight the recognition achieved by BBVA in 2016 on debt Capital Markets as a placement agent in the issuance of Codensa and UNE bonds.

Global Lending

The situation today is the opportunity of tomorrow

Based on the effort of Structured Finance and Corporate Lending, CIB Colombia provides its customers with financial support at the stages of consolidation, and the expansion of their businesses, enabling them to fulfill their long-term financial and investment objectives.

In 2016, Colombina's debt for COP 34,000 million was refinanced for a term of seven years and a two-year grace period. In addition, Odinsa's debt was refinanced through a bridge loan for USD 15.5 million (USD 5 million at 12 months and USD 10.5 million at 18 months).

Global Markets

Consolidation as a Tool in a Volatile Environment

Global markets is a cross-cutting area for the BBVA Group in Colombia. It offers the services of consultancy, distribution, structuring and risk management for all BBVA Colombia customers. The year 2016 was marked by the high unpredictability on the local and international markets, in equity, fixed market and foreign currency assets.

BBVA has a differential banking model, based on four pillars: diversification and leadership, prudent management, return adjusted to principles and customer-centric approach.

Despite these conditions, Global Markets showed great progress. The Project Finance team contributed to the project for the construction of 1,000 km of transmission lines in Chile (Interchile); the operation had a total CAPEX of USD 1.2 trillion, of which USD 700 million were financed over 15 years. In the hedging of project finance, BBVA acted as the hedge coordinator, achieving the fronting of the derivative transaction, through which 100% of the transaction was hedged and then allocated to each of the banks.

In addition, the exchange risk of the energy import from Ecuador (XM) was covered through short-term NDFs.

Global Transactional Banking

Cross-cutting, strengthening and dispersion as the basis of transactional activity

Made up of the Cash and Liquidity Management and Working Capital teams, the transactional services of Global Transactional Banking provide corporate, enterprise and institutional customers with a range of technological solutions, such as BBVA Net Cash, BBVA Global Net Cash, H2H, Swift and Mobile Banking, to meet daily and short-term requirements. In turn, the commercial transactional team generates comprehensive solutions for the complete management of liquidity of our customers.

In 2016, BBVA was awarded the RFP of one in-house service at Bavaria facilities, which has 25% of the total collection. This makes a total of seven in-house services at Bavaria facilities, receiving more than 50% of the customer's total collection.

In addition, for FEMSA, BBVA was awarded the RFP of nineteen in-house services, thus achieving 100% of the total collection, This is how BBVA has been consolidated as the transactional bank of FEMSA.

It is important to mention that the award of these two RFP makes BBVA the leading bank in the offering of transactional products with these two customers (leaders of the beer and soft drink industries) and highlights the deep relationship between bankers and customers. Finally, these transactions set a milestone for BBVA because, for the first time, it is using a model that integrates different areas of the Bank, thus strengthening synergies and cross-cutting aspects.

BBVA is the best investment bank in Colombia, due to the high faculties on advisory, financing, global markets and transactional banking business for global clients and investors.

Assets and Liabilities Committee (COAP)

COAP Financial Management is the area responsible for actively managing and supervising four macroprocesses: Liquidity and funding risk, structural interest risk, structural currency risk, and finally, Capital. These tasks are carried out through the control and management of:

- Available-for-Sale and Held-to-Maturity Portfolio
- Wholesaler Funding: Attracting wholesaler funds
- Internal Transfer Prices
- Capital Management

In 2016, the COAP worked together with other departments from the Bank's Financial Area to identify variables of different products that could contribute to lower capital consumption. This resulted in a lower level of Assets Weighted by Risk level, thus contributing to the results of corporate indicators and BBVA's purpose during the year.

The Accounting Area has taken part in the optimization and reduction of the Bank's capital consumption by structuring recurrent action plans that allow constant analysis of assets weighted by risk level (APNR, for the Spanish original), thus achieving the implementation of reduction factors that are applied on the credit investment, fixed income and derivatives portfolios.

At the end of December 2016, the COAP securities portfolio amounted to COP 3,572 billion and funds for a total of COP 16.2 trillion, COP 13.8 trillion of which are CDs of wholesale customers and COP 2.4 trillion are bonds, which include the bond issuance on the international market.

Rest of the Areas

The units other than those mentioned above are grouped in the rest of the areas, 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 assessment line, in accordance with the distribution criteria established by the business areas of the Bank's general management.

Cross-selling:

When two business areas are involved in the sale or placement of the bank's products, the accounting record of the profit from the transaction is made in just one area in order to avoid duplication. However, the bank 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 cross-selling is established, decreasing by the same value the return of the other bank in which the profit was initially recorded, using the bank's offsetting accounts.

Below is the information of BBVA Colombia's Balance Sheet, broken down by banking and business segments corresponding to 2016:

Year 2016

Billion COP	Total bank	Commercial banking	EIB	CIB	COAP	Other
Cash and central banks	$ 2.861	$ 1.799	$ 12	$ 2	$ 558	$ 490
Financial Intermediaries	2.032	143	7.791	(124)	(5.910)	132
Securities portfolio	6.432	-	-	2.813	3.572	47
Net credit investment	**38.187**	**25.659**	**8.562**	**3.969**	**-**	**(2)**
• Consumer	11.619	11.610	-	-	-	8
• Credit cards	1.570	1.570	-	-	-	-
• Mortgage	9.052	9.052	-	-	-	-
• Corporate	15.886	3.182	8.685	4.019	-	-
• Other	61	245	(124)	(50)	-	(11)
Net fixed assets	970	85	2	2	-	881
Other assets	1.187	283	115	365	72	353
Total assets	**51.669**	**27.969**	**16.481**	**7.026**	**(1.707)**	**1.900**
Financial Intermediaries	2.081	13.187	5.196	4.132	(20.972)	538
Client resources	42.616	13.698	10.937	1.811	16.174	(4)
• Checking Accounts	5.735	2.828	2.562	350	-	(5)
• Savings Accounts	16.568	7.933	7.341	1.294	-	1
• Term Deposit Certificates	17.919	2.936	1.035	168	13.779	-
• Bonds	2.395	-	-	-	2.395	-
Other liabilities	6.459	603	104	897	3.413	1.441
Income	513	480	243	187	(322)	(75)
Total liabilities	**$ 51.669**	**$ 27.969**	**$ 16.481**	**$ 7.026**	**$ (1.707)**	**$ 1.900**

Note: Grouping according to Financial Planning and Management, Exact Balance at Dec.

Year 2015

Billion COP	Total bank	Commercial banking	EIB	CIB	COAP	Other
Cash and central banks	$ 4.626	$ 1.419	$ 2	$ 2	$ 2.900	$ 304
Financial Intermediaries	1.711	10	9.943	2.029	(10.597)	325
Securities portfolio	6.280	-	-	4.057	2.222	1
Net credit investment	**35.858**	**22.687**	**8.590**	**4.590**	**-**	**(9)**
• Consumer	9.947	9.944	1	-	-	2
• Credit cards	1.470	1.470	-	-	-	-
• Mortgage	8.071	8.071	-	-	-	-
• Corporate	16.282	2.951	8.686	4.645	-	-
• Other	88	252	(98)	(55)	-	(11)
Net fixed assets	999	98	2	2	-	897
Other assets	720	239	90	186	(3)	208
Total assets	**50.195**	**24.454**	**18.626**	**10.867**	**(5.478)**	**1.725**
Financial Intermediaries	5.482	11.313	5.596	7.823	(19.555)	304
Customer resources	**37.957**	**12.192**	**12.857**	**1.697**	**11.213**	**(1)**
• Checking Accounts	5.138	2.979	1.805	355	-	(2)
• Savings Accounts	19.385	7.322	10.721	1.341	-	1
• Term Deposit Certificates	10.968	1.891	331	-	8.746	-
• Bonds	2.467	-	-	-	2.467	-
Other liabilities	6.152	491	22	1.208	2.920	1.511
Income	604	457	152	139	(55)	(89)
Total liabilities	**$ 50.195**	**$ 24.454**	**$ 18.626**	**$ 10.867**	**$ (5.478)**	**$ 1.725**

Note: Grouping according to Financial Planning and Management, Exact Balance at Dec.

At December 2016, the assets of the bank are largely concentrated in the banking industries of the commercial and the EIB with 54.1% and 31.9% respectively, while CIB does so with 13.6%.

The Cash and Central Banks account recorded a 38.2% decrease, while Brokers recorded an 18.7% increase. The latter is explained mainly by an increase in Repos and Interbank Transactions, as well as an increase in the mutual accounts and deposits item.

The net credit portfolio increased by 6.5%, explained mainly by Commercial Banking, which had a positive variation of 13.1%. In said increase, it is important to highlight the better performance of consumer, payroll, revolving credit, car, credit card and mortgage loan portfolios.

Thus, Total Assets showed a growth of 3.0% in which Commercial Banking stood out with an annual variation of 14.4% thanks to the performance of credit investment.

In turn, the total liabilities recorded an annual increase of 3.0%, explained mainly by Commercial Banking. It showed a positive variation of 14.4%, highlighting a 12.4% increase in Customer Resources, with outstanding increases in CDs (55.3%) and Savings (8.4%). It is important to mention that the COAP attracts funds from corporate customers through certificates of deposit, which recorded a 57.5% increase compared to December 2015.

As for Liabilities, the banking segments with the highest share are Commercial Banking, at 54.1%, and EIB, at 31.9%, followed by CIB, at 13.6%.

Below are the detailed results and the main items of the consolidated income accounts for the years 2016 and 2015 by business segments:

Year 2016

Cum. Billion COP	Total bank	Commercial banking	EIB	CIB	COAP	Other
	$ 2.046	$ 1.958	$ 504	$ 128	$ (451)	$ (94)
• Net commissions	311	325	34	72	(16)	(104)
• IFO	381	32	15	178	155	2
• Other net ord inc	(103)	(7)	-	-	(117)	21
Gross margin	**2.635**	**2.309**	**553**	**378**	**(429)**	**(175)**
• Admin Overhead	(1.044)	(682)	(59)	(50)	(21)	(232)
- Personnel expenses	(513)	(284)	(30)	(28)	(1)	(171)
- Overhead	(427)	(342)	(18)	(11)	(2)	(55)
- Taxes	(103)	(56)	(12)	(11)	(18)	(6)
• Amortizations	(61)	(24)	-	(1)	-	(35)
• Apportionment of expenses	0	(191)	(44)	(19)	(8)	262
Net margin	**1.531**	**1.411**	**449**	**307**	**(458)**	**(179)**
• Asset impairment loss	(651)	(610)	(41)	5	-	(5)
• Credit to Provisions	(51)	(1)	-	-	-	(50)
• Other non-ordinary Gains/ losses	(5)	-	(2)	-	-	(3)
PBT	**823**	**800**	**406**	**312**	**(457)**	**(238)**
• Corporate tax	(310)	(320)	(162)	(122)	148	146
PAT	**$ 513**	**$ 481**	**$ 244**	**$ 189**	**$ (309)**	**$ (91)**

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

Year 2015

Cum. Billion COP	Total bank	Commercial banking	EIB	CIB	COAP	Other
Interest margin	**$ 2.091**	**$ 1.654**	**$ 327**	**$ 138**	**$ 27**	**$ (55)**
• Net commissions	295	309	30	61	(4)	(100)
• IFO	213	41	15	93	63	1
• Other net ord inc	(83)	(7)	-	-	(85)	9
Gross margin	**2.516**	**1.997**	**372**	**291**	**1**	**(145)**
• Admin Overhead	(963)	(640)	(50)	(45)	(18)	(211)
- Personnel expenses	(468)	(258)	(25)	(27)	(1)	(158)
- Overhead	(402)	(328)	(17)	(10)	(2)	(45)
- Taxes	(93)	(54)	(8)	(8)	(15)	(7)
• Amortizations	(67)	(20)	0	(2)	-	(45)
• Apportionment of expenses	-	(179)	(45)	(19)	(8)	251
Net margin	**1.487**	**1.158**	**277**	**226**	**(24)**	**(149)**
• Asset impairment loss	(527)	(464)	(46)	(15)	-	(2)
• Credit to Provisions	2	-	-	-	-	3
• Other non-ordinary Gains /losses	2	(1)	(1)	-	-	4
PBT	**964**	**693**	**229**	**211**	**(24)**	**(145)**
• Corporate tax	(360)	(236)	(78)	(72)	(31)	56
PAT	**$ 604**	**$ 457**	**$ 151**	**$ 139**	**$ (56)**	**$ (89)**

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

With regard to the statement of income, an analysis by banking shows that commercial banking has the highest share at 93.7%, followed by EIB at 47.5% and CIB at 36.9%; partially offset by the results of the COAP and the rest of the areas.

In turn, the Bank's interest margin had an annual decrease of 2.1%, due to the increase in the cost of deposits. Although the interest margin for the Commercial and EIB segments recorded increase, there was a decrease in the COAP and the rest of the areas. At the end of 2016, the Bank's gross margin grew 4.7%, mainly driven by the results of Commercial Banking (+15.6%), EIB (+48.5%) and CIB (+29.6%).

The Bank's general expenses grew 8.4%, with a general increase in all the items. Commercial banking recorded a 6.6% increase, followed by EIB at 18.9%, and the rest of the areas at 10.2%.

Finally, the Bank's profit after taxes decreased 15.1% as a result of the reduction in the interest margin due to higher funding costs and the increase in provisions. The banking segment with the highest increase in net profit is EIB, followed by CIB and Commercial.

6. Maturity of assets and/or expiration of liabilities

Credit portfolio – The periodical amortization of principal and interest of each obligation, as contractually agreed with the customer, is taken into account for the maturity of the credit 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 portfolio into commercial loan, consumer loan, mortgage loan ad 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-income debt and held-to-maturity securities is classified in the time periods defined by the Superintendence, 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 maturity in excess of 12 months, which mainly correspond to Treasury Securities, Short-term Treasury Securities, and CDs.

Deposits and current liabilities – The maturity of savings deposits and current accounts is statistically carried out with a 95% confidence level, determining volatile resources and stable resources. Certificates of deposit mature according to the conditions agreed with the customer.

Below is the maturity of the Group's main assets and liabilities

Maturity of Assets in 2016

Concept	Years				Total
	0-1	1 - 3	3 - 5	Más de 5	
Cash and deposits in banks	$ 4.455.211	$ -	$ -	$ -	$ 4.455.211
Money market operations	448.960	-	-	-	448.960
Fair value investments through profit or loss	2.594.301	1.913.499	-	128.476	4.636.276
Fair value investments through OCI	-	-	-	204.817	204.817
Amortized cost investments through profit or loss	272.465	-	-	-	272.465
Investments at amortized cost (1)	340.078	42.005	-	33.896	415.979
Investments in subsidiaries, associates and joint arrangements	-	-	-	54.249	54.249
Commercial loans (2)	5.446.901	4.405.582	2.803.552	3.364.262	16.020.297
Consumer loans (2)	4.729.234	3.825.116	2.434.164	2.920.997	13.909.511
Mortgage loans (2)	3.232.839	2.614.796	1.663.961	1.996.753	9.508.349
Employee loans and micro-credits (2)	120.426	97.403	61.984	74.381	354.193
Accounts receivable for loans (3)	403.360	-	-	-	403.360
Other accounts receivable for loans	8.605	-	-	-	8.605
Property, plant and equipment, net	-	-	-	719.154	719.154
Other non-maturing assets	-	-	-	-	667.319
Total maturity of assets					**$ 52.078.745**

(1) Does not include provision for COP 23,507
(2) Total loan portfolio and leasing operations, Does not include provision for COP 1,562,298
(3) Does not include Accounts Receivable provision for COP 60,159

Maturity of Liabilities in 2016

Item	Years				Total
	0-1	1 - 3	3 - 5	Más de 5	
Current accounts	$ 1.713.276	$ 1.602.742	$ 773.738	$ 1.436.941	$ 5.526.698
Term Deposit Certificates	5.615.548	5.253.254	2.536.054	4.709.814	18.114.670
Savings deposits, single deposits, special savings accounts and real value savings certificates	5.131.598	4.800.527	2.317.496	4.303.921	16.553.541
Current liabilities for banking services	390.418	-	-	-	390.418
Money market and related operations	533.645	-	-	-	533.645
Special deposits	215.598	-	-	-	215.598
Hedging swaps	-	-	-	100.393	100.393
Bank loans	806.502	241.250	872	503.954	1.552.578
Accounts payable - financial expenses	6.279	-	-	-	6.279
Outstanding investment securities	153.639	102.000	106.000	2.054.493	2.416.132
Labor liabilities	88.536	-	50.146	53.779	192.461
Estimated liabilities	15.055	11.291	7.527	154.309	188.182
Dividends payable	55.369	-	-	-	55.369
Other liabilities (other than interest)	526.152	50.713	12.678	44.374	633.918
Taxes (does not include deferred tax)	92.883	-	-	-	92.883
Other non-maturing liabilities	-	-	-	-	1.206.864
Total maturity of liabilities					**$ 47.779.629**

Maturity of Assets in 2015

Item	Years				Total
	0-1	1 - 3	3 - 5	Más de 5	
Cash and bank deposits	$ 5.436.131	$ -	$ -	$ -	$ 5.436.131
Money market operations	909.177	-	-	-	909.177
Fair value investments through profit or loss	2.449.981	339.090	3.568	106.667	2.899.306
Amortized cost investments through profit or loss	569.898	-	-	-	569.898
Investments at amortized cost (1)	259.351	646.913	-	524.029	1.430.293
Investments in subsidiaries, associates and joint	-	-	-	110.901	110.901
Commercial loans (2)	5.767.320	4.591.015	2.737.642	3.218.931	16.314.908
Consumer loans (2)	4.256.447	3.388.300	2.020.458	2.375.663	12.040.868
Mortgage loans (2)	3.026.251	2.409.016	1.436.506	1.689.050	8.560.823
Employee loans and micro-credits (2)	48.711	38.776	23.122	27.187	137.796
Accounts receivable for loans (3)	303.996	-	-	-	303.996
Other accounts receivable for loans	9.308	-	-	-	9.308
Property, plant and equipment, net	-	-	-	753.130	753.130
Other non-maturing assets	-	-	-	-	1.071.872
Total maturity of assets					**$50.548.407**

(1) Does not include provision for COP 3,496
(2) Does not include provision for COP 20
(3) The total loan portfolio and leasing operations, Does not include provision for COP 800,882
(4) Does not include Accounts Receivable provision for COP 17,887

Maturity of Liabilities in 2015

Item	Years				Total
	0-1	1 - 3	3 - 5	Más de 5	
Current accounts	$ 1.530.808	$ 1.432.046	$ 691.333	$ 1.283.904	$ 4.938.091
Term Deposit Certificates	3.425.206	3.204.225	1.546.867	2.872.754	11.049.053
Savings deposits, single deposits, special savings accounts and real value savings certificates	6.070.239	5.678.611	2.741.398	5.091.168	19.581.417
Current liabilities for banking services	382.690	-	-	-	382.690
Money market and related operations	3.877.977	-	-	-	3.877.977
Bank credits and other obligations	1.115.481	139.944	-	342.753	1.598.178
Accounts payable on interest	6.279	-	-	-	6.279
Outstanding investment securities	-	391.050	106.000	1.991.501	2.488.551
Provisions	12.078	9.058	6.039	123.795	150.969
Dividends payable	47.672	-	-	-	47.672
Other accounts payable	464.203	44.742	11.186	39.150	559.281
Other non-maturing liabilities	-	-	-	-	1.798.956
Total maturity of liabilities					**$ 46.479.114**

7. Foreign currency transactions

At December 31, the balances of the position equivalent to USD were:

Position	2016	2015
Own cash	USD 757.040.708	USD 340.883.205
Own	73.263.754	108.550.751
Gross leverage	USD 6.767.235.361	USD 6.764.455.548

These values are within the legal limits in force and effect established by the Superintendence.

At December 31, the breakdown of foreign-currency assets and liabilities, equivalent to USD is as follows:

Item	2016	2015
Assets:		
• Cash and deposits in banks	USD 528.246.486	USD 255.383.871
• Loan portfolio and financial lease transactions	428.679.433	492.629.479
• Cash transactions and derivative instruments	3.836.769.500	3.896.748.962
• Financial instruments - accounts receivable	4.023.352	48.024.191
• Other assets	128.797.195	133.104
• Options Delta	(3.750.789)	4.278.466
Total assets in foreign currency	**USD 4.922.765.177**	**USD 4.697.198.073**
Liabilities:		

Item	2016		2015	
• Financial instruments at amortized cost	USD	418.397.157	USD	427.684.392
• Cash transactions and derivative instruments		4.190.507.995		3.809.347.872
• Bank credits and other financial obligations		236.023.383		341.760.209
• Accounts payable		5.443.073		5.076.068
• Other liabilities		2.880.602		507.051
• Options Delta		(3.750.789)		4.278.466
Total assets in foreign currency		**4.849.501.421**		**4.588.654.058**
Net assets (liabilities) in foreign currency	**USD**	**73.263.756**	**USD**	**108.544.015**

Exchange differences

The functional and presentation currency of the Group'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 2016 and 2015 periods were:

Item	2016		2015	
OER	$	3.000,71	$	3.149,47

The exchange difference is reflected in the statement of income in revenue and expenses, as a result of the payment of transactions in currencies other than the functional currency and the translation at the exchange rates in force.

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

Item	2016		2015	
Operating revenue - exchange gain	$	314.473	$	819.355
Operating expenses - exchange loss		(277.476)		(477.570)
Net Gain (loss)	**$**	**36.997**	**$**	**341.785**

8. Cash and deposits in banks

At December 31, the balance of this account was broken down as follows:

Item	2016		2015	
Legal tender in Colombian pesos:				
• Cash	$	2.304.430	$	1.743.385
• Deposits in the Central Bank of Colombia(1)		554.382		2.880.528
• Deposits in other banks		10.342		5.203
• Remittances in transit of foreign negotiated checks		740		2.691
Subtotal cash and deposits in banks - legal tender	**$**	**2.869.894**	**$**	**4.631.807**
Foreign currency:				
• Cash	$	1.791	$	2.519

Item	2016	2015
• Foreign correspondents	1.583.525	_801.805
Subtotal cash and deposits in banks foreign currency	**1.585.316**	**804.324**
Total cash and deposits in banks	**4.455.210**	**5.436.131**
• Money market and related operations(1)	448.960	909.177
Total cash and cash equivalents	**$ 4.904.170**	**$ 6.345.308**

(1) Between 2016 and 2015, active simultaneous transactions conducted with the Central Bank decreased in their holding with respect to the total simultaneous transactions, going from 58.56% in 2015 and 69.08% for 2016. At December 31, the balance of money market and related operations was broken down as follows:

Itm	Tasa	2016	Tasa	2015
Transfer commitments in closed repo transactions:				
• Banks	7,14%	$ 80.048	3,41%	$ 40.013
Total transfer commitments		**80.048**		**40.013**
• Transfer commitments in simultaneous transactions:	7,22%	368.912	4,49%	869.164
Total simultaneous transactions		**368.912**		**869.164**
Total active transactions		**$ 448.960**		**$ 909.177**

The Group classifies cash, deposits in Banks (including the Central Bank), exchange checks and in-transit remittances as cash; to do so, the following criteria were taken into account:

- It must meet the definition of assets.
- Future economic benefit must be probable.
- The amount can be reliably measured.

The entity classifies money market operation investments, such as interbank funds, swap transactions and overnight investments as cash equivalents, for which the following criteria were validated:

- Short-term high liquidity investments.
- Easily convertible into determined amounts of cash.
- They are subject to negligible risk of changes in value

Cash restrictions: At December 31, 2016 and 2015, there was restriction on the use of the cash and deposits in the Central Bank of Colombia amounting to COP 2,723,891 and COP 2,869,588, respectively. The restriction, which is determined according to the adjustment standards set by the Central Bank's Board of Governors, is based upon percentages of the average deposits held in the Bank by its customers.

The BBVA handles the following foreign currencies with banks abroad: US dollar (USD), Euro (EU), British pound (GBP), Canadian dollar (CAD), Swiss franc (CHF), Japanese yen (PJY), Swedish krona (SEK), Chinese yuan (CNY) and Mexican peso (MEX). At December 31, 2016, there were 407 items pending reconciliation compared to 535 items reported at December 31, 2015 on account of the items generated by commissions and checks drawn in foreign currency.

Transfers - At December 31, 2016 and 2015 there were items denominated in foreign currency over 90 days past due, on which the Bank had created the respective provisions in the applicable items, as detailed below:

Foreign currency	2016		2015	
	Number outstanding items	Provision value	Number outstanding items	Provision value
Citibank New York	4	$ 72	2	$ 4
BBVA Madrid	1	3	-	-
Bank of America	1	1	-	-
Wachovia	2	88	1	29
Barclays	1	4	1	5
Bank Of Tokyo Mitsub	2	-	-	-
Total F.C. (1)	**11**	**$ 168**	**4**	**$ 38**

(1) The increase in the cash provision between 2015 and 2016 is mainly represented by items generated in COMEX by foreign currency transactions in the process of collection from customers, such as the case of:

1- Wachovia Bank item dated 08/31/2016 with Advance No. 20161109000 for USD 20,116.02 (COP 60 million). This entry was regularized on 01/02/2017

2- CitiBank item dated 08/31/2016 for USD 22,182.09 (COP 66 million) charged by the Bank under the concept of Miscellaneous ACH; the procedure was taken to the area of IFI for regularization.

9. Investments

At December 31, the balance of this account was broken down as follows:

Item	2016	2015
At fair value through profit or loss		
Treasury securities - TES	$ 2.217.075	$ 366.476
Other domestic issuers - debt securities	1.657.452	742.842
Other domestic issuers - equity instruments	35.448	32.694
Other securities issued by the National Government	31.744	14.604
Total investments at fair value through profit or loss	**3.941.719**	**1.156.616**
At fair value through profit or loss provided in money market operations		
Treasury securities - TES	248.143	1.568.530
Other domestic issuers	4	100
Total investments at fair value through profit or loss provided in Money Market operations	**$ 248.147**	**$ 1.568.630**

Item	2016	2015
At fair value through profit or loss provided as collateral in transactions		
Treasury securities - TES	$ 446.410	$ 174.060
Total investments at fair value through profit or loss provided as collateral in transactions	**446.410**	**174.060**
Investments at fair value through OCI		
Domestic issuers - equity instruments	204.816	2.842
Total investments at fair value through OCI	**204.816**	**2.842**
At amortized cost		
Treasury securities - TES	42.005	1.196.700
Other securities issued by the National Government	340.078	12
Other domestic issuers - debt instruments	33.896	230.739
Total investments at amortized cost	**415.979**	**1.427.451**
At amortized cost through profit or loss provided in money market operations.		
Other securities issued by the National Government	272.465	569.898
Total at amortized cost through profit or loss provided in money market operations.	**272.465**	**569.898**
Investments in associates and joint ventures		
Domestic joint ventures	54.249	-
Investments at equity variation through OCI	-	110.901
Total investments in associates and joint ventures	**54.249**	**110.901**
Impairment of investments:		
Debt instruments	(3.507)	(3.507)
Equity instruments	(20.000)	-
Total impairment of investments	**(23.507)**	**(3.507)**
Total Investments	**$ 5.560.278**	**$ 5.006.891**

- The main variation between 2016 and 2015 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.

- By 2016, the purchase of Agricultural Development Securities (TDAs, for the Spanish original) increased by a total of COP 157,469 and the maturity of these securities by COP 411,022.

In the case of investments classified as non-controlled holdings, they 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 are calculated based on the latest certified financial statements.

During the conversion of Credibando Asociada Anónima, the Bank was provided with 1,142,859,864 shares at a nominal value of COP 1 per share, which is equivalent to 12.65%. This investment was later valued using the methodology of Infovalmer, who determined a price of COP 84.82 pesos per share, thus generating a total profit of COP 98,835. In a subsequent review carried out by the Bank, and considering the slow-growing macroeconomic environment, Management deemed it prudent to record an impairment of COP 20,000 as a result of said analysis.

In February 2016, the Bank sold its share in the Information Office of the Financial Sector (CIFIN, for the Spanish original) for a total of COP 66,688, with a profit of COP 63,363.

In June, 8,321,828 shares were purchased in FX Clearing House for a value of COP 8, thus increasing the Bank's share to 4.12%.

In July 2015, RCI Colombia Financing Company was incorporated in a joint venture with RCI Banque, property of the Renault Group. This investment represents a holding of 49% for the Bank, represented in 5,756,079 shares for a total of COP 57,560. In order to value this investment, the Bank adopted the guidelines of amended IAS 27, which now allows the entity to choose between accounting for its investments in subsidiaries, joint ventures and associates at cost, in accordance with IFRS 9, or using the equity method as described in IAS 28, thus generating an adjustment of COP 3,312 for using the second method. For the year 2015, the non-controlled entities declared dividends as follows:

Entity	2016			2015		
	In shares	In cash	Total	In shares	In cash	Total
Finagro	$ 5.667	$ -	$ 5.677	$ 5.717	$ -	$ 5.717
Deceval (Bank)	-	2.715	2.715	-	3.392	3.392
ACH Colombia	-	917	917	-	451	451
Redeban	-	585	585	-	201	201
Cámara de Compensación	-	45	45	-	35	35
Bolsa de Valores de Col.	-	235	235	-	-	-
Deceval (Trust Company)	-	152	152	-	190	190
FOGACOL	-	29	29	-	-	-
Cifin	-	-	-	798	532	1.330
Total dividends received	**$ 5.6667**	**$ 4.678**	**$ 10.345**	**$ 6.515**	**$ 4.801**	**$ 11.316**

The investment portfolio at December 31, 2016 was comprised as follows:

Composición de la Cartera de Títulos por Título al corte del Año 2016 (en Millones de Pesos)							
Class of Security	Investments at fair value through profit or loss		At fair value through OCI		At amortized cost		Overall total
	Amount	%	Amount	%	Amount	%	
Straight bonds	$ 20.088	1	$ -	-	$ -	-	$ 20.088
Term Deposit Certificates	1.669.112	36	-	-	-	-	1.669.111
TDAs	-	-	-	-	612.543	89	612.543
TIPS	-	-	-	-	33.896	5	33.896
Treasury securities TES	2.911.628	63	-	-	42.005	6	2.953.633
Non-manageable portfolio (1)	5.840	-	-	-	-	-	5.840
Investment funds	29.478	-	-	-	-	-	29.478
Shares	130	-	204.816	100	-	-	204.946
Overall total	**$ 4.636.276**	**100**	**$ 204.816**	**100**	**$ 688.444**	**100**	**$ 5.529.536**

(1) This item includes the stabilization reserve for yields of funds managed by Patrimonio Autónomo FONPET 2012. This reserve is established in accordance with the trust agreement, which must be no less than 1% of the assets managed by Patrimonio Autónomo and must be maintained up to the maturity of the trust agreement. At December 31, 2016 and 2015, the balances are COP 5,246 and COP 5,182, respectively. The rest of the investments of this note have no restrictions.

The investment portfolio at December 31, 2015 was comprised as follows:

Composición de la Cartera de Títulos por Título al corte del Año 2016 (en Millones de Pesos)							
Class of Security	Investments at fair value through profit or loss		At fair value through OCI		At amortized cost		Overall total
	Amount	%	Amount	%	Amount	%	
Straight bonds	$ 14.603	1	$ -	-	$ -	-	$ 14.603
Term Deposit Certificates	742.942	26	-	-	195.114	14	938.056
TIPS	-	-	-	-	35.625	2	35.625
TRD	-	-	-	-	7.988	1	7.988
TES	2.109.067	73	-	-	1.196.701	83	3.305.768
TDAs	-		561.922	100	-	-	561.922
BVC shares	-	-	-	-	2.841	-	2.841
Interest in FCE	32.693	1	-	-	-	-	32.693
Overall total	**$ 2.899.305**	**100**	**$ 561.922**	**100**	**$ 1.438.269**	**100**	**$ 4.899.496**

The maturity of debt security investments at December 31 was as follows:

Ranges	December 31, 2016				December 31, 2015			
	At fair value through profit or loss	Value. At fair value through OCI	At amortized cost through profit or loss	At amortized cost	At fair value through profit or loss	Value. At fair value through OCI	At amortized cost through profit or loss	At amortized cost
Less than 1 year	$ 2.594.302	$ -	$ 272.465	$ 340.077	$ 2.449.980	$ -	$ 569.898	$ 259.351
From 1 to 5 years	1.913.499	-	-	42.005	342.658	-	-	646.913
More than 5 years	128.476	204.816	-	33.896	106.667	-	-	524.028
	$ 4.636.277	$ 204.816	$ 272.465	$ 415.978	$ 2.899.305	$ -	$ 569.898	$ 1.430.292

Securities issued by Titulizadora Colombia TIPS, derived from Mortgage Portfolio Securitization processes in Colombian pesos, were issued in 5, 10 and 15-year terms.

At December 31, 2016 and 2015, two securities (TITIPOCD0099/ TITIPMZD0098) were provisioned for a total of COP 3,507 in accordance with the guidelines established by Chapter I – 1 of the Basic Accounting and Financial Notice (CBCF, for the Spanish original) (Public Notice 100/95) of the SFC, according to the instruction of Section 2.4 of Chapter XV of the CBCF.

During 2016, BBVA did not participate in any securitization process.

There are currently 20 series on the market, of which the Bank holds series B, MZ and C of the N-6 Pesos issuance, for a total balance at December 31, 2016 and 2015 of COP 33,811 and COP 35,625, respectively.

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	December 31, 2016	December 31, 2015
TIPS E-9 A 2018	$ 61.420	17/12/08	17/12/23	10	-	$ -
TIPS E-9 A 2023	25.950	17/12/08	17/12/23	15	-	-
TIPS E-9 B 2023	10.484	17/12/08	17/12/23	15	-	816
TIPS E-9 MZ 2023	699	17/12/08	17/12/23	15	-	699
Subtotal	**98.553**				**-**	**1.515**
TIPS Pesos E-12 A 2019	34.327	26/08/09	26/08/24	10	-	-
TIPS Pesos E-12 A 2024	14.888	26/08/09	26/08/24	15	-	-
TIPS Pesos E-12 B 2024	5.906	26/08/09	26/08/24	15	-	-
TIPS Pesos E-12 MZ 2024	1.969	26/08/09	26/08/24	15	-	205
Subtotal	**57.090**				-	**205**
TIPS Pesos N-6 B 2027	26.641	23/08/12	23/08/27	15	26.726	26.735
TIPS Pesos N-6 MZ 2027	6.104	23/08/12	23/08/27	15	6.104	6.104
TIPS Pesos N-6 C 2027	1.066	23/08/12	23/08/27	15	1.066	1.066
Subtotal	**33.811**				**33.896**	**33.905**
Total	**$ 189.454**				**$ 33.896**	**$ 35.625**

At December 31, 2016, the distribution by rating of debt securities of investments at fair value through other comprehensive income and investments at amortized cost through profit or loss, was as follows:

Debt securities available for sale				Debt securities held to maturity			
ISSUE S&P Global Rating	Carrying Value Sovereign debt	Carrying value - other debt	%	ISSUE S&P Global Rating	Carrying Value Sovereign debt	Carrying value - other debt	%
AAA	$ -	$ 459.950	22	AAA	$ -	$ 612.542	95
BBB	2.121.245	-	78	BBB	42.005	-	-
Unclassified (*)	-	-	-	Sin clasificar (*)	-	33.896	5
TOTAL	$ 2.121.245	$ 459.950	100	TOTAL	$ 42.005	$ 646.438	100

The rating of the debt securities portfolio is:

S&P Global Rating Agency

ISSUER	CDT	TDA	TES	TIPS	TRD
Banco Popular	AAA	-	-	-	-
Bancolombia S.A.	AAA	-	-	-	-
BBVA	AAA	-	-	-	-
DTN National Government (TES)	-	-	BBB	-	-
FINAGRO	-	AAA	-	-	-
Titularizadora Colombiana	-	-	-	-	-
TITIPOCD0099-142732	-	-	-	B	-
TITIPMZD0098-142733	-	-	-	BB	-
TITIPOBD0097-142730	-	-	-	A+	-

At December 31, 2016, there is a restriction corresponding to the lien on CDs for a nominal value of COP 4.

Investments in associates and joint ventures - These are investments in equity instruments in non-controlled entities, consisting of the following at December 31, 2016:

Description	Principal	Equity capital	Share percentage	Carrying Value	Solvency and market risk rating
Investments at fair value through OCI - Equity instruments					
• Credibanco	$ 9.031	$ 1.143	12.65	$ 96.937	A
• Fondo para el Financiamiento del Sector Agropecuario "FINAGRO"	909.408	82.641	9.09	49.943	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
• Bolsa de Valores de Colombia S.A. – voluntary	-	-	-	3.626	-
• Others	-	-	-	10	-
Subtotal				**204.816**	
Less - Protection provision				**(20.000)**	
Total investments in associates and joint ventures				**$ 184.816**	

Investments in associates and joint ventures - These are investments in equity instruments in non-controlled entities, consisting of the following at December 31, 2015:

Description	Principal	Equity capital	Share percentage	Carrying Value	Solvency and market risk rating
Investments in associates and others:					
• Fondo para el Financiamiento del Sector Agropecuario "FINAGRO"	$ 871.425	$ 79.189	0,09	$ 52.548	A
• DECEVAL S.A.	74.577	10.819	13,74	27.310	A
• A.C.H. Colombia S.A.	29.249	3.135	10,72	8.261	A
• Cámara de Compensación de Divisas de Colombia S.A.	5.301	201	3,79	491	A
• REDEBAN S.A.	85.574	8.825	10,31	5.855	A
• CIFIN	44.916	4.815	10,72	14.573	A
• Cámara de Riesgo Central de Contraparte de Colombia S.A.	36.440	645	1,77	308	A
• Bolsa de Valores de Colombia S.A. - Mandatory	109.127	535	0,49	1.555	A
Subtotal				**110.901**	
Less - protection provision				-	
Total investments in associates and joint ventures				**$ 110.901**	

10. Loan portfolio

The classification and rating of credit portfolios by type at December 31, 2016 were:

Portfolio	Principal	Interest	Others	Principal Provision	Interest impairment	Other Provision	Guarantee
Commercial							
• Category "A"	$ 14.941.108	$ 164.865	$ 4.701	$ 154.023	$ 1.225	$ -	$ 10.197.321
• Category "B"	630.826	7.217	492	97.357	1.778	-	611.246
• Category "C"	231.942	6.220	117	91.319	3.329	-	216.556
• Category "D"	34.097	1.226	440	18.982	1.222	-	51.996
• Category "E"	182.325	8.671	4.715	116.524	8.949	-	198.230
Total commercial	16.020.298	188.199	10.465	478.205	16.503	-	11.275.349
Consumer:							
• Category "A"	12.962.333	118.171	1.005	275.497	2.424	-	1.608.963
• Category "B"	283.215	6.358	266	60.533	2.243	-	41.697
• Category "C"	135.554	2.484	204	26.366	688	-	34.852
• Category "D"	236.819	6.263	449	113.922	3.918	-	35.031
• Category "E"	291.590	7.934	1.133	153.711	5.818	-	72.128
Total consumer	13.909.511	141.210	3.057	630.029	15.091	-	1.792.671
Micro-credit:							
• Category "A"	-	-	-	-	-	-	-
• Category "B"	-	-	-	-	-	-	-
• Category "C"	-	-	-	-	-	-	-
• Category "D"	-	-	-	-	-	-	-
• Category "E"	2	-	-	-	-	-	-
Total micro-credit	$ 2	$ -	$ -	$ -	$ -	$ -	$ -

Portfolio	Principal	Interest	Others	Principal Provision	Interest impairment	Other Provision	Guarantee
Mortgage:							
• Category "A"	$ 9.128.559	$ 49.103	$ 3.347	$ 74.133	$ 557	$ -	$ 21.741.928
• Category "B"	173.300	1.919	346	32.199	488	-	496.222
• Category "C"	87.091	1.063	505	26.668	484	-	244.831
• Category "D"	29.558	472	302	10.599	257	-	84.756
• Category "E"	89.841	1.840	1.533	32.626	1.024	-	238.248
Total mortgage	**9.508.349**	**54.397**	**6.033**	**176.225**	**2.810**	**-**	**22.805.985**
Employee mortgage:							
• Category "A"	249.566	-	-	-	-	-	924.493
• Category "B"	704	-	-	-	-	-	1.840
• Category "C"	433	-	-	-	-	-	1.200
• Category "D"	-	-	-	-	-	-	-
• Category "E"	243	-	-	-	-	-	641
Total employee mortgage	**250.946**	**-**	**-**	**-**	**-**	**-**	**928.174**
Employee consumer:							
• Category "A"	102.285	-	-	-	-	-	2.248
• Category "B"	179	-	-	-	-	-	-
• Category "C"	83	-	-	-	-	-	-
• Category "D"	318	-	-	-	-	-	-
• Category "E"	380	-	-	-	-	-	112
Total employee consumer	**103.245**	**-**	**-**	**-**	**-**	**-**	**2.360**
General impairment (provision)	-	-	-	-	-	-	-
Impairment countercyclical individual component	-	-	-	-	-	-	-
Others	-	8.605	-	-	-	-	-
Total loan portfolio	**$ 39.792.351**	**$ 392.411**	**$ 19.555**	**$ 1.284.459**	**$ 34.404**	**$ -**	**$36.804.539**

The classification and rating of credit portfolios by type at December 31, 2015 were:

Portfolio	Principal	Interest	Others	Principal provision	Interest provision	Other provision	Guarantee
Commercial							
• Category "A"	$ 15.661.486	$ 118.849	$ 2.288	$ 189.071	$ 1.355	$ -	$ 11.565.308
• Category "B"	360.790	6.558	504	18.520	627	-	612.556
• Category "C"	132.862	1.811	647	54.224	716	-	122.261
• Category "D"	42.101	1.086	248	24.696	832	-	39.560
• Category "E"	117.669	5.442	2.678	77.668	5.507	-	174.806
Total commercial	**16.314.908**	**133.746**	**6.365**	**364.179**	**9.037**	**-**	**12.514.491**
Consumer:							
• Category "A"	11.381.636	96.211	1.597	205.912	2.111	-	1.141.344
• Category "B"	202.574	4.250	175	33.290	962	-	38.144
• Category "C"	131.663	2.809	143	37.510	1.116	-	30.563
• Category "D"	164.741	4.454	328	96.326	3.234	-	22.566
• Category "E"	160.254	3.879	706	90.042	3.177	-	54.088
Total consumer	**12.040.868**	**111.603**	**2.949**	**463.080**	**10.600**	**-**	**1.286.705**
Micro-credit:							
• Category "A"	5	-	-	-	-	-	109
• Category "B"	-	-	-	-	-	-	-
• Category "C"	-	-	-	-	-	-	-
• Category "D"	-	-	-	-	-	-	-
• Category "E"	2	-	-	2	-	-	-
Total micro-credit	**7**	**-**	**-**	**2**	**-**	**-**	**109**
Mortgage:							
• Category "A"	8.248.604	39.062	3.280	70.102	534	-	20.522.847
• Category "B"	152.674	1.703	419	35.517	566	-	463.340
• Category "C"	66.880	872	469	27.205	592	-	182.862
• Category "D"	22.625	407	252	9.229	293	-	66.724
• Category "E"	70.040	1.470	1.361	29.183	1.289	-	199.572
Total mortgage	**$ 8.560.823**	**$ 43.514**	**$ 5.781**	**$ 171.236**	**$ 3.274**	**$ -**	**$ 21.435.345**

Portfolio	Principal	Interest	Others	Principal provision	Interest provision	Other provision	Guarantee
Employee mortgage:							
• Category "A"	$ 134.560	$ 38	$ -	$ -	$ -	$ 8	$ 309.899
• Category "B"	252	-	-	-	-	-	414
• Category "C"	-	-	-	-	-	-	-
• Category "D"	-	-	-	-	-	-	-
• Category "E"	-	-	-	-	-	-	-
Total employee mortgage	**134.812**	**38**	**-**	**-**	**-**	**8**	**310.313**
Employee consumer:							
• Category "A"	2.977	-	-	-	-	-	-
• Category "B"	-	-	-	-	-	-	-
• Category "C"	-	-	-	-	-	-	-
• Category "D"	-	-	-	-	-	-	-
• Category "E"	-	-	-	-	-	-	-
Total employee consumer	**2.977**	**-**	**-**	**-**	**-**	**-**	**-**
Total employee loan portfolio	131.789	38	-	-	-	8	310.313
Others	-	9.308	-	-	-	-	-
Total loan portfolio	**$ 37.054.395**	**$ 298.209**	**$ 15.096**	**$ 998.497**	**$ 22.911**	**$ 8**	**$ 35.546.963**

The movement of the loan portfolio impairment (provisions) account during the year ended was as follows:

December 31, 2016

Description	Commercial	Consumer	Mortgage (Housing)	Employee	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 uncollectable	(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**

December 31, 2015

Description	Commercial	Consumer	Mortgage (Housing)	Employee	Micro-credit	Total
Balance at the beginning of year	$ 305.806	$ 545.098	$ 191.396	$ 1.461	$ 2	$ 1.043.763
Impairment charged to expenses in the year	351.832	627.426	99.051	1.786	-	1.080.095
Less - Impairment recovery	(236.487)	(267.146)	(59.540)	(366)	-	(563.539)
OCI - impact measurement based on incurred loss model	(2.089)	(201.004)	(44.104)	(1.544)	-	(248.741)
Loans written off as uncollectable	(51.157)	(230.380)	(8.052)	-	-	(289.589)
Debt forgiveness	(5.665)	(10.653)	(5.859)	-	-	(22.177)
Other movements	1.940	(260)	(3.003)	8	-	(1.315)
Balance at year end	**$ 364.180**	**$ 463.081**	**$ 169.889**	**$ 1.345**	**$ 2**	**$ 998.497**

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 type was represented as follows: Mortgage, 6.79%; Commercial, 8.83%; Consumer, 84.37% and Micro-credit 0.01%; these operations were conducted in the months listed in the following table:

Month	Status	No. Contracts	Total Debt (*)	Total Impairment	Sale Price
January 2016	Balance	10	$ 2.758	$ 1.305	$ 1.050
February 2016	Balance	32	1.350	468	760
	Write-off	4.829	28.462	-	4.198
March 2016	Write-off	1	56	-	14
May 2016	Write-off	4	89	-	47
July 2016	Write-off	4	287	-	128
August 2016	Balance	287	3.123	1.991	257
	Write-off	1.435	24.571	-	1.593
September 2016	Balance	24	105	72	13
	Write-off	2.912	57.313	-	5.644
October 2016	Balance	6	474	659	370
	Write-off	1	102	-	80
November 2016	Balance	10	2.518	1.606	1.608
	Write-off	7	363	-	64
December 2016	Balance	1	319	319	209
	Write-off	2.247	22.078	-	2.960
TOTAL SALES	**Active**	**370**	**$ 10.647**	**$ 6.402**	**$ 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., 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.

Year 2015

During 2015, the Bank conducted portfolio sale transactions for a total of COP 213,355.01, represented by 22,992 obligations, where 84.92 % of said asset was written-off.

The breakdown of the portfolio disposed of by type was represented as follows: Mortgage, 3.01%; Commercial, 2.86%; and Consumer, 94.13%; these operations were conducted in the months listed in the following table:

Month	Status	No. Contracts	Total Debt (*)	Total Impairment	Sale Price
February 2015	Balance	996	$ 2.570	$ 1.986	$ 513
	Write-off	18	584	-	260
March 2015	Balance	241	899	717	152
	Write-off	5.819	37.332	-	5.814
April 2015	Write-off	6	416	-	165
May 2015	Balance	938	17.869	14.474	2.335
	Write-off	2.068	50.390	-	4.945
June 2015	Balance	469	7.537	5.142	1.377
	Write-off	4.902	46.142	-	5.468
July 2015	Balance	17	491	144	303
	Write-off	11	1.130	-	291
August 2015	Write-off	114	4.386	-	733
September 2015	Balance	149	1.019	896	163
	Write-off	7.219	40.020	-	6.099
November 2015	Balance	19	893	309	536
	Write-off	2	83	-	31
December 2015	Balance	2	895	78	581
	Write-off	2	699	-	125
TOTAL SALES	**Active**	**2.831**	**$ 32.173**	**$ 23.746**	**$ 5.960**
	Written-off	**20.161**	**$ 181.182**	**$ -**	**$ 23.931**
	Total	**22.992**	**$ 213.355**	**$ 23.746**	**$ 29.891**

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

Massive portfolio sales operations were conducted with the companies Inversionistas Estratégicos S.A.S., New Credit S.A.S., RF Encore S.A.S. and Patrimonio Autónomo Serlefin Palisades, litigious rights sales to natural and legal persons. Credit transactions sold that were in the balance sheet generated a COP 20,217 loss on the sale, and recovery of provisions of COP 23,746, whereas the written-off portfolio reported COP 23,931 in revenue in the sale transaction.

11. Leases

BBVA as a Lessor

The Bank 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.

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

December 31, 2016

Range	Gross investment in accounts receivable from finance leases	Future financial gain	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	891.492
Total	**$ 2.318.365**	**$ 601.627**	**$ 1.716.737**

December 31, 2015

Range	Gross investment in accounts receivable from finance leases	Future financial gain	Current value of accounts receivable of minimum lease payments
One year or less	$ 7.833	$ 296	$ 7.535
From one to five years	906.948	120.308	786.640
More than five years	1.124.219	346.648	777.571
Total	**$ 2.039.000**	**$ 467.252**	**$ 1.571.746**

Accounts receivable from operating leases - Accounts receivable from operating leases are included in the Rental Rates of Assets given under Operating Leases. The Bank's net investment in the accounts receivable from operating leases was as follows:

December 31, 2016

Range	Gross investment in accounts receivable from finance leases	Future financial gain	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**

December 31, 2015

Range	Gross investment in accounts receivable from finance leases	Future financial gain	Current value of accounts receivable of minimum lease payments
From one to five years	$ 12.176	$ 11.909	$ 297
Total	**$ 12.176**	**$ 11.909**	**$ 297**

BBVA as a Lessee

Lease commitments - The Bank, for its functioning and according to its expansion process, leases offices on the national level by entering into agreements with the terms listed in the following table:

Rang5	2016	2015
One year or less	$ 633	$ 1.190
From one to five years	8.190	9.284
More than five years	30.572	25.853
Total	**$ 39.395**	**$ 36.327**

12. Securitization and portfolio buyback

Productive portfolio securitization: During 2016, BBVA did not participate in any securitization processes.

The balances of the current issuances and portfolio in which the Bank has participated at December 31, 2016 are as follows:

Issuance	2016		2015	
	Managed portfolio - total principal	Balances in BBVA TIPS securities	Managed portfolio - total principal	Balances in BBVA TIPS securities
TIPS E-9	$ 4,627	$ -	$ 8.488	$ 1.515
TIPS E-10	5.148	-	4.796	-
TIPS E-11	3.308	-	4.432	-
TIPS E-12	2.394	-	4.874	205
TIPS N-6	30.948	33,896	42.148	33,905
Total	**$ 46,425**	**$ 33,896**	**$ 64.738**	**$ 35.625**

Portfolio buyback: In 2016, 33 credits were bought back from Titularizadora Colombiana S.A. of Issuances TIPS E9 PESOS, TIPS E10 PESOS, TIPS E11 PESOS, E12 PESOS and N6 PESOS, for a total of COP 1,931 million, which included buybacks due to the request to decrease rates, refurbishment and write-offs as follows:

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

Portfolio buyback: In 2015, 111 credits were bought back from Titularizadora Colombiana S.A. of Issuances TIPS E9 PESOS, TIPS E10 PESOS, TIPS E11 PESOS, E12 PESOS and N6 PESOS, for a total of COP 6,242, which included buybacks due to the request to decrease rates and refurbishment, as follows:

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
No. of credits	15	18	22	13	10	6	7	2	4	6	4	4	111
Principal Total balance	572	1.146	1.228	721	632	213	440	403	140	457	193	65	6.210
Debt Total balance	575	1.152	1.232	726	634	214	443	405	140	460	195	66	6.242

History of productive portfolio securitization:

TIPS E-9 Pesos – In 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 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.

TIPS 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 for COP 458,000, Class B TIPS for COP 37,000 and Class MZ TIPS for COP 10,000 issued 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 for COP 399,000, Class B for COP 32,000 and Class MZ for COP 11,000 issued have ratings of AAA, AA, 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 for COP 28,000 and MZ for COP 9,000 issued 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 issue were paid.

At December 31, 2016, the income from the residual rights due to the E9, E10, E11 and E12 issuances was:

Universality	Value	
Tips Pesos E-9	$	2.455
Tips Pesos E-10		2.077
Tips Pesos E-11		1.150
Tips Pesos E-12		1.848
Total	**$**	**7.530**

TIPS N-6 Pesos – In August 2012, 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, Non-LIH TIPS N6 Pesos 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 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 MZ 2027 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.

13. 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 BBVA Colombia 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, BBVA Colombia 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.

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

BBVA uses valuation techniques that are appropriate to circumstances. They provided information to determine the fair value of financial instruments.

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.

In the case of financial instruments that are traded infrequently and whose prices are not very transparent, fair value is less objective and requires several degrees of judgment depending on liquidity, concentration, uncertainty of market factors, valuation assumptions and other risks that affect the specific instruments, which requires additional work during the valuation process.

BBVA Colombia discloses transfers between the levels of fair value hierarchy at the end of the period during which the change occurred. In 2016 and 2015, there were no transfers of financial instruments measured at fair value between the levels of hierarchy.

Approach of Valuation Techniques

BBVA Colombia 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

BBVA Colombia 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, wither directly (such as prices) or indirectly (such as price derivatives). Valuation techniques based on observable factors. 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 listed prices 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.

BBVA Colombia Financial Instruments - Fair Value Hierarchy

Debt Securities in Local Currency

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

BBVA Colombia determines the market value of investments 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 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.

Investments for which there is no price published on a determined date are valued by applying the fair value measurement contained in IFRS 13, assigning a level 3 hierarchy for these securities.

Debt Securities in Foreign Currency

In the first place, the market value of the respective security is determined in its own currency, based on unadjusted listed market prices published by the price vendor selected for this purpose, in which case the fair value hierarchy will be level 2.

In the absence of market prices on the part of the official price vendor, the prices determined by international markets, published by Bloomberg will be used; since they are observable on a financial information platform known by all market agents, they would be classified as Level 2 in the fair value hierarchy.

Finally, when there are no observable inputs on the market, the fair value is determined exponentially based on the internal rate of return (IRR) calculated at the time of the purchase and recalculated on the coupon payment dates or the variable indicator's re-price date as applicable. Securities calculated based on the latter model (IRR) shall be classified as Level 3.

Below are the investments recorded at fair value and their hierarchy:

At December 31, 2016:

Investments	Level 2	Level 3	Total
Straight bonds	$ 19.606	$ -	$ 19.606
Term Deposit Certificates	1.655.394	-	1.655.394
Mortgage securities - TIPs	-	33.887	33.887
Treasury securities - TCO	518.027	-	518.027
Treasury securities - TES	267.363	43.484	310.847
Agricultural development securities (TDAs, for the Spanish original)	-	602.897	602.897
Total	**$ 2.460.390**	**$ 680.268**	**$ 3.140.658**

At December 31, 2015:

Investments	Level 2	Level 3	Total
Straight bonds	$ 16.671	$ -	$ 16.671
Term Deposit Certificates	916.513	224	916.737
Mortgage securities - TIPs	-	35.625	35.625
Debt reduction bonds (TRD, for the Spanish original)	--	7.979	7.979
Treasury securities - TES	2.287.058	40.102	2.327.160
Treasury securities - TCO	57.434	-	57.434
Treasury Securities - C VALUE BOND	6.070	-	6.070
Agricultural development securities (TDAs, for the Spanish original)	-	554.251	554.251
Total	**$ 3.283.746**	**$ 638.181**	**$ 3.921.927**

As regards investments in affiliates, the Bank uses an internal model to determine the value thereof. The model is an estimate of the Statement of Income, the Balance Sheet and the Statement of Changes in Equity of each company 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 company, in order to estimate the fair value thereof.

The rates projected by the area of Economic Studies for inflation, DTF and the market portfolio, among others, that affect the main balance sheet line items and the companies' results, are used to project the values of the Financial Statements. Each line item is estimated exclusively for the companies, depending on their business approach and growth perspectives.

The results of the valuation are as follows:

At December 31, 2016:

Investments in affiliates	Fair value of the company	Share %	BBVA valuation
Credibanco S.A.	$ 766.300	12,65	$ 96.937
Fondo Financiamiento del Sector Agropecuario "FINAGRO"	549.587	9,09	49.943
DECEVAL S.A.	191.386	14,51	27.764
A.C.H. Colombia S.A.	128.597	10,72	13.786
Cámara de Compensación de Divisas de Colombia S.A.	36.076	3,79	1.488
REDEBAN S.A.	73.475	10,31	7.577
Cámara de Riesgo Central de Contraparte de Colombia S.A.	87.865	1,77	1.710
Bolsa de Valores de Colombia S.A. - Mandatory	405.200	0,49	1.975
Bolsa de Valores de Colombia S.A.- Mandatory	-	-	3.626
Others	-	-	10
Total			**$ 204.816**

For 2015, the model took the PAT or the EBITDA as the basis for valuation, depending on the stability of the results and certain atypical items on the result or any other factor that may distort the reading of the results after taxes.

At December 31, 2015:

Investments in affiliates	Fair value of the company	Share %	BBVA valuation
Fondo Financiamiento del Sector Agropecuario "FINAGRO"	$ 578.253	9,09	$ 52.548
DECEVAL S.A.	188.254	14,51	27.310
A.C.H. Colombia S.A.	77.065	10,72	8.261
Cámara de Compensación de Divisas de Colombia S.A.	12.939	3,79	491
REDEBAN S.A.	56.780	10,31	5.855
CIFIN	135.939	10,72	14.573
Cámara de Riesgo Central de Contraparte de Colombia S.A.	17.387	1,77	308
Bolsa de Valores de Colombia S.A. - Mandatory	317.438	0,49	1.555
Total			**$ 110.901**

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. BBVA Colombia 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 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 statement of financial position; therefore, they are classified in level 2 of the fair value hierarchy.

- Futures

  Futures are measured based on the corresponding market price on the valuation date. These market inputs are published by the official price vendor, Infovalmer, and taken directly from unadjusted market prices; therefore, they are classified in level 1 of the fair value hierarchy.

- FX Forward (Fwd)

  Discounted cash flow is the valuation model used. These market inputs are published by the official price vendor, Infovalmer based on observable market information.

- Interest and Exchange Swaps

  The valuation model is based on discounted cash flows. These market inputs are taken from the information published by the official price vendor, Infovalmer.

• European Options - USD/COP

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

The Group has determined that derivative assets and liabilities measured at fair value are classified as Level 1 as illustrated below indicating the fair value hierarchy of the derivatives recorded at fair value:

Asset derivatives at December 31:

	2016	2015
Asset derivative	Level 1	Level 1
Forward contracts	$ 148.644	$ 491.141
Cash transactions	8	237
Options	23.778	4.297
Swaps	644.910	754.753
Futures (1)	-	-
Totals	**$ 817.340**	**$ 1.250.428**

(1) Futures are classified as Level 1; however the net between the right and the obligation of the transaction for each period is zero.

The fair value hierarchy of derivatives recorded in liabilities at December 31 is detailed below:

	2016	2015
Liability derivative	Level 1	Level 1
Forward contracts	$ 178.860	$ 421.027
Cash transactions	11	103
Options	23.779	4.295
Swaps	650.569	749.387
Futures (1)	-	-
Totals	**$ 853.219**	**$ 1.174.812**

(1) Futures are classified as Level 1; however the net between the right and the obligation of the transaction for each period is zero.

14. Derivative Financial Instruments and (Active) Cash Transactions

For this class of financial instrument, the difference in valuation between Previous GAAP and the IFRS with Exceptions 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 different types of financial instruments traded by the Bank are classified as active or passive (see Note 24) according to their result, at December 31, the balance of this account is classified as active, broken down as follows:

Contratos forward	Notional value		Fair value	
	31-dec-16	31-dec-15	31-dec-16	31-dec-15
Purchase on foreign currency:				
• Rights	$ 2.291.435	$ 4.127.616	$ 2.329.170	$ 4.412.466
• Obligations	-	-	(2.290.270)	(4.063.268)
Sale on foreign currency:				
• Rights	4.666.410	3.791.271	4.616.803	3.773.120
• Obligations	-	-	(4.507.059)	(3.631.190)
Sale on securities:				
• Rights	-	32.204	-	33.465
• Obligations	-	-	-	(33.449)
Less CVA credit risk	-	-	(666)	(1.096)
Total forward contracts			**$ 147.978**	**$ 490.048**

Cash transactions	Notional value		Fair value	
	31-dic-16	31-dic-15	31-dic-16	31-dic-15
Purchase on foreign currency				
• Rights	$ 275	$ 107	$ 274	$ 108
• Obligations	-	-	(269)	(106)
Sale on foreign currency:				
• Rights	151	34.885	150	34.869
• Obligations	-	-	(150)	(34.643)
Purchase on securities:				
• Rights	772	1.308	874	1.234
• Obligations	-	-	(872)	(1.233)
Sale on securities:				
• Rights	-	10.722	-	11.580
• Obligations	-	-	-	(11.572)
Less CVA credit risk	-	-	-	-
Total cash transactions			**$ 8**	**$ 237**

Options	Notional value		Fair value	
	31-dic-16	31-dic-15	31-dic-16	31-dic-15
Options on foreign currencies purchased - put:				
• Rights (*)	$ -	$ -	$ 272.939	$ 69.420
• Purchase - Put	272.939	85.820	14.640	1.418
Options on foreign currencies purchased - call:				
• Rights (*)	-	-	352.466	85.832
• Purchase - Call	352.466	69.420	9.138	2.877
Less CVA credit risk	-	-	(1.347)	(11)
Total fair exchange price			**$ 22.431**	**$ 4.284**

(*) Estos derechos se reconocen en las cuentas de control

Swaps	Notional value		Fair value	
	31-dic-16	31-dic-15	31-dic-16	31-dic-15
On interest rates:				
• Rights	$ 11.816.531	$ 5.829.329	$ 1.901.650	$ 963.477
• On foreign currency:	2.000.094	1.798.596	(1.777.566)	(846.535)
• Rights	-	-	2.598.220	2.126.190
• Obligations	-	-	(2.077.394)	(1.488.380)
Less CVA credit risk	-	-	(7.569)	(18.234)
Total swaps			**$ 637.341**	**$ 736.518**

Futures	Notional value		Fair value	
	31-dic-16	31-dic-15	31-dic-16	31-dic-15
Purchase on foreign currency:				
• Rights	$ 738.372	$ 1.094.475	$ 737.622	$ 1.106.655
• Obligations	-	-	(737.622)	(1.106.655)
Sale on foreign currency:				
• Rights	2.362.611	618.549	2.362.611	625.273
• Obligations	-	-	(2.362.611)	(625.273)
Purchase on securities:				
• Rights	-	-	882	-
• Obligations	-	-	(882)	-
Sale on securities:				
• Rights	-	-	-	-
• Obligations	-	-	-	-
Total futures			**-**	**-**
Total cash transactions and derivatives			**$ 807.758**	**$ 1.231.087**

At December 31, 2016, the total CVA (Credit Value Adjustments) was COP 9,581 and COP 19,341, respectively. The most significant counterparties represent 83% and 84%, respectively, consisting of:

Counterparty	2016	2015
Sociedad Portuaria de Santa Marta	$ 2.526	$ 3.755
GPC TUGS S.A.	2.344	4.566
Contecar	1.359	4.367
Sociedad Portuaria de Cartagena	936	2.210
Sura Asset Management S.A.	287	521
Brinsa S.A.	193	-
FPO Porvenir Moderado	168	59
Transportadora de Gas Internacional S.A. Esp	151	800
Total	**$ 7.964**	**$ 16.280**

At December 31, 2016, the total DVA (Debit Value Adjustments) was COP 2,685. The most significant counterparties represent 73% and consist of:

Counterparty	2016
BBVA Madrid Tesoreria	$ 1.784
OLD Mutual Fdo De Pensiones Moderado	109
Melaxa S.A.	74
Total	**$ 1.967**

Recording was individualized starting in June 2016, which is why it is not presented in comparison with 2015.

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.

As of June 2016, the DVA (Debit Value Adjustment) calculation was introduced at the request of the SFC 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 BBVA will default on a positive value transaction for a counterparty due to a credit event. This adjustment will report CVA of the counterparties whose portfolio value is positive for BBVA and DVA of portfolios with a negative value for the Bank.

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 2015 and 2016 is illustrated below.

The reported CVA is mainly due to: the BBVA 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 3,149.47 per USD 1 to COP 3,000.71, 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 Bank has conducted forward operations 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 according to the provisions of Chapter XVIII of the Basic Accounting and Financial Notice.

As a general policy for derivative transactions, the Bank follows the standards issued by the SFC and considers the restrictions and limits of its proprietary position, its spot proprietary position, the leveraging position, and the interest rates established by the BBVA Group.

At December 31, 2016 and 2015, 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 upward fluctuations of the exchange rate throughout the year 2016.

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

			Maturity in days		Amounts in millions of COP		
Class of instrument	Type of operation	Currency	Min maturity days	Max maturity days	Right value	Obligation value	Net result
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	6.649.974	(6.580.723)	69.251
	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			**13.615.517**	**(13.645.660)**	**(30.143)**
Spot on currency	Purchase EUR/COP 2 2	EUR/COP	2	2	274	(269)	5
	Sale USD/COP 3 3	USD/COP	3	3	150	(150)	-
	Total spot on currency	**Total spot on currency**			**424**	**(419)**	**5**
Spot on securities	Purchase COP 3 4	COP	3	4	874	(872)	2
	Sale COP 2 4	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		**Total swap on interest rates**			**3.652.865**	**(3.643.869)**	**8.996**
Currency Swap	CCS	USD	32	3.656	4.479.394	(4.499.675)	(20.281)
		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	**$ 26.064.616**	**$ (26.207.784)**	**$ (143.168)**

At Thursday, December 31, 2015, the breakdown of transactions with derivative financial instruments was as follows:

			Maturity in days		Amounts in millions of COP		
Class of instrument	Type of operation	Currency	Min maturity days	Max maturity days	Right value	Obligation value	Net result
Currency forward	Purchase	USD/COP	4	1342	$ 6.503.704	-$ (6.252.573)	$ 251.131
	Purchase	EUR/COP	8	617	114.306	(111.502)	2.804
	Purchase	CAD/COP	208	208	867	(904)	(37)
	Purchase	EUR/USD	12	620	266.688	(273.921)	(7.233)
	Purchase	CLP/USD	26	362	104.388	(107.258)	(2.870)
Currency forward	Sale	USD/COP	4	621	7.376.777	(7.553.117)	(176.340)
	Sale	USD/EUR	7	617	115.861	(113.616)	2.245
	Sale	USD/CAD	208	208	866	(867)	(1)
	Sale	USD/CLP	26	362	107.258	(104.390)	2.868
	Sale	COP/EUR	7	620	260.366	(263.917)	(3.551)
	Sale	COP/CHF	82	82	263	(280)	(17)
		Total currency forward			**14.851.344**	**(14.782.345)**	**68.999**
Forward Securities	Purchase	COP	-	-	-	-	-
Forward Securities	Sale	COP	371	371	33.465	(33.449)	16
		Securities forwards Total			**33.465**	**(33.449)**	**16**
Spot on foreign currency	Purchase	EUR/COP	4	4	**108**	**(106)**	**2**
	Purchase	USD/COP	4	4	6.299	(6.374)	(75)
	Sale	EUR/COP	-	-	-	-	-
	Sale	USD/COP	5	5	38.936	(38.737)	199
		Total spot on currency			**45.343**	**(45.217)**	**126**
Spot on securities	Sale	COP	370	370	1.552	(1.551)	1
	Sale	COP	369	370	11.580	(11.572)	8
		Total spot on securities			**13.132**	**13.123**	**9**
Financial options	Purchase - call	USD/COP	2	358	2.866	-	2.866
	Purchase - put	USD/COP	2	358	1.418	-	1.418
	Sale - call	USD/COP	2	358	-	(2.876)	(2.876)
	Sale - put	USD/COP	2	358	-	(1.419)	(1.419)
		Total financial options			**4.284**	**4.295**	**(11)**
Interest rate swap	IRS	COP	369	4016	2.344.074	(2.354.158)	(10.084)
	IRS	USD	385	3862	137.947	(135.984)	1.963
	OIS	COP	369	897	17.174	(17.322)	(148)
Currency Swap	CCS	USD	400	4195	3.623.129	(3.627.728)	(4.599)
	CCS	COP	3764	3764	1.286.591	(1.281.990)	4.601
		Total swap			**7.408.915**	**(7.417.182)**	**(8.267)**
Futures	Purchase	USD	-	-	1.106.655	(1.106.655)	-
	Sale	USD	-	-	625.273	(625.273)	-
		Total futures			**1.731.928**	**(1.731.928)**	**-**
				TOTAL	**$ 24.088.411**	**$ (24.027.539)**	**$ 60.872**

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

Counterparty	2016		2015	
Active				
• Banco Santander Central Hispano	USD	-	USD	60.000
• BBVA Bancomer México		85.107.900		13.040.000
• BBVA Madrid (1)		-		27.155.737
• Morgan Stanley and Co Internacional		33.976.000		-
Pasive				
• Morgan Stanley and Co Internacional		-		(3.354.000)
• Banco Santander Central Hispano		(440.000)		-
• BBVA Bancomer México	USD	(2.910.000)	USD	-

(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, are 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.

15. 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. The notes have a 10-year coupon rate of 4.875% and earn interest on a semi-annual basis.

The Subordinated Notes 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 Bank 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 flows 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.

Transac.	Nominal value of right	Right rate	Nominal value of obligation	obligation rate EA	Right value 2016	Obligation value 2016	Fair value 2016
9217724	USD 40	4,87%	$ 129.200	9,98%	$ 143.854	$ 161.913	$ (18.059)
9315701	40	4,87%	124.000	10,64%	143.854	160.893	(17.039)
9346154	40	4,87%	117.600	10,71%	143.854	153.141	(9.287)

Transac.	Nominal value of right	Right rate	Nominal value of obligation	obligation rate EA	Right value 2015	Obligation value 2015	Fair value 2015
9217724	USD 40	4,87%	$ 129.200	9,98%	$ 155.950	$ 155.963	$ (13)
9315701	40	4,87%	124.000	10,64%	155.950	155.474	476
9346154	40	4,87%	117.600	10,71%	155.950	148.032	7.918

Fair value

They were 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.

Transac.	Nominal value of right	Right rate	Nominal value of obligation	obligation rate EA	Right value 2016	Obligation value 2016	Fair value 2016
9217722	USD 70	4,87%	$ 226.100	IBR+3,19%	$ 251.745	$ 278.039	$ (26.294)
9315699	70	4,87%	217.000	IBR+3,57%	251.745	272.387	(20.642)
9346145	70	4,87%	205.800	IBR+3,75%	251.745	260.816	(9.071)

Transac.	Nominal value of right	Right rate	Nominal value of obligation	obligation rate EA	Right value 2015	Obligation value 2015	Fair value 2015
9217722	USD 70	4,87%	$ 226.100	IBR+3,19%	$ 272.913	$ 281.723	$ (8.809)
9315699	70	4,87%	217.000	IBR+3,57%	272.913	276.216	(3.303)
9346145	70	4,87%	205.800	IBR+3,75%	272.913	264.580	8.332

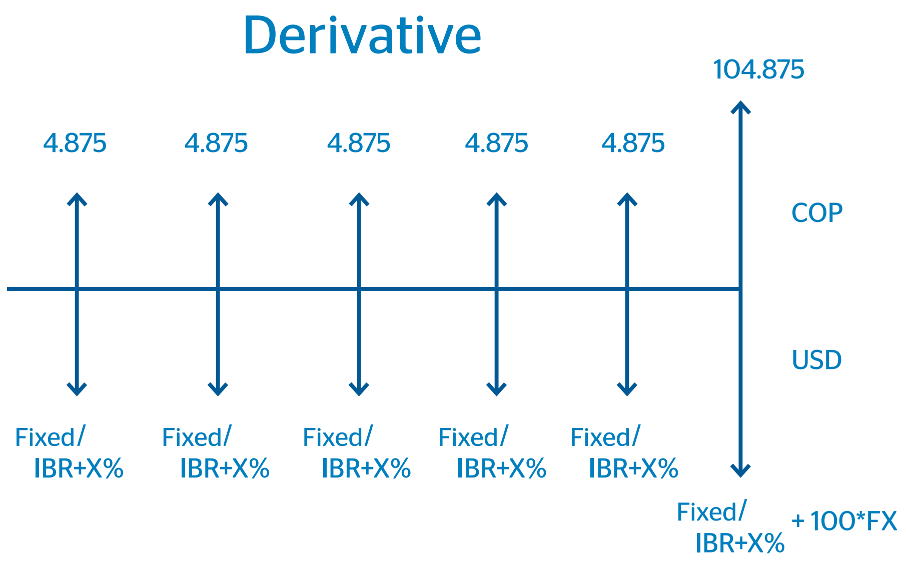
Measurement of hedge effectiveness

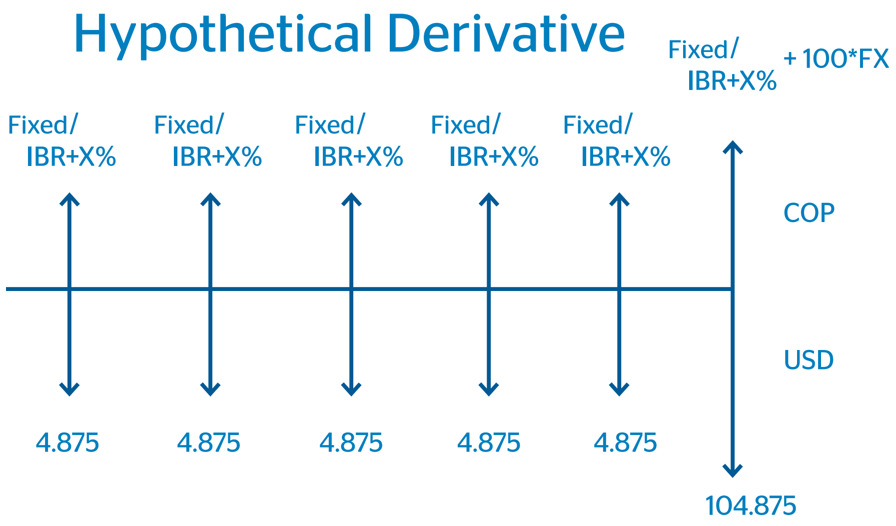
IFRS 9, paragraph B6.4.14 indicates that *"when the fundamental conditions (such as nominal amount, maturity and underlying) of the hedging instrument and the hedged item match or are closely aligned, an entity can conclude, based on a qualitative assessment of said fundamental conditions, that the hedging 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".*

Measurement of Hedge Ineffectiveness

IFRS 9 paragraph B6.5.5 indicates 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)..."*

A 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 bank to measure the effectiveness of its hedging instruments, concluding that it will be 100% effective over time.





Based on the above, the effective part of the profit or loss of the hedging instrument was recognized in equity (other comprehensive income - OCI) and the ineffective part will be recognized in profit and loss. Since the conditions of the CCS of the payment received by the Bank 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, 2015 and 2016, they were recorded in Other Comprehensive Income on account of the cash flow derivative hedging for a total of COP 8,381 and COP (44,385), respectively. On the same date, no reclassifications of equity were made to the income statement for the year.

The purpose of the hedge book is to implement the amendment to External Regulatory Circular DODM-139 / May 25, 2015, which allows the use of funds from borrowings in foreign currency for terms greater than or equal to one year, hedged by a derivative in foreign currency in effect from the disbursement date to the due date of the transaction, whose funds will be used to carry out active transactions in legal tender.

As provided for in this standard, the Bank recorded in a liability valuation account an accrued balance of COP 6,412 due to the fluctuation of the exchange rate of the hedged instrument, broken down as follows: at December 31, 2015, an adjustment of COP 55,861 as a result of the closing exchange rate of COP 3,149.47 less the average monetization FIX rate of COP 2,972, and at December 31, 2016, an adjustment of (COP 49,449) as a result of the closing rate (COP 3,000.71) less the closing rate of the previous year (COP 3,149.47).

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		(431.563)	475.948	-	4.224	40.161
			Total	**$ 56.008**	**$ 4.224**	**$ 40.161**
					Total passive hedging	**$ 100.393**

The posting of hedging derivatives at Thursday, December 31, 2015 is as follows:

Active 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	$ 272.913	$ 264.580	$ 8.333	$ -	$ -
Cash flow		311.901	(303.507)	-	-	8.394
			Total	**$ 8.333**	**$ -**	**$ 8.394**
					Total active hedging	**$ 16.727**

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
Valor Razonable	USD	$ (545.826)	$ 557.939	$ 12.113	$ -	$ -
Flujo de Efectivo		(155.950)	155.963	-	-	13
			Total	**$ 12.113**	**$ -**	**$ 13**
					Total passive hedging	**$ 12.126**

For the year 2015, transactions No. 9315701, 9346145 and 9346154 had a positive valuation (income), and for the year 2016, all hedging transactions had a negative valuation (expense); therefore, for this period, there are no entries in the active part.

16. Other accounts receivable (net)

At December 31, the balance of this account was broken down as follows:

Item	2016	2015
Deposits for executive proceedings, collateral and others (1)	$ 467.500	$ 237.220
Accounts transferred to ICETEX(2)	85.607	-
Inactive National Treasury Department accounts (3)	22.355	18.079
Commissions (4)	6.844	4.082
Securities depositories(5)	3.986	13.172
Taxes(6)	3.081	11.295
Dividends and shares	587	-
To employees	222	254
To parent company, subsidiaries, related parties and associates	57	774
Others (7)	29.222	11.315
Subtotal	**619.461**	**296.191**
Less: impairment of other accounts receivable	(21.504)	(20.120)
Total other accounts receivable, net	**$ 597.957**	**$ 276.071**

(1) The increase is due to Margin Call transactions, from derivatives in foreign currency transactions whose higher value is represented by transactions with BBVA Madrid, for a total of USD 84,478.

(2) Inactive 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) This item records the billing of commissions receivable from trust businesses, as well as management and custody commissions of BBVA Valores S.A., broken down as follows:

Trust commissions receivable:

Item	2016	2015
Investment trusts	$ 164	$ 180
Real estate trusts	99	29
Management trusts	524	920
Guarantee and public trusts	118	162
Other commissions	106	1
Total	**$ 1.011**	**$ 1.292**

BBVA Valores S.A. Commissions receivable:

Item	2016		2015	
Banco Bilbao Vizcaya Argentaria S.A	$	118	$	136
BBV America S.L.		30		34
Bolsas y Mercados Españoles		-		1
Segurexpo de Colombia S.A.		-		1
Consultores del Desarrollo		-		21
Castro Tcherassi S.A.		-		7
Interconexión Eléctrica Colombia Panama S.A.		-		655
Democratized clients		298		247
Interest - Central Bank of Colombia		4		1
Min. de Trans. y Obras Públicas del Ecuador		1.395		1.455
Ecopetrol		202		-
TOTAL	**$**	**2.047**	**$**	**2.558**

(5) An increase was recorded corresponding to the settlement of contracts of the Counterparty Clearing House for transactions carried out on December 29, 2016.

(6) The decrease is due to the lower balance in favor on account of the CREE equity tax recorded in 2016.

(7) The increase is due to the value of advances on operating lease transactions for the acquisition of assets by the Bank's different customers.

The movement of the accounts receivable protection provision account in the years ended December 31, was as follows:

Item	2016		2015	
Balance at the beginning of year	$	18.365	$	9.932
Provision charged to expenses in the year		9.985		13.057
Plus or less - Transfer other items		-		(298)
Less - provision recovery (1)		(6.846)		(2.571)
Balance at year end	**$**	**21.504**	**$**	**20.120**

(1) The movement occurred mainly due to the recovery of pre-operating expenses of RCI Banque as a result of the reconciliation of the disbursements paid out to this company for a total of COP 3,298..

17. Non-current assets held for sale

At December 31, the balance of this account was broken down as follows:

Item	2016	2015
Foreclosed assets:		
• Immovable goods	$ 11.037	$ 11.899
Subtotal foreclosed assets	**11.037**	**11.899**
Assets restituted in lease agreements		
• Immovable goods	6.034	1.769
• Vehicles	53	1.352
• Machinery and equipment	376	-
• Goods given under residential leasing	435	435
Subtotal assets restituted in Lease Agreements	**6.898**	**3.556**
Assets not used in the corporate purpose:		
• Lands	137	1.804
• Buildings	1.168	2.636
Subtotal assets not used in the corporate purpose:	**1.305**	**4.440**
Subtotal foreclosed and restored assets	**19.240**	**19.895**
Less: Impairment of non-current assets held for sale		
• Foreclosed assets	(5.755)	(1.551)
• Assets restituted in lease agreements	(3.350)	(3.324)
Subtotal provisions	**(9.105)**	**(4.875)**
Total realizable assets, foreclosed assets and restituted assets, net	**$ 10.135**	**$ 15.020**

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

Item	2016	2015
Balance at the beginning of year	$ 4.875	$ 5.653
Provision charged to expenses in the year	7.513	3.620
Less – write-offs or usage	(300)	(1.938)
Less – Retirement for sales and recoveries	(2.983)	(2.460)
Balance at year end	$ **9.105**	$ **4.875**

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

Type of asset	Value		2016		2015	
	2016	2015	Permanence time (1)	Provision	Permanence time (1)	Provision
Immovable assets	$ 11.037	$ 11.899	12	$ 7.105	17	$ 3.885
TOTAL	$ 11.037	$ 11.899		$ 7.105		$ 3.885

(1) Stated as average permanence time in months.

18. Property and equipment

At December 31, 2016, the balance of this account was broken down as follows:

In COP million	Lands	Buildings (1)	Vehicles (2)	Fixtures and accessories
Cost				
Balance at December 31, 2015	**$ 154.994**	**$ 623.690**	**$ 3.794**	**$ 224.939**
Acquisitions	1.023	-	-	7.259
Additions	-	2.281	-	156
Sales	(1.028)	-	(140)	(279)
Retirements	-	(56)	-	(43)
Accounting adjustments	-	-	-	-
Cost balance at December 31, 2016	**154.989**	**625.915**	**3.654**	**232.031**
Depreciation and impairment losses				
Balance at December 31, 2015	**-**	**201.932**	**1.903**	**132.263**
Depreciation for the fiscal year	-	4.727	414	15.011
Transfer of assets	-	(56)	(140)	-
Derecognition of obsolete real estate	-	-	-	(43)
Sale of Immovable assets	-	-	-	(279)
Accounting adjustments	-	-	-	76
Depreciation balance at December 31, 2016	-	**206.603**	**2.177**	**147.028**
Impairment	5.733	15.224	-	-
Carrying value				
At December 31, 2016	**$ 149.256**	**$ 404.087**	**$ 1.477**	**$ 85.003**

	Computers (3)	Machinery, plant and equipment in assembly	Improvements to assets under lease	Assets under construction	Total
	$ 219.108	$ 824	$ 34.616	$ 4.276	$ 1.266.241
	17.909	-	-	-	26.191
	6.733	1.683	-	5.346	16.198
	-	-	-	-	(1.447)
	(14.302)	-	-	-	(14.401)
	76	(2.189)	(3.422)	(6.712)	(12.247)
	229.524	318	31.194	2.909	1.280.534
	177.014	-	-	-	513.112
	21.887	-	-	-	42.039
	-	-	-	-	(196)
	(14.302)	-	-	-	(14.345)
	-	-	-	-	(279)
	-	-	-	-	76
	184.599	-	-	-	540.407
	16	-	-	-	20.973
	$ 44.909	$ 318	$ 31.194	$ 2.909	$ 719.154

Property, plant and equipment are accounted for at cost, which where applicable, includes:

a. financing costs incurred for their acquisition until they are in condition to be used, and

b. inflationary adjustments recorded up to December 31, 2013.

The movement of these assets consists of:

(1) No real estate was acquired in 2016. The accounting transfer corresponding to 27% of the Edificio Medellín Principal property (4th, 5th and 16th floor) was carried out as a released asset for the respective sale thereof.

(2) In 2016, the Toyota Autana 2003 vehicle was transferred as a released asset for the respective sale thereof by the area o Non-Financial Asset Management (GANF, for the Spanish original).

(3) 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.

In 2016, 251 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 Bank's property and equipment are duly insured against fire, related dangers, damage of electrical and electronic equipment, mechanical breakdown, HAMCCop (malicious acts) and theft, through insurance policies that are in force and have no restriction on title.

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.

In 2016, 251 ATMs were acquired to meet the network expansion needs.

Appraisal date	Amount	Share %
2014	2	1%
2015	4	2%
2016	271	100%

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 and the basis of depreciation is calculated by subtracting the residual value of each fixed asset (buildings) from the cost.

Impairment – In 2016, impairment was recorded on the Bank's real estate for a total of COP 21,028, as a result of the new appraisals, COP 18,050 of which affected retained earnings (Equity) and COP 2,978 affected income.

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

Item	2016	2015
Machinery and equipment	$ 22.594	$ 24.143
Vehicles	147	147
Computers	148	148
Subtotal - capital	**22.889**	**24.438**
Less - accumulated depreciation	(8.927)	(6.534)
Subtotal - capital	**13.962**	**17.904**
Rates of goods given under leasing	267	297
Total Operating Leases	**$ 14.229**	**$ 18.201**

The classification of assets given under operating leasing and provisions by geographic zone at December 31, 2016 and 2015, is as follows:

December 31, 2016

Zone	Principal	Depreciation	Total
Bogotá	$ 16.669	$ (6.885)	$ 9.784
Coffee-growing region	842	(550)	292
Medellín	5.378	(1.492)	3.886
Total	**$ 22.889**	**$ (8.927)**	**$ 13.962**

31 de diciembre de 2015

Zone	Principal	Depreciation	Total
Bogotá	$ 17.434	$ (5.136)	$ 12.298
Coffee-growing region	1.072	(412)	660
Eastern plains region	554	(371)	183
Medellín	5.378	(615)	4.763
Total	**$ 24.438**	**$ (6.534)**	**$ 17.904**

The assets given under operating leasing at December 31 were distributed in receivables devoted to the following economic activities:

December 31, 2016

Activity	Principal		Depreciation		Total	
Recreation activities – cultural activities	$	842	$	(550)	$	292
Wholesale trade – commission – contracting		16.521		(6.803)		9.718
Retail trade – non-specialized establishments		532		(249)		283
Construction – reconditioning – finishing		4.846		(1.243)		3.603
Power generation – gas – water		148		(82)		66
Total	**$**	**22.889**	**$**	**(8.927)**	**$**	**13.962**

December 31, 2015

Activity	Principal		Depreciation		Total	
Recreation activities – cultural activities	$	113	$	(84)	$	29
Real estate – companies – rental activities		1.072		(412)		660
Wholesale trade – commission – contracting		16.522		(4.604)		11.918
Retail trade – non-specialized establishments		532		(107)		425
Construction – reconditioning – finishing		5.400		(879)		4.521
Hotels and restaurants		651		(420)		231
Power generation – gas – water		148		(28)		120
Total	**$**	**24.438**	**$**	**(6.534)**	**$**	**17.904**

19. Intangible assets

Intangible assets are broken down as follows:

Item	2016		2015	
Intangible assets				
• Capital gain	$	192.203	$	192.203
• Software and applications		56.671		46.903
Total Intangible Assets	**$**	**248.874**	**$**	**239.106**

The movement of software and applications during the years 2016 and 2015 was as follows:

Actividad 2016	Useful life in years	Balance 31 Dec 2015		Addition		Amortization / Retirement		Balance 31 Dec 2016	
Software and applications	5	$	46.903	$	40.713	$	30.944	$	56.672
Total		**$**	**46.903**	**$**	**40.713**	**$**	**30.944)**	**$**	**56.672**

The additions in 2016 correspond to payments made for Software development contracts.

Capital gain

The Group considers that the acquisition of these lines of business, mainly mortgages, enabled it to gain a strong foothold in the housing market, in which it did not have a significant presence at the time. In light of the above and based on the progress, deepening and development achieved by the Group in the Colombian market for mortgage loans, as a result of the acquisition of the lines of business mentioned above, BBVA considers that there is no need to amortize the goodwill recorded in its financial statements, as it considers that its useful life is indefinite.

The purchase of Banco Granahorrar gave rise to the creation of goodwill in BBVA Colombia's balance sheet amounting to COP 514,415 at September 30, 2006. The lines of business determined at the time of the merger with Banco Comercial Granahorrar S.A. were consumer, mortgage and credit cards, with a distribution of COP 270,824, COP 952,419 and COP 61,831 respectively. For comparison purposes, the lines of business were valued against goodwill based on the profit generated by each one.

The distribution corresponding to goodwill was as follows:

Line of Business	Acquired		Share %	Balance at December 2016	
Consumer	$	270.824	21,07	$	40.506
Mortgage		952.419	74,11		142.449
Credit cards		61.831	4,82		9.248
Total	**$**	**1.285.074**	**100**	**$**	**192.203**

For the sake of conducting a valuation of the lines of business in a robust manner consistent with the behavior of the economy, in general, and the goals of BBVA, key parameters were used for the discounted cash flow projection method, which were obtained from reliable sources. To this effect, macroeconomic variables obtained from the Medium Term Fiscal Framework were incorporated in the project model, such as:

Macro-economic assumptions: The financial projections of the Lines of Business must be consistent with the expected evolution of the Colombian economy. These projections were estimated by BBVA's Financial Planning Department. Below are the main macroeconomic parameters used in the projection of the Lines of Business.

Discount rate: For determining the cost of capital, the following parameters were taken into account:

a. a. The current rate of return of 10-year US Treasury Bonds was taken as the risk-free rate. The 10-year term is taken as the risk-free rate in order to be consistent with the risk free rate used to calculate the market risk premium, in line with accepted market practices.

b. The market premium (Rm-Rf) is the difference between the geometric average of historical returns in the period from 1928 to 2015 according to S&P 500 and the geometric average of the historical return in the period from 1928 to 2015 of 10-year US Treasury Bonds, taken from the database published by the academic expert on asset valuation of NYU, Aswath Damodaran.

c. The beta-leveraged ratio of the US Bank (Regional) sector published in Aswath Damodaran's database was taken as the beta-leveraged ratio. This beta is the average of a sample of 644 financial entities.

d. The Country Risk corresponds to the "EMBI+" index calculated by the JP Morgan investment bank. This index is the weighted performance differential of Colombian Government Bonds issued in US dollars against US Treasury Bonds.

e. The implicit devaluation refers to the devaluation of the Colombian peso vs. the US dollar in the long term. It was calculated based on the performance difference between Colombian Bonds maturing in 2024 denominated in US dollars and the TES denominated in Colombian pesos maturing in 2024.

Financial revenues: In order to calculate the financial revenue obtained by each Line of Business, the projections made by BBVA's Financial Planning Department of each line's current average loan portfolio balances with their corresponding accrual rates, were taken into account. Since the implicit accrual rates differ in the case of current portfolios and non-performing portfolios, the non-performing portfolio balances were calculated for each Line of Business, maintaining the actual portfolio quality indicator (non-performing portfolio balance over gross portfolio) at the end of 2015. Therefore, it was found that in the Consumer Line, portfolio quality was 2.92%, in the Mortgage Loan Line, it was 1.88% and in the Credit Card Line, it was 7.4%. For the purposes of projecting the non-performing portfolio of each Line of Business, it is assumed that portfolio quality is maintained in the same proportions as those reported in 2015.

Below is a summary of the market prices of the Lines of Business presented in this report, compared to the market prices calculated by Incorbank in September 2006 and the goodwill balance at October 2016.

Line of Business	Total value	Granahorrar Share %	Assigned value	Assigned goodwill balance	Line of business value at September 2006
Mortgage Loan Line	$ 1.902.925	68,86	$ 1.310.354	$ 142.449	$ 478.257
Consumer Line	3.029.428	15,18	459.867	40.506	175.569
Credit Card Line	258.688	23,49	60.766	9.248	37.921
Total	**$ 5.191.041**	**100**	**$ 1.830.987**	**$ 192.203**	**$ 691.747**

The historical amortizations of goodwill at the Bank up to the adoption of IFRS are reflected below:

Period	Annual amortization	Goodwill balance
Initial goodwill balance	$ -	$ 514.451
Year 2006	3.174	511.277
Year 2007	13.828	497.449
Year 2008	14.781	482.668
Year 2009	15.800	466.868
Year 2010	16.889	449.980
Year 2011	18.053	431.927
Year 2012	119.862	312.065
Year 2013	119.862	192.203
Year 2014	119.862	72.341
Year 2014 (IFRS adjustment) *	(119.862)	192.203
Year 2015	-	192.203
Year 2016	-	192.203
Total	**$ 322.249**	**$ 192.203**

* In the year 2014, an adjustment was applied due to the implementation of the International Financial Reporting Standards.

In conclusion, according to the guidelines of Public Notice 034 / 2006 issued by the Financial Superintendence of Colombia, no adjustments must be made to the goodwill balance associated with the Lines of Business acquired in the merger with Granahorrar, since the market value of these Lines of Business is greater than the carrying value and there is no evidence of impairment.

Summary of the goodwill valuation by Line of Business at December 31, 2016:

Line of Business	Book balance	Goodwill valuation
Mortgage portfolio	$ 142.449	$ 817.239
Consumer portfolio	40.506	294.230
Credit card portfolio	9.248	13.272
Total	**$ 192.203**	**$ 1.124.741**

20. Other assets

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

Item	2016	2015
Trust rights (1)	$ 8.283	$ -
Letters of credit of deferred payment (2)	6.718	419
Activities in joint ventures (3)	2.287	2.365
Art and cultural assets	455	455
Sundries	2.171	2.964
Subtotal other assets	**19.914**	**6.203**
Impairment other assets	(4.679)	(1.512)
Total other assets, net	**$ 15.235**	**$ 4.691**

(1) In 2016, two trusts were received in lieu of payment, detailed as follows: Share of 25.0693% Trust managed by Corficolombiana, corresponding to a lot located in Fontibón, received in June from 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 from Pedro Gómez & Cia SAS for COP 4,361.

(2) Letters of credit in foreign currency from the customers SMI Colombia SAS and Automotores Francia SAS, payable in deferred terms for USD 1 million each.

(3) The balances in activities in joint ventures are the assets of the consortia and joint ventures in which the trust company has a share at that cutoff date:

Item	2016	2015
Horizonte Fidugan Joint Venture Share	$ 13	$ 39
FIMPROEX Consortium Share	362	403
FONPET Contract 6003 -2006 Joint Venture Share	3	3
FIA Consortium Share	43	135
EPM UNE 2008 Consortium Share	8	8
Horizonte Fidugan Joint Venture Assets	1.858	1.777
Total	**$ 2.287**	**$ 2.365**

21. Prepaid expenses:

Prepaid expenses are broken down as follows:

Item	2016	2015
Prepaid expenses:		
• Data transmission (1)	$ 41.691	$ 83
• Corporate software maintenance (2)	26.199	6.680
• Insurance (3)	1.771	1.835
• Others (4)	1.335	765
Total prepaid expenses	**$ 70.996**	**$ 9.363**

(1) Payments made by corporate and local data transmission to the supplier Aplica Tecnología Avanzada, on account of the technical service of data storage.

(2) Payments made for software maintenance to:

Beneficiary	Item	Value
BBVA España	Corporate application maintenance and support	$ 15.345
Aplica Tecnología Avanzada	Regional application maintenance and support	5.870
Informática del Corte Ingles	Procurement of 8342 Google APPS Mailboxes	1.470
Everis Colombia Ltda.	Everilion Platform maintenance and support services	734
Etek International Holding Cor.	Maintenance of the perimeter security infrastructure, cumulative updates for the Check Point, Ibm-Iss, Trend Micro, Crossbeam, Tripwire, Bluecoat, Imperva, CA and RSA tools, and renewal of the Web Filter License maintenance service.	706

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

The Subsidiaries have the following policies at December 31, 2016:

BBVA Fiduciaria

Item	Valor
Other insurance	$ 293
Total	**$ 293**

BBVA Valores:

Item	Valor
Non-contractal civil liability policy	$ 29
Total	**$ 29**

(4) Payments made on account of improvements to properties assigned as In House services, in addition to platform and infrastructure support and maintenance and access to Bloomberg terminals. The Bank defines the amortization period according to the legal or contractual entitlement and cannot exceed the period of those rights, but can be less than that established by the parties. The time indicated in useful life depends on the period during which the entity expects to use the asset.

The movement of prepaid expenses during the years 2016 and 2015 was as follows:

Item	Balance 31 Dec 2015	Addition	Amortization / Retirement	Balance 31 Dec 2016
Insurance	$ 1.835	$ 5.872	$ 5.936	$ 1.771
Software maintenance	6.680	35.164	15.645	26.199
Data transmission	83	79.548	37.940	41.691
Others	765	3.113	2.543	1.335
Total	**$ 9.363**	**$ 123.697**	**$ 62.064**	**$ 70.996**

Item	Balance 31 Dec 2014	Addition	Amortization / Retirement	Balance 31 Dec 2015
Insurance	$ 1.433	$ 4.968	$ 4.566	$ 1.835
Software maintenance	4.502	14.459	12.281	6.680
Data transmission	174	22.962	23.053	83
Others	1.728	893	1.856	765
Total	**$ 7.837**	**$ 43.282**	**$ 41.756**	**$ 9.363**

22. Deposits and current liabilities

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

Item	2016	%	2015	%
Savings deposits	$ 16.270.031	39,9	$ 19.341.288	53,9
Deposits in checking accounts	5.526.698	13,5	4.938.091	13,7
Financial claims for banking serivces	390.418	1,0	336.743	0,9
Special deposits	215.598	0,5	199.904	0,6
Special savings accounts	260.563	0,6	16.924	-
Simple deposits	12.054	-	13.968	-
Canceled accounts	607	-	590	-
Banks and correspondents	5.073	-	10.163	-
Electronic deposits	169	-	51	-
Total deposits and financial claims	**22.681.214**		**24.857.722**	
Term Deposit Certificates	18.114.670	44,4	11.049.053	30,70
Real value savings certificates	10.893	-	9.333	-
Total deposits and financial claims	**18.125.563**		**11.058.387**	
Total deposits and financial claims	**$ 40.806.777**		**$ 35.916.109**	

The increase in the cost of resources for the Bank is represented mainly by the increase in the paid collection of savings deposits and CDs. BBVA Colombia recognizes customer rewards in the placement of CDs as costs; these associated rewards are amortized in accordance with the term of the CD.

The CDs in Colombian pesos include the items corresponding to interest and the cost attributable to the rewards granted to the instruments, which were COP 1,121 and COP 1,118, respectively

Item	2016	%	2015	%
Term Deposit Certificates	$ 18.114.670	44,4	$ 11.049.053	30,7
Real value savings certificates	10.893	-	9.334	-
Total deposits and financial claims	**S 18.125.563**		**S 11.058.387**	

23. Passive positions in money market and related operations

At December 31, the balance of this account was broken down as follows:

Description	2016	2015
Ordinary interbank funds purchased:		
• Banks	$ -	$ 155.048
Total interbank funds purchased	**-**	**155.048**
Transfer commitments in closed repo transactions:		
Banks	494.255	2.929.386
Total closed repo transactions	**494.255**	**2.929.386**
Commitments originated in short positions for simultaneous transactions		
• Banks and Financial Corporations	39.390	793.543
Total commitments for simultaneous transactions	**39.390**	**793.543**
Total passive positions in money market transactions	**$ 533.645**	**$ 3.877.977**

Description	Rate % 2016	Rate % 2015
Ordinary interbank funds purchased:		
• Banks	-	5,55
Transfer commitments in closed repo transactions:		
• Banks	4,43	5,52

At December 31, 2016, closed repo transactions were agreed at a rate of 4.43%, while at December 31, 2015, the opening of closed repo transactions with the Central Bank of Colombia were carried out at a rate of 5.52% with a maturity of three calendar days. No transaction costs were earned other than the interest agreed. In turn, at December 31, 2016, no purchased ordinary interbank funds were agreed.

24. Derivative financial instruments and (passive) cash operations

At December 31, the balance of the account classified in liabilities was broken down as follows:

Forward contracts	Notional value		Nominal value	
	31-dec-16	31-dec-15	31-dec-16	31-dec-15
Purchase on foreign currency:				
• Rights	$ 4.691.843	$ 2.687.047	$ (4.466.054)	$ (2.577.490)
• Obligations	-	-	4.615.494	2.682.123
Sale on foreign currency:				-
• Rights	2.229.951	4.139.420	(2.202.753)	(4.088.272)
• Obligations	-	-	2.232.173	4.404.666
Less DVA credit risk	-	-	(737)	-
Total forward contracts			$ **178.123**	$ **421.027**

Cash transactions	Notional value		Nominal value	
	31-dec-16	31-dec-15	31-dec-16	31-dec-15
Purchase on foreign currency:				
• Rights	$ -	$ 6.377	$ -	$ (6.299)
• Obligations	-	-	-	6.375
Sale on foreign currency:				
• Rights	-	4.069	-	(4.067)
• Obligations	-	-	-	4.094
Purchase on securities:				
• Rights	-	277	-	(318)
• Obligations	-	-	-	318
Sale on securities:				
• Rights	4.800	-	5.198	-
• Obligations	-	-	(5.209)	-
Total fair exchange price			**$ 11**	**$ 103**

Options	Notional value		Nominal value	
	31-dec-16	31-dec-15	31-dec-16	31-dec-15
Options on foreign currencies issued - put:				
• Obligations	$ -	$ -	$ 272.939	$ 69.420
Sale - Put	272.939	69.420	14.642	1.419
Options on foreign currencies issued - call:				
• Obligations	-	-	352.466	85.832
Sale - Call	352.466	85.820	9.137	2.876
Less DVA credit risk	-	-	(6)	-
Total fair exchange price			**$ 23.773**	**$ 4.295**

Swaps	Notional value		Nominal value	
	31-dec-16	31-dec-15	31-dec-16	31-dec-15
On interest rates:				
• Rights	$ 9.795.754	$ 8.661.445	$ (1.749.827)	$ (1.535.717)
• Obligations	-	-	1.865.303	1.660.225
On foreign currency:				
• Rights	1.883.702	2.078.525	(1.880.619)	(1.496.939)
• Obligations	-	-	2.415.711	2.121.818
Less DVA credit risk	-	-	(1.942)	-
Total swaps			648.627	749.387
Total cash transactions and derivatives			**$ 850.534**	**$ 1.174.812**

25. Bank credits and other financial obligations

At December 31, the balance of this account was broken down as follows

Description	2016	2015
Foreign currency:		
• Citibank N.A.	$ 291.199	$ 381.541
• Corporación Andina de Fomento – CAF	211.126	220.717
• Corpbanca New York	75.250	-
• Bank of America N.A. San Francisco	60.369	-
• Mercantil Commerce Bank Miami	45.605	35.331
• Banco ITAU Uruguay	15.019	-
• Banco de Comercio Exterior S.A. – Bancoldex	11.957	20.736
• Commerzbank AG Frankfur	-	18.505
• Wells Fargo Bank N.A. (1)	-	236.684
• Bank Of Nova Scotia	-	45.596
• Toronto Dominion Bank - Houston AG	-	117.253
Total foreign currency:	**710.525**	**1.076.363**
Legal currency:		
• Financiera de Desarrollo Territorial – FINDETER	389.641	295.297
• Banco de Comercio Exterior S.A. – BANCOLDEX	243.844	120.618
• Fondo para el Fomento del Sector Agropecuario - FINAGRO	208.568	105.900
Total legal currency	**842.053**	**521.815**
Total bank loans and other financial obligations	**$ 1.552.578**	**$ 1.598.178**

(1) The variation in resources obtained in foreign currency between the 2016 and 2015 periods decreased due to the cancellation of financial obligations of Wells Fargo Bank N.A, Toronto Dominion Bank and Bank of Nova Scotia for COP 236,684, COP 117,253 and COP 45,596, respectively.

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 +0.39% and +0.58% for short-term obligations, with maturity of up to one year; and Libor +1.95% and 0.94% for the medium-term obligations with maturity from one to five years at December 31, 2016 and 2015, 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 the customers.

The breakdown of these obligations by term was as follows:

Foreign currency obligations

December 31, 2016

Item	interest	Principal			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**

December 31, 2015

Item	interest	Principal			Total
		Short term	Medium term	Long term	
Banco de Comercio Exterior S.A. – Bancoldex	$ 43	$ -	$ 20.693	$ -	$ 20.736
Commerzbank Ag Frankfurt	37	18.468	-	-	18.505
Bank Of Nova Scotia	30	45.566	-	-	45.596
Citibank N.A.	798	380.743	-	-	381.541
Corporación Andina de Fomento – CAF	255	220.462	-	-	220.717
The Toronto Dominion Bank	311	116.942	-	-	117.253
Mercantil Commerce Bank Miami	59	34.222	1.050	-	35.331
Wells Fargo Bank N.A.	627	236.057	-	-	236.684
Total	**$ 2.160**	**$ 1.052.460**	**$ 21.743**	**$ -**	**$ 1.076.363**

Legal currency obligations

December 31, 2016

Item	interest	Principal			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**

December 31, 2015

Item	interest	Principal			Total
		Short term	Medium term	Long term	
Fondo para el Fomento del Sector Agropecuario – FINAGRO	$ 1.219	$ 15.279	$ 40.283	$ 49.119	$ 105.900
Banco de Comercio Exterior S.A. – BANCOLDEX	339	34.722	70.432	15.125	120.618
Financiera de Desarrollo Territorial - FINDETER	681	8.621	7.487	278.508	295.297
Total	**$ 2.239**	**$ 58.622**	**$ 118.202**	**$ 342.752**	**$ 521.815**

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 2016 fiscal year.

26. Accounts payabler

Of December 31, 2016 and 2015

Item	2016	2015
Suppliers	$ 133.047	$ 133.278
Taxes payable (1)	92.883	122.126
Withholdings and labor contributions (2)	62.881	50.357
Fogafin deposit insurance (3)	58.342	52.285
Dividends and surplus	55.369	47.672
Seizure management	30.571	27.781
National Law 546 / 1999	27.676	25.378
Non-bank ISS agreements payroll	26.929	28.843
Loan transaction surplus	26.740	27.912
Uncashed checks	13.625	20.208
Intended purchasers	12.518	15.035
Contribution on transactions (4)	9.460	10.519
Costs and expenses payable	6.550	6.279
Settlement of National Treasury Department transfer Decree 2331/98 (5)	4.172	46
Settlement and offsetting of POS CRCC (6)	4.085	1.641
Collection of commission and FNG VAT	3.966	4.938
Miles for points	3.677	4.339
Visa and MasterCard advertising campaigns (7)	3.434	34
Commissions and fees	1.443	882
Transfer of CH disbursements from other markets	760	-
Other items (8)	33.288	33.679
Total accounts payable	**$ 611.416**	**$ 613.232**

(1) The decrease is due to the advance payment of self-withholding and income and CREE taxes, paid gradually and progressively throughout the year 2016.

BBVA Sociedad Fiduciaria

Tax payables	2016		2015	
Income and supplementary taxes	$	5.244	$	1.869
CREE		-		2.786
Industry and commerce		99		85
Sales tax payable		12		182
Total	**$**	**5.355**	**$**	**4.922**

BBVA Valores

tax payables	2016		2015	
Income and supplementary taxes	$	70	$	1.151
Industry and commerce		8		12
CREE		3		3
Sales tax withheld		2		3
Sales tax payable		45		300
Total	**$**	**128**	**$**	**1.469**

(2) Increase due to withholding for payments abroad and transactions for the provision of acquisition services with business establishments.

(3) Moneys pending transfer to Fogafin on account of deposit insurance increased basically due to the change in the dates of payment modified by Resolution No. 001 / November 21, 2013 issued by the entity; for 2016, the last two quarters of the year are in the account payable, where the quarter from July to September is to be paid by the end of January 2017.

(4) The decrease is due to the tax on financial transactions deductible on account of reinvestments made by customers with CDs, corresponding to the lower value to be paid in the first week of January 2017.

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

(6) Decrease in surplus due to derivative transactions in local and foreign currencies, mainly in mutual obligations with BBVA BANCOMER S.A., where the percentage for the year 2015 represented 56.06% and 7.48% for 2016.

(7) 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.

(8) Cancellation of obligations due to payments made in full to suppliers of goods and services to BBVA, on account of security, advertising and investment.

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 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.

27. Outstanding investment securities

At 2016 December 31, the balance of this account was broken down as follows:

Item	Subordinated bonds	Ordinary bonds	Total
Principal	$ 2.179.284	$ 289.050	$ 2.468.334
Interest	17.857	1.732	19.589
Costs and valuation	(71.791)	-	(71.791)
Totals	**$ 2.125.350**	**$ 290.782**	**$ 2.416.132**

At 2015 December 31, the balance of this account was broken down as follows:

Item	Subordinated bonds	Ordinary bonds	Total
Principal	$ 2.238.788	$ 289.050	$ 2.527.838
Interest	19.380	1.906	21.286
Costs and valuation	(60.573)	-	(60.573)
Totals	**$ 2.197.595**	**$ 290.956**	**$ 2.488.551**

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. From the first issuance of Series A there is no current debt.

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 rate 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 2008 Bonds Prospect

- *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 2009 Bonds

- *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 repurchase its own ordinary bonds. The repurchase shall be conducted through the Securities Exchange, provided that one year has 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.

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 repurchase its own subordinated bonds. The repurchase 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 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.

Outstanding Investment Securities closed the year at $2.4 billion and decrease by 2.9%

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
Ordinarios 2008	$ 500.000	11	IPC+5,69%	TV	$ 155.000	26/08/08	26/08/19
Ordinarios 2009		7	IPC+3,70%	TV	134.050	29/09/10	29/09/17
		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 500	10	4,875 %	SV	USD 400	21/04/15	21/04/25
Total Bonds	$ 2.500.000				$ 1.268.050		
Total Bonds	USD 500				USD 400		

28. Other liabilities

At December 31, the balance of this account was broken down as follows:

Item	2016		2015	
Overdue principal and interest CD (1)	$	49.134	$	31.359
Loans and CC subject to collection (2)		41.783		42.462
Deferred Partial installments (3)		25.558		10.177
Balances to be applied on obligations (4)		25.249		20.523
Network clearance		27.821		20.776
Anticipated revenue		9.091		2.519
Network transaction surplus		7.751		7.552
Letters of credit of deferred payment (5)		6.718		419
Ascredibanco international purchases		2.941		2.941
Credit balances in foreign currency		1.928		1.178
Activities in joint ventures (6)		179		196
Surpluses in exchange		17		238
Other liabilities		6.396		6.324
Total other liabilities	**$**	**204.566**	**$**	**146.664**

(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) The items that form the deferred installment balance for the years ended at December 31, 2016 and 2015 were:

Item	2016		2015	
Deferred profit on sale of foreclosed assets	$	3.269	$	3.263
Amortization of RCI subsidy loans		15.758		-
Miles for points provision		424		-
Restructured loan interest		6.107		6.914
Total	**$**	**25.558**	**$**	**10.177**

Deferred profits on sale of foreclosed assets are generated as a result of the execution of term sales transactions, which are deferred over the term in which the transaction was agreed; their amortization must be made against the statement of income as long as their collection is effective.

With respect to the deferred income generated in restructured loan transactions, the standard states that whenever the capitalization of interest recorded in memorandum accounts or written-off portfolio balances including principal, interest and other concepts is considered, it shall be recorded as a deferred installment and its amortization to the statement of income shall be proportional to the amounts actually collected.

The amortization for the subsidy of loans granted in an agreement with RCI BANQUE during the completion of the processes of legalization, incorporation and startup of said company is deferred over the term of the obligation and amortized against the statement of income as the obligation is paid.

(4) 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.

(5) Letters of credit in foreign currency from the customers SMI COLOMBIA SAS and AUTOMOTORES FRANCIA SAS, payable in deferred terms for USD 1 million each.

(6) The balances in activities in joint ventures correspond to the liabilities of the consortia and joint ventures in which the trust company has a share at that cutoff date:

Item	2016		2015	
Consortia and joint ventures Accounts payable	$	70	$	74
Consortia and joint ventures Other liabilities		107		12
Consortia and joint ventures Estimated liabilities		2		110
Total	**$**	**179**	**$**	**196**

29. 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 was broken down as follows:

Item	2016	2015
Expenses for invoices pending payment (1)	$ 13.093	$ 49.827
Lawsuits due to breach of contracts (2)	40.965	39.197
FOGAFIN contingencies	32.486	24.769
Provision for fines and penalties (3)	25.587	-
Labor lawsuits	16.111	17.161
Penalties and sanctions other administrative authorities	2.260	3.008
Commission sales force (CF, for the Spanish original)	1.844	1.585
Democratized customers Bose (4)	533	-
Expenses associated with savings	400	2.714
Other personnel expenses	227	1.107
Others (5)	54.352	11.601
Total accrued liabilities and provisions	**$ 187.858**	**$ 150.969**

(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 by civil, criminal, tax and labor proceedings currently underway against the Bank.

(3) This is a provision of COP 25,587 for the process of inspection by the Unidad de Gestión de Pensión y Parafiscales (Pension and Parafiscal Management Unit - UGPP, for the Spanish original), that has been underway for two (2) years related to healthcare and pension adjustments.

(4) Provision to cover activities occurred due to inconsistencies in the BBVA Valores "BOSE" application, which erroneously wired money to a group of non-customers of the Broker.

(5) These are provisions accounted mainly for: Commissions on electronic services for credit and debit card holders (ACH, CENIT, 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 Bank is involved in eight hundred and thirty eight (838) legal proceedings of a civil, criminal, administrative, tax and labor nature, derived from the normal course of its activity and businesses, for an approximate value of COP 540,809.

Provisions have been created for legal contingencies in the amount of COP 84,923. In addition, for the processes guaranteed by Fogafín, there is a provision of COP 32,486, in accordance with the terms of the guarantee for contingencies granted by the Fund as part of the Banco Granahorrar privatization process.

In the opinion of management, after consulting with its internal and external legal advisors, these processes would not reasonably have an adverse material effect on the Bank's financial condition or on the results of its operations and are adequately provisioned.

The main proceedings currently underway against the entity are as follows:

Civil Proceedings:

a. Ordinary Proceedings 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 amounts paid to the Banks and the corresponding damages for a total of COP 155,000. The Bank filed its defense of the claim within the term to do so. The contingency is classified as remote.

b. Ordinary proceedings of Servientrega S.A. The civil liability of BBVA, BBVA Fiduciaria, BBVA Valores and Fenalco has been claimed for the purchase, democratization and subsequent merger of Banco de Caldas, which subsequently changed its name to Banco Nacional del Comercio (BNC). Servientrega's claims amount to COP 74,940. The defense of the claim was filed along with a counterclaim. The contingency is classified as remote.

c. Verbal action of Miguel Ángel Buitrago Berrio. Financial consumer protection action (Law 1480 / 2011): The plaintiff is claiming COP 27,110 corresponding to principal and interest on documents classified as deposits in escrow, issued by Banco Ganadero in 1980 with a nominal value of COP 9. The SFC accepted the demurrers proposed by BBVA and, in the first instance ruling, rejected the claims. The decision was appealed. The contingency is classified as remote.

d. Ordinary Proceedings 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. They agreed on COP 265 as a deposit, with which Coloca and Prounida 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 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. The BBVA 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, 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 18,836 with a provision for 100%.

The bank records provision liabilities based on the concepts from Legal, Labor Relations, and Tax Consultancy areas.

e. Class 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 foreclosed assets. These undetermined-amount proceedings have been classified as a “remote” contingency, with no rulings against the entity.

f. Ordinary Proceedings 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. An appeal for annulment was filed. The contingency is classified as probable with a provision for COP 8,330.

g. Ordinary Proceedings 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.

h. Executory process of IFI vs. Corfigan: This claim is for the collection of the final settlement of a salt refinery contract in which Corfigan was involved in a joint venture. The executory processes are underway at the Council of State, and an annulment process is underway in the Court of Bolívar. The lawsuit has a provision for COP 10,800. The contingency is classified as probable.

Labor proceedings:

The Bank has 207 labor proceedings filed against it with claims estimated at COP 26,384 and provisions for COP 16,111. The main reasons for the lawsuits are: legal and conventional reinstatement, earning of wages, damages for alleged unfair dismissals, disputes regarding the legal nature of the conventional vacation and seniority bonuses, and pension issues. These processes 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.

BBVA Colombia is on the TOP 15 companies most wanted to work in among the Latin America students taking in to account business and commerce fields.

La Unión de Gestión de Pensión y Parafiscales – UGPP, is an inspection body on topics of social security and parafiscal charges. In 2014, the UGPP started out nationwide inspections of companies from different sectors (finance, real, industrial, etc.) in a mass inspection process. This involved a change in the former stance in relation to the application of different standards regarding pension-related contributions. This modification led companies to adjust contributions with retroactive application, since the UGPP's stance was the only one validated and it could not be rebutted. It is important to mention that the change in the interpretation of the standards gave rise to the issue, and it was not considered an error before that. In order to address this contingency, a provision was recorded for COP 35,755, which was reduced by COP 10,168 due to the payment made to UGPP.

Tax proceedings

The Bank is currently engaged forty five (45) tax proceedings through government channels and in the administrative jurisdiction with estimated claims amounting to COP 2,271 and provisions amounting to COP 2,259, which correspond to three (3) class actions for withholding tax on financial transactions; and proceedings regarding regional taxes, basically for industry and commerce tax, property tax and tax collection proceedings.

30. Labor liabilities

IAS 19 prescribes the accounting treatment and the information to be disclosed regarding employee benefits, except those related to share-based payments, according to IFRS 2:

The details of the component of short-term labor liabilities at December 31 are as follows:

Item	2016		2015	
Severance pay	$	13.014	$	11.959
Interest on severance		1.549		1.406
Vacations		14.976		12.344
Current provisions for employee benefits		51.487		51.165
Other benefits		8.010		10.759
Total short-term benefits		**89.036**		**87.633**
Non-current provisions for employee benefits		50.146		39.157
Retirement pension actuarial calculation		53.459		47.518
Total long-term benefits		**103.605**		**86.675**
Total labor liabilities	**$**	**192.641**	**$**	**174.308**

Actuarial Calculation

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:

Liabilities for benefits at the beginning of the 2015 and 2014 period	**$**	**41.698**	**$**	**44.774**
1- Cost of services		4.924		5.075
2- Cost of interest		3.420		2.966
3- Cash Flow		(7.425)		(9.918)
Adjustment for experience		1.699		2.478
Adjustment for change in financial assumptions		3.943		(3.677)
Liabilities at the end of the 2016 and 2015 period	**$**	**48.229**	**$**	**41.698**

Reconciliation

Balance at December 31, 2015 and 2014	**$**	**41.698**	**$**	**44.774**
Payment of seniority bonus		(8.281)		(8.437)
Seniority bonus expenses		8.828		3.212
Financial cost		3.141		2.966
Actuarial calculation adjustment debited to expenses		2.843		(817)
Liabilities at the end of the 2016 and 2015 period	**$**	**48.229**	**$**	**41.698**

The Bank has carried out the actuarial valuation at December 31, 2016 and 2015 for the retirement plan premium commitment that BBVA has made with its pensioned and active participants.

The following are the details of the actuarial calculation and the results of the study at December 31, 2016:

Balance at December 31, 2015 and 2014	**$**	**1.359**	**$**	**1.449**
1- Cost of services		77		85
2- Cost of interest		119		99
3- Cash Flow		(17)		(70)
Adjustment for experience		134		39
Adjustment for change in financial assumptions		202		(243)
Liabilities at the end of the 2016 and 2015 period	**$**	**1.874**	**$**	**1.359**

Reconciliation

Balance at December 31, 2015 and 2014	**$**	**1.359**	**$**	**1.449**
Retirement plan premium payments		-		(70)
Retirement plan premium expenses		-		-
Actuarial calculation adjustment by hypothesis		336		(204)
Actuarial calculation adjustment debited to expenses		1.538		184
Transfer (1)		(1.359)		-
Liabilities at the end of the 2016 and 2015 period	**$**	**1.874**	**$**	**1.359 (1)**

(1) Pension transfer due to individual retirement plan premium entry

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 accounting policies of the Bank.

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 fifteen 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 for extralegal benefits offered by the Company to its retirees and beneficiaries.

In the case of BBVA, these benefits are as follows:

- One extralegal monthly payment. This is the payment of 15 days in June and 15 days in December.
- One funeral benefit for a total of COP 2,300,000 upon the death of the retiree and COP 540,000 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 30,400 per year in the case of natural death and COP 17,390 per year 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 76,487 to COP 106,689, except for some employees with a policy for COP 899,853 in exceptional cases.

Types of pensions

Retirees to be paid by the Bank: 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 after 10 to 15 years of service: 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: 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, and 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.

Retirees 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 includes 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: are paid to surviving beneficiaries 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 proportional to the corresponding quota-part, as requested by 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 sharing: 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 sharing, 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:

Balance at December 31, 2015 and 2014	**$ 46.159**	**$ 52.356**
Pension payments	(4.140)	(4.016)
Pension expenses	4.131	-
Others	3.782	(4.596)
Actuarial calculation adjustment debited to expenses	3.527	3.774
Transfers (1)	-	(1.359)
Liabilities at the end of the 2016 and 2015 period	**$ 53.459**	**$ 46.159**

(1) Pension transfer due to individual retirement plan premium entry

At December 31, 2016, the impact of the pension liabilities payable on the actuarial calculations, based on the application of Decree 2131 / 2016 vs. the calculation in the terms of IAS 19 of the technical regulatory framework of Decree 2420 / 2015 and its amendments, is:

Description	Calculation according to Decree 1625 / 2016	Calculation according to IAS 19	Impact
Retirement reserve	$ 46.203	$ 51.830	$ (5.627)
Healthcare reserve	811	-	811
Pension bonds and securities	2.737	-	2.737
Retiree benefit	-	1.629	(1.629)
Total	**$ 49.751**	**$ 53.459**	**($ 3.709)**

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, 2016 and the determination of cost for the 2017 fiscal year
Discount rate	7,50%
Inflation	3,50%
Salary increase rate	5,50%
Pension increase rate	Igual a la inflación
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 Section 1 of Article 1.2.1.18.46 of Decree 1625 / 2016. This is a nominal annual rate of 4.9283%.
Technical interest rate:	The real technical interest rate of 4.80% was used in accordance with section 2 of Article 1.2.1.18.46 of Decree 1625 / 2016.

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.

At December 31, the balance of labor liabilities consisted of the following

Concept	2016	2015
Severance pay	$ 256	$ 201
Interest on severance	29	23
Vacations	296	288
Current provisions for employee benefits	960	819
Total	**$ 1.541**	**$ 1.331**

BBVA Valores

The Broker 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.

At December 31, the balance of the account consisted of the following:

Concept	2016	2015
Severance pay	$ 32	$ 29
Interest on severance	4	3
Vacations	93	54
Bonuses DOR	801	310
Total	**$ 930**	**$ 396**

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.

31. Income tax and deferred tax

The tax provisions applicable to the Group state that the income tax rate for the years 2016 and 2015 is 25% and the income tax for equality (CREE) rate is 9%, respectively. In addition, for the year 2015, a 5% surcharge on the CREE tax has been stipulated, rising to 6% in 2016, for companies whose earnings are greater than or equal to COP 800 million.

According to Article 188 of the Tax Code, the taxpayer's net income cannot be lower than 3% of its net worth, on the last day of the preceding tax year.

Accordingly, and considering that BBVA Valores' ordinary income was less than its presumptive income, the taxable base of income and CREE taxes is determined based on the presumptive income, which is 3% of the net worth of the preceding year. The applicable rate, which is 34% (25% income tax and 9% CREE tax), does not indicate a CREE surcharge since earnings do not exceed COP 800 million, which is the basis for the calculation thereof.

The income tax expense includes.

Concepto	2016	2015
Current tax:	$ 315.044	$ 308.655
Regarding the current year	9.807	47.151
Total tax expense related to continuing operations	**$ 324.849**	**$ 355.806**

The reconciliation between profit before taxes and taxable net income for the years 2016 and 2015 is as follows:

Concept	2016	2015
Profit before taxes from continuing operations	$ 897.416	$ 971.152
Income tax expense calculated at 40% (2015: 39%) BBVA Valores 34% rate on presumptive income (COP 354)	359.087	378.749
Effect of non-taxable income	(105.265)	(96.103)
Effect of non-deductible expenses when determining taxable income	86.306	85.734
Others	(25.086)	(59.725)
Total current tax expense	**315.042**	**308.655**
Deferred tax effect	9.706	43.569
Effect of deferred tax balances due to changes in the income tax rate from 34% to 39% (as of 01-01-2015)	101	3.582
Total deferred tax effect	**9.807**	**47.151**
Income tax expense recognized in the profit or loss statement (related to continuing operations)	**$ 324.849**	**$ 355.806**

Current tax assets and liabilities

Concept	2016	2015
Current tax assets		
• Income tax and CREE tax	$ 5.504	$ -
Total	**$ 5.504**	**$ -**
Current tax liabilities		
• Income tax payable	$ 21.177	$ 61.454
Total	**$ 21.177**	**$ 61.454**

The reconciliation between the effective income tax rate and the tax rate includes:

Concepto	2016	%	2015	%
Pre-tax statement of income	$ 897.416	100	$ 971.152	100
Presumptive income base over net worth (Applies for BBVA Valores)	354	100		
Income tax calculated based on the tax rate	(359.087)	(40)	(378.749)	(39)
Tax effect on additions (deductions):				
Permanent Differences	83.037	9,25	45.502	4,69
Other	(48.799)	(5,44)	(22.559)	(2,32)
Current and deferred income tax recorded according to combined effective rate	**$ (324.849)**	**(36,18)**	**$ (355.806)**	**(36,63)**

Deferred tax balances and movements - Below is an analysis of the deferred tax assets/liabilities presented in the financial statements of financial position:

Concept	2016	2015
Deferred tax asset	$ 103.729	$ 91.590
Deferred tax liability	(323.089)	(326.188)
Total	**$ (219.360)**	**$ (234.598)**

2016	Initial balance	Addition / Recovery for the fiscal year	Addition / Recovery other comprehensive income	Recognized directly in equity	Closing Balance
Deferred tax asset related to:					
• Cash flow hedges	$ -	$ -	$ 16.065	$ -	$ 16.065
• Net investment hedges	-	13.816	-	-	13.816
• Property, plant and equipment	-	4.817	-	5.647	10.464
• Intangible assets	6.582	(6.582)	-	-	-
• Financial assets at fair value through profit or loss and amortized cost	18.865	(18.861)	-	-	4
• Provisions	35.849	(13.002)	-	-	22.847
• Liabilities for defined benefits	30.058	6.143	4.331	-	40.532
• Other	236	(235)	-	-	1
Total deferred tax asset	**$ 91.590**	**$ (13.904)**	**$ 20.396**	**$ 5.647**	**$ 103.729**

2016	Initial balance	Addition / Recovery for the fiscal year	Addition / Recovery other comprehensive income	Recognized directly in equity	Closing Balance
Deferred tax liability related to:					
• Cash flow hedges	$ (3.353)	$ -	$ 3.353	$ -	$ -
• Net investment hedges	(30.242)	30.046	-	-	(196)
• Associates	-	(9.718)	18	-	(9.700)
• Property, plant and equipment	(74.810)	9.116	-	-	(65.693)
• Intangible assets	(76.881)	911	-	-	(75.970)
• Financial assets at fair value through profit or loss and amortized cost	(2.231)	(12.543)	2.231	-	(12.543)
• Portfolio	(57.473)	(15.011)	-	2.955	(69.529)
• Portfolio provisions	(71.549)	-	(10.951)	-	(82.500)
• Financial assets available for sale	-	-	(301)	-	(302)
• Provisions	(454)	432	-	-	(22)
• Outstanding debts	-	(151)	-	-	(151)
• Liabilities for defined benefits	(1.697)	-	1.697	-	-
• Other financial liabilities	-	(99)	-	-	(99)
• Unclaimed issuance and buyback costs	(4.425)	677	-	-	(3.748)
• Other	(3.073)	437	-	-	(2.636)
Total deferred tax liability	**(326.188)**	**4.097**	**(3.952)**	**2.955**	**(323.089)**
Net deferred tax	**$ (234.598)**	**$ (9.807)**	**$ 16.443**	**$ 8.602**	**$ (219.360)**

2015	Initial balance	Addition / Recovery for the fiscal year	Addition / Recovery other comprehensive income	Recognized directly in equity	Closing Balance
Deferred tax asset related to:					
• Cash flow hedges	$ -	$ -	$ -	$ -	$ -
• Net investment hedges	20.317	(20.317)	-	-	-
• Intangible assets	15.233	(8.651)	-	-	6.582
• Financial assets at fair value through profit or loss	81	18.784	-	-	18.865
• Provisions	9.398	26.451	-	-	35.849
• Liabilities for defined benefits	31.438	(1.380)	-	-	30.058
• Other	686	(448)	-	-	238
Total deferred tax asset	**$ 77.153**	**$ 14.439**	**$ -**	**$ -**	**$ 91.590**

2015	Initial balance	Addition / Recovery for the fiscal year	Addition / Recovery other comprehensive income	Recognized directly in equity	Closing Balance
Deferred tax liability related to:					
• Cash flow hedges	$ -	$ (1)	$ (3.352)	$ -	$ (3.353)
• Net investment hedges	-	(30.242)	-	-	(30.242)
• Joint Ventures	-	-	-	-	-
• Property, plant and equipment	(72.574)	(2.236)	-	-	(74.810)
• Intangible assets	(74.960)	(1.922)	-	-	(76.881)
• Financial assets at fair value through profit or loss	(1.764)	1.766	-	-	1
• Financial instruments measured at fair value	(5.947)	-	-	3.716	(2.231)
• Provisions	(114.825)	(24.014)	3.005	6.358	(129.475)
• Liabilities for defined benefits	-	-	(1.697)	-	(1.697)
• Unclaimed issuance and buyback costs	-	(4.425)	-	-	(4.425)
• Other	(2.561)	(513)	-	-	(3.073)
Total deferred tax liability	**(272.630)**	**(61.587)**	**(2.044)**	**10.074**	**(326.188)**
Total	**$ (195.477)**	**$ (47.151)**	**$ (2.044)**	**$ 10.074**	**$ (234.598)**

Transfer prices

As the Bank and its related parties carry out transactions with foreign related companies, they are subject to the regulations introduced in Colombia regarding transfer prices by Laws 788 / 2002 and 863 / 2003. Therefore, the Bank and its related parties conducted a technical study on the transactions carried out in 2015, concluding that there were no conditions to affect the income tax of that year.

To date, the Bank and its related parties have not completed the technical study of the transactions carried out with foreign related companies in 2016. However, management has reviewed the transactions and considers they had a similar behavior to those carried out in 2015; therefore it considers that there will be no material impact on the income tax return for the 2016 period.

Income tax expense decreased by 8.7% in relation to the previous year.

Income tax for equality (CREE) and the surcharge thereof

The surcharge applicable to taxpayers whose annual CREE tax return shows a profit greater than or equal to COP 800 million is subject to an advance payment of 100% of the value thereof, calculated on the preceding taxable base. The applicable rate of CREE tax in 2016 will be 9% and the surcharge will be 6%.

32. 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, 2016 and 2015, 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, 2016 and 2015 was represented by 55,089,695 common shares with 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 March 15, 2016 and February 25, 2015 approved dividends of COP 267.19 and COP 305.21, respectively, per subscribed and paid-in share, whose total amounted to COP 14,720 and COP 16,403, on the same dates.

The subscribed and paid-in capital of BBVA Valores at December 31, 2016 and 2015 was represented by 3,881,558 shares issued for a nominal value of COP 1,000 (one thousand Colombian pesos) each. The ordinary General Meeting of Shareholders held on March 15, 2016 and February 24, 2015 approved dividends of COP 585.42 and COP 711.95, respectively, per subscribed and paid-in share, whose total amounted to COP 2,272 and COP 2,763, on the same dates.

33. Reserves

At December 31, 2016, the balance of this account was broken down as follows:

Concept	2016	2015
Legal reserve	**$ 2.278.704**	**$ 1.972.599**
Occasional reserves:		
• Available to the Board of Directors	1	1
• To protect investments	532	532
• As per tax provisions	-	3.992
Total reserves	**$ 2.279.237**	**$ 1.977.124**

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 million.

- For investment protection, the balance equivalent to COP 532 million.

34. 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:	2016	2015
Net earnings attributable to shareholders	$ 572.567	$ 615.346
Average number of shares outstanding	14.387.689.071	14.387.689.071
Basic earnings per ordinary share (*)	**$ 40**	**$ 43**
Diluted earnings per share (*)	**$ 40**	**$ 43**

(*) Value in Colombian pesos

During the years ending December 31, 2016 and 2015, 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 are the same.

35. Unrealized profit or loss - Other Comprehensive Income (OCI)

Description	2016	2015
Profit (Losses) for:		
• Equity method instruments	$ 4.368	$ 5.532
• New measurements of defined benefit plans	(10.827)	4.243
• Non-controlling interests	17.724	28.251
• Measurements of financial assets available for sale	300.519	266.357
• Cash flow hedges	(40.161)	8.381
• Deferred Tax	(62.085)	(78.829)
Total Other Comprehensive Income	**$ 209.538**	**$ 233.935**

36. Legal controls

In the years 2016 and 2015, 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.

  The Bank's portfolio policy is compliant with the current mortgage law, according to which mortgage loans can be granted as follows:

  - Low-income housing up to 80% financing on the value of the housing unit.

  - Non-low-income housing, up to 70% Financing on the value of the housing unit.

The technical reserve 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 Notice 020 / 2013 issued by the Colombian Financial Superintendence, which modify the definitions and the calculation of regulatory capital for Credit Establishments.

At December 31, 2016 and 2015, the Group's technical reserve represented 12.61% and 13.57%, respectively, of its assets and credit-risk-related contingencies calculated based on the non-consolidated financial statements.

37. Control and financial information disclosure accounts

As part of its ordinary course of business, the Group had the following contingent liabilities and commitments at December 31, recorded in memorandum accounts:

Concept	2016	2015
Contingent accounts payable:		
• Rental Payments receivable	$ 2.233.349	$ 1.960.533
• Rights in options	625.405	155.252
• Simultaneous operations and collateral securities repo	516.790	3.004.023
• Interest on loan portfolio and leasing operations	161.533	106.752
• Purchase options receivable	98.215	96.078
• Law 546 / 1999 relief	17.940	17.940
• Monetary adjustment loan portfolio	892	787
• Other	888	14.346
Total contingent accounts payable	**3.655.012**	**5.355.711**
Memorandum accounts payable:		
• SP FW purchase rights	54.295.256	50.377.875
• Tax value of assets	48.549.041	40.493.922
• Tax base	47.636.604	38.022.657
• Form 110 control figures	31.981.786	29.278.855
• Assets and securities provided under custody and as collateral	3.375.793	3.885.428
• Market valuation of subordinated bonds	2.195.331	2.190.478
• Unused credits in favor	2.012.420	952.949
• Written-off assets	1.167.747	998.848
• Purchase transactions in FC Forex, forwards and futures	1.004.744	1.094.346
• Liquidation of interest after write-offs	922.040	726.749
• LC Exports, standby and collection transactions in FC	839.550	1.065.506
• Completely depreciated property and equipment	366.890	313.085
• Active reciprocal transactions	104.483	103.500
• Offices written-off items	101.966	101.966
• Distribution of subscribed capital	89.779	89.779
• Debt forgiveness	75.491	75.123
• Delta options purchased	49.559	34.117
• Securitized portfolio E5 and E9 issuances	47.037	65.468
• Inflation adjustments of assets	42.861	42.861
• Investment in debt securities	42.308	36.316
• Costs and expenses reciprocal transactions	17.669	11.779
• New loans agricultural loan portfolio	10.412	7.551
• Valuation of foreclosed assets	4.437	4.250
• Provision for persons in agreements with creditors	$ 1.901	$ 1.899

Concept	2016	2015
• Assigned value assets in trust	$ 310	$ 310
• Dividends on revaluation of equity	161	161
• Accounts receivable from returns on investments	-	59.518
• Other memorandum accounts payable	1.637.425	1.789.583
Total memorandum accounts payable	**196.573.001**	**173.139.551**
Contingent accounts receivable		
• Opening of loans	3.273.000	2.919.450
• Loans approved but not disbursed LC	1.420.262	1.405.826
• Bank guarantees provided	1.023.219	763.402
• Liabilities in options	625.405	155.252
• Disputes	558.994	403.253
• Letters of credit issued but not used	498.935	469.929
• Other Creditor liabilities	132.677	115.399
• Endorsements	1.000	2.000
Total contingent accounts creditors	**7.533.492**	**6.234.511**
Memorandum accounts creditors		
• Assets and securities received as collateral	77.624.718	70.691.730
• Rating of loan portfolio, interest and accounts receivable	40.343.454	37.502.069
• LC imports, standby transactions	14.279.077	15.024.809
• SP, FW and swap sale liabilities	10.227.391	11.383.871
• Local risk-weighted (RW) calculation	5.231.846	5.215.575
• Tax value of equity	3.869.242	3.584.547
• Mutual funds	2.347.361	1.820.049
• Sale transactions in FC Forex, Forwards and Futures	2.341.890	619.123
• Bounced Checks	610.262	898.452
• Capitalization by revaluation of equity	532.182	532.144
• Inflation Adjustments Equity	520.005	532.144
• Neg. Return on investments	420.573	249.970
• Securities received in simultaneous transactions	357.541	854.433
• Passive reciprocal transactions	105.579	160.692
• Income reciprocal transactions	107.032	70.476
• Assets and securities under custody	97.957	92.268
• Recovery of Written-off Assets	58.544	67.306
• Securitized Portfolio, Interest, Accounts Receivable	50.980	72.683
• Delta options issued	46.514	34.117
• Managed portfolio (other than Fogafin)	678	678
• Other memorandum accounts receivable	2.618.036	2.549.504
Total memorandum accounts creditors	**$ 161.790.862**	**$ 151.956.640**

38. Contingencies

The Bank had the following contingencies at December 31, 2016:

Credit commitments – 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. Below is a summary of the most important commitments:

Endorsements, letters of credit and bank guarantees – The Bank issues endorsements and guarantees to guarantee the contracts and obligations of special clients. These guarantees expire in one to fifteen years, and fees are charged for this service with bank correspondents that do not belong to the BBVA Group; the rate of these fees is 0.3% of the value of the endorsement or guarantee, with a minimum of USD 100 at the beginning of each quarter. A fee of 0.2% is charged with banks of the BBVA Group, with a minimum of USD 80.

In order to demonstrate a potential risk that would require the Bank to pay a provision on this account, clients that had this type of transactions in legal and foreign currency were evaluated at December 31, 2016, finding the following balances in the databases:

In legal currency

Item	2016
Endorsements	$ 1.000
Bank Guarantees	529.444
Total Endorsements and Bank Guarantees LC	**$ 530.444**

In foreign currency

Item	2016			
	USD	EUR	GBP	CHF
Bank Guarantees	138	25	-	-
Letters of Credit (LC)	148	17	0,03	0,05
Total in foreign currency	**286**	**42**	**0,03**	**0,05**
Exchange rates (applied on cutoff date)	3.000,71	3.147,59	2.225,06	3.079,87
Total in Colombian Pesos	**$ 858.762**	**$ 133.721**	**$ 73**	**$ 154**

The essence of the Endorsements, Letters of Credit and Bank Guarantees in local and foreign currency that mainly generate obligations for the Bank were reviewed and the following decision tree was applied to confirm whether or not there was a Contingent Liability, as per the guidelines of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets:

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 complied with, the outlay of funds that include future economic benefits will be required?
	Can the amount be measured with sufficient reliability?

In addition, the risk department was asked for the rating of clients that, at December 31, 2016, had a balance in legal and foreign currency, with the following result:

Endorsements in legal currency

Long-term	Value	Percentage %
A	$ 1.000	100
Total	**$ 1.000**	**100**

Bank guarantees in legal currency

Long-term	Value	Percentage %
A	$ 498.044	94
B	130	-
C	50	-
N (*)	32.220	0,6
Total	**$ 529.444**	**100**

(*) No posee posición acreedora a 31 de diciembre de 2016

Bank guarantees in foreign currency

Long-term	2016				
	USD	EUR	GBP	CHF	Porcentaje %
A	138	24	-	-	99,40
E	-	0,01	-	-	0,60
Total in foreign currency	**138**	**25**	**-**	**-**	**100**
Exchange rates (applied on cutoff date)	3.000,71	3.147,59	-	-	-
Total in Colombian Pesos	**$ 413.909**	**$ 79.867**	**$ -**	**$ -**	**100**

Letters of credit in foreign currency

Long-term	2016				
	USD	EUR	GBP	CHF	Porcentaje %
A	140	16	0,03	0,05	94,57
B	-	0,25	-	-	0,16
C	0,4	-	-	-	0,24
N	7,49	0,84	-	-	5,04
Total in foreign currency	**148**	**17**	**0,03**	**0,05**	-
Exchange rates (applied on cutoff date)	3.000,71	3.147,59	2.225,06	3.079,87	-
Total in Colombian Pesos	**$ 444.853**	**$ 53.855**	**$ 73**	**$ 154**	**100**

According to the bases reviewed, at December 30, 2016, BBVA is not required to create any provisions for the products of Endorsements, Letters of Credit and Bank Guarantees in legal or foreign currency, as per the criteria of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

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 based on the value of the letter of credit, with a minimum of USD 130 + VAT, plus 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 0.225% of the value of the letter of credit for confirmation, with a minimum of USD 50 and a negotiating fee of 0.15% and a minimum of USD 50. 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 0.15% for confirmation, with a minimum of USD 35, a negotiating fee of 0.10% and a minimum of USD 35.

Unused credit card limits – When clients are provided with credit cards, a credit limit is authorized for the client 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 2016 and 2015, 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 client 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 client's financial capacity and obtains the guarantees considered necessary. These guarantees, if considered 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.

BBVA Asset Management S.A. had contingent liabilities at December 31, 2016 for COP 77 for claims in legal proceedings.

The main proceedings underway against the Trust Company were assessed and rated by external lawyers considering that the provisions created by the company are sufficient to cover any contingency thereof.

39. Interest revenues

Revenues from ordinary activities at December 31 are as follows:

Concept	2016	2015
Interest Revenues		
Commercial loan portfolio (1)		
Commercial loans	$ 1.142.548	$ 774.500
Overdrafts commercial loans	6.911	5.799
Commercial loan portfolio discount operations	11.417	10.178
Commercial loan portfolio rediscount operations	54.969	24.196
Commercial portfolio default interest	20.318	13.539
Total commercial loan portfolio	**1.236.163**	**828.212**
Consumer loan portfolio (2)		
Consumer loans	1.559.297	1.293.756
Overdrafts consumer loans	1.883	1.777
Consumer loan portfolio default interest	29.769	22.404
Total consumer loan portfolio	**1.590.949**	**1.317.937**
Micro-credit loan portfolio		
Micro-credits	-	1
Total micro-credit loan portfolio	**-**	**1**
Credit card loan portfolio		
Commercial credit card loan portfolio	3.352	3.115
Consumer credit card loan portfolio	340.530	288.299
Total credit card loan portfolio	**343.882**	**291.414**
Mortgage loan portfolio (3)		
Mortgage and residential leasing loans	769.707	716.156
Default interest on mortgage and residential leasing loans	9.045	6.979
Readjustment of the real value unit (RVU)	65.058	56.707
Total mortgage loan portfolio	**843.810**	**779.842**
Factoring transactions loan portfolio (4)		
Factoring transactions	17.988	4.624
Total factoring transactions loan portfolio	**17.988**	**4.624**
Operating lease loan portfolio		
Operating lease rates	5.440	7.320
Profit on sale of assets in operating leases	5	24
Total operating lease loan portfolio	**$ 5.445**	**$ 7.344**

Concept	2016	2015
Interest Revenues		
Financial leasing loan portfolio (5)		
Penalties for breach of financial lease agreements	$ 2.575	$ 2.207
Financial component of financial leases - consumer	1.059	1.224
Financial component of financial leases - commercial	178.427	132.466
Total finance leasing loan portfolio	**182.061**	**135.897**
Residential leasing loan portfolio (6)		
Financial component of residential leasing	141.687	101.919
Total residential leasing loan portfolio	**141.687**	**101.919**
Total interest revenues	**4.361.985**	**3.467.190**
Interest Expenses		
Ordinary savings deposits (7)	881.185	590.836
Term Deposit Certificates (8)	1.338.975	668.251
Readjustment of the real value unit (RVU)	651	1.580
Banks and financial obligations (9)	56.460	23.463
Other interests	24	414
Total interest expenses	**2.277.295**	**1.284.544**
Total interest revenues, net	**$ 2.084.690**	**$ 42.182.646**

(1) The commercial loan portfolio generated COP 295,445 in revenue, COP 89,751 of which correspond to the COP 1,121,639 increase in average balances of this portfolio.

(2) The consumer loan portfolio generated COP 263,391 in revenue, COP 226,681 of which correspond to the COP 1,693,024 increase in average balances of the portfolio.

(3) The mortgage loan portfolio generated COP 51,921 in revenue, COP 62,359 of which correspond to the COP 572,656 increase in average balances of this portfolio.

(4) A revenue of COP 14,638 was generated by discount and factoring transactions, COP 7,530 of which are due to the COP 92,310 increase in average balances of this portfolio.

(5) Financial leases generated a revenue of COP 46,050, COP 12,894 of which correspond to the COP 138,838 increase in average balances of this portfolio.

(6) Residential leasing generated a revenue of COP 39,666, COP 36,983 of which are due to the COP 382,674 increase in average balances of the portfolio.

(7) Interest expenses on ordinary savings deposits generated a cost of COP 267,053, COP 21,103 of which are due to the COP 533,359 increase in the average balances of deposits.

(8) Interest expenses on certificates of deposit (CDs) generated a cost of COP 670,722, COP 276,890 of which are due to the COP 4,973,255 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 33,237, -COP 625 of which are due to the -COP 23,047 decrease in average balances of this portfolio.

40. Non-interest revenues

At December 31, 2016, the balance of this account was broken down as follows:

Concept	2016	2015
Commissions		
• Commission revenues	$ 478.084	$ 433.638
• Commission expenses	(270.502)	192.976
Total Commissions	**207.582**	**240.662**
Securities		
• Money market operations (1)	181.289	150.958
• Investments at fair value	412.118	391.955
• Investments at amortized cost (2)	319.061	70.083
Total securities	**$ 912.468**	**$ 612.996**

Concept	2016	2015
Equity derivatives		
• Valuation of trading derivatives (3)	$ 5.561.262	$ 6.923.887
Disposals		
• Sale of non-current assets held for sale	1.397	1.341
• Sale of property, plant and equipment	1.012	2.267
• Sale of investments (4)	172.947	73.289
Total disposals	**175.356**	**76.897**
• Net exchange difference (5)	36.997	341.893
• Dividends	10.345	11.316
• Leases	2.164	1.719
Others:		
Valuation of Credibando shares (6)	98.835	-
• Residual risk of derivative financial instruments (7)	16.312	-
• Sale of checkbooks	15.086	15.910
• VISA financing payment	11.198	8.575
• Operational risk (8)	7.678	23.442
• Residual rights of Titulizadora (9)	7.530	5.899
• SWIFT messages	2.738	2.568
• Activities in joint ventures	2.361	1.580
• Payment of the regional VISA agreement	2.188	2.759
• Sale of cash	1.153	639
• Advertising agency discounts	1.550	-
• Commercial information for clients	777	507
• Other	21.005	22.285
• Total other revenue	188.411	84.164
Total other revenue other than interests	**$ 7.094.585**	**$ 8.293.534**

(1) Revenue from money market transactions for the year 2016 increased by 52% due to the yields on commitments in simultaneous transactions.

(2) The valuation of debt instruments at fair value and amortized cost grew, which led to higher revenues, along with the valuation of the new securities acquired in 2016, which resulted in a 31% increase in the acquisition of securities, where the highest growth occurred in securities available for sale at fair value through OCI.

(3) The valuation of trading derivatives in 2016, contracts traded in Derivatives decreased 20% compared to 2015; in 2016, income was 88% as a result of settlement and 12% is the result of valuation, while in 2015, it was 78% and 22%, respectively. COP-USD forwards have a balance of COP 2,351 on account of valuation and COP 567 on account of settlement, and futures came in second place at a value of COP 2,317 due to settlement. In 2015, the performance of COP-USD forwards was COP 3,466 and COP 914 in settlement and valuation, respectively. Since these figures are higher than those of 2015, the valuation of trading derivatives decreased 20% in 2016 compared to 2015.

(4) Significant TES sales recorded from April to December 2016, which recorded profits.

(5) An exchange difference is presented because in the last twelve months, the Colombian peso has revaluated with respect to the US dollar by COP 149; at the end of 2016, there was an official exchange rate of COP 3,000.71, while in 2015, it was COP 3,149.47.

(6) Valuation of 1,142,859,864 shares of the holding in Credibanco (12.65%), as determined by Infovalmer.

(7) Decrease in the residual risk of transactions with derivative financial instruments, such as Swaps and Forwards.

(8) Recovery of the civil proceedings provision of COP 10,490 million filed by Melian Ltda. and Others on April 14, 2004, which was ruled in favor of the Bank in November 2015.

(9) Increase in residual rights due to the cancellation of issuances E9, E10, E11 and E12 of Titulizadora.

41. Non-interest expenses

At December 31, the balance of this account was broken down as follows:

Concept	2016	2015
other expenses		
Employee salaries and benefits (1)	$ 530.050	$ 475.767
Taxes (2)	140.311	134.199
Insurance (3)	126.350	112.314
Electronic data processing (4)	91.535	75.156
Depreciation of property, plant and equipment	45.652	51.642
Maintenance, improvements and repairs	45.094	38.862
Transportation	41.495	42.388
Leases (5)	39.745	36.594
Penalties and sanctions, lawsuits, damages (6)	38.616	3.779
Client loyalty	36.463	36.588
Temporary services	33.979	34.507
Amortization of intangible assets	29.308	36.260
Utilities	29.138	27.066
IT developments and support (7)	24.135	17.969
Advertising	21.946	20.563
Fees	19.775	20.934
Statutory audit fees (8)	2.715	3.092
Janitorial and surveillance service	15.687	14.981
Miscellaneous administrative expenses on products	14.684	14.241
Loyalty incentive and client cost	13.159	10.513
Travel expenses	11.504	12.112
Contributions and memberships	9.926	10.528
Miscellaneous administrative expenses	9.195	8.393
Office supplies and stationery	8.680	7.541
Operational Risk.	$ 8.655	$ 6.222

Concept	2016	2015
other expenses		
Fogafin guarantee with Granahorrar (9)	$ 7.800	$ 6.000
Filing and custody	7.772	8.260
Costs on means of payment	7.685	5.445
Queries with information centers and repositories	7.082	4.729
Corporate responsibility	6.040	4.858
Outsourced payroll expense	5.396	4.883
Funding cost	4.717	5.843
RCI expenses (10)	3.064	-
Public relations	2.499	2.311
TES 546 RVU update (11)	2.342	342
Activities in joint ventures (12)	1.874	1.538
Active product formalization cost	1.670	1.363
Minority interest	1.023	985
Donations	57	79
Other	9.351	13.918
Total	**$ 1.456.171**	**$ 1.312.766**

((1) There was an increase in employee salaries and benefits, essentially due to the annual adjustment of the employee benefits item.

(2) The COP 6,243 increase in ICA tax was generated by the movement of the Bank's revenue during this accounting period.

(3) The COP 13,063 increase in deposit insurance is generated by the volume of client deposits.

(4) The increase is mainly due to payments made to Aplica Tecnología in the amount of COP 13,762 for electronic data processing.

(5) Increase in assets taken on lease according to the Bank's expansion plan and agreed adjustment of the lease rates for existing contracts in the amount of COP 3,107.

(6) The expense increased mainly due to the recording of the penalty provision to cover the lawsuit in the inspection process of Unidad de Gestión de Pensión y Parafiscales (UGPP) for COP 25,587.

(7) Increase in the payment of software support and maintenance to Aplica Tecnología for a total of COP 2,316 and the provision of COP 4,098 for software maintenance in progress.

(8) The contract with the Statutory Auditor, Deloitte & Touche for COP 2,336, which had an increase of the CPI (6.77) less 1.27%, with a total of 23,800 hours agreed.

(9) This provision was created as a result of the acquisition of Banco Granahorrar to cover possible contingencies on mortgage loans, in accordance with Law 546/99, which must be updated periodically at the rate of the CPI.

(10) Pre-operating expenses for COP 2,005 and payment of COP 1,059 for RCI data processing

(11) Increase in the provision for the higher value of TES Accounts Payable to the Nation - Law 546 / 1999

(12) 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:

Concept	2016	2015
Joint venture and consortia fee expenses	$ 167	$ 181
Joint venture and consortia personnel expenses	740	612
Joint venture and consortia fee expenses	54	39
Joint venture and consortia tax expenses	38	25
Joint venture and consortia insurance expenses	28	26
Joint venture and consortia provision expenses	2	4
Joint venture and consortia other expenses	639	369
Joint venture and consortia depreciation expenses	5	5
Joint venture and consortia lease expenses	71	60
Joint venture and consortia amortization expenses	3	7
Joint venture and consortia other operating expenses	128	210
Total	**$ 1.875**	**$ 1.538**

42. Transactions with related parties

Within the ordinary course of business, BBVA carries out transactions with its related parties, which consist of subsidiaries, key management personnel and the other entities that form part of the Parent Company: BBVA Group, established in Spain.

The transactions were made in general current market conditions for similar transactions with third parties, except in the case of loans to respond to health, education, housing and transport needs for the Bank's officials, which were made according to the entity's policies, pursuant to that expressly permitted by the legal provisions that regulate the subject.

At December 31, RCI Banque had a financial obligation with the Bank for COP 300,000 and a checking account for COP 4,694. The Bank made payments for pre-operating expenses for COP 2,005.

The main transactions of shareholders with a share of more than 10% in BBVA Colombia at December 31 were as follows:

Year 2016

Assets	Amount	Description
Banks and other financial entities	$ 38.014	Correspondent banks
Accounts receivable	2.308	Forward transactions securities depositories
Deposits as collateral	255.384	Liquidity transaction - BBVA Madrid
Total	**$ 295.706**	

Liabilities	Amount	Description
Accounts payable	$ 12.972	Maturity of forward transaction - BBVA Madrid
Total	**$ 12.972**	

Revenue	Amount	Description
Profit from valuation of derivatives	$ 274.637	Forward and swap transactions - BBVA Madrid
Total	**$ 274.637**	

Expenditure	Amount	Description
Loss from valuation of derivatives	$ 677.398	Forward and swap transactions - BBVA Madrid
Advisory and consultancy fees	1.046	Corporate applications consultancy - BBVA Madrid
Corporate application services	10.514	Maintenance of corporate applications - BBVA Madrid
Total	**$ 688.958**	

Year 2015

Assets	Amount	Description
Banks and other financial entities	$ 25.606	Correspondent banks
Accounts receivable	12.859	Forward transactions securities depositories
Deposits as collateral	85.526	Liquidity transaction - BBVA Madrid
Total	**$ 123.991**	

Liabilities	Amount	Description
Accounts payable	$ 5.384	Maturity of forward transaction - BBVA Madrid
Total	**$ 5.384**	

Revenue	Amount	Description
Profit from valuation of derivatives	$ 537.790	Forward and swap transactions - BBVA Madrid
Total	**$ 537.790**	

Expenditure	Amount	Description
Loss from valuation of derivatives	$ 771.630	Forward and swap transactions - BBVA Madrid
Advisory and consultancy fees	3.508	Corporate applications consultancy - BBVA Madrid
Corporate application services	10.579	Maintenance of corporate applications - BBVA Madrid
Total	**$ 785.717**	

The details of transactions with related parties at December 31, 2016, was as follows:

December 31, 2016	Shareholders with share over 10%	Board Members	Registered agents and Vice Presidents at the Headquarters	Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia	
				BBVA Seguros	BBVA Seguros Vida
Assets:					
Loan portfolio	$ -	$ 127	$ 2.457	$ -	$ -
Investments	-	-	-	-	-
Banks and other financial entities	38.014	-	-	-	-
Accounts receivable	2.308	-	- -	-	-
Deposits as collateral	255.384	-	-	-	
Prepaid expenses	-	-	-	1.235	13
Total	**295.706**	**127**	**2.457**	**1.235**	**13**
Liabilities:					
Deposits	-	99	4.443	19.486	48.453
Outstanding investment securities	-	-	-	-	70.382
Accounts payable	12.972	-	-	-	2.640
Total	**12.972**	**99**	**4.443**	**19.486**	**121.475**
Revenue:					
Interest and/or return on investments	274.637	21	525	-	-
Commission	-	6	18	16.167	55.117
Recoveries	-	-	-	1.150	-
Leases	-	-	-	77	349
Total	**274.637**	**27**	**543**	**17.394**	**55.466**
Expenses:					
Interest	-	10	442	667	8.806
Salaries	-	-	-	-	-
Derivative transactions	-	-	15.978	-	-
Insurance	677.398	-	-	-	-
Others	-	1	-	5.548	253
Advisory and consultancy fees	-	130	-	-	-
Corporate application services	1.046	422	-	-	-
Total	10.514	-	-	-	-
Other – Dividends paid on preferred and ordinary shares	**688.958**	**563**	**16.420**	**6.215**	**9.059**
Otros – Dividendos pagados acciones preferenciales y ordinarias	**$ 288.060**	**$ -**	**$ -**	**$ -**	**$ -**

At December 31, 2015, it was as follows:

December 31, 2015	Shareholders with share over 10%	Board Members	Registered agents and Vice Presidents at the Headquarters	Other companies of the BBVA Group that are not subsidiaries of BBVA Colombia	
				BBVA Seguros	BBVA Seguros Vida
Assets:					
Loan portfolio	$ -	$ -	$ 2.963	$ -	$ -
Investments	-	-	32.891	-	-
Banks and other financial entities	25.606	-	-	-	-
Accounts receivable	12.859	-	-	481	-
Deposits as collateral	85.526	-	-		
Prepaid expenses	-	-	-	1.282	176
Valuation of investments	**123.991**	**-**	**35.854**	**1.763**	**176**
Total					
Liabilities:	-	1.249	50.180	18.394	106.875
Deposits	-	-	-	-	35.399
Outstanding investment securities	5.384	-	-	-	-
Accounts payable	**5.384**	**1.249**	**50.180**	**18.394**	**142.274**
Total					
Revenue:	-	-	-	-	-
Interest and/or return on investments	537.790	13	468	-	-
Commission	-	6	19	14.138	53.887
Recoveries	-	-	-	-	-
Leases	-	-	-	73	331
Total	**537.790**	**19**	**487**	**14.211**	**54.218**
Expenses:					
Interest	-	12	422	482	4.406
Salaries	-	-	-	-	-
Derivative transactions	-	-	11.517	-	-
Insurance	771.630	-	-	-	-
Others	-	-	-	4.666	509
Advisory and consultancy fees	3.508	336	-	-	-
Corporate application services	10.579	-	-	-	-
Total	**785.717**	**348**	**11.939**	**5.148**	**4.915**
Other - Dividends paid on preferred and ordinary shares	**$ 231.766**	**$ -**	**$ -**	**$ -**	**$ -**

Year 2016	BBVA FIDUCIARIA vs. other companies of the BBVA Group			BBVA VALORES vs. other companies of the BBVA Group				BBVA SEGUROS VIDA vs. other companies of the BBVA Group			BBVA SEGUROS GENERALES vs. other companies of the BBVA Group			BBVA HORIZONTE vs. other companies of the BBVA Group			
	BBVA VALORES	BBVA SEGUROS GENERALES	BBVA SEGUROS VIDA	BBVA FIDUCIARIA	BBVA HORIZONTE	BBVA SEGUROS GENERALES	BBVA SEGUROS VIDA	BBVA VALORES	BBVA FIDUCIARIA	BBVA SEGUROS GENERALES	BBVA VALORES	BBVA FIDUCIARIA	BBVA SEGUROS VIDA	BBVA VALORES	BBVA FIDUCIARIA	BBVA SEGUROS GENERALES	BBVA SEGUROS VIDA
Assets:																	
Accounts receivable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 358	$ -	$ -	$ -	$ -
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	358	-	-	-	-
Liabilities:																	
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Revenue:																	
Dividends	-	-	-	-	-	-	-	63	404	-	63	404	-	-	-	-	-
Interest and/ or return on investments	-	-	-	-	-	-	-	-	46	37	44	-	-	-	-	-	-
Commission	-	1	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1**	**5**	**-**	**-**	**-**	**-**	**63**	**450**	**37**	**107**	**404**	**-**	**-**	**-**	**-**	**-**
Expenses:																	
Commission	5	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-
Insurance	-	373	24	-	-	45	-	-	-	-	-	-	31	-	-	-	-
Total	**$ 5**	**$ 373**	**$ 24**	**$ -**	**$ -**	**45**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2**	**$ 31**	**$ -**	**$ -**	**$ -**	**$ -**

Year 2015	BBVA FIDUCIARIA vs. other companies of the BBVA Group			BBVA VALORES vs. other companies of the BBVA Group			BBVA SEGUROS VIDA vs. other companies of the BBVA Group			BBVA SEGUROS GENERALES vs. other companies of the BBVA Group			BBVA HORIZONTE vs. other companies of the BBVA Group			
	BBVA VALORES	BBVA SEGUROS GENERALES	BBVA SEGUROS VIDA	BBVA FIDUCIARIA	BBVA SEGUROS GENERALES	BBVA SEGUROS VIDA	BBVA VALORES	BBVA FIDUCIARIA	BBVA SEGUROS GENERALES	BBVA VALORES	BBVA FIDUCIARIA	BBVA SEGUROS VIDA	BBVA VALORES	BBVA FIDUCIARIA	BBVA SEGUROS GENERALES	BBVA SEGUROS VIDA
Assets:																
Accounts receivable	$ -	$ 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5	$ 1	$ 62	$ -	$ -	$ -	$ -
Prepaid expenses	-	179	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	179	-	-	-	-	-	-	-	5	1	62	-	-	-	-
Liabilities:																
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Revenue:																
Dividends	-	-	-	-	-	-	77	450	-	77	450	-	-	-	-	-
Interest and/ or return on investments	-	-	-	-	-	-	-	14	42	52	-	-	-	-	-	-
Commission	-	-	-	17	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**17**	**-**	**-**	**77**	**464**	**42**	**129**	**450**	**-**	**-**	**-**	**-**	**-**
Expenses:																
Commission	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-
Insurance	-	357	14	-	165	-	-	-	-	-	-	18	-	-	-	-
Total	**$ -**	**$ 357**	**$ 14**	**$ -**	**165**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1**	**$ 18**	**$ -**	**$ -**	**$ -**	**$ -**

43. Risks

Evolution of Credit Risk Quality and Exposure

2016 was a year of challenges for BBVA risk management. Given the conditions of the Colombian economy in this period, the Bank overcame the obstacles posed by the situation during the fiscal year: lower economic growth, drop in oil prices, devaluation of the Colombian peso and situations of social turmoil.

Risk management in 2016 was in line with the indicators and budgets defined for each of the activities. Also, the implementation of models and policies continued for the proper monitoring of portfolios in terms of risks.

Planning, Monitoring and Reporting

The BBVA Risk Model allows to adapt to a changing economic and regulatory environment, facing risk management in a global manner and adjusting to circumstances in each moment.

Based on IAS (International Accounting Standard) 39, a statistical model of incurred loss was developed to calculate provisions at the consolidated level, which was approved by the Technology and Analysis Committee (TAC) in June 2016.

In turn, and in line with the implementation of the International Standards, the corporate expected loss model (International Financial Reporting Standard - IFRS 9) was adapted to replace the incurred loss model starting in January 2018. During the second half of 2016, together with the Financial Area and the area of Risk Analytics & Technology, tasks were carried out to define variables and concepts and provide information.

The corporate management tools for the regular monitoring of portfolios made the following progress in 2016:

- Capital map: for the purpose of standardizing the financial information in the BBVA Group, the information structure was modified as regards the headings, migrating from local headings to corporate headings.

- Asset Allocation: through the established channels, the modification of the limits established for 2016 was requested and approved by the Board of Directors.

  - June and November: the limits were rearranged based on the local sector analysis, which was used to adjust the sectoral mapping of Colombia.

  - October: increase in limits for Consumer Finance and Consumer Loans, due to the increase in the investment in said portfolios. In the case of Consumer Finance, this is due to the Joint Venture with Renault (Renault Credit International: RCI) and in Consumer Loans, it is a result of the positive performance in the Payroll Loan investment, which exceeded expected growth.

As of June, new indicators were included in the risk appetite framework, which included profitability by product, thus beginning the use of metrics that are in line with the Group's strategic priorities:

- RAR (Risk-adjusted return), which covers stock (ex-post) to the new origination (ex-ante).

- RAROEC (Risk-adjusted return on economic capital).

BBVA Colombia considers the risk culture as an essential element for the consolidation and integration of the other components of our Model.

Work on the RDA (Risk Data Aggregation) project, which began in 2015, has continued with the area of MIS. This year, the local provisioning stage was completed, which consisted of collecting the information for Holding metrics; in addition, the C-100 document certification was achieved, where the content of inputs by type of report is described. Also, the Risk Data Mart (RDM) development stage was completed, which resulted in BBVA's consolidated database, which serves as a source of information for future reports. The next stage of aggregation, transformation and integration of the information platform is expected to be fully completed by 2017.

In addition, reporting initiatives have been implemented in accordance with the strategic pillars established by the Bank and the country's current macroeconomic reality: scorecards adjusted to the new business models (RCI, Consumer Finance), and reports of daily flows and those susceptible to non-performing, in synergy with the areas of monitoring and recovery, given the need for constant portfolio monitoring and the preventive management thereof. This report contains details by product and region, which allows the more efficient targeting of the recovery activity.

Regarding Credit Risk at BBVA with oversight bodies, during the course of 2016, a close relationship was maintained with the Financial Superintendence of Colombia (SFC, for the Spanish original), mainly based on:

- *Stress Testing System:* in accordance with best international practices, it establishes the minimum guidelines for the implementation of the Stress Testing Scheme and the content of the qualitative and quantitative information reporting of the results obtained, which were presented in December, along with an overall description of each of the results and indicated the risks and vulnerabilities to which the entity would be exposed.

- *Subjective rating of the commercial loan portfolio:* adjustments are made to the rating methodology and the validation process. In the month of May, the entity reported to the SFC the changes made, which were focused on variables: the entity's performance, sector performance and final rating. Regarding the validation of the methodology, the BBVA sent the supporting documents of said validation in August. In this regard, the regulator has not made any additional comments to date.

- *On-site inspection for SME Banking:* the SFC conducted a visit from June 7 to 24 in order to monitor the restructured loan portfolio of SME Banking, whose final report was received in July and included recommendations regarding governance in committees, complementation of the policies and procedures manual and labeling of restructured operations, among others.

- *Adjustment to the consumer loan portfolio reference model:* the regulator modified the calculation of expected loss of the consumer portfolio reference model, which now includes a term-based variable, which increases the value of the provision for transactions whose term is greater than 72 months. This took effect with the new billing in December 2016.

- *Risk appetite framework:* the SFC required a presentation describing: the governance structure, the methodology adopted for setting individual metrics for the main risks, defined limits, maximum tolerated risk capacity and the policies defined for exceeding the limits.

With the latest figures available on the sector level, at the end of October 2016, BBVA has 9.9% of the market share in credit investment, making it the third largest competitor on the Colombian market. Despite the economic slowdown and several factors that hit the financial sector during the year, the growth of the investment at said cutoff date was 9.5%, highly affected by the slowdown in the commercial loan portfolio (1.9%), which is absorbed by the good performance of the consumer loan portfolio (17.5%). In turn, BBVA has the lowest risk cost (1.63%), placing it 49 basis points below that of the sector (2.13%).

The non-performing loan portfolio (consumer loans more than 60 days past-due, commercial loans more than 90 days past-due and mortgage loans more than 120 days past-due) has reflected the troubled economic situation, and the end of October, it increased 36.8%, in line with its major competitors, which had increases of 35.4% and 33.8%, even though their write-offs are double or even triple those of BBVA. It is important to highlight that although the write-off policy benefits the non-performing loan portfolio, it means a greater impact on write-offs and the intention is to protect the expense through the risk department, which has allowed it to stay in the lead in risk cost.

Individuals

Throughout 2016, through the individual risk department, several initiatives have been implemented to achieve the group's common purpose of focus on the customer, profitability and capital management, as well as the anticipation of macroeconomic and socio-political events that Colombia has faced as a whole.

From the acceptance standpoint, new reactive (cards) and behavioral scoring models have been implemented, which has improved the discriminating capacity of the internal credit risk models.

Based on the development of these more discriminatory models, several commercial actions and policies have been implemented, which has led to relevant advances in the development of digital banking. The assistance of the risk department in this digital development allows the assurance of the Group's risk appetite. Some examples of these actions include the development of the sale of asset products, such as consumer loans and credit cards, to customers with direct deposit payroll accounts, the sale of cards through the website or channels, such as ATMs, or the implementation of "payroll advances."

This has led to better efficiencies, while improving the profile of the new acceptance, which is increasingly focused on attracting customers with payroll to the Group, or ensuring the strengthening of customers with direct deposit payroll accounts and without asset products in the Group through efficient digital value propositions.

In 2016, credit inputs have been developed in the retail risk department, such as probability of default and severities, which have served as input for models to measure risk-adjusted return. This has strengthened the Bank's customer base in an attempt to improve levels of profitability. Furthermore, they are approached effectively with value propositions that meet their expectations.

From the standpoint of efficiency and network support, significant steps have been taken to change the traditional framework of assessment and granting of loans to the use of models that seek the characterization of customers and the automation of decisions in specific segments, supported by information that has not exclusively been extracted from the supporting documents provided by applicants, but obtained through the technical development of databases that show the customer's financial situation, payment behavior and income-generating activities, among others, with a high degree of effectiveness.

Projects materialized throughout the year, such as the installation of mobile commercial management tools, digital channels to access portfolio offerings and the full identification of the customer by running his/her fingerprint through technological media, are ensuring on one hand, close contact with the customer, the possibility to access the loan in a quick, simple and timely manner, and on the other hand, the conclusive mitigation of the risk of fraud by identity theft.

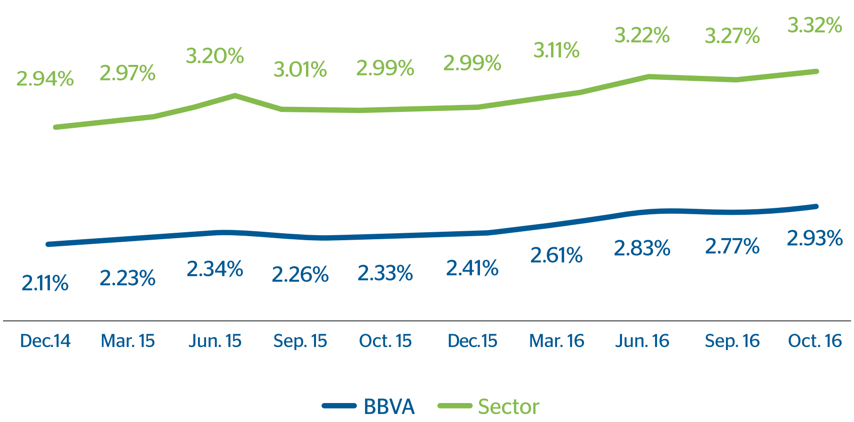
This is based on new working methodologies in which this type of initiatives and projects are being carried out with the active participation of the Bank's different departments, which in one way or another and from their different areas, contribute to the completion and implementation of the proposed plans, that are mainly of a technological nature.

Considering Colombia's macroeconomic environment, which is going through indicators with a certain degree of impairment in specific sectors, the loan portfolio analysis and monitoring processes have been focused on detecting possible sources of impairment, mainly in lines of consumer loans, where reactions are based on the adjustment of policies and Acceptance tools focused on restricting profiles with higher probability of default.

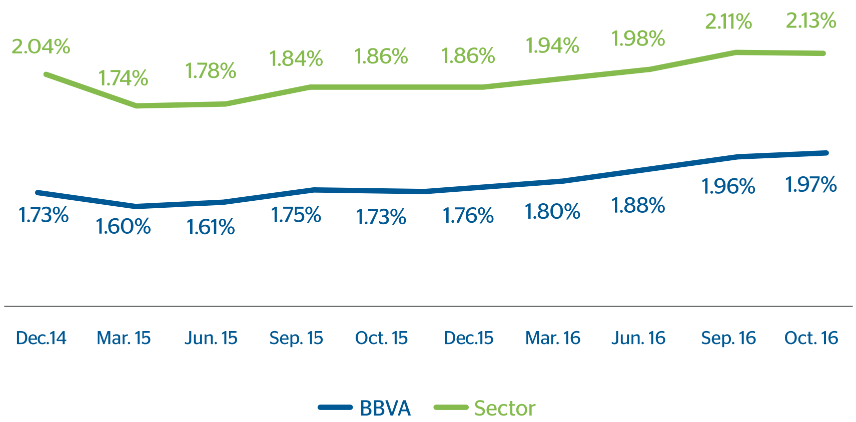
The strict monitoring of these portfolios using a wide range of variables has enabled the anticipation of early impairment in certain product and/or customer profiles. At BBVA, a wide range of anticipated risk metrics are used, such as yields, probabilities of default, default rates and others, obtained by many areas of management. These areas can be credit bureau levels, direct depositing of payroll, certain self-employed sectors and many others that have allowed us to take proper action in acceptance management and pricing. Therefore, rates increased throughout the year in the profiles that are most sensitive to the general situation, certain risk profiles were restricted, and acceptance was refocused on the profiles with the highest risk-adjusted return, thus maintaining efficient capital management.

At the last cutoff date available, BBVA maintained good quality indicators in comparison with the sector:

Default rate (more than 60 days past-due consumer (including credit cards)



Default rate (more than 120 days past-due) mortgage



Also, Recovery has been focused on the main objective of proactively proposing new forms of portfolio containment, staying ahead of the possible economic downturn and reacting in the early stages by offering value solutions to customers that begin to show difficulty in meeting their commitments with the Bank. In the recovery department, actions have been taken as regards the definition of regulations, protocols and processes in terms of close and efficient support for customers that begin to show signs of impairment.

Under the traditional recovery actions and preservation of the Group's solvency, the incentives of collections agencies have been modified and risk teams have been strengthened in the regions. The purpose of these initiatives is to ensure that all BBVA customers with the capacity and willingness to pay will find an ally in our Group to deal with their potential difficulty.

These strategies have led BBVA to support draft regulatory amendments led by the regulator in the Colombian financial system in order to adapt to a a potentially more complicated macroeconomic situation in the coming year. These drafts have been shared throughout the financial sector and they are expected to go public in the first half of 2017.

The teamwork and cross-cutting strategy throughout the entire value chain, from the customer's request to the recovery of the loan, has allowed a much more efficient visualization of where to aim the efforts to achieve the risk balance as a main focus in the contribution thereof to the income statement.

As a final supplement to the entire process, through specific risks, progress has been made in the development of models to calculate the expected value of recoveries, and accounting and economic allocations of the probabilities of default that are being included in the internal analyses of risk-adjusted return of the customer/product couplet. This process allows us to make the profitability processes of acceptance, as well as those of potential portfolio sales, more efficient.

SMEs

2016 was a year of many challenges in the Credit Risk segment of SME banking, considering an adverse macroeconomic evolution, as well as climatic factors that affected several regions of the country. As a result, at the end of the first quarter, the SME Containment and Monitoring department was created, whose objective was to bring us closer to customers and offer support to those whose cash flow might have been affected by adverse situations.

With regard to the climatic factors, mainly “La Niña” phenomenon, in recent years, the Bank has been financing our customers for investments in the improvement of infrastructure to mitigate drought-related risks, as well as those of the rainy season, which makes our customers much stronger under the climatic conditions of today, while maintaining their normal farming production.

Regarding investment, small companies have showed very small growth as a result of the economic downturn as mentioned earlier, as well as the adjustments made in 2015 in the acceptance policies, which have led to better placement compared to previous years. There has been significant growth in medium-sized companies as a result of specific transactions that supported such growth.

In order to support investment growth, we have been working on campaigns with customers and the profiling of bases to engage new customers that can help investment growth in 2017 based on a good risk level.

Finally, we have begun to work hard with collection agencies to improve the process of recovering loan portfolios more than 90 days past-due, in order to improve recovery ratios in the SME segment..

Corporate

2016 was characterized by the economic slowdown as a result of the collapse of the oil profits and the devaluation of the Colombian peso vs. the US dollar; notwithstanding, the profitable investment of the corporate segment has continued, standing at COP 13 trillion. This was possible by focusing the portfolio toward customers located in sectors with a positive evolution and less vulnerability.

In turn, reprocessing and operational burdens were eliminated in risk acceptance, focused on optimizing response times, which led to a 14-day reduction, going from 24 to 10 days.

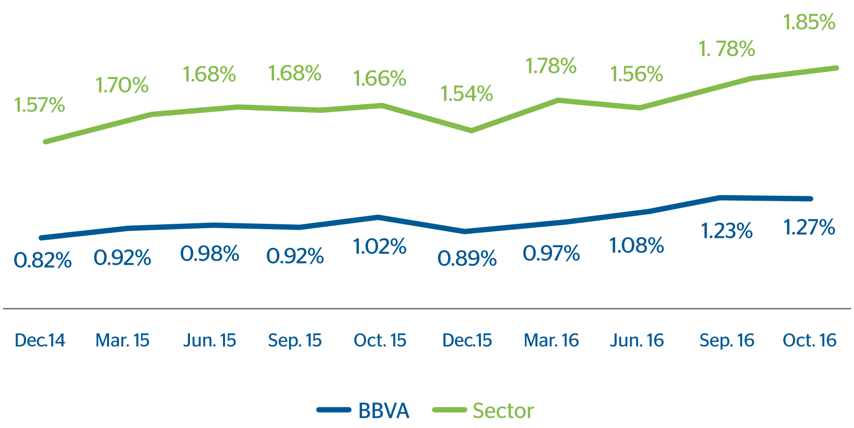
The updating of customers' financial information in the different tools available to capture quantitative and qualitative information (sector rating, risk analysis) is of great importance to ensure the quality of the Wholesale portfolio, and that is why ongoing campaigns were carried out to reduce rating validation and updating percentages, placing them at 90% at the end of the year.

During the year, emphasis was placed on monitoring the investment in the sectors and portfolios possibly affected by the economic situation, particularly the oil sector and related activities or the service providers thereof, and therefore, a special program was developed together with the company network, which was named "Plan País".

This plan achieved greater insight regarding the situation of each company belonging to this group, in order to implement action plans that necessarily led to taking early measures to deal with potential impairment, offering measures of assistance and support for entrepreneurs by extending terms or changing the conditions of their transactions.

In comparison with the sector, BBVA has maintained a significant gap in the quality indicators (latest figures available):

Default rate (more than 90 days past-due) commercial



Regarding recovery, activities were focused on managing groups with tailored solutions, trying to support the financial needs of the companies reporting default in the regular payment of their obligations, due to their reduction in income due to the decline in contracting or higher costs resulting from the increase in the exchange rate.

Each company or customer was subject to a personalized study, which was regularly conducted in the framework of joint negotiations with other lending financial institutions, through the agreement of payment formulas aimed at facilitating compliance with their credit obligations under fair conditions, adjusted to their cash flow reality, strengthening as much as possible the collateral, together with structures to control the source of payment.

Market, Interest and Structural Risk

During 2016, the VaR balance was around 1$.768 million, which is lower compared with the 2015 figure

Market Risk

Market risk is generated by movements in the market variables that have an impact on the valuation of financial assets and products used for trading. The metrics developed to control and monitor market risk at BBVA are in line with the best international practices, making the bank a benchmark on the local market.

Measurement procedures are established considering how a negative evolution of market conditions, under ordinary circumstances, as well as in stressful situations, would impact BBVA's trading portfolio.

In December 2016, the measurement methodology was changed to historical VaR. This method is based on historical values of the risk factors, so it naturally includes the correlation existing between the same and their occurrence distributions. Therefore, unlike the parametric VaR, it is not necessary to assume normalcy in the distribution of the risk factors. Also, and in accordance with the guidelines established by European authorities, BBVA includes metrics in addition to the VaR in order to meet the regulatory requirements of Banco de España for the purposes of calculating own resources for the trading portfolio.

Validity testing is periodically carried out on the risk measurement models used by BBVA, which estimate the maximum loss that could have occurred in the positions considered with a determined level of probability (Back Testing), as well as measurements of extreme market movement impact on the risk positions held (Stress Testing). Back testing was conducted in 2016: "Hypothetical" of the daily VaR; it is compared with the results obtained irrespective of intraday results, or the changes in portfolio positions. This way, the appropriateness of the market risk metric is validated for the end-of-day position. At the end of the year, the comparison demonstrated the correct functioning thereof, remaining within the "green" area (0 to 4 exceptions), which resulted in the acceptance of the model, as has occurred in each fiscal period since the internal market risk model was approved in the Group.

According to the type of market risk assumed by the Bank's trading portfolio, the main risk factor continues to be linked to the interest rates, with a weight of 95% of the total at the end of 2016, up from the relative weight of 59% at the end of 2015. In turn, the exchange risk represents 5%, decreasing in proportion compared to December 2015 (41%).

BBVA Colombia keeps a favorable margin position against (facing) an increase in interest rates.

At December 31, 2016 and 2015, the VaR balance was COP 4,614 and COP 1,964 million, respectively. These figures are broken down as follows:

VaR Market Risk Profile	Interest rates	Exchange rates	Total
2016			
Average VaR for the period	$ 1.702	$ 741	$ 1.768
Maximum VaR for the period	4.851	2.067	4.775
Minimum VaR for the period	846	35	880
Final VaR for the period	4.712	253	4.614
2015			
Average VaR for the period	2.339	797	2.392
Maximum VaR for the period	4.472	2.377	4.302
Minimum VaR for the period	775	110	778
Final VaR for the period	1.782	1.215	1.964
2014			
Average VaR for the period	2.601	279	2.596
Maximum VaR for the period	3.962	1.348	3.922
Minimum VaR for the period	1.434	16	1.447
Final VaR for the period	$ 1.729	$ 694	$ 1.830

Structural Risk

Structural interest-rate risk (SIRR) refers to the potential impact caused by variations in market interest rates on the entity's interest spread and equity value. Impacts on the metrics are assessed from an economic value standpoint (gone concern), as well as the financial margin perspective, for which a dynamic model (going concern) consistent with the corporate assumptions of results forecasting is used. Below are the average interest-rate risk levels in terms of sensitivity for the BBVA balance sheet during the 2016 fiscal year:

Analysis on Interest rate sensitivity	Impact on Interest Margin (*)		Impact on Economic value (**)	
	100 bp Growth %	100 bp Decrease %	100 bp Growth %	100 bp Decrease %
dec-15	24,85	(25,82)	6,47	(10,07)
nov-16	54,25	(54,94)	48,91	(57,63)

(*) Percentage based on the forecast of the "1 year" interest margin of each unit
(**) Percentage based on each CorCapital each unit

Liquidity Risk

The management of financing and liquidity at BBVA is based on the entity's financial autonomy principle. This approach helps prevent and limit the entity's liquidity risk by limiting its vulnerability to events that affect the BBVA Group in periods of elevated risk for its affiliates in other regions. 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 2016, in the sense that self-financing levels are maintained with stable customer resources that exceed the requirements.

LtSCD	
December, 2016 %	December, 2015 %
111,21	119,80

The entity has held onto a solid liquidity position throughout 2016, with a clear strategy of increasing its term resources through the attraction of CDs for terms greater than two years, thus increasing stable customer resources, ensuring a sufficient buffer of available liquid assets, diversifying its sources of financing and ensuring a wide range of collateral to deal with difficult market situations and meet the regulatory requirements of liquidity at the local and international levels.

Internal Control and Operational Risk

In February 2016, the New Internal Control Model to be implemented on the level of BBVA Group regions was formalized. After that, a multidisciplinary team on the local and holding levels analyzed the conceptual and organizational implications thereof, whose structure was approved at the end of June at the local Corporate Assurance forum.

This New Internal Control Model is still based on three lines of defense

- The first line of defense is comprised of the business and supporting areas, which 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.

- The second line is comprised of Country Operational Risk and Internal Control Management, which provides a common methodology and tools for management based on the corporate guidelines and local regulations. In this new model, it 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 specialist control units (Internal Financial Control, Internal Risk Control, Internal Operations Control, Internal Control of Technology, Compliance and others in the areas of Human Resources and Legal Services) 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.

- The third line is comprised of the Internal Audit unit, which conducts an independent review of the model, verifying the compliance and effectiveness of the corporate and local policies, providing independent information on the control model.

At the end of September 2016, the structure was formalized, the new roles were assumed, and it was implemented at the different levels of the organization. The role of the Secretariat of the Corporate Assurance forum held by Internal Audit was taken over in October by the Country Operational Risk and Internal Control Department.

BBVA Valores S.A.

Risk Management

To BBVA Valores, monitoring all aspects of risk has been a constant concern, in which the Board of Directors is involved with the direct responsibility of General Management, which has the support of the risk team.

At present, the following committees have been established:

- Monthly Risk Committee: submits a report with the most relevant events occurred as regards market, liquidity and counterparty risk.

- Investment Committee: meets on a monthly basis and analyzes the performance of investments made with proprietary position resources, their returns, term, VaR and investment strategies to be followed.

- Internal Control and Operational Risk Committee: which discusses the quantification, monitoring, management and mitigation of operational risk and the work of internal control.

- Audit Committee: meets four times per year.

In addition, the internal and external audit unit monitors risk issues at least once per year in order to provide the respective recommendations for the mitigation thereof.

In 2016, the Broker continued to consolidate the market, liquidity and counterparty risk management systems (SARM, SARL and SARiC, for the Spanish originals) by carrying out the following actions:

- The SARM, SARL and SARiC manuals were updated.

- The requests of the various oversight bodies were addressed in a timely manner so far this year.

- The limits established in the different risks were monitored on an ongoing basis.

- The assessments of the different systems carried out by the different oversight bodies showed positive results and continuous efforts are made to address the opportunities for improvement identified.

44. Market risk management

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 treasury, as well as balance sheet transactions.

Market risk for treasury 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.

PTherefore, the Treasury Department 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. Therefore, 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:

- Treasury - 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, dependent of the Engineering 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 treasury 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 Treasury's 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 by risk of treasury activity, by assigning the following:

- Credit risk in treasury activity - Three types of limits have been established: issuer risk, counterparty risk in derivative operations 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 treasury and risk management system.

- Market risk for treasury operations, economic capital limit - For measurement purposes, the maximum loss in treasury positions is estimated on a daily basis through the value at risk (VaR) method. 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 70% or 85%, as applicable. Overrunning this warning sign requires express communication from the person in charge of the Treasury 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) and delta sensitivity. However, other tools are used, such as stress testing and stop loss.

- Value at Risk (VaR), The VaR measurement model for most of 2016 was a parametric model that infers the maximum expected loss of the current portfolio at a confidence level of 99% by using estimated volatility data and assuming a normal distribution of return. The historical period to estimate volatilities used in this model is two years.

On December 12, 2016, the measurement methodology was changed to historical VaR. This method is based on historical values of the risk factors, so it naturally includes the correlation existing between the same and their occurrence distributions. Therefore, unlike the parametric VaR, it is not necessary to assume normalcy in the distribution of the risk factors.

For the monitoring and control of limits for treasury 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 treasury portfolios with the aim to limit the negative impact on the income account.

  The stop loss was monitored in 2016 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 used by BBVA to estimate the maximum expected loss of the treasury 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.

2016 market risk profile (in millions of COP)

Treasury Risk	30/12/16	Average	Maximum	Minimum
VaR - Interest rates	4,712	1,702	4,851	846
VaR - Exchange rates	253	741	2,067	35
Total VaR	4,614	1,768	4,775	880
Economic capital consuption limit	38%	15%	40%	7%
Total Delta to 1 bp	(89)	(25)	(170)	-
Delta consuption sublimit	17%	5%	32%	-

2015 market risk profile (in millions of COP)

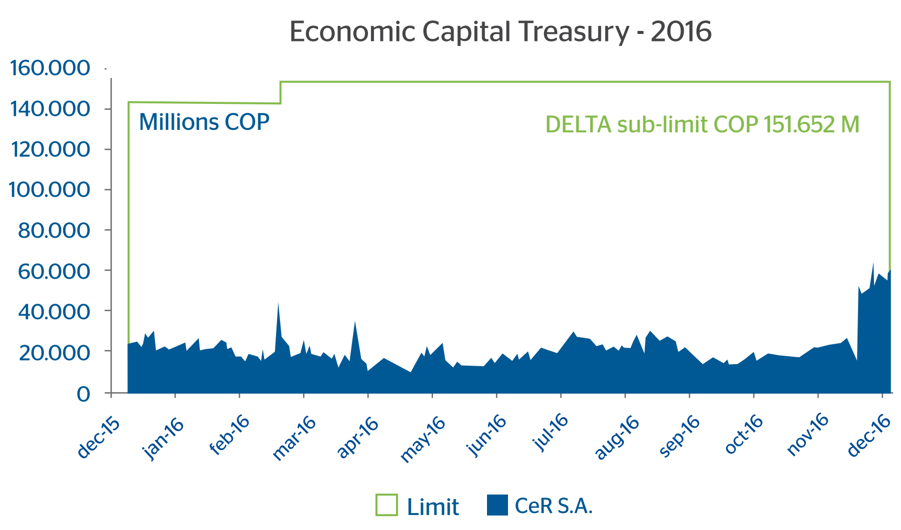
Treasury Risk	30/12/15	Average	Maximum	Minimum
VaR - Interest rates	1.782	2.339	4.472	775
VaR - Exchange rates	1.215	797	2.377	110
Total VaR	1.964	2.392	4.302	778
Economic capital consuption limit	18%	22%	39%	7%
Total Delta to 1 bp	(19)	(120)	(285)	-
Delta consuption sublimit	4%	24%	53%	-

As shown, in 2016, the average market risk consumption (VaR) of treasury operations was COP 1,768 million, with a consumption exceeding the internal limit for authorized economic capital by 15%. The average sensitivity of the interest rate in response to one basis point (Delta) was COP 25 million exceeding the authorized internal limit by 5%.

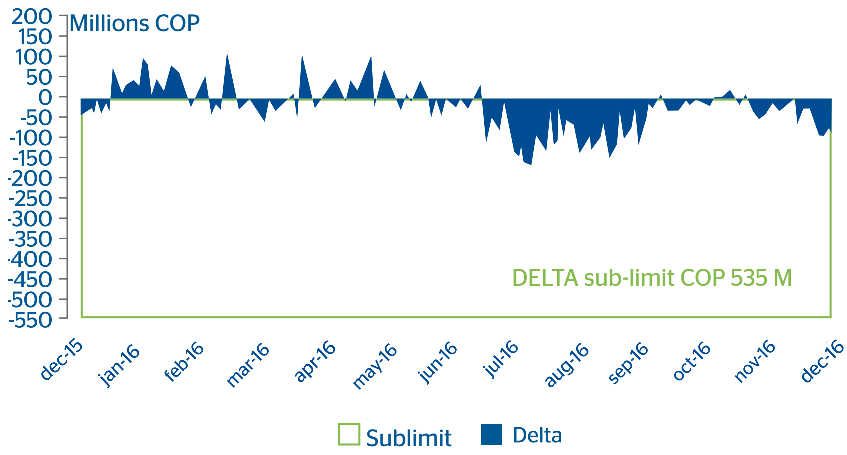
Evolution of the market risk - treasury: Daily measurements and controls were carried out in 2016 on the consumption levels of the authorized internal limits, regularly reporting their compliance to Senior Management.

The following graphs show their evolution:

Monitoring of Market Risk



Total sensitivity evolution in response to one basis point



The level change in the month of December is due to two factors. In the first place, the measurement methodology was changed from a parametric to a historical VaR, as mentioned earlier. Secondly, on the same date, the derivatives portfolio valuation methodology was changed, in order to begin to recognize the cost of funding, to measure the basis risk between interest curves in accordance with transaction collateral.

The previous consumptions are based mainly on the treasury strategy to maintain most of its portfolio in short, medium and long-term high-liquidity securities. The main exposure is in the risk factor of the interest rates of private fixed income in Colombian pesos, which had an average annual position of COP 1 trillion.

The comparative table of the treasury positions that were taken into account for the measurement of the previously described risks is presented below

2016 treasury positions (in millions)

Classification	Amount 12/30/2016		Local currency				Other currencies			
			Average		Maximum		Average		Maximum	
Public debt COP	$	731	$	737	$	1.435	$	-	$	-
Corporate securities COP	$	1.216	$	1.012	$	1.319	$	-	$	-
FX cash USD	USD	757	USD	-	USD	-	USD	401	USD	142
FX USD	USD	73	USD	-	USD	-	USD	862	USD	134

2016 treasury positions (in millions)

Classification	Amount 12/30/2015		Local currency				Other currencies			
			Average		Maximum		Average		Maximum	
Public debt COP	$	1.243	$	1.406	$	2.040	$	-	$	-
Corporate securities COP	$	744	$	1.047	$	1.286	$	-	$	-
FX cash USD	USD	341	USD	-	USD	-	USD	390	USD	718
FX USD	USD	109	USD	-	USD	-	USD	44	USD	129

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.

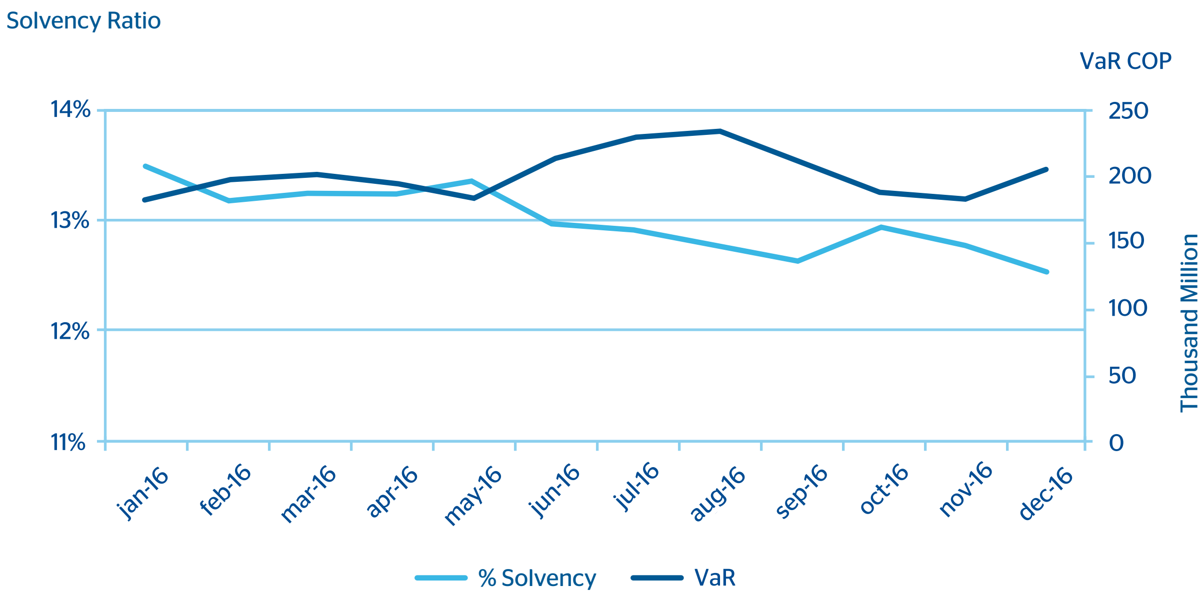
It subjects the positions held to strong hypothetical market oscillations based on historical or possible situations obtained through the generation of scenarios. This is done to quantify the effect of the results in order to identify possible adverse impacts and those greater than the VaR figures that could potentially occur, and design contingency plans to be applied immediately in the event that an abnormal situation occurs.

BBVA uses a stress testing model, which places pressure on the different risk factors related to the different treasury positions through the generation of a set of historical scenarios. The period observed starts in January 2008 and extends to December 2016.

Monitoring of Value at Risk (VaR) Regulatory Model - Standard Model - In accordance with Public Notice 09 / 2007 of the Superintendence, the Bank has been assessing its exposure to market risks (interest rate, exchange rate). This includes the measurement for available-for-sale and marketable treasury positions, and securities classified upon maturity that are delivered to create collateral in a central counterparty clearing house, in order to establish the effect that possible changes in market conditions may have on the economic value of the Bank's equity, whose impact is reflected in the solvency ratio, a measurement that is taken on a daily basis.

The following graph shows the value at risk assessment and the solvency margin:

Change in Value at Risk vs. Solvency Ratio



(iv) Policies in terms of assessment of market value of treasury positions - As a policy of BBVA, it has been established that the Market Risk Department, under the Risk Vice-Presidency, is responsible for providing the end-of-day market values for the assessment of treasury 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 to prevent market misconduct - As a policy, BBVA has established the following codes for all employees of the Treasury, 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 area 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

Market risk for balance sheet operations - As an area independent of the trading areas, where the risk originates, Market Risk is responsible for developing the procedures for the measurement and control of balance sheet market risks, ensuring compliance with the current limits and risk policies and reporting to Senior Management. This is controlled through the monitoring of the limits of economic capital and impact on the financial margin.

Four indicators arise from the established procedures, which protect the future evolution of the financial margin and economic capital. Using parallel movements of the interest rate curves, the sensitivity to the financial margin and the economic value is estimated. The objective of these indicators is to not exceed the established level depending on the Bank's expected financial margin (MFP, for the Spanish original), as well as the economic capital, respectively.

Additionally, the entity's risk margin and structural capital risk is generated through the Monte Carlo simulation, correlating the interest rates. Out of these four measures, sensitivity to the financial margin is established as a limit set at 5% in the expected financial margin, while the others serve as a warning of the evolution of the structural balance sheet. In 2016, the sensitivity of the margin stood on average at 2.35% of the expected financial margin, consuming 46% of the limit.

Liquidity risk - Internal Model - Liquidity and the financing structure are measured on a daily basis using the three tools defined as follows: First, the monitoring of basic capacity with a 360-day time horizon 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, which serves to compare 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 11 trillion was set for 2016. 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 2016:

Loan to Stable Customer Deposits

Loan To Stable Customer Deposits (ICN / RRCC) Alerta LtSCD Limite Ratio LtSCD				Year 2016 121% 125%	
jan-16	117.5%	may-16	118.1%	sep-16	113.2%
feb-16	113.3%	jun-16	113.5%	oct-16	110.0%
mar-16	112.8%	jul-16	113.9%	nov-16	109.8%
apr-16	112.6%	aug-16	115.2%	dec-16	111.2%

Short-term wholesale financing ratio

Short-Term Net Financing ST WF ratio warning (COP trillion) ST WF ratio limit (COP trillion)				Year 2016 9.9 11	
jan-16	6,785	may-16	8,089	sep-16	7,260
feb-16	6,219	jun-16	7,082	oct-16	5,690
mar-16	6,372	jul-16	7,400	nov-16	6,393
apr-16	6,404	aug-16	8,846	dec-16	5,876

Basic capacity ratio

Basic capacity at 30 days BC ratio warning BC ratio limit				Year 2016 120% 100%	
jan-16	180%	may-16	180%	sep-16	328%
feb-16	355%	jun-16	430%	oct-16	825%
mar-16	413%	jul-16	305%	nov-16	557%
apr-16	704%	aug-16	204%	dec-16	828%

Standard model – In 2016, the liquidity risk indicator (LRI) with a 7-day time horizon stood at average levels of COP 8,449 billion (1.138%), while the 30-day LRI stood at an average of COP 6,852 billion (380%), which indicates that for a short-term horizon, BBVA 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.

BBVA Valores S.A.

Market Risk Management System (SARM, for the Spanish original)

Market risk management is an essential role to maintain the risk profile within the risk appetite declared by BBVA Valores. Therefore, effective procedures were established for identification, management, mitigation, monitoring, control and communication of the risks to which it is exposed or may be exposed. This is done with the intention of achieving several objectives:

- Limit exposure to losses, whether in terms of maximum loss or in terms of open position exposed to losses, through in-depth knowledge of risks in investments, of the existing levels of concentration and of diversification, to anticipate its future evolution.

- Establish warning signs in market risk management in order to be able to make decisions in time and according to the set objectives.

- Continuously monitor risk levels and their evolution.

Establish a remuneration system compatible with adequate and effective risk management that does not offer incentives for assuming risks that exceed the level tolerated by the Entity, among others.

To achieve these objectives, Senior Management established roles by areas, quantifiable limits and risk measurement tools, as follows:

a. Segregation - According to the role that the contracting, accounting, compliance or risk monitoring activities are related to, the responsibility was assigned to each of the following areas:

- *Front Office* - The area responsible for managing interaction with customers to contract and manage market positions.

- *Back Office* - Area responsible for managing the Company itself, with which the customer does not require direct contact. It complies with, validates and reports the activity of Front Office.

- *Accounting* – Validates the correct incorporation of the transactions carried out by Front Office and reviewed by Back Office in the Entity's financial statements.

- *Market Risk* - Through regular monitoring, it is responsible for preventing losses in the value of a portfolio as a result of changes in market prices, above all in the positions that make up the Treasury Portfolio, that is to say, in the positions held in the short term with the aim of obtaining a profit from the variations between the purchase and sale prices.

- *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. In performing its roles, 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 operations based on the current legal regulations to which the Company is subject, including participation in new markets or products.

BBVA has enough liquidity to comply with its short-term financing commitments.

b. Limits - In order to be cautious and quantify the risk, the following limits were established on the risk exposure of the activity carried out with own resources:

- *Stop Loss* - The limit structure is considered in all the cases with a real maximum loss system (stop loss) for different horizons (month, year). This system triggers a procedure carried out by those responsible for the business in order to limit the amount of losses, preventing the increase in positions and actively managing the positions that have generated said losses.

- *VaR and Economic Capital* - The market risk measurement and control system is based on a series of limits and early warnings in terms of VaR/ERC (economic risk capital), as well as in terms of positions. In addition to labeling the desired risk thresholds, the purpose of this system is to outline the risks that may not be completely covered by the VaR metric, or if they are, may be blurred by the benefits of diversification. Ultimately, the limit and early warning systems serve to delimit and monitor all the market risks related to the activity of BBVA Valores, preventing unexpected losses.

- *Backtesting* - The risk measurement model is regularly contrasted with the real results in terms of profits and losses. This test is of vital importance to ensure the validity of the assumptions and simplifications made in the risk measurement model, and it is carried out on a daily basis.

- *Stress Testing* - In addition to the risk measurements in terms of VaR, sensitivities and/or open positions, the stress testing scenarios are analyzed on a daily basis to calculate the impact that a stress scenario could have on investments.

c. Measurement and Monitoring Tools

The main risk measurement tools include the Corporate VaR Application (AcVaR) used by the Bank's Market Risk Department, which is directly managed by the GMRU in the Parent Company.

Value at Risk (VaR)

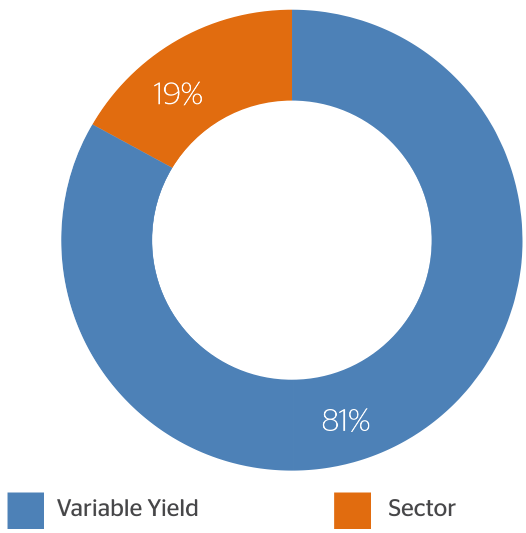
The methodology for estimating market risk follows corporate guidelines, and the VaR tool has been adopted for this purpose.

VaR estimates the maximum loss that may occur in the positions for an established time horizon with a given level of confidence. At BBVA Valores, the VaR is calculated with a confidence level of 99% and a time horizon of one (1) day. The VaR is estimated through the following calculation:

Portfolio

ISSUER	NPV	% OF THE PORTFOLIO	CLASSIFICATION
BANCO DAVIVIENDA S.A	$ 419,09	7,85	Marketable investments
BCO. COLP. RED MUL	54,12	1,01	Marketable investments
BCO. DE BOGOTA	9,97	0,19	Marketable investments
BANCOLOMBIA S.A.	155,56	2,91	Marketable investments
BCO. POPULAR	15,37	0,29	Marketable investments
C.F.C. LEASING COLOMBIA	85,13	1,59	Marketable investments
BVC	129,91	2,43	Marketable investments
BVC	4.188,85	78,43	Available for sale
BCO. CITIBANK	174,96	3,28	Marketable investments
BANCO CORPBANCA	2,1	0,04	Marketable investments
FINDETER	105,86	1,98	Marketable investments
TOTAL	**$ 5.340,92**	**100**	

The values displayed in the table for securities classified as held-to-maturity corresponds to the valuation as stated in Chapter I of Basic Accounting and Financial Notice 100 / 1995. The following graph specifies the concentration of the portfolio:



Monitoring of Market Risk

- *Internal Model* - In 2016, daily controls and measurements of the consumption levels of authorized internal limits were carried out, and their compliance was regularly reported to Senior Management.

- *Superintendence Standard Model* - In accordance with Public Notice 09 / 2007 of the Superintendence, the Broker has been measuring its exposure to market risk (interest rate and equity), which incorporates the measurement for the positions held with own resources in order to establish the effect that possible changes in market conditions may have on the economic value of the Broker's equity, whose impact is reflected in the solvency ratio. The measurement is carried out daily.

Limit: According to the provisions established by the regulator, the solvency margin can be no lower than 9%. Therefore, the Broker has established a minimum limit of 20%, which serves as a warning sign.

Risk Policies

These are derived from the guidelines of the BBVA Group:

- The Board of Directors decides the Broker's risk profile and strategy.

- Risk exposure is managed throughout the life of the operation, assigning specific responsibilities at the different phases in which it is carried out, whether related to identification, measurement, analysis, acceptance or monitoring, and in the case of credit quality impairment, intensive monitoring and recovery management.

Reports for Risk Management

- *Daily Scorecards* - The purpose of this report is to keep Senior Management informed of the assumption of risks, the management thereof and the corresponding controls. It contains the evolution of market risk, preliminary results of proprietary position and consumption of internal limits and stop-loss limits, among others.

- *Report to the Board of Directors* - The purpose of this report is to fulfill the responsibility of the area responsible for the measurement of market risks related to treasury activities and to keep the Board of Directors informed of the risks assumed by BBVA Valores.

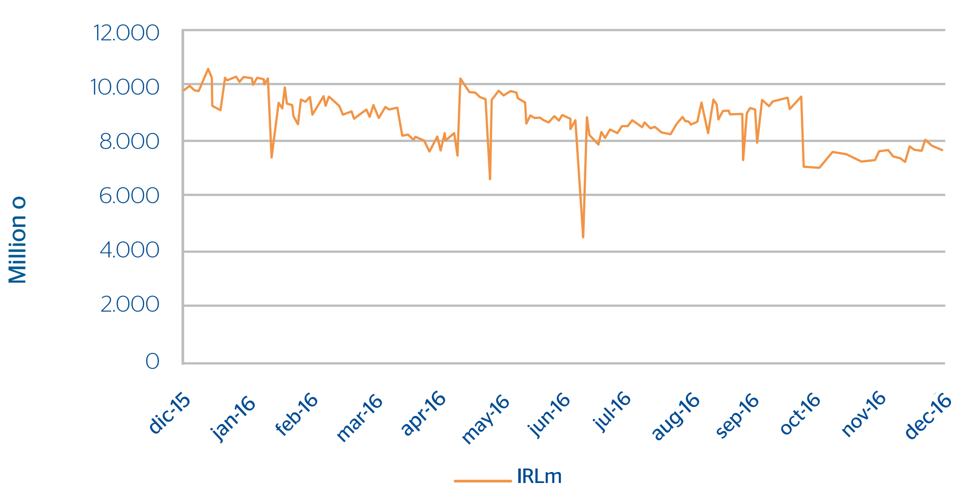
Liquidity Risk Management System (SARL, for the Spanish original)

Liquidity measurement and, therefore, the identification of its risk profile, is carried out on a daily basis by calculating the Liquidity Risk Indicator (LRI) (daily and at seven days). This measurement allows the quantification of the minimum level of liquid assets that must be held daily. The Liquid Assets Portfolio is the main element for the management of the Broker's liquidity, which allows the full capacity to transfer liquid assets, either through markets or through transactions with the Central Bank of Colombia.

The liquidity risk measurement methodology measures the liquidity risk in a horizon of 1 to 7 days. In this measurement, a time horizon of up to more than 30 days, distributed by periods of time according to current legal regulations is considered. The tool to manage and assess liquidity risk is a matrix that compares liquid assets to the Broker's liabilities and/or current rights, in which control and monitoring are in the accumulated liquidity gap for one day.

At December 31, 2016 and 2015, the indicator stood at COP 7,892,547 and COP 9,829,761, respectively, which indicates that BBVA Valores has a high level of liquidity. The evolution of the indicator during 2016 is presented below:

Liquid Risk Indicator



Limit System

The liquidity risk limits detect any incidence related to the level of liquidity. To do so, limits and alerts were implemented to establish the real status of liquidity in the entity and the market.

Regulatory Model Limits - Financial Superintendence of Colombia

- *Liquidity risk indicator:* BBVA Valores is deemed to have significant exposure to liquidity risk when, in a given daily report, the liquidity risk indicator at one (1) or up to seven (7) days is negative, and when the liquidity risk ratio is less than or equal to 100%.

- *Level of high-quality liquid assets:* BBVA Valores is deemed to have sufficient high-quality liquid assets when they exceed 70% of the total liquid assets.

Central Bank Overnight Repo Limit

A quantitative limit was established on repos with the Central Bank of Colombia. These repos must not exceed COP 200 million.

Global Contract Limits

In order to prevent customer defaults from generating situations of stress regarding liquidity, the following limits were established:

- *Maximum amount per transaction:* no transaction can exceed COP 3,000 million.

- *Maximum amount per customer :* the sum of a customer's accumulated operations cannot exceed COP 9,000 million.

- *In the event of a default in an amount greater* than or equal to COP 6,000 million, Market Risk will ask the business to suspend operations with said customer.

Warnings

Preventative indicators of liquidity risk are as follows:

- Warning on liquidity risk indicator at 1 and 7 days: A warning is set up on the liquidity risk indicator that anticipates adverse behavior in cases of pre-crisis. This warning is generated when the LRIr reaches 150%.
- Warning on the level of high-quality liquid assets (ALAC, for the Spanish original): A warning is established on high-quality liquid assets that anticipates adverse behavior in cases of pre-crisis. This warning is generated when the high-quality liquid assets are less than 80%.

Counterparty Risk Management System (SARiC, for the Spanish original)

The Market Risk Department is responsible for the daily control and monitoring of issuer, counterparty and settlement risk limits of treasury transactions according to the current authorizations provided by the Board of Directors.

The counterparty risk measurement process comprises all the transactions and starts with the initial process of identifying the type of customer with which the transaction is closed for each type of risk.

The management procedures include the authorization processes of the counterparty limits and an internal monitoring model, using tools to control and measure counterparty limits, compared to the transactions pending completion.

BBVA Valores applies clear policies in the event that limits are transferred and for the procedure in the case of exceeded limits.

Allocation of Limits

The limits for the operation of the firm's proprietary position are allocated as follows:

- Front Office proposes the credit limits that it considers appropriate for the development of the operations of the business. This proposal is prepared with the support of the BBVA Valores Market Risk Department.

- The Market Risk Department of BBVA Valores sends a proposal to the Credit Risk Area of BBVA Colombia for study.

- The Credit Risk Department of BBVA Colombia studies the proposal and issues an opinion thereon, making recommendations regarding the limits.

- The recommendations of the Credit Risk department of BBVA Colombia are taken into account by BBVA Valores and are submitted for authorization by General Management to the Board of Directors.

Internal Control and Operational Risk

The Bank´s Active Operational Risk Management has a model that improves the decision making in Control and Business.

With the implementation of the Operational Risk Management System (SARO, for the Spanish original) established by the Superintendence in 2008, BBVA Valores has driven and promoted compliance with its elements through a standard methodology implemented at BBVA companies in Colombia. In 2016, additional risks corresponding to the process related to compliance with the VOLCKER RULE (Record Keeping and Covered Fund) were incorporated in the Internal Control Model (ICM). FATCA controls are risks were also adapted to incorporate the CRS regulations and the risks of Investment Banking were transferred to Casa de Bolsa, which were included in accordance with the corporate methodology in line with the Broker's strategic plan and organizational structures.

Additionally, as a result of the prioritization assessment of the inherent risks and the existing controls for their mitigation carried out based on the method established in the Operational Risk Management System (SARO, for the Spanish original) Manual, the model was strengthened, generating greater awareness of the role in the companies' areas, also complying with the identification, measurement, control and monitoring stages of operational risk management.

The SARO model was continued, and in compliance with Public Notice 052 / 2007 of the Superintendence regarding the minimum security requirements and quality in information management through media and distribution channels of products and services for customers and users, policies and controls were implemented for the mitigation of the risks posed by the information assets.

As regards the SARO training plan, all of the Broker's employees were trained using the e-campus tool, as follows: SARO: Certification through the basic corporate course on Operational Risk. This training strengthened the basic concepts of the operational risk management model.

The area's objectives for next year are aimed at strengthening risk analysis and control in new processes, products, services and channels, and high priority projects for the Entity, both on the local and corporate levels, ultimately supported by the review and/or improvement of the processes and incorporation of key risk indicators (KRIs), as well as continuing to adjust them to the new changes that arise for the management of the STORM platform.

In line with Corporate Operational Risk, in early 2016, the guidelines provided at the corporate level of the New Internal Control Model to be implemented were formalized for all the entities of the BBVA Group. After that, a multidisciplinary team on the local and holding levels analyzed the conceptual and organizational implications thereof, whose structure was approved at the end of June at the local Corporate Assurance forum.

BBVA ensures at all times enough capital to handle with the expected and/or unexpected losses that could happen.

This New Internal Control Model is still based on three lines of defense:

- The first line consists of the business areas and supporting areas, coordinated by the role of Control Manager, Internal Control Managers, Business Operational Risk and by process and control owners.

- The second line is comprised of the Corporate Operational Risk and Internal Control Unit (UCROCI, for the Spanish original) and Country Operational Risk and Internal Control (RO and CI, for the Spanish originals), and it designs, maintains and updates the operational risk framework in the country and verifies its correct implementation in the business and supporting areas, which define procedures, systems and tools.

- The third line is comprised of the Internal Audit unit, which conducts an independent review of the model, verifying the compliance and effectiveness of the corporate and local policies, providing independent information on the control model.

At the end of September 2016, the structure was formalized, the new roles were assumed, and it was implemented at the different levels of the organization. The role of the Secretariat of the Corporate Assurance forum held by Internal Audit was taken over in October by the Country Operational Risk and Internal Control Department. Notwithstanding, there were no changes in the structure for BBVA Valores.

Compliance System

The Group's compliance system is one of the bases on which BBVA strengthens the institutional commitment of conducting all its business and activities in accordance with strict standards of ethical behavior. The Compliance Department continues to coordinate its activity around the development and implementation of policies and procedures, dissemination and training in terms of compliance and the identification, assessment and mitigation of possible compliance risks, understood as those that have an impact on the following issues:

- Conduct on the markets.
- Dealing with conflicts of interest.
- Preventing money laundering and terrorist financing.
- Personal data protection.

To do so, all the Department objectives were fully complied with in 2016, focused on aspects, such as: proper management and mitigation of compliance risks, active participation on the New Products Committee, offering support and assistance for the commercial management of the Bank and all other BBVA companies in Colombia, strict compliance in the delivery of internal and external reports, timely fulfillment of national oversight and supervisory bodies' requirements and employee training in topics related to the role of compliance. An adequate organizational structure with a clear assignment of roles and responsibilities throughout the Organization.

In addition, the training strategies were maintained in order to strengthen the ethical culture of the entity even more. As a result of launching our new Code of Conduct the virtual Code of Conduct course was launched on our online platform. We also continued to carry out virtual courses in all other areas: Policy of Conduct in the Area of Securities Markets and Personal Data Protection. Virtual and classroom-based training activities were also carried out with individuals subject to the Internal Code of Conduct on the Securities Market.

Standards of Conduct

The BBVA Group's Code of Conduct provides behavior guidelines that are in line with our principles of caution, transparency and integrity.

Said document contains the commitments that help prevent corruption in the BBVA Group, as well as specific policies that elaborate on this topic. In 2016, BBVA reviewed its anti-corruption framework in order to adjust it to the new Code of Conduct, while detecting opportunities for reinforcement, which will be materialized over the next few months.

Also, BBVA Colombia has a Policy of Conduct in the area of Securities Markets that, as a development of the guidelines, established in the BBVA Group Code of Conduct in relation to securities markets, includes a series of general principles and standards of performance that are commonly accepted on the international level, aimed at preserving integrity on the markets. It specifically includes the minimum standards of performance that all members of the BBVA Group must observe in relation to the treatment of insider information, the prevention of price manipulation, the management of potential conflicts of interest that may arise and insider trading by employees on the markets.

We also have several documents that are intended to generate commitments in each of the areas as applicable. The documents are:

- Internal code of conduct in Securities Markets.

- Bylaws for compliance.

Whistleblower Channel

Our main mechanism for managing the conduct risk at the BBVA Group is the Whistleblower Channel. As indicated in the Code of Conduct, the members of BBVA must not tolerate behaviors that depart from the Code or any conduct in the performance of their professional roles that may damage the reputation or good name of BBVA, whereby the whistleblower channel is a means to help employees report any non-compliances observed or reported by their employees, customers, suppliers or coworkers.

Employees can report actions or situations related to BBVA through the following channels:

- Discuss the case with their supervisor or Human Resources contact

- Report the case through the whistleblower channel of the region or area in which they work.

- Use the whistleblower channel, notifying the Compliance Department of the case at e-mail canaldedenuncia.co@bbva.com or telephone: +57 380 8171.

Those who in good faith report events or actions to the whistleblower channel will not be subject to retaliation, nor will they suffer any other negative consequence due to their communication.

The Compliance Department processes the reports received diligently and promptly, promoting their verification and measures for the solution thereof, in accordance with the management procedures of the whistleblower channel. Information will be analyzed in an objective, fair and confidential manner.

Preventing Money Laundering and Terrorist Financing

Preventing money laundering and terrorist financing (hereinafter PML&TF) is, above all, a constant in the objectives that BBVA Valores Colombia associates with its commitment to improve the different social environments in which it operates.

To BBVA Valores Colombia, preventing its products and services from being used for illegal purposes is also an essential requirement for preserving corporate integrity and, thus, one of its main assets: the trust of the individuals and institutions with which it relates on a daily basis (customers, employees, shareholders, suppliers, etc.).

In order to do so, as part of a global financial group with branches and affiliates operating around the globe, BBVA Valores Colombia has a corporate risk management model that includes all compliance issues (see description in the Compliance System section).

This model not only considers Colombian regulations, but also includes the best practices of the international financial industry on the matter, as well as the recommendations issued by international bodies, such as FATF (Financial Action Task Force).

It is also important to mention that the money laundering and terrorist financing risk management model is continuously evolving and subject to constant independent review.

In particular, the risk analyses carried out reinforce the controls and establish, where appropriate, additional mitigating measures to strengthen the models.

In 2016, BBVA Valores Colombia continued to strengthen said model, for which it carried out significant activities focused on preventing funds of illicit origin from entering and using the financial system. To do so, it continued to strengthen its Money Laundering and Terrorist Financing Risk Management System.

The following activities stand out:

- New monitoring scenarios were designed to detect unusual customer transactions

- The policy to incorporate high-risk activities was regulated, for which the Front and Back Office were trained to properly incorporate customers involved in any of the activities defined in the policy.

- The customer risk factor segmentation methodology was strengthened by the inclusion of new variables and the allocation of new weights.

- Adjustments were made to improve the control environment based on the unification of criteria, such as risk standardization, controls and testing in BBVA entities in Colombia.

- The requirements of the Financial Superintendence of Colombia were addressed in a timely manner, as were the information requirements of investigative authorities.

- The training plan was completed, applying virtual and classroom-based strategies, covering all the Broker's employees. All the scheduling of participants and course contents was carried out paying special attention to the needs of employees working in areas with the highest risk.

- Work continued in the area of customer information quality in the application and data updating management, including a mass customer update process.

45. Corporate governance (unaudited)

BBVA'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: Audit Committee, Risk Committee, Governance Committee and Nominations and Retributions Committee, as well as an appropriate decision-making process.

Pursuant to the Bank's Bylaws, the Board of Directors is the Company's natural administration, management and oversight body, and in the 2016 fiscal year, it was made up of six 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.

BBVA Corporate Governance System follows the international, corporate and local recommendations.

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. This ensures the corporate bodies' awareness of the relevant matters, reinforcing the existing control environment at BBVA.

These Committees are chaired by independent Board Members with 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.

The Rules of Procedure of the Board of Directors and the Committees may be consulted on the BBVA website: www.bbva.com.co, as well as the Annual Management Reports.

Regarding our Risk Management Policy, in the first instance, the Board of Directors is responsible for approving the Risk Management Strategy, 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.

It is important to mention that during the 2016 fiscal year, the Board of Directors approved the Parent Company - Affiliate Relationship Model regarding of Risks. This Model reconciles the BBVA Group in the integrated management and supervision of the risks to which it is exposed, defining the affiliates' Board of Directors role and their relationship with the BBVA Board of Directors as the parent company, and establishes the communication channels between the Bank's risk departments and those of its affiliates. The Model also contributes to the performance of the Board of Directors' function of supervising compliance with the risk appetite at the Group level, allows the monitoring of the application of corporate and local risk policies, the dissemination of a risk culture at the Group level and the establishment of uniform expert criteria.

BBVA has a general model of Control and Management that is appropriate with its business profile..

At the Senior Management or Bank Management level, the role of risk management is led by the Executive Risk Vice-Presidency, which has a decision-making process underpinned 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 faced by BBVA in the development of its businesses.

As a result, please note that the Board of Directors and Senior Management are duly aware of the Entity's business structure and processes, 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 under 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.

In turn, 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 2016, BBVA carried out Enterprise Risk Management through the development of models and tools for the coordination of monitoring and control activities with a dynamic and anticipatory vision which makes it possible to comply with the risk appetite approved by the Board of Directors.

In the loan acceptance areas, 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 could 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, 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 awareness-raising campaigns were carried out in the digital transformation framework at BBVA.

Auditing

In turn, the Internal Auditor and 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 lead it to believe that BBVA is not following the practices, methodologies, procedures and standards established for management of the different kinds of risk.

In view of the above, it was concluded that BBVA has an adequate general control and management model for its business profile, organization and region in which it operates, which allows it to carry out its activity in the framework of the Corporate Governance System, in turn, adapting to a changing economic and regulatory environment.

46. Other matters of interest

Tax Reform

Law 1819 / December 29, 2016 contains the structural tax reform intended by the national government to bring simplicity and fairness to the tax system. Main changes identified:

Income tax:

- Income tax rates are reduced gradually according to the table:

	2016 Income and CREE %	Income Tax %	Surcharge %(*)	% Total
2017	42	34	6	40
2018	43	33	4	37
2019	34	33	-	33

(*) Surcharge for base greater than COP 800 million, subject to advance payment; 2 installments in 2017.

- The CREE tax is eliminated, but the exemption of contributions (Colombian Family Welfare Institute (ICBF, for the Spanish original), National Training Service (SENA, for the Spanish original) and mandatory healthcare payments) is maintained for employees earning less than ten minimum monthly wages (SMMLV, for the Spanish original).

- Wealth Tax: the current provisions were not repealed.

- The VAT paid on capital assets is allowed can be deducted.

- Profit on financial transactions, such as the financing of low-income housing and returns on securitization, are maintained; residential leasing shall be taxed at a rate of 9% (up to the termination of leases signed prior to December 27, 2012).

- Although the International Financial Reporting Standards (IFRS) are the tax basis, there are important exceptions, which include:

  - The treatment for certain financial instruments (e.g. derivatives, treasury transactions, leasing, trusts) is maintained.

  - Valuations are not taxed and linear accrual is maintained in the securities portfolio.

  - The assets subject to depreciation and amortization acquired up to December 31, 2016 shall continue to be depreciated or amortized as per the standards in force during that year.

- The ledger has been eliminated; however, the National Tax and Customs Directorate (DIAN, for the Spanish original) has the power to audit the financial statements directly. An accounting - tax reconciliation, which is considered an accounting document, must be kept.

- The presumptive income tax rate increases from 3% to 3.5%.

- Withholding through financial entities has been eliminated.

- The restriction on payments in cash has been established, and is effective as of 2018.

- Research and development projects. The same treatment will remain in force for projects that generated profit for 2016 and are multi-annual. As for new projects, a discount of 25% and a deduction of 100% will be allowed (subject to compliance with conditions).

- The simplified tax has been created as optional for taxpayers who meet the requirements and voluntarily choose to benefit therefrom.

Value-added Tax - VAT:

- The VAT rate has increased from 16% to 19%.

- Acquisitions and transfers of rights involving industrial property are taxed.

- Services provided from abroad are taxed.

- Services excluded:

  - Virtual education for the development of digital content and software license acquisition for the commercial development of digital content.

  - Provision of websites, servers (hosting), cloud computing and remote program and equipment maintenance.

- Withholding tax is created, to be paid by credit and debit card issuers, on electronic or digital services to providers from abroad for certain events, applicable as of July 1, 2018 and restricted to four types of services.

- The 5% tax was created for the sale of new homes exceeding a value of 26,800 Tax Value Units (UVTs, for the Spanish original). However, for the year 2017, if a pre-sale agreement, separation document, pre-sale order, purchase and sale agreement, trust engagement document and/or deed of sale is signed, this VAT will not be applicable, subject to providing certification by a Notery public.

Tax on financial transactions (GMF, for the Spanish original):

The tax on financial transactions (GMF) has been maintained at .004%.

Criminal penalty

Due to the omission of assets or inclusion of non-existent liabilities, thus affecting the calculation of income tax. The penalty is applicable to omissions for an amount greater than or equal to 7,250 minimum monthly wages.

The criminal penalty consists of 48 to 108 months in prison and a fine of 20% of the value of the asset omitted or declared inaccurate or the value of the non-existent liability. Criminal action is extinguished by fulfilling the tax obligation.

47. Subsequent Events

From January 1, 2017 to the date of presentation of the Basic Financial Statements of 2016, the following events have occurred:

Completion of the Report on the Implementation of Nuevo Código País Best Corporate Practices for the 2016 fiscal year

On January 27, 2017, BBVA Colombia completed and submitted the Código País Best Corporate Practices Implementation Report for the 2016 fiscal year to the SFC, filed under No. 137096. The Report is available on the Bank's website at https://www.bbva.com.co/meta/atencion-al-inversionista/encuesta-codigo-pais/

Migration of the Data Processing Center

On February 10, 2017, the Data Processing Center (DPC) was successfully transferred from Monterey to Lago Esmeralda in Mexico.

The DPC is the technological headquarters created based on the concept of integral, modular, scalable, flexible and secure solution, thereby receiving Uptime Institute Tier IV certifications in design, construction and sustainability, recognizing its excellence in supporting BBVA's business functions. At the current stage of the BBVA Group's transformation to banking services leveraged in technology, the DPC is the short and long-term foundation, with a high-level architecture and a cutting-edge engineering system, with highly qualified personnel. The new DPC in Lago Esmeralda will provide services to the BBVA Group companies in the United States, Mexico, Peru, Chile and Colombia.

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